

#### An improved post-study work system

September 2018

#### **Summary**

- This parliamentary briefing outlines Universities UK's proposal for an improved post-study
  work offer for international students who have completed their study at a UK university,
  allowing these students to contribute their skills and expertise to their local communities.
   Improving post-study work is vital to meeting skills needs and maintaining the UK's global
  competitiveness for international students.
- In 2016-17, 442,375 international students made up 19% of all students registered at UK universities (6% from the EU and 13% from non-EU countries). The income and economic activity of these students resulted in £25.8 billion in output and 206,600 jobs for the UK economy in 2014-15 alone. International students also enhance the academic experience of domestic students and add to the UK's soft power abroad, with 57 current world leaders having been educated in the UK.
- The UK remains a popular destination for international students, attracting more students from abroad than any other country except the USA. However, the UK's competitors such as USA, Australia, France and Germany all continue to grow at a faster rate than the UK, with growth rates in 2014-15 of 9.4%, 10.7%, 1.8% and 8.7% respectively. Over the same period, the UK's international enrolments grew by just 0.5%.<sup>4</sup>
- A key factor in the declining proportion of international students choosing the UK as their study destination is our comparatively poor post-study work offer. Our competitor countries have post-study work systems which recognise the value of international students staying in their local communities on completion of their studies, using their education and expertise in skilled roles which benefit their communities. Brexit offers an opportunity for the government to ensure that the UK's immigration system is effective at attracting and retaining overseas talent from countries both in Europe and beyond.

<sup>&</sup>lt;sup>1</sup> Higher Education Statistics Agency (2017), Student record 2016-17

<sup>&</sup>lt;sup>2</sup> Universities UK (2017), <u>The economic impact of international students</u>

<sup>&</sup>lt;sup>3</sup> Higher Education Policy Institute (2018), <u>UK slips behind the US, which takes the number one slot, for educating the world's leaders</u>

<sup>&</sup>lt;u>leaders</u>

<sup>4</sup> Universities UK International (2018), <u>International Facts and 0Figures 2018</u>

- An enhanced post-study work scheme is important to boosting the productivity and earning power of all regions and nations of the UK, aligning closely with the objectives of the government's industrial strategy and aim to maintain our global leadership in the world post-Brexit. In addition to growing the number of skilled international graduates who invest their expertise in the UK upon finishing their studies, an improved system will increase our attractiveness to overseas students, who bring immense economic, social and cultural benefits to the UK, and support the government's goal of increasing education exports to £30 billion by 2020.
- There is significant support among the general public for an improved post-study work system. Recent polling performed by ComRes, on behalf of Universities UK, has shown that 74% of British adults agree that international students should be able to work in the UK for a period following their study, with 72% indicating that this period should be one year or more. A majority of the public (58%) also agree that the UK should ensure it continues to compete for international students to maintain or increase its market share. Only one-in-five (19%) say they would like to see fewer international students studying in the UK.5
- International students have very high levels of visa compliance. Recent Home Office data shows that 97.6% of student visa holders departed in-time (i.e. before their visas expired), meaning that non-compliance is at worst 2.4% (and that some of these may still have left legitimately).6
- Universities UK has worked with employers and sector organisations to establish a proposal for an improved post-study work system for international graduates. This new, temporary Global Graduate Talent Visa will allow graduates sponsored by a university to gain work experience in the UK for up to two years on a more flexible basis than currently permitted by the Tier 2 visa.
- This briefing covers the following:
  - 1. The benefits of international students
  - 2. The challenge: remaining globally competitive
  - 3. An improved post-study work offer
  - 4. Benefits of a graduate talent visa
  - 5. Approaches in competitor countries

Universities UK (2018), ComRes polling on international students
 Home Office (2018), Third report on statistics being collected under the exit checks programme

#### The benefits of international students

- A more flexible post-study work system would make the UK a more attractive destination for overseas students, who make a substantial contribution to economic growth in all nations and regions of the UK. In 2014-15:
  - o On- and off-campus spending by international students and their visitors generated £25.8 billion in gross output for the UK economy.<sup>7</sup>
  - o On- and off-campus spending by international students and their visitors supports jobs all over Britain, supporting 206,600 full-time equivalent (FTE) jobs nationally.
  - o International students are good for the British economy as a whole, being responsible for £10.8 billion of UK export earnings.
  - o The economic activity and employment sustained by international students' off-campus spending generated £1 billion in tax revenues. This is the equivalent to the salaries of 31,700 nurses or 25,000 police officers.
- International students play an important role in supporting activities within universities which contribute to the success of the government's industrial strategy through driving innovation and increasing productivity. Many universities rely on income from international students to fund their cutting-edge research, with the average overseas student contributing £8,000 per year to research in the UK.8
- 43% of postgraduate research students and 29% of academic staff are also from overseas. These students and staff are vital in ensuring UK universities have the talent and expertise they need to perform world-class research, particularly in strategic subjects like engineering, biological sciences and computer science.9
- International students support strategically important university courses at postgraduate level, ensuring they remain viable for home students who study alongside them. Overseas students make up over half of postgraduate taught students at UK universities in subject areas such as: engineering (60%); mathematics (58%) and computer science (50%). 10

<sup>&</sup>lt;sup>7</sup> Universities UK (2017), <u>The economic impact of international students</u>

<sup>&</sup>lt;sup>8</sup> Higher Education Policy Institute (2017), How much is too much? Cross-subsidies from teaching to research in British universities

Universities UK (2018), <u>Higher education research in facts and figures</u>
 HESA Student Record 2015-16, HESA

Without these overseas postgraduates, many institutions would face challenges in continuing to offer these courses to domestic students.

- It is not just research-intensive institutions which benefit from international students. Many specialist, world-leading institutions have high proportions of overseas students, with 47% of the student bodies of both the University of the Arts, London and the Royal College of Music being made up of international students. Some more locally-focused and teaching-heavy institutions also have high proportions of international students, such as the University of Westminster (31%) and Queen Margaret University, Edinburgh (21%).
- The contribution of such students extends beyond monetary outcomes, adding value to the experience of domestic students and the UK's global soft power. British students benefit from building international contacts and an understanding of other cultures that equips them for increasingly globalised labour market. Research has found that three quarters of domestic students say that studying alongside international students was a useful preparation for working in a global environment, and the same proportion said it gave them a better world view. 11
- The wider public also recognise the non-economic benefits of international students to their local communities. Polling shows that 61% of the general public agree that overseas students have a valuable social and cultural impact on the towns and cities they live in, compared to just 19% who disagree with this sentiment. 12
- Once they have completed their studies, international students become lifelong ambassadors for the UK. 57 current world leaders were educated in the UK, second only to the USA. 13 These soft power connections will become increasingly important as the government looks to build a global Britain with strong trade links across the world following our withdrawal from the EU.
- Recent research by the Home Office has found very high levels of visa compliance by international students, demonstrating that Office for National Statistics (ONS) migration statistics implying high levels of visa overstaying are inaccurate. The research shows that 97.6% of student visa holders departed in-time (i.e. before their visas expired), meaning that non-compliance is at worst 2.4% (and that some of these may still have left legitimately). 14

<sup>&</sup>lt;sup>11</sup> Higher Education Policy Institute and Kaplan (2015), What do prospective students think about international students?

<sup>&</sup>lt;sup>12</sup> Universities UK (2017), New ComRes poll: majority of British public would like to see the same number or more international students

13 Higher Education Policy Institute (2018), UK slips behind the US, which takes the number one slot, for educating the world's

<sup>14</sup> Home Office (2018), Third report on statistics being collected under the exit checks programme

#### The challenge: remaining globally competitive

- International student numbers around the world are projected to grow substantially in coming years. This affords a significant opportunity to the UK to capitalise on its position as a popular destination for students. The Organisation for Economic Cooperation and Development (OECD) has estimated that the number of university students seeking a higher education experience outside their home country is expected to grow significantly from 4.1 million in 2010 to 8 million by 2025. 15
- The UK remains an extremely popular destination for international students, attracting more students from abroad than any other country except the much larger USA. However, the UK's closest competitors – such as USA, Australia, France and Germany – all continue to grow at a faster rate than the UK, with growth rates in 2014-15 of 9.4%, 10.7%, 1.8% and 8.7% respectively. Over the same period, the UK's international enrolments grew by just 0.5%. 16 See Annexe B for a global comparison of recent rises in international student numbers.
- A key factor in the declining proportion of international students choosing the UK as their study destination is our comparatively poor post-study work offer. In 2015, Hobsons found that 36% of prospective students who chose not to study in the UK cited post-study work options as a reason for their decision. This was the principal factor given as a reason for not studying in the UK, followed by two very similar concerns about job prospects in the UK and ability to stay in the UK.<sup>17</sup>
- Brexit, and the connected immigration white paper and Immigration Bill, offer an opportunity for the government to ensure that the UK's immigration system is effective at attracting and retaining overseas talent from countries both in Europe and beyond. This should include the introduction of an improved post-study work system, alongside adjustments to Tier 2 visa salary thresholds.
- Since the abolition of the Tier 1 (Post-Study Work) visa in 2012, stringent requirements have been placed on international graduates who wish to work in the UK following their study. Students have just four months following the end of their studies to find a job with a Tier 2 sponsor, with an initial minimum salary requirement of £20,800 per annum. As outlined below, these conditions are significantly less flexible than those in competitor

<sup>&</sup>lt;sup>15</sup> Organisation for Economic Cooperation and Development (2012), <u>Assessment of higher education learning outcomes</u>

 <sup>&</sup>lt;sup>16</sup> Universities UK International (2018), International Facts and Figures 2018
 <sup>17</sup> Hobsons (2015), International Student Survey 2015: Value and the Modern International Student;

countries and prevent many graduates from remaining in the UK once they complete their course.

- As a result of these requirements, the number of overseas students remaining in the UK to work following their study has fallen significantly since the closure of Tier 1 (Post-Study Work) visa. In 2016, there were 6,037 switchers from a Tier 4 visa into a work-related visa, compared to 46,875 in 2011 - a fall of 87%.18
- The general public recognise the immense value of international students investing their skills and expertise in the UK once they complete their study. Recent polling performed by ComRes has shown that 74% of British adults agree that international students should be able to work in the UK for a period following their study, with 72% indicating that this period should be one year or more. A majority of the public (58%) also agree that the UK should ensure it continues to compete for international students to maintain or increase its market share. Only one-in-five (19%) saying they would like to see fewer international students studying in the UK.19
- International graduates on our proposed post-study work visa will predominately be filling skills gaps which UK graduates are currently unable to fill. Employers would still have a strong preference for recruiting domestic graduates, given that overseas graduates would only be able to remain in the UK for two years unlike a home graduate who can remain in the role in the longer term and be employed with far less bureaucracy. However, the proposed visa will be important for meeting skills needs in regions and sectors where there are current domestic skills shortages.

#### An improved post-study work offer

 Universities UK is proposing that the UK introduces a new, temporary Global Graduate Talent Visa. Under this visa, all Higher Education Institutions registered as Tier 4 sponsors would be able to sponsor their graduates to search for and gain work experience in the UK for up to two years on a more flexible basis than currently permitted by the Tier 2 visa, without restrictions on job level or salary, and without an employer sponsorship requirement. Universities would have the flexibility to manage the licence for the new visa system separately from their Tier 4 licence, including through a new but linked corporate entity, to remove the risk of disruption if the Home Office has concerns about either licence.

 <sup>18</sup> Office for National Statistics (2017), <u>International student migration research update: August 2017</u>
 19 Universities UK (2018), ComRes polling on international students

- This new visa would give international graduates a longer period to search for a Tier 2 eligible role and allow a wider range of employers to benefit from access to talented graduates from around the world including small and medium employers who do not have Tier 2 sponsorship licences. In line with competitor economies (e.g. USA, Canada, Australia), this visa category would permit graduates to search for work and report all changes in their employment or address to their university using an online system. Time spent on the new visa would not count towards settlement in the UK. Once a graduate had found a job which enabled them to switch into Tier 2 as a 'new entrant' they would be expected to do so, and those who did not find a job offer sufficient to move into Tier 2 would be required to leave at the end of the period covered by the visa. Graduates of any programme of study at an eligible UK university lasting longer than 11 months would be eligible to remain on this visa for up to two years.
- Alongside the proposed new visa, Universities UK will work with universities to support local SMEs to hire international graduates under the existing Tier 2 route by informing them about the Tier 2 sponsorship system and the process for applying to be a Tier 2 sponsor. This will help to increase the number of Tier 2 sponsoring employers across the UK. Together these measures will enable more regional SMEs to benefit from the skills of international graduates, including in shortage areas like engineering and business services.

#### Changes to Tier 2 Salary Thresholds

• Universities UK is also calling for current £20,800 Tier 2 'new entrant' salary threshold to be nuanced, in light of the differences between this threshold average UK/EU graduate salaries in different regions of the UK, and for female graduates. Statistics show that first (bachelors) degree graduates only achieve the required salary level in six regions of the UK, while female graduates only achieve the required level in London, the South East, and Scotland. We are proposing £19,500 as a reasonable level. This is higher than the salary threshold required for a UK citizen to bring over a non-EU spouse (£18,600) and in line with graduate starting salaries across the UK.

#### Benefits of a global graduate talent visa

• International competitiveness: Universities UK has worked with its members, employers and other key stakeholders to develop a proposal for an improved post-study work offer for international students. This system would be comparable to our international competitors and would make the UK more attractive to overseas students, increasing the economic,

social and cultural benefits of these students and helping to support the government's target of increasing education exports to £30 billion by 2020.

- Industrial strategy: international students form a vital part of the pipeline into academia and research, particularly in subjects where there are deficiencies in the domestic pipeline such as many STEM subjects. Significant proportions of international graduates who remain in the UK enter shortage occupations which are essential to increasing growth and productivity, such as medical scientists, mechanical engineers, programmes and software developers. Our post-study work proposal will strengthen the ability of businesses and universities to benefit from the skills which overseas graduates bring to the UK.
- Regional growth: research demonstrates that those non-EU students who currently stay to work in the UK following their studies are likely to remain in the region where their university is based.<sup>20</sup> This factor, combined with recommendations in Universities UK's proposal on salary thresholds and SME engagement, will meet the objectives of the industrial strategy by supporting economic growth and productivity in all parts of the UK, including regions with specific challenges around skills and deprivation.
- Gender inequalities: due to gender imbalances in graduate incomes, the current inflexible
  Tier 2 salary thresholds mean that female graduates are far less likely to be able to remain
  in the UK following their study. Reducing the visa salary threshold will help address these
  gender inequalities, levelling the playing field for female international graduates who want to
  invest their expertise in the UK following their study.
- Accountability: under our post-study work proposal, universities will continue to sponsor graduates while on their temporary visa. This will make them accountable for their graduates and committed to ensuring existing very high levels of visa compliance are maintained. While, as mentioned above, students have a very high visa compliance, there will be an added incentive for institutions as sponsors to ensure compliance with the post-study system. Due to the importance of graduate outcomes to an institution's reputation and performance indicators on which it is judged, universities will also have a significant interest in encouraging their former students to go into professional roles where they utilise their skills and expertise.
- Trade and exports: an enhanced post-study work system will help meet the goals of the government's trade strategy, supporting businesses of all sizes to make the most of export opportunities across the world as the UK leaves the EU. The knowledge, skills and

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<sup>&</sup>lt;sup>20</sup> Higher Education Careers Service Unit (HECSU) analysis of HESA data

language abilities of international graduates are immensely valuable for exporters, such as for research on new international markets, liaising with overseas suppliers and customers, translating and providing cultural advice.

#### **Approaches in competitor countries**

- Countries which compete with the UK for international students, such as the USA, Canada, New Zealand and Australia, have post-study work offers which are significantly more generous than our own. For instance, these countries have no minimum salary thresholds and are more flexible for recent graduates who are searching for a job. These factors make competitor study destinations more attractive than the UK and can help explain the declining global share of international students studying at UK institutions. See Annexe C for a table showing a comparison of post-study work systems between the UK and competitor countries.
- In addition, the UK also has a fairly unattractive student visa system when compared with these countries, disincentivising students to apply to the UK. In addition to the UK having more stringent requirements around limits on study time, restrictions on dependents, credibility interviews for most applicants and academic progression requirements, visa costs for international students are significantly higher for the UK than competitor countries (see Annexe D). Any post-Brexit immigration system which wishes to attract more international students should also consider current visa costs and level of bureaucracy in order to meet this aim.
- The UK's relative decline, coming despite the high satisfaction of international students studying here, can also be partly explained by other countries' ambitious strategies in recent years to attract more international students. For example:
  - Australia: in 2016, the government published the National Strategy for International Education 2025, with a focus on improving the regulatory environment for universities, strengthening international partnerships and doing more to promote Australia's offering to international students. The Australian strategy also explicitly highlights the soft power benefits of international education, discussed above in Australian policymakers have deliberately refined their approach to international education to maximise these benefits by designing programmes to demonstrate an interest in cultural engagement.<sup>21</sup>

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<sup>&</sup>lt;sup>21</sup> Australian Government (2016), National Strategy for International Education 2025

- Canada: in 2014, it launched an ambitious International Education Strategy with a target of doubling the number of international students and researchers to 450,000 by 2022.<sup>22</sup> International education is also identified as a priority sector in the government's broader Global Markets Action Plan. The strategy commits to maintaining and increasing funding to ensure rapid visa processing, as well as expanding students' right to work during their studies and establishing a new post-study work permit.<sup>23</sup> The government predicted that its measures would give the Canadian economy a CA\$10 billion (\$5.8 billion) annual boost. It similarly highlighted the potential soft power to be gained for Canada by hosting international students.
- o **Germany:** the German Academic Exchange Service, DAAD, published its *Strategy* 2020 in February 2013, with a headline target of enrolling 350,000 international students (a 25% increase) by 2020.24 Key points of the strategy were incorporated into the coalition agreement of the new government in December 2013. This strong commitment to increasing internationalisation in the German higher education sector led to the strategic enrolment target being achieved three years early, in late 2017.
- Alongside an enhanced post-study work system, for the UK to be able to continue to compete for global share of international students, the government should launch an ambitious, cross-Government strategy to increase international student numbers. This should be accompanied by a significant and sustained international campaign to encourage international students to choose the UK as their preferred study destination for high quality higher education, counteracting the less-than-welcoming impression of recent years.

<sup>&</sup>lt;sup>22</sup> Government of Canada (2014), <u>International Education Strategy</u>

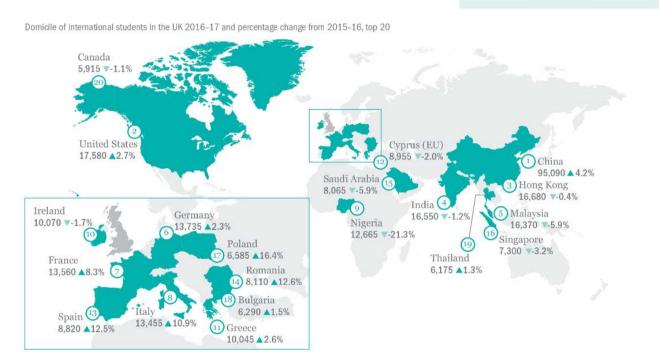
<sup>&</sup>lt;sup>23</sup> Government of Canada (2013), Global Markets Action Plan <sup>24</sup> German Academic Exchange Service (2013), Strategy 2020

## Annexe A: origin countries of international students in the UK

# WHERE DO INTERNATIONAL STUDENTS IN THE UK COME FROM?

1 in 5

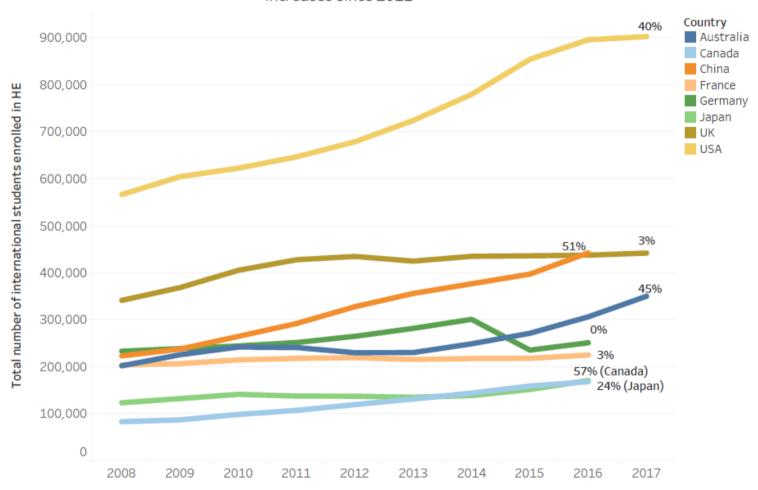
The proportion of international students studying at UK universities that are from China.



Source: HESA student record (multiple years)

### Annexe B: comparison of international student numbers with global competitors

International students enrolled in higher education in the UK and competitor countries, with increases since 2011



Source: Universities UK International (2018): International students: quarterly data briefing (Aug 2018)

# Annexe C: Comparison of post-study work options with competitor countries

	UK	Canada	USA	Australia	New Zealand
Main route available	Tier 2 General Visa	Post-Graduation Work Permit Program (PGWPP)	F-1 Optional Practical Training (OPT)	Temporary Graduate Visa (485): Post-Study Work	Post Study Work Visa (open)
Job offer/ sponsor required?	Yes - students have 4 months at the end of their student visa to find a job with a Tier 2 sponsor	No – graduate can job search whilst on this visa	No – graduate can job search whilst on this visa but only 90 days' unemployment allowed	No – graduate can travel, work or study	No - graduate can job search whilst on this visa
Min salary	£20,800 or going rate for the job whichever is higher.	n/a	n/a	n/a	n/a
Length of visa	3 years	If studies are between 8 months and 2 years, the length is no longer than length of studies. If studies are two years or more work permit may be issued for three years.	12 months (with any time spent working during degree reduced from post-study work total)	2-4 years depending on the highest qualification used to apply for this visa.	3 years
Extension options	3 years	Skilled work experience through PGWPP helps qualify for permanent residence criteria. Graduates are encouraged to consider applying for permanent residency	24-month extension available for graduates of certified STEM programs	None, but viewed favourably for residency through additional GSM points	A further 2 years with a specific employer through the Post Study Work Visa (employer assisted)
Eligibility	UK bachelor's degree / UK master's degree / PGCE / PGDE / minimum 12 months PhD study English language ability Sufficient funds available	Full time study for minimum 8 months at authorised institution Apply within 90 days of written confirmation of completion with valid study permit at time of application Have completed a full-time program that lasted 900 hrs or more	Must have F-1 visa and designated school official must nominate applicant Min 20 hours/week Apply within 60 days of graduation Work must relate to field of study Maximum 90 days' unemployment permitted (up to 150 days for STEM extension)	Younger than 50, are in Australia, hold an eligible visa, meet Australian study requirement in last 6 months, meet English language requirement, recently graduated with an eligible qualification, applied for (and granted) 1st student visa to Australia on or after 5/11/2011, health and character requirements, health insurance.	Sufficient funds available Health, identity, and character requirements.
Other options	Doctorate extension scheme (PhD students only) Tier 1 Graduate Entrepreneur / Entrepreneur Tier 5	Federal Skilled Worker Program (has provision for international graduate applications)	H1B visa (temporary worker status)	Graduate Work Stream, employer sponsored visas, recognised Graduate 476 for engineering graduates.	

# Annexe D: Comparison of student visa costs with competitor countries

Student Visa Category	Main Applicant Visa Fee	Dependents Visa Fee	Health Charges	Additional Fees	Visa Cost for 3 years solo applicant (health charges in brackets)	Visa cost for 3 years applicant plus 2 dependents (1 adult 1 child)
UK - Tier 4 (General)	£348	£348	£150 per year per applicant. Immigration health surcharge (IHS) paid upfront for all years covered by visa.		£348 (£450)	£1044 (+£1350 IHS)
Australia - Student Visa (Subclass 500)	A\$575 (£333)	Over 18 – A\$430 (£250) per person Under 18 – A\$140 (£85) per person	A\$500 (£280) Compulsory gov-run health insurance, purchased from private providers.		£333 (£840)	£665
USA - F-1 Category Visa	\$160 (£120)	\$160 (£120 per person)	\$1,871 (£1,418) Sometimes-compulsory health insurance provided by the university or private insurers.	Student and Exchange Visitor Information System (SEVIS) fee of \$200 (£150)	£270 (£4,254)	£510
New Zealand - Fee Paying Student Visa	NZ\$280 (£143)	NZ\$165 (£84.50) or NZ\$298 (£153) if your partner wants to work in NZ.	NZ\$590 (£307) Purchase of private insurance is mandatory.	NZ\$17 (£9) Service fee	£152 (£921)	£321
Canada - Study permit	Can\$150 (£86)	Can\$255 (£147) for spousal work permit. Can\$150 (£86) for minor study permit unless they are less than 5 years old.	Can\$800 (£456) Health insurance compulsory, Some provinces offer free or heavily subsidised. Others require private purchase.		£86 (£1,368)	£319

France - The student long- stay visa, or VLS-TS.	€50 (£44) or €99 (£88) depending on whether your country qualifies for the CEF procedure (most of the world's largest countries qualify for CEF and therefore pay just €50	€90 (£80) per person	€215 per year (£189) Required contribution to Social Security system that provides healthcare for all.		£44 (£567)	£204
Germany - Student Visa, Visum Zu Studienzwecken	€60 (£53)	Minors – €37.50 (£33) Adults – €60 (£53)	€80 per year (£70) Statutory health care providers must offer reduced rate of €80 to students.	Resident permit costs €110 (£97) and then must be renewed each year at a cost of €80 (£70) each time.	£290 (£210)	£583
China - X1 visa	CN¥260 (£30)	CN¥1200 (£135) per person	CN¥600 (£70) per year Private medical insurance is required.	£32.25 service fee (paid to embassy). CN¥655 (£75) mandatory medical examination fee. CN¥800 (£90) for more than 10 months residency permit	£227.25 (£210)	£422.25
Japan - College Student Visa	¥6000 (£41)	¥6000 (£41) per person	¥20,000 (£140) per year. Enrolment in national health programme is mandatory. Fees decided by local municipality.	,	£41 (£420)	£123

#### For more information please contact:

Karmjit Kaur
Assistant Director, Political Affairs
Universities UK
0207 419 5411 / karmjit.kaur@universitiesuk.ac.uk

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