



Impact of the government's proposals for foreign students

Summary

1. These measures are unlikely to have much impact on universities but there could well be a reduction of about 27,000 per year in the number of foreign students at below degree level in private colleges. That is equivalent to 10% of last year's total of 270,000 foreign students. The annual loss of fee income could be about £95 million. Maintenance expenditure of £145 million might be offset by £135 million earned by students after their arrival. Thus the net financial loss to the UK would be of the order of £105 million per year. This is only a fraction of the cost to the taxpayer of benefits paid to such British workers as might be rendered unemployed by bogus students working illegally which is of the order of £300 - £500 million a year. This paper does not examine the impact on employment in the sector, nor the effect on GDP.

Introduction

2. It is important to be clear that the purpose of the government's measures is not to reduce the number of students but to reduce the exploitation of the present system by bogus students. In the normal course of events, students should leave after completing their courses to be replaced by others. Over time, therefore, the number of those who arrive will be counter balanced by those leaving with no effect on net migration. There are two exceptions to this. A step change in the number of students will produce a step change in net migration, perhaps tapering off over several years. Also, a proportion of students - 20% in a recent Home Office study¹ will switch to marriage or work thus adding to net migration. Bogus students, however, can displace British workers who would be obliged to live on benefits at very substantial cost to the taxpayer.

Government proposals

3. The government's proposals², summarised at Annex A, are not likely to have much effect on universities. They are primarily aimed at courses below degree level and in private colleges where most of the abuse is believed to take place. In future, only Highly Trusted Sponsors (HTS) will be allowed to offer courses below degree level to adults. There are also measures to ensure that everyone coming to study speaks English to the necessary level and to close the Post-Study Work route so that foreign graduates can no longer stay on for two years to look for a job.

Numbers affected

Courses below degree level to be limited to highly trusted sponsors

4. In assessing the impact of this measure, the first question is how many students are likely to be affected. Here, there is an important difference between Certificates of Acceptance of Studies (CAS) and those who actually arrive (those given "leave to enter"). In the case of private colleges the second number is 23% lower than the first³ - perhaps because applicants change their minds, don't achieve the necessary grades or cannot assemble the funds. Accordingly, the calculations below are based on those given leave

to enter.

5. In 2009 about 270,000 students were given leave to enter⁴ of whom 29%⁵, or 78,000 went to private colleges. Of these, 58% or 45,000 were studying below degree level⁶.

6. The next question is how many of this 45,000 would be affected. There are currently about 750 private colleges of whom we expect only 300 to be granted the status of HTS. So, if 60% of these colleges can no longer offer courses below degree level, we would expect a reduction in the number of students of about 27,000. (This assumes that colleges in both categories are, on average, of similar size.)

Closure of the Post Study Work Route

7. A further proposal is to close the Post Study Work Route (PSWR) of Tier 1. This has allowed graduates of some 600 institutions to stay on for two years to look for work, whatever the class of their degree. A Home Office survey⁷ found that 20% were unemployed and, of those in work, only half were in skilled jobs. 38,000 applications were granted in 2009 together with 8,000 dependants.

8. The effect of closing this route depends of whether it is a significant incentive for foreign students to choose Britain for their studies. It could well be argued that genuine students who intend to return home would, in any case, choose a university course that had the prestige to gain them employment on their return. Those institutions that can only recruit foreign students by offering the prospect of staying on to work in the UK are, in effect, selling immigration as much as education. And, with nearly 20% of recent British graduates unemployed there is a strong case for closing this route in any case⁸.

9. In 2009 93,000 foreign students graduated at degree level or above from the publicly funded higher education institutions. In addition an estimated 20,000⁹ graduated from the private institutions. In 2009 38,000 were issued a Post-Study Work Visa, or approximately 1 in 3 of the foreign students who graduated.

10. This visa was not available to non-scientists when most of those who graduated in 2009 decided to come to Britain. It is, nevertheless, possible that some future applicants will be deterred by its closure. The Migration Advisory Committee (MAC)¹⁰ considered the PSWR but simply assumed that a certain number of applicants would be discouraged. However this did not take into account the important fact that there are many more foreign applicants than there are places available for them in British universities. At Bristol University for example, they have already received 122 applications for their BA in Architecture next year for 16 places. For Chemical Engineering there are 71 applications for 15 places and for Electrical Engineering 70 applicants for 21 places. Mechanical Engineering is similar with 115 applications so far for 45 places¹¹. Another example, the University of Kent, received over ten times more applications than available places for non-EU students while the University of Keele received around seven times more applicants than places¹².

11. Given the high reputation of British universities and the fact that English is the language of choice for many applicants we consider it unlikely that there will be any significant reduction in the number of foreign students at British universities as a result of the closure of the Post Study Work Visa. Those who are deterred by the closure of the Post Study Work route will be replaced by others keen to study in the UK.

Language

12. It is also proposed that the language requirement be raised from B1 to B2. This is a significant step up from understanding the main points on familiar matters to understanding the main ideas of a complex text. The latter, of course, being essential to study at degree level.

13. It is hard to know what effect, if any, this would have in the medium term. It would certainly deter bogus students. For genuine students many will come from countries where English is widely used. For others, there are extensive opportunities around the world to study English to the necessary level. It would also,

probably, be cheaper for them to do so at home. One further advantage would be their ability to participate fully in the life of the university from their first arrival. There is also the recent concession allowing students to study English in the UK for up to 11 months on a student visitor visa, although the student would have to return home to apply for a university course. We do not, therefore, believe that the impact of the enhanced language requirement on numbers will be significant over the medium term and have made no allowance for it.

Loss of student fees

14. Migrationwatch enquired of a random sample of thirty private colleges taken from the UKBA sponsor list. The average annual fees for their courses of over one year at below degree level was £3,50013 - multiplied by 27,000, this gives a loss of students fees of the order of £95 million.

Accommodation and maintenance

15. The UKBA lays down a minimum sum required for a student to maintain himself or herself for a year. This is £5,400 per year, giving £145 million per year.

Local earnings

16. To the extent that foreign students maintain themselves by working in Britain, the money they earn is not an addition to the British economy. The jobs they take could be done by British students or by some of the 2½ million unemployed. Indeed, to the extent that students are bogus and are really here to work, they add to the number of British unemployed and impose a very substantial cost on the tax payer. Migrationwatch estimate this cost at between £300m and £500m per year¹⁴.

17. Foreign students below degree level are currently allowed to work 10 hours a week during term time and to work full time during holidays. For a one year course, about three and a half months consists of holidays during which we have assumed that the student could work for 35 hours a week. This gives a maximum working time of about 870 hours over the whole year. As they are working legally, they should earn the minimum wage of £5.93 giving an annual income of about £5,150. Not all students will work the full hours but others will work longer so we assume average earnings of the order of £5,000 per year. Multiplied by 27,000 this gives local earnings of the order of £135 million. (Neither tax nor National Insurance contributions are payable at these levels of remuneration.)

Net Financial Impact

18. The loss of fees and maintenance comes to a total of £240 million. Subtracting the local earnings of £135 million gives a net financial impact of the order of £105 million per year.

Universities UK

19. Universities are not likely to be much affected by these measures but it should be noted that UniversitiesUK publicise far higher numbers - £2.9 billion for the gross export earnings of the sector and £2.3 billion for personal off-campus expenditure by students. These figures include EU as well as non-EU students (The proportion is about two-thirds non-EU¹). The former reflects the much higher fees for universities ranging from £10,000 to more than £26,000 per year. The latter assumes that non-EU students spend as much as the average EU student, giving a figure of about £6,700 a year compared to the UKBA maintenance requirement of £5,400.

Conclusion

20. It is clear from the foregoing that relatively marginal changes at the lower end of the market will have only a limited effect on the financial contribution of higher education. They will, however, impact substantially on those colleges which are believed to make a significant proportion of their money from bogus students some of whom simply pay the first year's fees and then disappear.

27 January, 2011

NOTES

- 1 Table S1 The Migrant Journey: <http://rds.homeoffice.gov.uk/rds/pdfs10/horr43c.pdf>
- 2 The Student Immigration System A Consultation:
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/policyandlaw/consultations/students/student-consultation.pdf?view=Binary>
- 3 Table 5 <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/reports/pbs-tier-4/overseas-students-report.pdf?view=Binary>
- 4 Table 1.3 Control Of immigration Statistics 2009: <http://rds.homeoffice.gov.uk/rds/pdfs10/hosb1510.pdf>
- 5 Based on Tables 1,4 and , Overseas Students in the Immigration System:
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/reports/pbs-tier-4/>
- 6 Table 3, Overseas Students in the Immigration System:
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/reports/pbs-tier-4/>
- 7 Points Bases system Tier 1 An Operational Assessment:
<http://rds.homeoffice.gov.uk/rds/pdfs10/occ91.pdf>
- 8 <http://www.statistics.gov.uk/cci/nugget.asp?id=1162>
- 9 Based on 2007 student entries and the proportion of people going to private colleges studying at degree level or above including an estimated 25% drop out rate.
- 10 Analysis of the Points Base System Tier 1
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/pbsanalysis-09/>
- 11 Personal correspondence with university.
- 12 FOI Requests –University of Kent, University of Keele.
- 13 This figure could be lower. Some colleges did not publish fees and would only give estimates suggesting the amount was open to negotiation
- 14 MigrationWatch UK Briefing Paper 2.9 <http://www.migrationwatch.org/briefingPaper/document/216>
- 15 HESA http://www.hesa.ac.uk/dox/pressOffice/sfr153/SFR153_table_1.pdf

Annex A

Summary of Government Proposals

1. Raising the level of courses:
 - Only Highly Trusted Sponsors will be permitted to offer courses below degree level to adults. Debate on how quickly to bring this in.
2. Toughening entry criteria:
 - Raising the language criteria to B2 for all students (including degree level).
3. Ensuring Students return home
 - To stay on as a student progression needs to be shown.
 - Students must return home and apply for a new course from overseas.
4. Close post-study work route
5. Work Entitlements and dependants
 - Only work on campus will be permitted during the week and as long as they wish for an external

employer during the weekend and vacations.

- Removal of permission to work for all dependants unless they qualify in their own right under Tier 1 or Tier 2.
- For courses under 12 months no one can bring dependents.

6. Simpler procedures for checking low-risk applications

- Differential approach based on evidence by nationality such as of forged documents and non-attendance. Steps taken to prevent use of bogus bank accounts. Low risk students "self-declare" their resources.

7. Stricter accreditation schemes for education providers in the private sector

- Review work of current accreditation bodies

8. Retention of Student Visitor route for short courses of less than six months duration.