



The Economic Value of International Students

Summary

1. Migration Watch UK has reviewed the methodology used to calculate the value of international students. It has also found that the true value to the UK of those students subject to immigration control is significantly less than often cited. The value of international students in 2008/09 was £4.3 billion to the UK or 1.1% of total UK exports, rather than £7.9 billion often claimed by the university lobby. Adjustment for inflation and the increase in the number of international students gives a figure of £5.76 billion for 2010/2011. Clamping down on bogus students will not have a detrimental economic impact. Future projections of the value of higher education to the UK economy are based on the assumption that the number of higher education international students will almost double over the next 13 years. This would have significant consequences for net migration and, therefore, for population growth.

Introduction

2. Over the last year, the government has sought to reduce abuse of the student immigration route to ensure that the immigration system is controlled and robust yet responsive to the needs of business and the education sector. In response to the changes announced by the government¹, Universities UK have claimed that higher education is worth almost £8 billion to the economy, and potentially worth £17 billion by 2025. They have also suggested that students should be removed from the net migration statistics.²

3. This paper examines the calculation of the value of the education sector to the UK economy and will demonstrate that although the entire sector was worth £8 billion to the economy in 2008/9, this figure should not be used to discuss immigration control. We offer an alternative of £4.3 billion as the value in that year of foreign exchange earnings of non-EEA students subject to immigration control, a sum unlikely to be dented by tightening up on bogus students.

1 Restrictions have been placed on the amount of time a student can spend on a study visa, working rights have been restricted for students at private institutions, academic progression must be demonstrated in order to extend a study visa, restrictions have been placed on who can bring their dependants with them to the UK, and the post-study work visa which gave students two years to look for work at any level has been closed. Students can however switch into Tier 2 so long as they can find a graduate level job earning a minimum of £20,000 with a UKBA approved sponsor.

2 On 30th May 2012, nearly 70 university chancellors wrote to urge the Prime Minister to remove students from the net migration statistics. See Universities UK press release. URL: <http://www.universitiesuk.ac.uk/Newsroom/Media-Releases/Pages/PMletterChancellors.aspx>

Previous Estimates of Value of International Students

4. The most recent assessment of the value of the education sector is a report by the Department for Business Innovation and Skills entitled 'Estimating the Value to the UK of Education Exports'³. The report is an assessment of the value to the UK of the exports of the *entire* education sector - not just of international students, as is often implied. The report estimated that the education sector as a whole was worth £14 billion to the UK economy of which almost £8 billion (£7.9 billion) was attributed in 2008/9 to higher education – universities and a few other institutions which provide third level education. (See Annex A for the full table) This figure of £7.9 billion, if correct, would be two percent of the total exports of goods and services in 2009.⁴

The Value of Higher Education

5. The BIS report estimates are set out in Table 1 below.

Table 1. Value of Higher Education Sector in Exports, 2008/09.

Value of Education and Training Exports to the UK Economy, 2008/9	
	2008/9 £m
Higher Education (Total)	7,873.5
<i>Tuition Fees</i>	2,442.3
<i>Other spending in UK</i>	4,344.9
<i>Transnational Education</i>	210.8
<i>Income from Research Grants and Contracts</i>	647.9
<i>Income from Licensing Intellectual Property</i>	46.6
<i>Income from Consulting, Facilities and Equipment</i>	84.9
<i>Income from Overseas Alumni and International Charitable Organisations</i>	34.5
<i>Other Income from Overseas</i>	61.6

6. However, a significant proportion of these earnings are largely unrelated to the number of international students that enter the UK each year. Income from transnational education (£211 million) is that accrued from UK universities that have overseas campuses. Students pay fees to the university and study in their own or a third country; the student does not enter the UK at any time and is therefore not subject to immigration control. This income is not therefore a function of the number of foreign students admitted to the UK. Likewise, income from research grants and contracts (£648 million) is not related to the number of students that enter the country to study. Rather, it is related to the quality of the institutions and of their output. Similarly, income from licensing intellectual property (£46 million), from consulting, facilities and equipment (£85 million) and other income from overseas (£61million) is not related to, or dependent upon, ever greater student numbers. Income from overseas alumni should be included as an export earning related to international students, however this income is not shown separately from international charitable organisations.

3 Department for Business, Innovation and Skills, Estimating the Value to the UK of Education Exports, Research Paper No 46, June 2011, URL: <http://www.bis.gov.uk/assets/biscore/higher-education/docs/e/11-980-estimating-value-of-education-exports.pdf>

4 Total exports of goods and services in 2009 amounted to £395.6 billion. ONS, UK Balances of Payments The Pink Book, 2011 Edition, p. 25, URL: <http://www.ons.gov.uk/ons/rel/bop/united-kingdom-balance-of-payments/2011/index.html>

7. These sums total over £1 billion. Since they are not materially affected by or, indeed related to, the number of foreign students, they should be excluded from the calculation of the benefit derived from international students.

8. Moreover, the BIS report is an assessment of the value of all *non-UK* students and thus includes students from within the European Union. However, this debate is about the impact of immigration controls on the foreign exchange earnings of the Higher Education sector. Since students from within the EU are not subject to immigration control, the money they contribute would not be affected and is therefore not relevant.

Migration Watch UK Estimate of Value of Higher Education International Students

(a) Tuition Fee Income

9. The report states that in 2008/9 £2.492 billion was paid by all international students in tuition fee income.⁵ Of this £292.6 million was paid by EEA students, who pay the same amount in fees as home students. This leaves £2.199 billion. However, £49.9 million was awarded in scholarships by various UK based agencies to non-EU students.⁶ This should be subtracted from the benefit of non-EU students bringing their contribution to **£2.149 billion** in 2008/09.

(b) Income from Other Spending

10. In addition to tuition fees, international students contribute significantly in terms of the money they spend on living expenses, accommodation, books and leisure etc., while they are studying in the UK.

11. The BIS analysis states that international students in *total* were worth £4.344 billion to the UK economy. Of this £2.685 was spent by non-EEA full time students as shown in Table 2 below. The contribution of EU students - £1.053 billion – should be discounted since they are not subject to immigration control.

Table 2. Other Spending of Full Time International Students, 2008/09.⁷

	Annual Other Spending	Number of Students	Total Other Spending
Non-EEA UG	£11,097	95,995	£1,065,256,515
Non-EEA PG	£13,739	117,920	£1,620,102,880
<i>Total Non-EEA</i>			<i>£2,685,359,395</i>
EEA UG	£10,304	61,175	£630,347,200
EEA PG	£13,739	30,795	£423,092,505
<i>Total EEA</i>			<i>£1,053,439,705</i>
Total			£3,738,799,100

12. The other spending of part time EEA students can also be excluded as unaffected by immigration policy changes. – the BIS report estimates this to be £612.4 million.⁸

5 BIS Report, Table 9, p. 24.

6 The Overseas Research Student Awards Scheme (ORSAS) awarded £15m to non-EU students in 2008/9. Chevening Scholarships, funded by the FCO and private companies were worth £23.7 million in 2008/09 and were awarded to citizens of countries other than the UK, EU and the US. The Commonwealth Scholarship and Fellowship Plan awards scholarships to citizens of other Commonwealth (and therefore non-EU) countries and the FCO and DFID awarded £9 million for study in the UK in 2008/09. Finally the Marshall Scholarship is available for US citizens wishing to study in the UK; in 2008/09 the FCO granted scholarships worth £2.2 million.

7 BIS Report, p. 29

8 BIS Report, p. 31.

13. Again, there are maintenance grants available to non-EU students – in 2008/09 these were worth £6.2 million. This sum should also be subtracted from the benefit of their spending bringing it to £2.679 billion in 2008/09. These numbers are set out in Table 3 below.

Table 3. Breakdown of Other Spending 2008/09

	£m
Spending by Non-EEA Full Time Students (UG and PG)	2,685
Less: Maintenance Grants	6.2
Total Spending by Non-EEA Full Time Students (UG and PG)	2,679
Total Spending by EEA Full Time Students (UG and PG)	1,053
Total Spending of all EEA and Non-EEA Part Time Students (UG and PG)	612.4
<i>Total Spending by all International Students</i>	<i>4,344</i>

14. However, not all of this money would have originated from overseas. Part of it would have been earned by the students themselves through paid employment during their studies and therefore is not an export earning. The BIS report recognised that some international students work, however it assumed that only part time students work. Full time students at public institutions are allowed to work for up to 20 hours per week during term time and full time during their holidays. The government chose not to remove these rights from students at public institutions when the student route was tightened up in 2011, so it can be assumed that it is a valued right and one taken up by most students.

15. In order to calculate the amount of money earned through paid employment by full time non-EEA students while in the UK, the following assumptions have been made. It has been assumed that all full time undergraduates and postgraduates worked for 10 of the maximum 20 hours per week (this is a conservative estimate given that have the right to work full time hours outside of term time). It is also assumed that postgraduate students earned the adult minimum wage (£5.73 in 2008/9 prices) and that undergraduate students earned the minimum wage for those aged 18-21 (£4.77 in 2008/9). It is assumed that postgraduates worked 48 of the 52 weeks that they were in the UK and undergraduates worked 38 of the 42 weeks of the year that they were present based on the assumption that they have 4 weeks of the year in which they did not work.

16. Based on the above assumptions full time non-EEA postgraduate and undergraduate students could earn the following in 2008/9.

Table 4. Annual Earnings of Full Time Postgraduate and Undergraduate Students, 2008/9

Annual Earnings of Non-EU Students			
	Annual earnings	Number of Students	Total Earnings
Undergraduate	£1,813	95,995	£174,038,935
Postgraduate	£2,750	117,920	£324,280,000
Total			£498,318,935

17. We estimate, therefore, that £498.3 million was earned through employment in the UK by full time non-EEA students.

18. Once earnings are subtracted from the amount that FT non-EEA students paid in maintenance annually (£2.679bn as shown in Table 3), income from *outside the UK* on maintenance costs is valued at £2.18 billion.

19. As previously noted (Table 1), the BIS report concludes that all international students spent £4.344 billion on other spending in the UK. This paper finds that non EU students - those relevant to any debate on immigration control - spent **£2.18** billion.

Total Value of Non-EEA Students

20. In total non-EEA students were worth **£4.3 billion** to the UK economy in 2008/09 as set out in Table 5 below.

Table 5. Value of Non-EEA Students to the UK Economy in Export Earnings, 2008/09.

	2008/9
Tuition Fee Income	£2,199,600,000
Less: Scholarships	£49,900,000
Total Tuition Fee Income	£2,149,700,000
Other Spending Income	£2,685,000,000
Less: Earnings of Students	£498,318,935
Less: Maintenance Grants	£6,200,000
Total Expenditure	£2,180,481,065
Total Earnings	£4,330,181,065

21. To put this in context, £4.3 billion is approximately 1.1% of total UK exports of goods and services in 2009. The purpose of recent reforms is to ensure that only genuine students enter the UK through the Tier 4 route. It is highly unlikely that preventing the entry of bogus students will have any negative consequences for the UK economy.

22. As yet there has been no assessment of the additional costs to the public services of international students. They, like everyone else, are entitled to use the National Health Service free of charge, they also require somewhere to live, and will use infrastructure such as water, roads, public transport. Those who bring their dependants with them will use the education system. There are costs involved in these increased pressures on services which have as yet not been factored into any proper assessment of the value of international students.

Value of International Students at Higher Education 2010/11

23. Since 2008/09, the number of international students has increased by 21%.⁹ More students of course mean greater income in terms of fees for the universities and revenue for local communities. Using the same methodology as described above, we have estimated the value of international students in the most recent full academic year 2010/11. HESA data shows that Non-EU students paid £2.94 billion in fees. The Foreign and Commonwealth Office and Department for International Development made £49.9 million available in bursaries and scholarships to non-EEA students in 2008/09. Funding of non-EEA students has been reduced significantly however for the purposes of this analysis, the same figure has been used so this is an overestimate. Fees were therefore worth **£2.89 billion** to the UK.

24. Adjusting for inflation, we have estimated that the average non-EEA postgraduate spent £14,830 and the average non-EEA undergraduate spent £11,978 amount per year on accommodation and living expenses. In total therefore £3.5 billion was spent by students on other spending in 2010/11. Using the same methodology as previously, we have estimated that non-EEA students earned £621.5 million in 2010/11 which must be taken out of the total spending of students as this is not an export earning. The amount available to non-EEA students in maintenance grants has been assumed to be the same as in 2008/09 Therefore in total students were worth **£2.87 billion** in other spending in 2010/11.

25. In 2010/11, higher education students subject to immigration control were worth **£5.76 billion** in export earnings.

Table 6. Total Value of Non-EEA Students to the UK Economy in Export Earnings, 2010/11

	2010/11
Tuition Fee Income	£2,944,968,000
Less: Scholarships	£49,900,000
Total Tuition Fee Income	£2,895,068,000
Other Spending	£3,501,920,242
Less: Earnings	£621,508,560
Less: Maintenance Grants	£6,200,000
Total Expenditure	£2,874,211,682
Total earnings	£5,769,279,682

⁹ In 2008/09 there were 213,915 non-EEA students enrolled at UK HE institutions on a full time basis. In 2010/11 this had increased by 21% to 258,800, 140,935 of which were studying at postgraduate level and 117,865 at undergraduate level.

Future Value of International Students

26. The BIS report also included forecasts of potential earnings from the education sector in the future. In 2025 Higher Education could, it was claimed, be worth £16.9 billion to the UK economy, of which £14 billion could come from tuition fees and maintenance spending. This was based on a British Council forecast of future international student demand published in 2004 and shown in Table 6 below. This shows student numbers rising to 642,000 studying at higher education by 2025 of which 158,000 would be EEA and 484,000 would be non-EEA.¹⁰ However, the actual numbers of non EEA students have proved to be much higher. In 2010/11 (the latest available HESA data) the non-UK higher education population was 130,000 EEA students and 298,000 non-EEA students compared to the forecast of 198,000.¹¹

Table 7. Forecasts of demand for international student places in the UK (000s)¹²

	2003	2005	2010	2015	2020	2025
Europe	111	115	127	137	146	158
Rest of World	127	141	198	270	365	484
Total	238	256	325	407	511	642

27. The implications for net migration – and consequently for population growth – of these forecasts are particularly worrying. A Home Office analysis of a sample of files found that 20% of students remained in the immigration system after 5 years; many of them will settle permanently either through the work or family route. In addition some may stay on illegally. With inflows increasing substantially, as implied by the BIS report, it is highly likely that net migration will also increase substantially.

Conclusion

28. International students are of value to the UK, they contribute to the local community and to campus life. This paper estimates that in 2008/9 they were worth £4.3 billion in foreign exchange earnings to the UK economy, significantly less than the £7.9 billion estimated by BIS and oft-quoted by Universities UK. In 2010/11 we estimate that they were worth £5.76 billion. Future projections of the value of international students are based on the student population almost doubling to almost 650,000 per year and continuing to rise. This would have significant implications for the provision of local services and, especially, for net migration and consequently for population growth.

30th August 2012

10 Annual growth of 4.7% based on 2020 forecast of 511,000 students. Table

11 HESA, Table 1 – All student enrolments on HE courses by level of study, mode of study and domicile, 2006/07 to 2010/11, URL: http://www.hesa.ac.uk/dox/pressOffice/sfr169/1569_SFR169_Table_1.xls

12 British Council, Vision 2020, Forecasting International Student Mobility, A UK Perspective, URL: http://www.britishcouncil.org/eumd_-_vision_2020.pdf Table 3.5.1, p. 35. Demand for students in 2025 calculated using annual growth rates of 4.7% globally, and 1.6% for Europe. Europe relates to all EU countries, including the Accession Countries of East Europe. Paper was written prior to EU expansion however accounted for growth in demand from A10 countries that had at the time signed Treaties of Accession but had not acceded.

Annex A

Value of Education and Training Exports to the UK, 2008/09

Value of Education and Training Exports to the UK Economy, 2008/9	
Sector	2008/9 £m
Higher Education	7,873.5
<i>Tuition Fees</i>	2,442.3
<i>Other spending in UK</i>	4,344.9
<i>Transnational Education</i>	210.8
<i>Income from Research Grants and Contracts</i>	647.9
<i>Income from Licensing Intellectual Property</i>	46.6
<i>Income from Consulting, Facilities and Equipment</i>	84.9
<i>Income from Overseas Alumni and International Charitable Organisations</i>	34.5
<i>Other Income from Overseas</i>	61.6
Further Education	1,070.3
English Language Training	1,996.2
Qualification Awarding Bodies	17.5
Independent Primary and Secondary Schools	478.9
Private Sector Training	1,480.0
Education-Related Publishing	749.0
Education-related Equipment	453.0
Education-related Broadcasting	24.5
Total Value of UK Education and Training Exports	14,143.0
Total Value of Education Related Foreign Direct Investment	9.6

Student Enrolments in 2008/09 by level and mode of study		
2008/09		
Postgraduate		
Full-time		
	UK	119285
	Other EU	30795
	Non-EU	117920
	Total	268000
Part-time		
	UK	234145
	Other EU	13490
	Non-EU	21180
	Total	268815
All modes		
	UK	353430
	Other EU	44285
	Non-EU	139100
	Total	536815
Undergraduate		
Full-time		
	UK	1114865
	Other EU	61175
	Non-EU	95995
	Total	1272035
Part-time		
	UK	558790
	Other EU	12200
	Non-EU	16220
	Total	587205
All modes		
	UK	1673655
	Other EU	73375
	Non-EU	112215
	Total	1859240