

MIGRATION ADVISORY COMMITTEE CALL FOR EVIDENCE
INTERNATIONAL STUDENTS COMMISSION
CONSULTATION RESPONSE

Response From: London First, 34-42 Cleveland Street, London W1T 4JE

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About London First

London First is a business membership organisation, with the mission to make London the best place in the world for business. We're focused on keeping our capital working for the whole of the UK. We represent the capital's leading employers in key sectors such as financial and business services, property, transport, information and communication technology, creative industries, hospitality, retail, and education.

We've galvanised the business and higher education community to bring pragmatic solutions to London's challenges over the years. Now, we are working on solutions to what our business leaders see as the top priorities for our capital: talent, housing and transport. We also scan the horizon, link with other cities, and support our members on the key issues that will keep our capital globally competitive.

Summary position

International students deliver many benefits to the UK, and one of the principal benefits is financial. Higher education is one of the UK's leading export sectors, generating £11bn¹ a year nationally.

In London, international students are a major success story. The capital is the most popular city in the world for international students; their spending on tuition fees, subsistence and that of families and friends visiting them – generates a net benefit of £2.3bn each year².

The revenue generated by tuition fees for international students helps to protect the very viability of our world-class universities, providing the resources that institutions require in order to offer the courses that thousands of British students take and to continue to deliver their world-leading research.

Another key consideration is soft power. International students arrive in the UK to study, and some have ambitions to work here for a time. They build networks, add cultural richness, and return home with a strong fondness for, and connections to, the UK. These international

¹ <http://www.universitiesuk.ac.uk/policy-and-analysis/reports/Documents/2014/the-impact-of-universities-on-the-uk-economy.pdf>

² <http://londonfirst.co.uk/wp-content/uploads/2015/05/London-Calling-report.pdf>

students frequently go on to become the greatest ambassadors for the UK, creating the conditions for successful future trading relationships.

In London, 60% of international students and alumni of UK universities have said that they are more likely to do business with the UK having studied here³.

A third consideration is the urgent matter of skills. International students bring skills and experience that we simply cannot grow from the local labour market. For example, our world-leading professional services firms value the language skills, local knowledge and connections that global talent brings to international projects.

International students support the Government's industrial strategy, which aims to deliver a regionally balanced economy; cities across our nation are home to universities delivering this diverse and deep talent pipeline to their local economy. This even extends to driving local entrepreneurialism: through the Tier 1 Graduates Entrepreneur visa, universities can endorse international graduates with credible business ideas and help to turn their ambitions into a reality.

As well as being a source of skills to local employers in their own right, international students also help to generate jobs for local residents. UUK's analysis states that 'in 2014–15, spending by international students supported 206,600 jobs in university towns and cities across the UK'. London First's own research for *London Calling* shows that London's international students support 70,000 jobs in the London economy.

But our status as a world-leading magnet for international students is not guaranteed. Canada, for example, saw enrolments surge by 22% in 2016, with India the biggest single growth rate at 57%⁴. By contrast, Indian student numbers in the UK have dropped by over 75%⁵ in the last few years. Cities that historically have fared less well in attracting international students, such as Seoul, are also fast improving.

Action should be taken that will boost the number of genuine international students who come to study and subsequently choose to work in the UK. Three immediate steps are required to secure this prize.

Firstly, it is crucial to recognise that students are temporary visitors and not migrants. The Government has been clear that there is no cap on the number of genuine students who can come to study in the UK, yet including students in the net migration target – with its policy ambition to reduce migration to the UK – sends the opposite message.

In order to bring greater clarity, the UK's official net migration figures should be presented in a different way. Rather than publishing an aggregate net migration figure each quarter – based on flawed International Passenger Survey data – the best sources of data available should be used, including exit-check information, to present separate figures for each group of people coming and going from the UK, with the separate classifications of students, workers, and

³ <http://londonfirst.co.uk/wp-content/uploads/2015/05/London-Calling-report.pdf>

⁴ <https://ukcisa.org.uk/Research--Policy/Statistics/International-student-statistics-UK-higher-education>

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<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/internationalstudentmigrationresearchupdate/august2017>

family. When this data is published, the Government must then be clear that it is not cracking down on student numbers.

The value in removing international students from an aggregate and blunt target figure that aims to cut migration is clear: it would send a strong message that the UK is serious about its ambition to invest in international education. And it is also important to note that poll after poll shows that the vast majority of the British public do not even regard students as migrants in the first place. For example, a ComRes survey for London First in 2016 revealed that only 17% of Londoners consider international students studying in London to be migrants.

Secondly, it should be easier for students to use their skills and work in the UK after they complete their studies. British-educated overseas talent is an asset and not a liability. The two-year post-study work visa should be reinstated. This would make the UK more competitive as it seeks to make the best of Brexit. Such a move would be good for UK tertiary education, good for UK business, and good for Britain's long-term relations with the global business community when these graduates return to their home countries.

Thirdly, it is essential to simplify the system. Immigration rules for international students have changed so frequently in the last few years that it makes it hard for both the student and their chosen education institution to navigate the system. More than one-third of the students surveyed for *London Calling* found that Britain's immigration system, particularly its complexity, negatively affected their experience of studying here. Of course, the flow of international students in and out of the country should be policed, but the Government should work with the education sector to identify ways to reduce friction in the system.

1. Data and definitions

The majority of data used in this response represents international students studying at one of London's 39 Higher Education Institutions (HEIs)⁶ in 2015/16 and is drawn from Higher Education Statistics Agency (HESA) data modified for London by London Higher. For the 'economic impact' section of this response, data is drawn from the *London Calling* report from London First and PwC, which was published in June 2015⁷ and which used HESA data for 2013/14.

By international students we mean non-EU and non-UK EU students. Where we make specific points in relation to non-UK EU students in the response, we refer simply to 'EU students'.

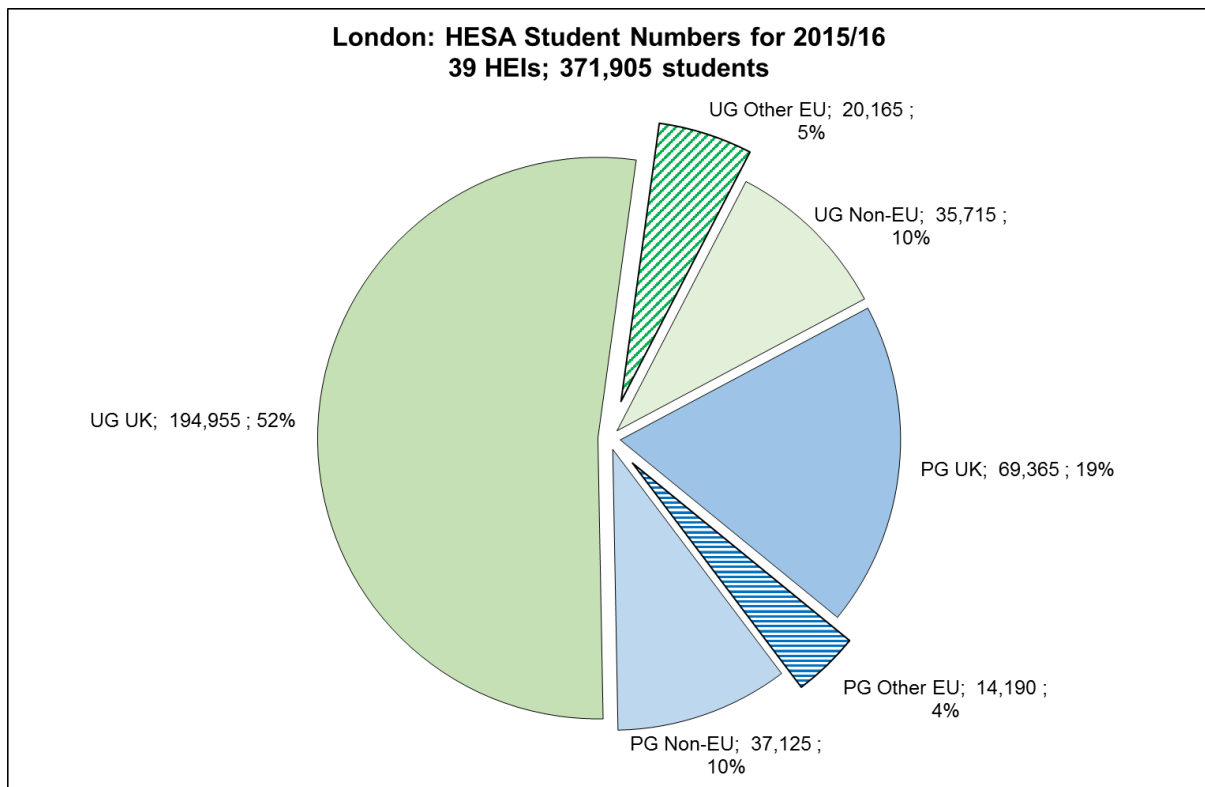
2. Pattern of international students in London

In 2015/16, of the 438,000 international students in the UK, 24.5% (107,195) were studying at a London HEI. London is home to 27% (34,355) of the total number of EU students studying in the UK and 20% (72,840) of non-EU students in the UK. In total, 29% (107,195) of the 371,905 students in London are international students.

⁶ See London Higher for full list of HEI

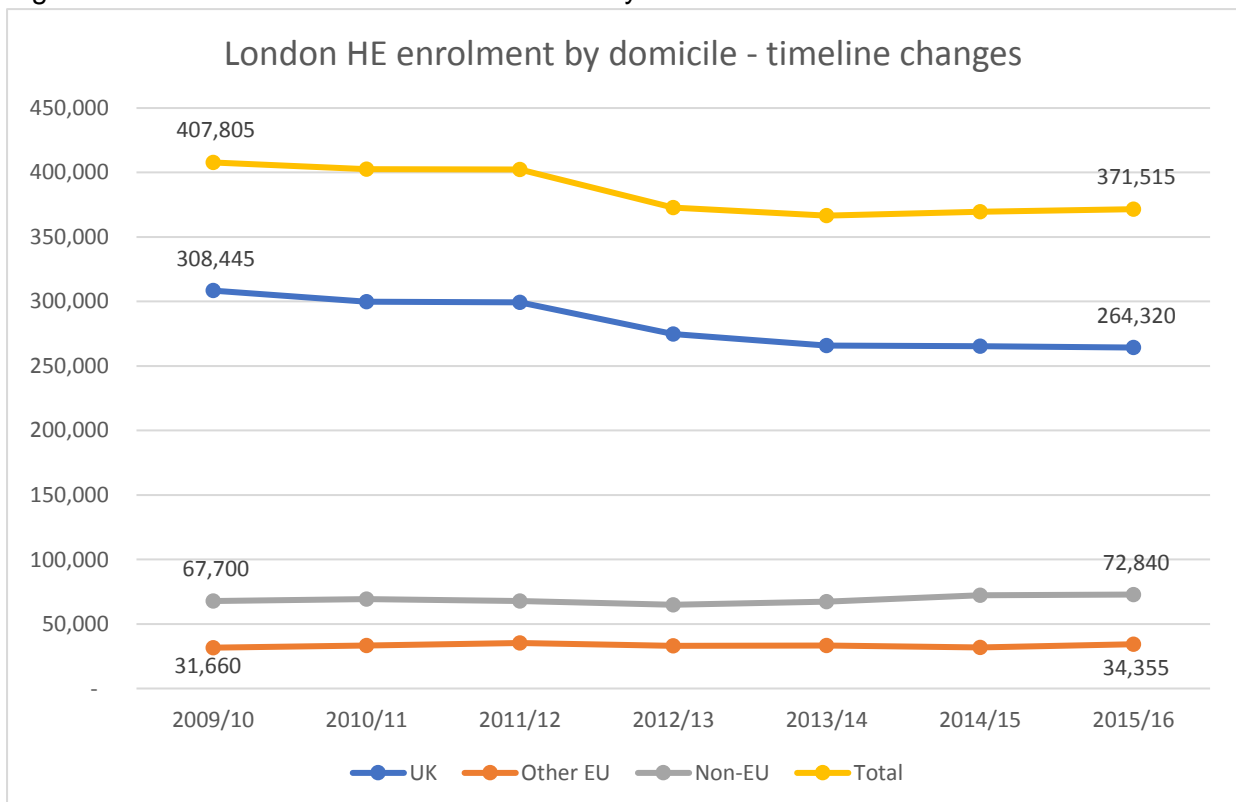
⁷ <http://londonfirst.co.uk/wp-content/uploads/2015/05/London-Calling-report.pdf>

Figure 1: Distribution of student body in London 2015/16 by domicile and degree level (UG: undergraduate, PG: postgraduate)



Source: London Higher

Figure 2: Timeline of enrolment in London HE by domicile 2009-2016

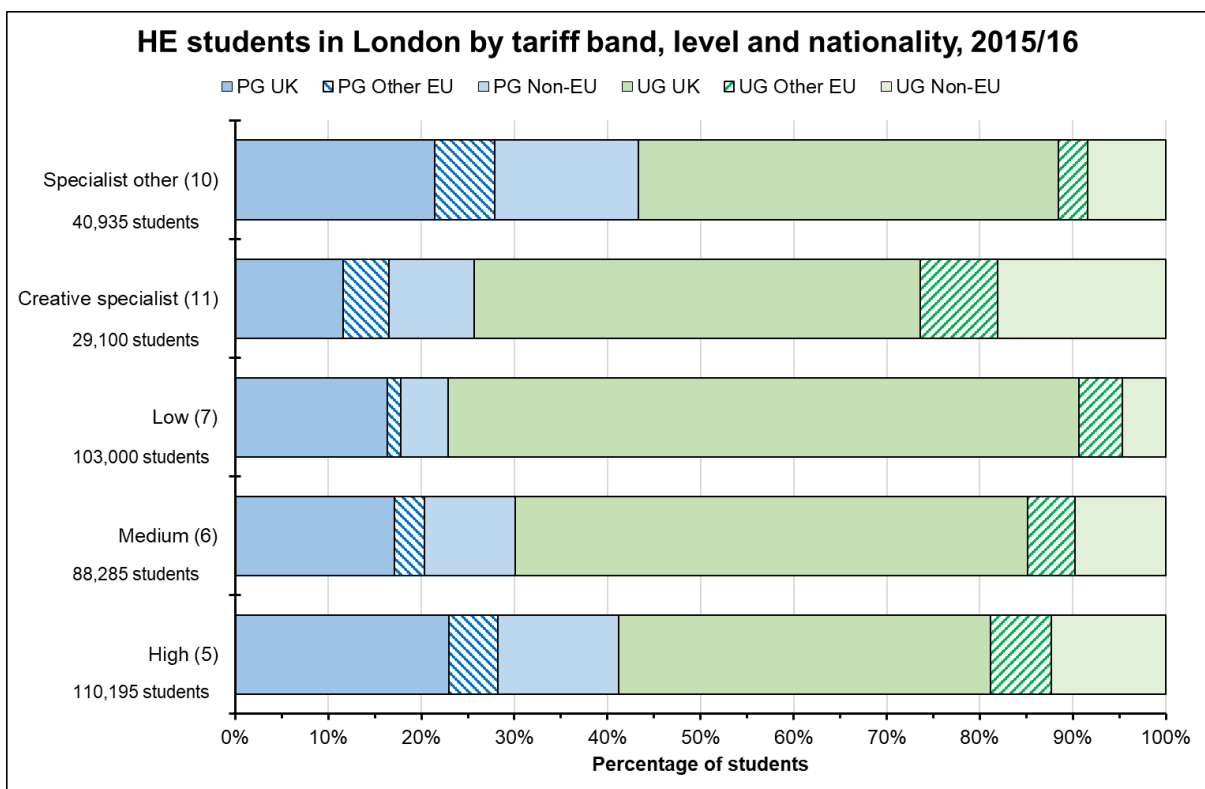


Source: *London Calling*/London Higher data

Overall numbers of higher education students in London have slowly declined by 9% since 2009/10; this is due to a 14% decline in UK student numbers. At the same time, EU and non-EU enrolment have increased by 8%, showing the rising popularity of UK institutions and the rising global demand for higher education.

Figure 3: Distribution of students by domicile and level across different tariff bands of London HE

[Tariff bands define the average student tariff points needed for entry to an HE course based on the student’s post-16 qualifications and grades.]



Source: London Higher

The above graph shows that the percentage of international students is especially high in high-tariff band universities and specialist universities, but they are well represented across all types of universities.

The following table shows the distribution of undergraduate international students by degree choice in London. It is important to note that on average international students make up around a third or more of the total student number in a number of subjects, including engineering and technology, business studies, and mathematical science.

Figure 4: Undergraduate subject areas ranked by overseas student's uptake/participation, 2015/16

FULL TIME FIRST DEGREE, 2015/16	No. FT First degree	% Other EU	%Non-EU	%Other EU and Non-EU
Engineering & technology	12,860	9.7%	27.0%	36.7%
Combined	25	24.0%	12.0%	36.0%
Business & administrative	30,755	11.6%	24.3%	35.9%
Mathematical sciences	4,960	6.7%	25.8%	32.5%
Law	9,050	11.2%	21.1%	32.3%
Architec. building & planning	3,760	12.6%	18.1%	30.6%
Mass comms. & doc.	7,695	15.1%	12.2%	27.3%
Social studies	21,445	10.6%	16.2%	26.8%
Creative arts & design	31,960	10.0%	16.3%	26.3%
Physical sciences	6,790	8.1%	13.7%	21.8%
Computer sciences	10,105	8.4%	10.6%	19.0%
Hist. and phil. studies	7,420	8.7%	8.1%	16.8%
Languages	9,455	10.1%	6.4%	16.5%
Veterinary sciences	1,245	1.2%	14.1%	15.3%
Biological sciences	18,710	6.9%	8.0%	14.9%
Medicine & dentistry	9,985	3.4%	8.9%	12.3%
Allied to medicine	20,145	4.3%	6.0%	10.3%
Agriculture & related	755	3.6%	3.3%	6.9%
Education	6,175	0.9%	1.1%	2.1%
Total - All subjects	213,295	8.8%	14.8%	23.6%
* Core area in Industrial Strategy				

Source: London Higher

At postgraduate level, the proportion of international students is much higher, at over 60% for many subject areas, and 81% for business, as Figure 5 below shows. The most popular subjects are similar to undergraduate level: engineering and technology, mathematical science, and computer sciences.

The demand for these subjects among international students, and the tuition fees that they pay, allow universities to maintain their financial viability and to continue to offer the courses that thousands of British students elect to study. See Section 3.4 below on cross-subsidy.

Figure 5: Postgraduate subject areas ranked by overseas students uptake/participation, 2015/16

FULL TIME POSTGRADUATE, 2015/16	No. FT PG	%Other EU	%Non-EU	%Other EU and Non-EU
Business & administrative	14,165	15.9%	64.9%	80.9%
Engineering & technology	5,060	18.2%	54.0%	72.2%
Law	3,965	20.4%	51.5%	71.9%
Mathematical sciences *	1,240	18.8%	51.6%	70.4%
Mass comms. & doc.	2,620	17.5%	52.5%	70.0%
Agriculture & related	110	10.9%	58.2%	69.1%
Computer sciences	2,865	16.2%	48.5%	64.7%
Social studies	9,205	17.4%	46.0%	63.3%
Creative arts & design	7,075	18.7%	43.3%	62.0%
Languages	2,095	17.5%	41.6%	59.1%
Architec. building & planning	2,745	10.8%	44.9%	55.7%
Hist. and phil. studies	2,170	15.6%	36.0%	51.6%
Physical sciences	3,060	18.4%	32.6%	51.0%
Medicine & dentistry	4,660	13.5%	32.2%	45.6%
Biological sciences	4,475	11.9%	21.5%	33.4%
Veterinary sciences	190	14.2%	16.3%	30.5%
Allied to medicine	4,585	7.9%	18.3%	26.3%
Education	5,145	4.3%	17.7%	22.0%
Combined	-	-	-	-
Total - All subjects	75,430	15.1%	43.6%	58.7%
* Core area in Industrial Strategy				

Source: Higher London

3. Impact of international students in London

3.1 Tuition fees

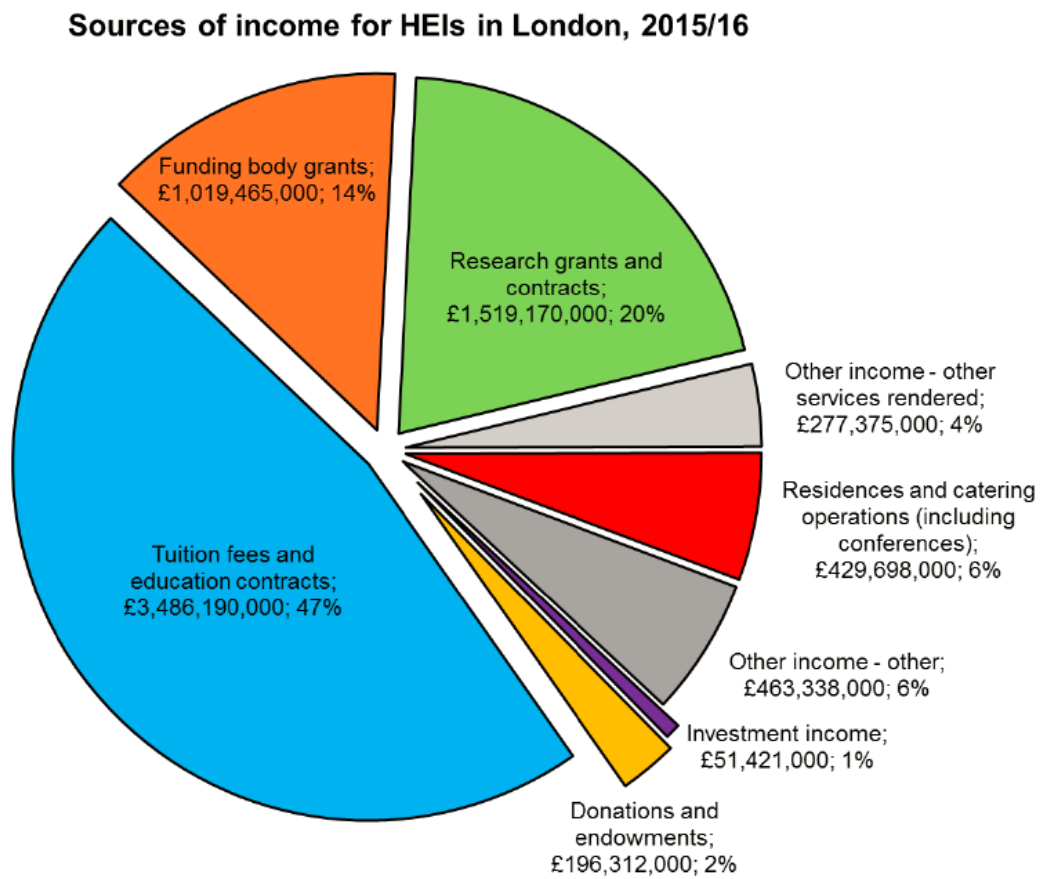
As Figure 6 shows, in 2015/16 nearly half of the income generated by London's universities came from student tuition fees. The fees paid by international students, especially those paid by non-EU students, make up a substantial part of the total fee income of universities in London.

In 2015/16, Non-EU students paid over £1.18 billion in tuition fees to London's HEIs, while EU students added another £198 million, as they currently pay the same domestic fee level as UK-born students.

Tuition fees paid by international students contribute more than 39% of the total student-fee income for London's universities (see Figure 7).

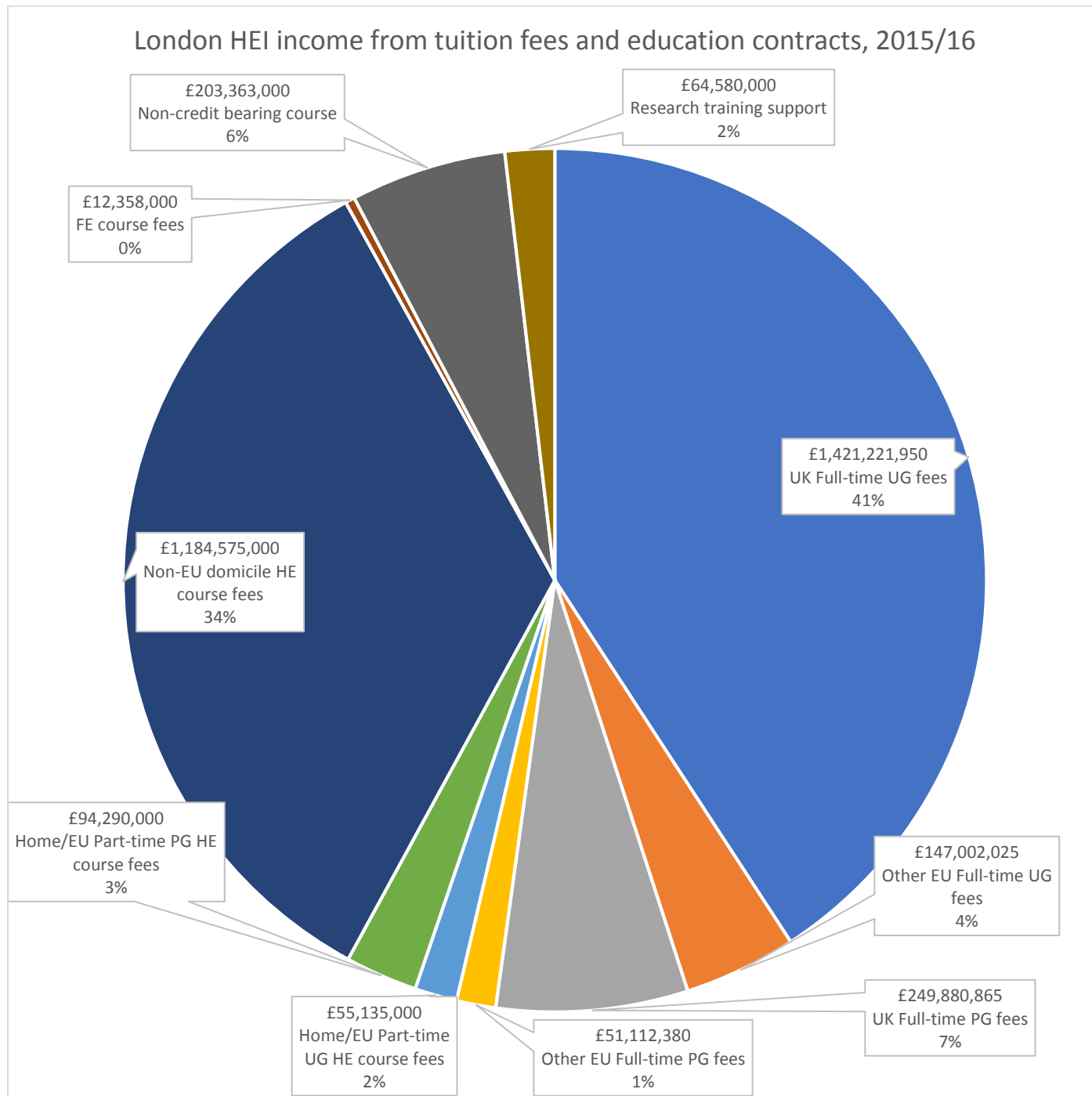
International students' fees represent 19% of total income of London HEIs (see Figure 6 for total income distribution).

Figure 6: Distribution of sources of income for HEIs in London, 2015/16



Source: London Higher

Figure 7: London HEI income from tuition fees and education contracts by domicile and level



Source: London Higher data/London First calculations

3.2 Economic impact of international students

It is clear that international students are a net benefit to our economy rather than a net drain on our services.

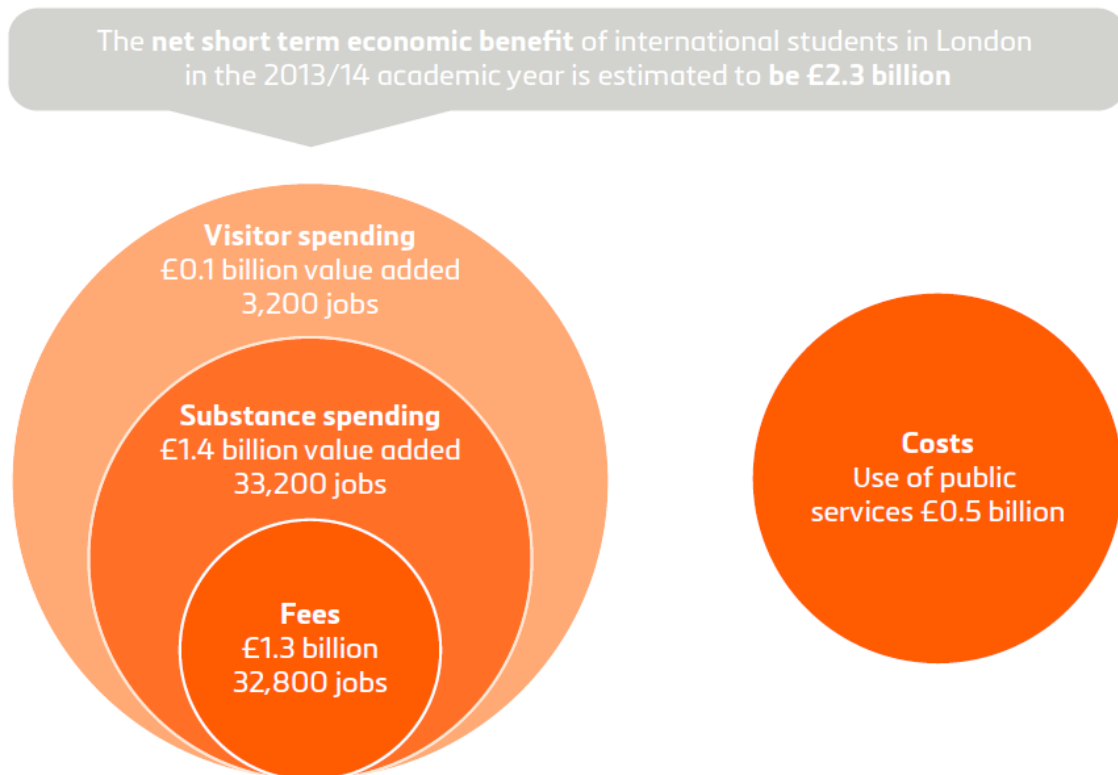
Looking at the benefits first, *London Calling*, using an input-output analysis to estimate the direct, indirect and induced impacts across the economy, found that the 67,405 non-EU students studying in London contribute a total of £2.8bn each year to UK GDP, through the fees and spending that they – and their friends and family – bring to the UK. This total contribution is broken down as follows:

- £1.3 bn as a result of the fees they pay
- £1.4 bn as a result of subsistence spending
- £121m through visitor spending

Looking at the costs, these international students in London are estimated to consume public services, including the NHS, at a cost of £540m each year. They have no recourse to public welfare benefits as a condition of their visas, represent a negligible impact on public transport, and do not add to the problem of affordable housing in London.

London's international students bring a net benefit of £2.3bn each year to our economy. That equates to an average of £34,122 per student.

Figure 8: Short-term economic benefits and costs of non-EU students in London, 2013/14 per year



Source: PwC analysis

Source: *London Calling*

We are unable to update these figures to include EU students for this response.

3.3 Jobs

London Calling calculated that non-EU students in London alone support 70,000 jobs at their place of study and accrue the local economy through their expenditure on fees and subsistence.

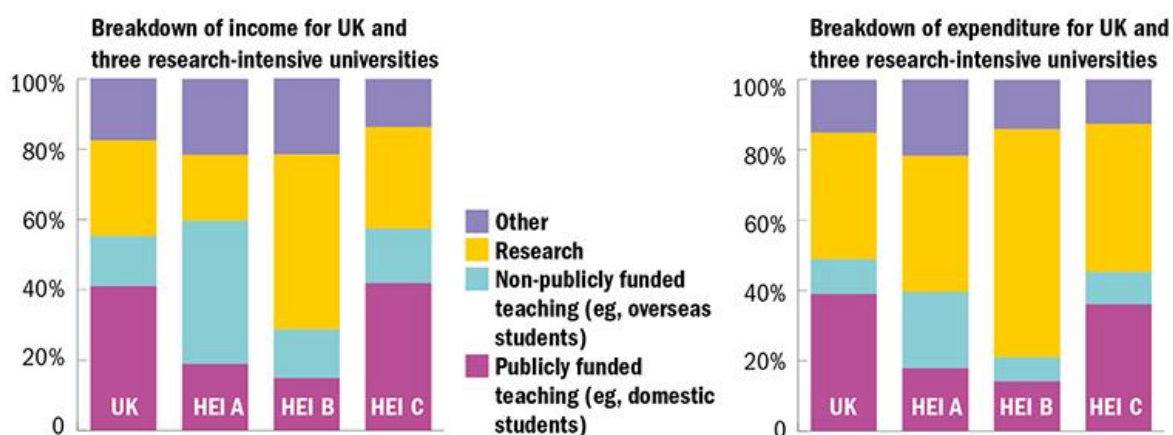
3.4 Cross subsidy⁸

International student fees are becoming ever more vital to UK universities due to rising insecurities triggered by falling UK-born student numbers, increasing pension liabilities, and increased costs and pressures in maintaining and expanding campuses, as well as the reputational risk of Brexit.

Income from international students generates an estimated surplus of £1.46 billion across the UK (2015/16).⁹ Research activity for universities currently runs on an estimated deficit of £3.13 billion in the UK, as funded research rarely covers the full actual cost.

In November 2017, Hefce reported¹⁰ just how vital non-EU student tuition fees are to universities and their research funding. Roughly £3,800 of each non-EU student’s annual tuition fee supports the funding of research. In total, £1.8 billion of fee income from non-EU students is used to contribute to the cost of university research across the UK annually. In comparison, teaching UK and EU students generates a surplus of £200 million for the whole sector. We do not have comparable figures for London.

Figure 9: Example of sources of income and expenditure for UK universities on average and three anonymous HEIs



Source: *Times Higher* November 2017

⁸ Please note the switch to UK numbers, as London figures were not available to us.

⁹ http://www.hefce.ac.uk/media/HEFCE_2014/Content/Funding_and_finance/Financial_sustainability/TRAC_Guidance/TRAC_analysis_2015-16_summary_statement.pdf

¹⁰ <http://www.hepi.ac.uk/wp-content/uploads/2017/11/HEPI-How-much-is-too-much-Report-100-FINAL.pdf>

Figure 9 highlights the importance of income from non-EU students to universities where research expenditure is typically higher than research income.

‘Phil McNaull, Director of Finance at the University of Edinburgh and Chair of the British Universities Finance Directors Group, said the Government “must accept” that if it could not meet the full cost of research through grants, institutions should be able to cross-subsidise from teaching to other courses. “The government could help by recognising the important contribution from overseas fees to the portfolio of funds required to support research activity in universities. Practical steps could include removing overseas students from net immigration targets and scaling back efforts to break up the cross-funding activities of universities through selective focus on tuition fees.”¹¹

Non-EU students and their fees also allow universities to deliver a range of courses that also attract UK-born students but would otherwise be financially unviable. Surpluses generated in a subject popular with international students can be used to cross subsidise other courses that are either expensive to run, like STEM-based courses, or are less popular with international students, but nonetheless popular with UK-born students.

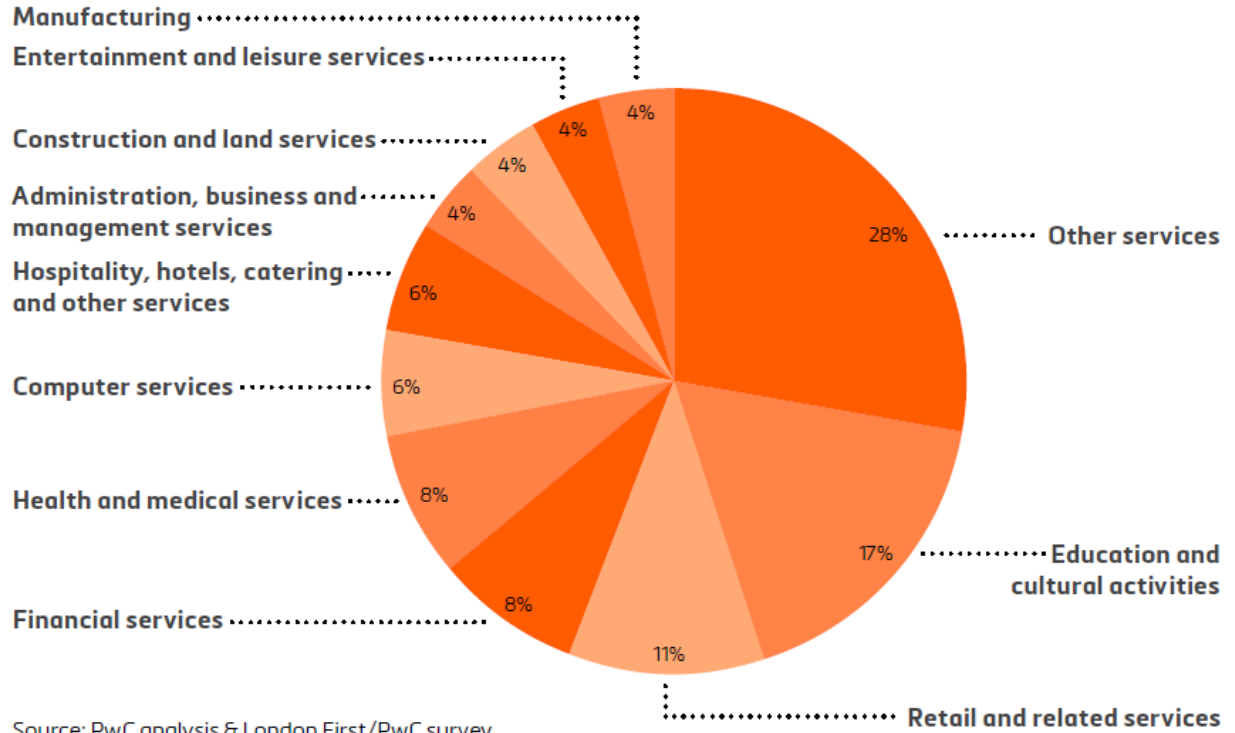
3.4 Skills

International students bring skills and experience that we simply cannot grow from the local labour market. For example, our world-leading professional services firms value the language skills, local knowledge and connections that global talent brings to international projects. The nation’s universities represent important talent pipelines for the UK labour market.

Figure 10 below shows the employment of international students by sector. It is clear that they help to fill recognised skills gaps in areas like health, technology and construction, all areas recognised in the Government’s Industrial Strategy.

¹¹ <https://www.timeshighereducation.com/news/overseas-students-pay-8k-each-fund-uk-research>

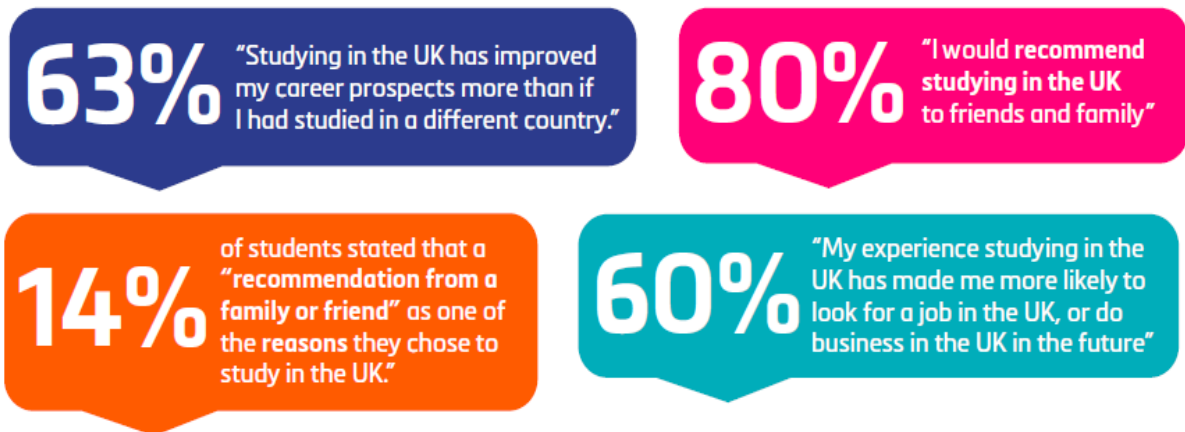
Figure 10: Main sectors of employment of international students 2013/14 working in the UK



Source: *London Calling*

3. Soft power

Figure 11: Reasons for international students to study in the UK



International students come to London and the UK to study, some have ambitions to work here for a time. They build networks, add cultural richness, and return home with strong fondness for, and connection to, the UK. These international students often become the greatest ambassadors for the UK, creating the conditions for successful future trading relationships.

More world leaders – monarchs, presidents and prime ministers – have studied at UK universities than anywhere else in the world, and 1 in 10 current world leaders are alumni of UK universities.¹² As well as those who come here to study, there are many more around the world studying at British universities via distance learning.

Our leading language schools teach business leaders and government officials English, the world's lingua franca. Indeed, as the Lord's Select Committee on Soft Power stated, 'According to the British Council, 1.5 billion people around the world are currently learning English, and many look to the UK to provide them with teachers.'

In 2015, ComRes ranked the UK number-one nation in global soft power.¹³ For the UK to thrive in a post-Brexit landscape, it is essential that this position is maintained and opportunities to grow soft power are taken wherever we find them. With international students being one of the UK's main soft power assets, this is a good place to start.

4. System issues

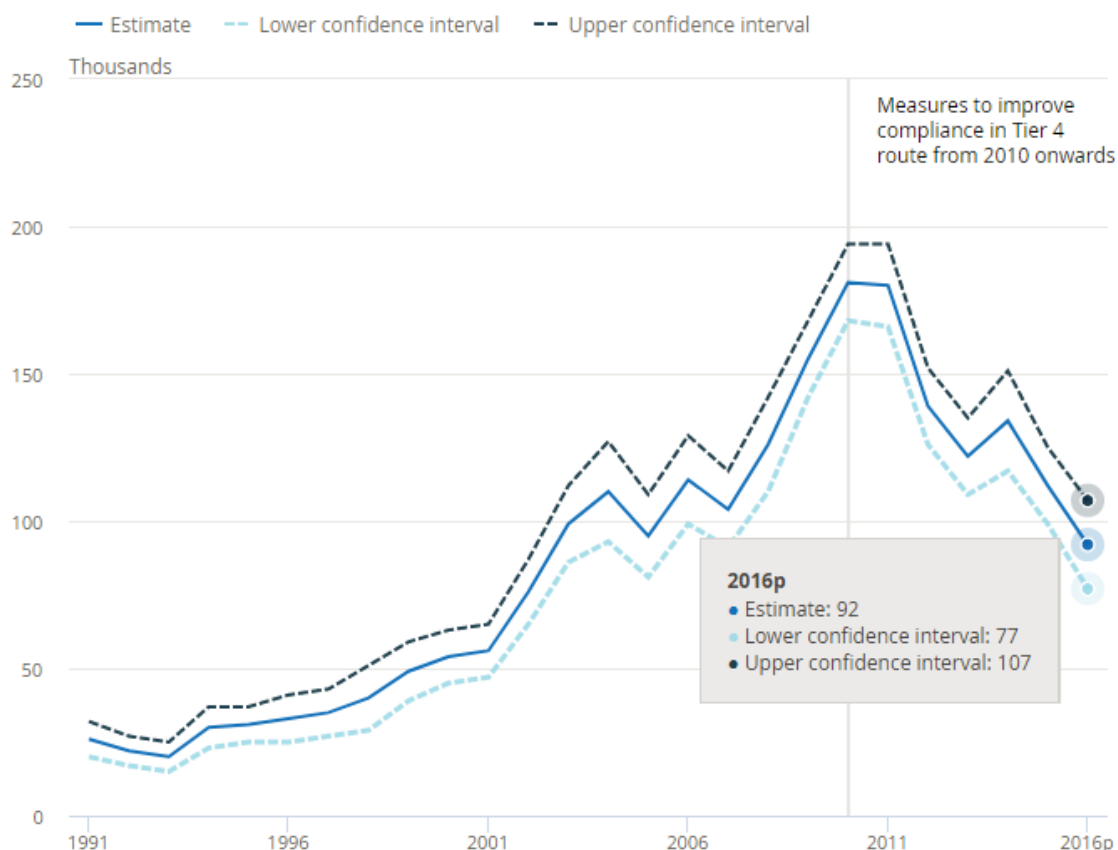
Immigration rules for international students have changed so frequently in the last few years that it makes it hard for both the student and their chosen education institution to navigate the system. More than one-third of the students surveyed for *London Calling* found that Britain's immigration system – particularly its complexity – negatively affected their experience of studying here.

Figure 12 shows that there is a falling trend in international student numbers, from 2010 onwards, a period when the Government introduced frequent rule changes and new restrictions to the compliance regime.

¹² <https://www.britishcouncil.org/education/ihe/news/uk-education-leading-world>

¹³ http://www.comresglobal.com/wp-content/uploads/2015/07/Report_Final-published.pdf

Figure 12: Long-term non-EU international immigration for study to UK, 1991-2016



Source: International Passenger Survey, Office for National Statistics

Source: ONS¹⁴

Our current status as a world-leading magnet for international students is not guaranteed. Canada, for example, saw enrolments surge by 22% in 2016, with India the biggest single growth rate at 57%¹⁵. By contrast, Indian student numbers in the UK have dropped by over 75%¹⁶ in the last few years. Cities that historically have fared less well in attracting international students, such as Seoul, are also fast improving

5. Public opinion

Many public opinion polls have shown that international students are not regarded as immigrants, but are rather viewed in a favourable light, contributing to the UK economy with their skills, spending power, diversity, and links to their home countries. For example, a ComRes survey for London First in 2016 revealed that only 17% of Londoners consider

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<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/internationalstudentmigrationresearchupdate/august2017>

¹⁵ <https://ukcisa.org.uk/Research--Policy/Statistics/International-student-statistics-UK-higher-education>

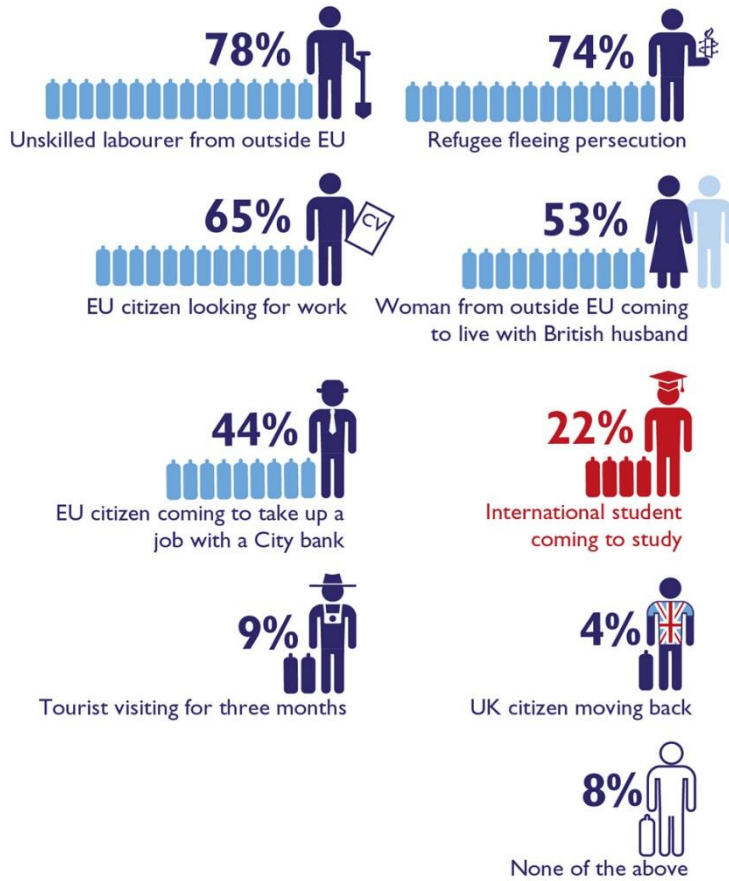
¹⁶

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/internationalstudentmigrationresearchupdate/august2017>

international students studying in London to be migrants. It is not just Londoners who feel like this, as the following chart shows, based on a UK-wide survey conducted by British Future.

Figure 13: Poll if certain groups were considered immigrants in the UK and would fall under government immigration policy

Figure 5: 'When thinking about government immigration policy, which of the following people do you think of as an immigrant?'



Source: British Future¹⁷

¹⁷ <https://www.britishfuture.org/wp-content/uploads/2014/08/BRFJ2238-International-Students.WEB-FINAL.Embargo-25.8.14.pdf>