

ESTIMATES OF LOST HIGHER EDUCATION EXPORT REVENUE: EFFECT OF IMMIGRATION RULE CHANGES

EXECUTIVE SUMMARY

This briefing calculates the lost export revenue that has resulted from the stagnation of the number of international students choosing to study in the UK in recent years following changes to student migration policy in 2012. Two scenarios are considered, one where non-EU student growth in the UK continued at the rate observed between 2008 – 2012, prior to immigration rule changes and the other where UK non-EU student growth mirrored the growth seen in Australia in this period. Australia has been chosen as over this period it introduced a coordinated, cross-governmental international education strategy supported by enabling policy and is therefore a good example of the level of international student recruitment can be achieved through such actions.

Lost export revenue is calculated for 2015 (latest figures available) and projected for 2017. Cumulative export revenue loss is also calculated for the period 2013-2015 and projected for 2013-2017. Under scenario 1 it is estimated that the UK lost £1.5 billion in 2015 and £3 billion in 2017 alone with a cumulative loss of £8.2 billion in the period 2013-17. Under scenario 2 it is estimated that the UK lost £1.3 billion in 2015 and £4.5 billion in 2017 alone with a cumulative loss of up to £9 billion in the period 2013-17.

Work previously undertaken by Oxford Economics for Universities UK (UUK) on the total economic impact of international students in the UK in 2014-15 allows us to estimate the total loss economic impact in that year. Under scenario 1 the lost tax revenue alone, £ 460 million, would have paid the wages of 15,000 additional nurses or 12,000 additional police officers.

INTRODUCTION

In 2012 the UK undertook a series of immigration reforms related to international students, most notably the Tier 1 Post Study Work Route, which was available to students graduating in the UK, was closed in April 2012.

The graph below shows total international student enrolments in the UK and other competitor countries from 2008 to 2017. Total international (EU and non-EU) student enrolments in the UK dipped slightly in 2012-13 following the immigration rule changes and have since flatlined. Conversely other countries such as the US, Canada and Australia have continued to grow over this period.

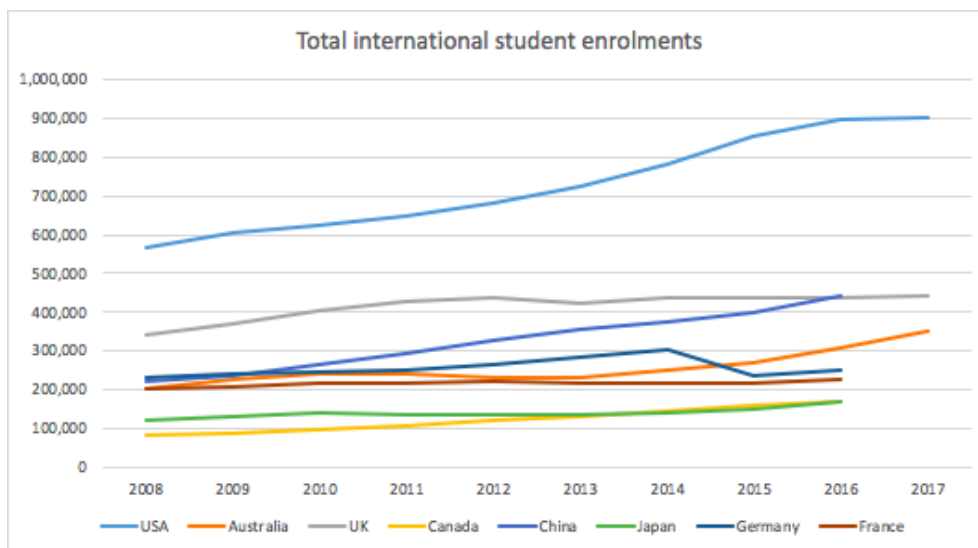


Figure 1 - total international student enrolments in the UK and competitor countries¹

This paper attempts to estimate both the lost export earnings resulting at least in part from these changes to post-study work rights. To do this, two international student growth scenarios are considered:

1. UK non-EU student growth continued at the rate observed between 2008 – 2012, prior to immigration rule changes.
2. UK non-EU total student growth mirrored the international student growth seen in Australia in this period.

In both scenario's EU student numbers remain unchanged from the actual number enrolled. Lost higher education export revenue is then calculated using the method adopted by the

¹International students: quarterly data briefing, Universities UK International, <https://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/Quarterly-International-Data-Release-pdf.aspx>

Department for Education.² This considers education export income from non-EU students to consist of both tuition fee spending but also living expenses.

SUMMARY OF RESULTS

LOST STUDENT NUMBERS

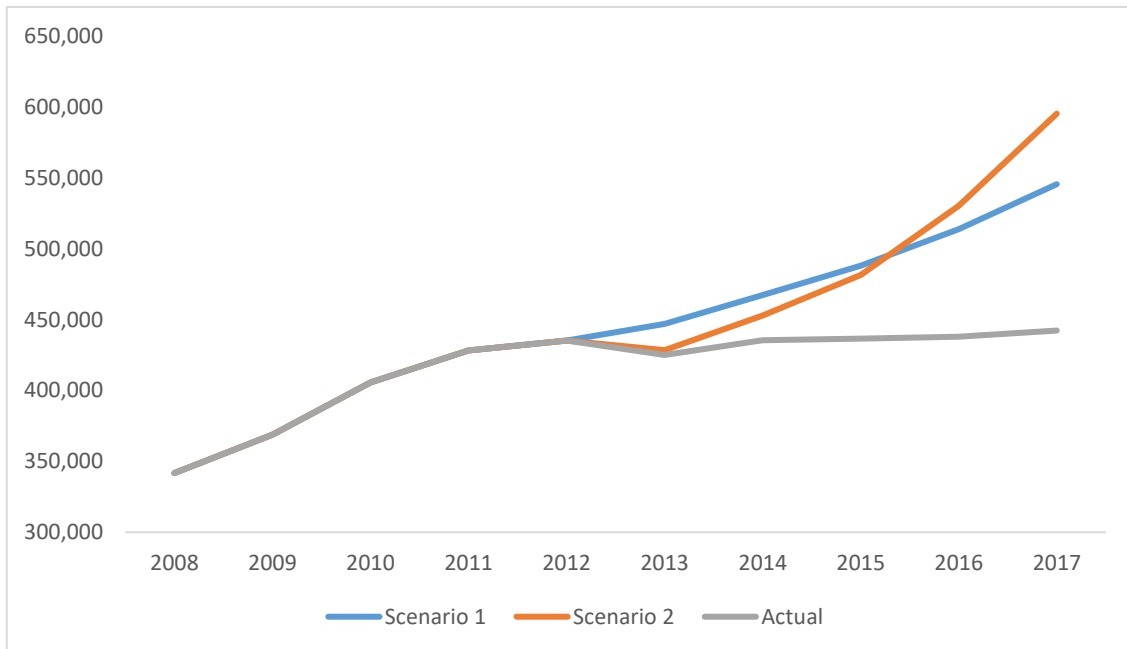


Figure 2 – Actual and projected (scenario 1 and 2) international student numbers in the UK
(Source for actual student numbers: HESA Student record, various years)

Scenario 1 - There are 103,000 fewer non-EU students studying in the UK in 2016-17 than there would have been if the average growth rate had continued.

Scenario 2 - There are 153,000 fewer non-EU students studying in the UK in 2016-17 than there would have been if the UK total growth had matched Australia’s growth rate.

LOST HIGHER EDUCATION EXPORT VALUE

2015 FIGURES

The latest education export figures available are for 2015.² They showed that the UK’s total education exports were worth £19.3 billion with higher education contributing £12.9 billion. Using these figures, it is possible to calculate lost export earnings in 2015 and the period between 2013 – 2015 based on the scenario's described above and the resultant ‘lost’ non-EU students.

² UK revenue from education related exports and transnational education activity in 2015, Department for Education, <https://www.gov.uk/government/statistics/uk-revenue-from-education-related-exports-and-tne-activity-2015>

These calculations, summarised in the table below, suggest that in 2015 the UK lost between £1.3 and £1.5 billion in export earnings and over the period 2013 – 2015 lost between £1.9 and £2.9 billion.

	Scenario 1 - UK <i>international student growth continued at the rate observed between 2008 – 2012, prior to immigration rule changes.</i>	Scenario 2 - UK <i>international student growth mirrored the growth seen in Australia in this period.</i>
Lost education export value in 2015	-£1,481,000,000	-£1,296,000,000
Lost education export value in period 2013 - 2015	-£2,941,000,000	-£1,862,000,000

PROJECTED FIGURES FOR 2017

Although the latest education export figures are for 2015 it is possible to use this methodology to project forward to 2017³ (the latest year for which actual non-EU student numbers are available). Once again using this method it is possible to calculate the lost revenue under each scenario considered in both 2017 and the cumulative loss in the period 2013-2017.

These calculations, summarised below, suggest that in 2017 the UK lost between £3 and £4.5 billion in export earnings and over the period 2013 – 2017 lost between £8.2 and £9 billion.

	Scenario 1 - UK <i>international student growth continued at the rate observed between 2008 – 2012, prior to immigration rule changes.</i>	Scenario 2 - UK <i>international student growth mirrored the growth seen in Australia in this period.</i>
Lost education export value in 2017	-£3,005,000,000	-£4,453,000,000
Lost education export value in period 2013 - 2017	-£8,154,000,000	-£9,005,000,000

³ An inflationary increase of 2% is assumed for both tuition fee income and living expenses in both 2016 and 2017.

TOTAL ECONOMIC IMPACT

The above estimates only calculate the export value of international students which is comprised of tuition fee income and spend to support living costs. The calculations do not account for visitor spend associated with international students or calculate the knock-on effects of international students such as job creation or tax revenue. This total economic impact has been calculated for UK by Oxford Economics for the year 2014-15.⁴

The per capita total economic impact of international students in the UK in 2014-15 reported in this study is detailed below.

Per capita impact of international students 2014-15	Gross Output (£)	GVA (£)	Employment (FTE)	Taxes (£)
per Non EU student	66,000	35,000	0.53	9,000

This data allows for the calculation of total lost economic impact in 2014-15 under each of the scenarios considered. This is summarised below.

	Lost Gross Output (£)	Lost GVA (£)	Lost Employment (FTE)	Lost Taxes (£)
Scenario 1	-3,403,000,000	-1,804,000,000	-27,000	-464,000,000
Scenario 2	-3,094,000,000	-1,641,000,000	-25,000	-422,000,000

The lost tax revenue associated with scenario 1 could have paid the wages of 15,000 additional nurses or 12,000 additional police officers.⁵

CONCLUSIONS

The analysis presented here shows that the stagnation of international student numbers in the UK since 2012, related in part to changes in immigration rules including those related to post-study work rights, has significantly adversely affected both UK export revenue but also the total positive economic impact that international students have in the UK. In 2014-15 alone, we estimate that the UK lost between £1.3 and £1.5 billion in export value and up to £460 million in tax revenue. This tax revenue could have paid the wages of 15,000 additional nurses or 12,000 additional police officers. Across the period 2013-2017 we estimate that the UK has lost between £8.2 and £9 billion in export value and in 2017 lost between £3 billion and £4.5 billion in a single year

Universities UK believes that to ensure this loss does not compound into future years a cross-governmental International Education Strategy is required. It is crucial that this strategy is

⁴The economic impact of universities in 2014-15, Oxford Economics, <https://www.universitiesuk.ac.uk/policy-and-analysis/reports/Documents/2017/the-economic-impact-of-universities.pdf>

⁵ Methodology used described in Oxford Economics report

supported by enabling policy, which must include policy related to student migration which is on a par with other competitor nations. We do not believe that the recommendations recently made by the Migration Advisory Committee⁶ go far enough in relation to the post-study work rights of international students. The proposal for a new Global Graduate Talent visa, recently launched by UUK,⁷ represents what we believe this required to ensure the UK remains competitive in this area and does not continue to lose the levels of export value and economic benefit highlighted in this briefing.

⁶ Migration Advisory Committee report: international students
<https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-international-students>

⁷ Universities UK proposal for a Global Graduate Talent visa, Available at:
<https://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/post-study-work-proposal.aspx>

APPENDIX A – METHODOLOGY

LOST STUDENT NUMBERS

Actual EU and non-EU student number are taken from the relevant HESA record. The growth rate associated with each scenario is then applied to the non-EU student numbers only to calculate the total number of non-EU student number the UK could have expected to recruit.

LOST EDUCATION EXPORT VALUE

2015 Figures

Published figures for education export value are used to calculate the education export value that UK would have received under each scenario. This is achieved by dividing the actual value (both tuition fee income and living expenses) attributed to non-EU students in each year from 2013 onwards by the actual number in the UK and then multiplying by the projected number in each year for each scenario.

2017 Figures

These are calculated in the same way as above in order to project 2016 and 2017 figures a 2% inflationary increase is applied to both the per capita tuition fee and living expense figure.

LOST TOTAL ECONOMIC IMPACT

The Oxford Economics study conducted calculated the per capita impact of non-EU students in 2014-15. This impact has simply been multiplied by the number of lost students in 2014-15 under each scenario. The number of nurse and police officers the lost tax revenue equates to has been calculated in the way described in the report, using ONS data on average pay in occupations in 2015.