



BRIEFING

Non-EU Higher Education Students: Impact on the UK Economy

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This briefing looks at evidence on the impact of international students in the UK's higher education (HE) sector on the UK economy. It focuses on students from outside the EU who are studying in British universities or other institutions that award higher education degrees, but also contains some information about students from EU member states for comparison.

Key Points

The number of non-EU students enrolled in higher education in the UK more than tripled between 1994-95 and 2015-16, from 98,000 to 310,600.

Growth in non-EU student enrollments since 2010 has been driven primarily by Chinese students, while the number of Indian students has decreased.

Non-EU students generated up to £7.2 billion per year in export revenues in the 2011-2012 period, although estimates vary.

Tuition fee income from non-EU students has grown over the past decade and made up over 12.8% of the total income of UK HE providers in the 2015-16 academic year.

Limited available evidence suggests that non-EEA students are likely to make lower-than-average use of public services like health and education; there is less evidence on their impacts on transport congestion, the housing market and labour market.

Understanding the evidence

In this briefing, the term 'international students' refers to non-European Union (EU) and non-European Economic Area (EEA) students, depending on the data source. Non-EEA nationals are subject to immigration control. If they are coming to the UK for the purpose of study and do not have authorisation to be here for other reasons, such as family, they must be sponsored by a licensed educational institution, must meet various requirements such as language proficiency and sufficient funds to maintain themselves during their studies, and must usually pay unsubsidised tuition fees.

While the UK remains a member of the European Union, EEA students do not face these rules; they can study at any institution and pay the same tuition fees as local higher-education students. It is too early to definitively assess the implications of the UK's 2016 vote to leave the EU on the trends discussed in this briefing. The government is proposing to end free movement, but to allow EU/EEA citizens beginning courses in the 2017/18 and 2018/19 years to continue under home fee status for the duration of their courses. However this is still being negotiated. If the UK does end free movement in the coming years, EEA nationals will likely become subject to the same rules and fees as non-EEA nationals. However, the UK could potentially strike a deal with the EU that allows a liberal regime for EEA students to remain in place.

Statistics on international students often categorise people by domicile rather than nationality. Domicile is a person's place of permanent residence before starting their course. As a result, some non-EU nationals will be classified as UK-domiciled students. Student domicile data reported by the Higher Education Statistics Authority (HESA) is divided into UK, EU and non-EU categories; the three EEA countries that are not EU members (Iceland, Norway and Liechtenstein) are included under non-EU category by the Higher Education Statistics Authority (HESA).

The briefing only considers students at higher education institutions (HEIs), not other educational institutions such as vocational colleges or English language schools. HEIs are recognised bodies with the power to award degrees (or offer

full provision leading to a degree), and include all UK universities as well as some higher education colleges.

The presence of international students in higher education affects the UK in various ways, some of which are easier to quantify than others. International students, particularly non-EEA students, pay higher tuition fees to universities. International students also spend money in the UK during their stay, which may have wider 'multiplier' or knock-on effects on the economy. There are also costs associated with international students, such as the cost of providing public services like health care or the possibility of congestion in public transport or the housing market.

Most of the recent studies looking at the economic impacts of international or non-EU students have focused on export earnings—that is, expenditure on goods and services in the UK using money brought in from abroad. This is sometimes referred to as the students' "economic value" or "economic impact". However, export earnings are not the same as the impact on GDP, a more commonly used and more intuitive metric of economic impact. If students' expenditure in the UK also leads to increased imports (because many of the goods and services on offer in the UK are imported), this spending may have a smaller impact on GDP than on export earnings.

Less quantifiable impacts include the value of international graduate students' research output while in the UK, or the possibility that former students returning home with knowledge and experience of the UK will extend the UK's 'soft power' or help to stimulate trade and other forms of cooperation with countries of origin.

The economic impacts of international students are typically calculated by looking at the period during which non-UK nationals are studying in the UK. Some students stay on in the UK after their studies and enter the labour market, however. The economic effects of former international students working in the UK could be important but have not been separately identified, in part due to data limitations. For a more general overview of research on the impacts of migrants on the UK economy, see Migration Observatory briefings 'The Labour Market Effects of Immigration' and 'The Fiscal Impact of Immigration in the UK'.

Note that most of the studies reviewed in this report were conducted using data for years before the 2012 higher education reform in England, which may have changed the respective contributions of different student groups.

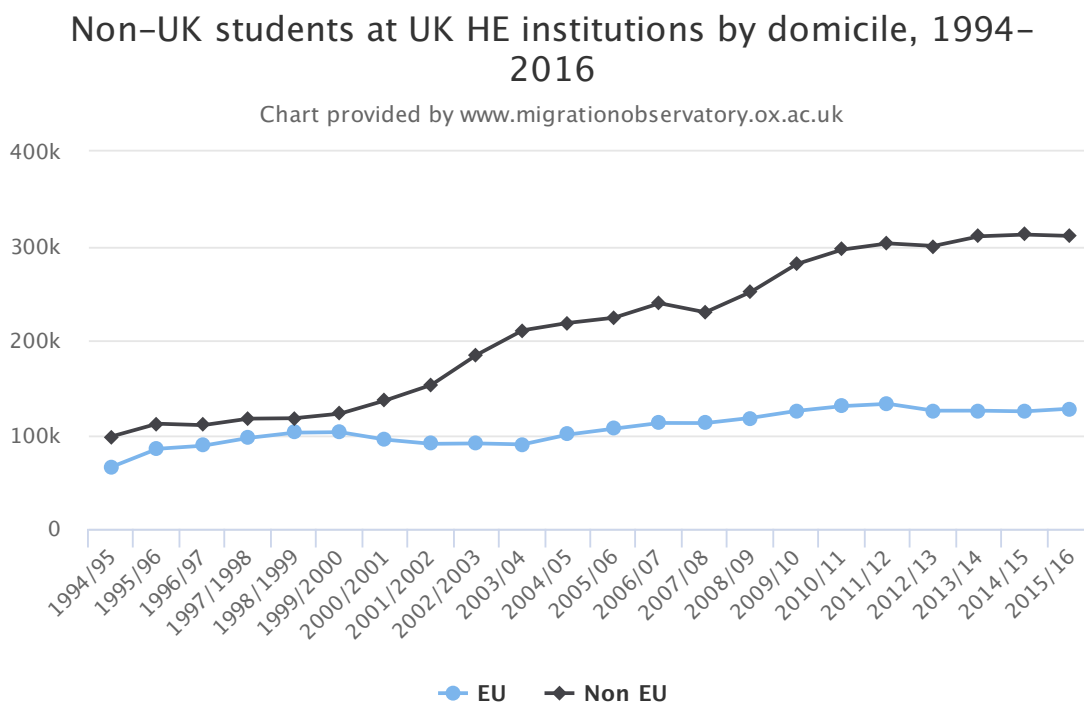
The number of non-EU students enrolled in higher education in the UK more than tripled between 1994-95 and 2015-16

In the 2015-16 academic year, 19% of students enrolled in UK higher education institutions (HEIs) were domiciled outside of the UK. Non-EU students made up nearly 14% or 310,600 of those enrolled. EU students made up the remaining 6% or 127,400.

The total number of non-EU students enrolled at higher education institutions has more than tripled since 1994, when the data was first recorded (HESA, 2016) (Figure 1). Growth in non-EU student enrollment slowed 2010-11 onwards. The number of non-EU students enrolled at HEIs increased by 5% between 2010-11 and 2015-16. This compares to a 24% increase during the 2006-7 to 2010-11 period.

The number of EU-domiciled students has also grown over the last 20 years, reaching 127,400 in 2015-16 (Figure 1). The growth of this group has also slowed in recent years. From 2006-7 to 2010-11 there was a 16% increase in the number of EU students at UK HEIs, compared to a 2% decline between 2010-11 and 2015-16.

Figure 1



Source: HESA Statistical First Release 242, 2017 Table 1 (for data from 2009–2016), HESA Free Online Data Tables for previous years' data.

Note: Previous years' data available from HESA Free Online Data Tables. Non-EU includes Norway, Iceland and Liechtenstein.

As a share of all enrolled students, non-EU domiciled students increased over the past several years, from 10% in 2008-9 to 14% in 2015-16. This was due both to a growing number of non-EU students and to the fact that the number of UK-domiciled students was also decreasing. The total number of UK-domiciled higher education students declined from 2,073,000 in 2010-11 to 1,842,300 in 2015-16, a decrease of 11%. One reason for this was a decreasing number of UK residents of university age.

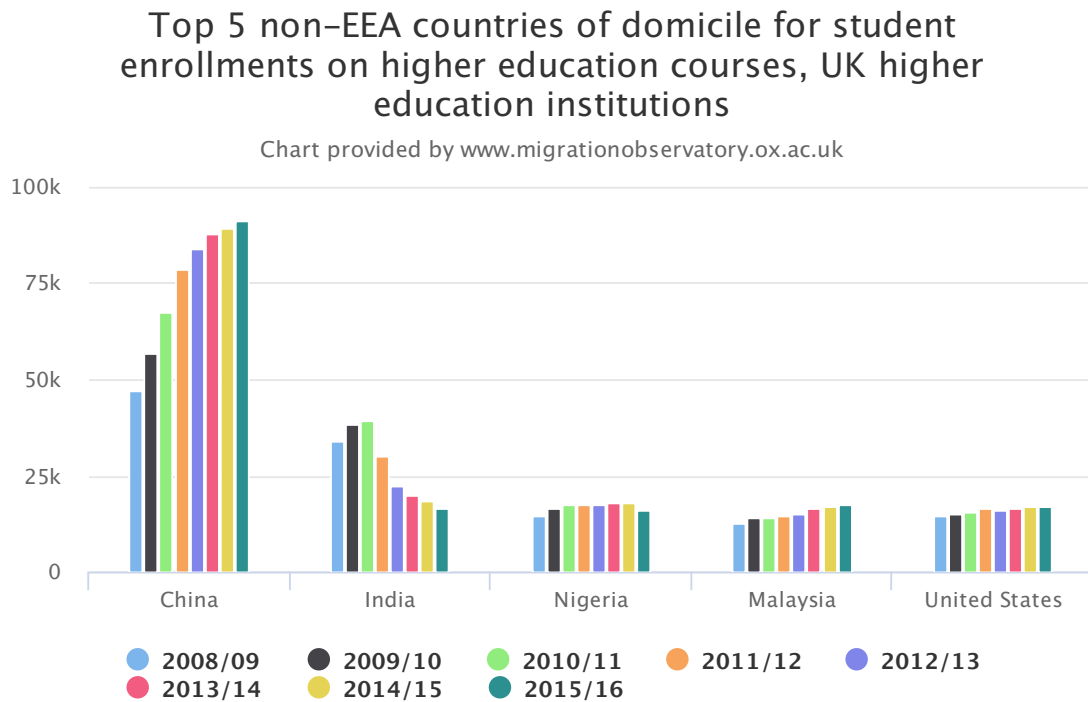
However, this trend did not continue in 2015/16, when there was a slight increase in UK-domiciled students and a slight decrease in non-EU students.

Growth in non-EU student enrollments has been driven primarily by Chinese students since 2010, while the number of Indian students has decreased.

More than half of all non-EU students were from Asia during 2015-16, and 29% came from China alone. The number of Chinese student enrollments in higher education institutions increased by 94% in the seven-year period from 2008-9 to 2015-16, making China the largest origin country by some distance (Figure 2).

By contrast, the number of students from India has fallen. Indian student numbers in 2015-16 were 51% lower than in 2008-9. There are different possible reasons for this decline, including a decrease in the value of the rupee relative to the pound—at least until the EU referendum in mid-2016—which made study in the UK more expensive for Indian students; and the tightening of immigration policies such as the closure of the post-study work route (Universities UK, 2014). Disentangling the impacts of different factors is difficult. It remains to be seen how the decline in value of the pound since June 2016 will affect non-EU student numbers.

Figure 2



Non-EU students generated up to £7.2 billion per year in export revenues in the 2011-2012 period, although estimates vary

Some studies have estimated the impact of international students on export earnings for the UK's higher education sector, although most were conducted using data from several years ago when numbers of international students and non-EU student fee revenues were lower.

A report commissioned by the Department for Business, Innovation and Skills (BIS, 2011) estimated that international students of all nationalities were responsible for £6.8bn of export earnings in 2008-9 as a result of the tuition fees they paid and their personal expenditure in the country. (This should not be confused with the sometimes-cited £7.9bn estimate in the same report, which refers to the total exports of the higher education sector and includes various other revenues such as income from universities' activities abroad.)

Using a similar methodology, a more recent report for Universities UK (2017) found that international students of all nationalities contributed £10.8bn to UK export earnings in 2014/15.

MigrationWatch (2012) calculated the earnings associated with non-EEA students alone. Using the numbers provided in the BIS study plus an estimate of the money earned by full-time students working in the UK, they calculated export earnings from non-EEA students at £4.3bn in 2008-9. They estimated that by 2010-11 this would have risen to £5.8bn due to inflation and the growth in student numbers.

A further study by Universities UK (2014) estimated export earnings from non-EU students at £7.2bn for the following year (2011-12). The larger figure is due, primarily, to a higher estimate of non-EU students' expenditure in the UK and an increase in tuition fees.

All of these studies looked at export earnings, which is not the same as the impact on GDP, as described in the “understanding the evidence” section above. The Universities UK study also estimated that the impact of non-EU students on GDP was lower, at £4.9bn in 2011-12.

Importantly, fee revenue from non-EU students has increased further since these studies were conducted, so it is likely that the estimate of export earnings would be higher if the studies were replicated today.

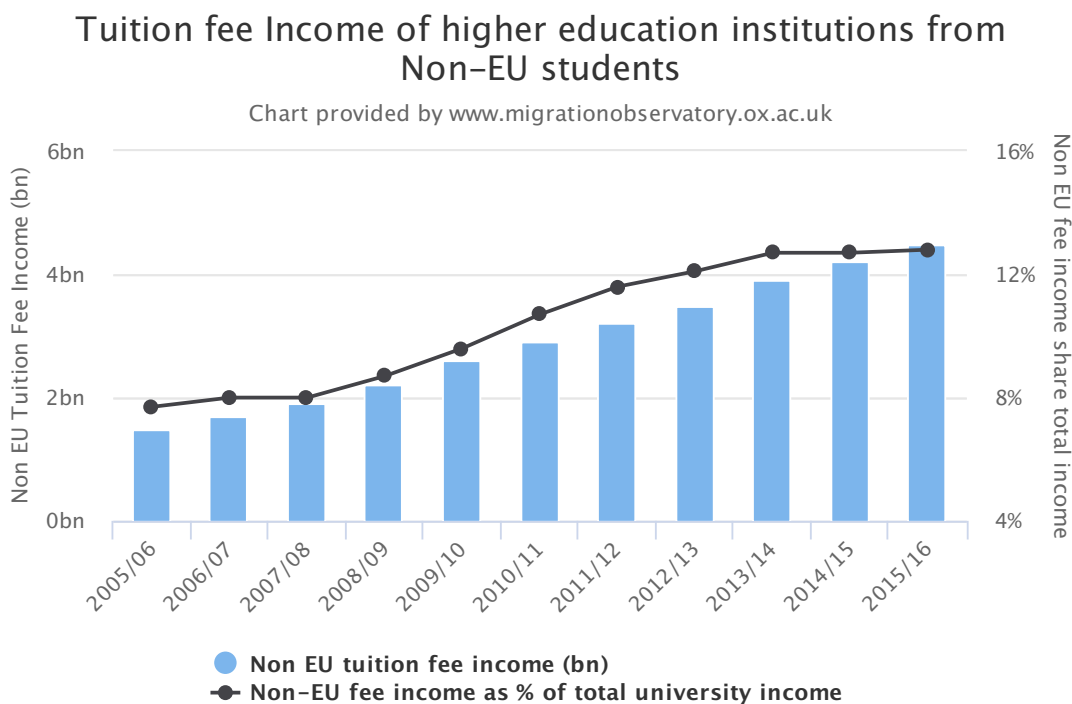
Tuition fee income from non-EU students has grown over the years and made up over 12.8% of universities’ total income in the 2015-16 academic year.

The fee structure at publicly funded HEIs is complex. Institutions charge fees at different rates depending on the domicile of the student and the area of the UK in which the institution is located. HEIs in England can charge up to £9,250 to domestic and EEA undergraduate students, although Scottish students still receive free tuition in Scotland and there are also reduced fees for Welsh and Northern Irish students studying in Wales and Northern Ireland respectively.

There is no cap on the maximum fee for non-EEA undergraduate students or for postgraduates of any domicile (Home Office, 2012). Universities UK (2014) estimated that the average (median) fee for a classroom-based undergraduate degree in the 2014-15 academic year was £12,100 for a non-EU student.

In 2015-16, tuition fee income from non-EU students was £4.5 billion, according to the Higher Education Statistics Agency (HESA). This made up 12.8% of universities’ total income and 26% of fee income (HESA, 2017). The share of universities’ revenue coming from non-EU students has increased steadily over the past decade, from 8% in 2005-6 (Figure 3). This is the result both of an increase in fee revenues from non-EU students and a decrease in grants from public funding bodies (HESA, 2015).

Figure 3



Source: HESA HE Finance Plus. The non-EU category includes tuition fee revenue from Norway, Iceland and Liechtenstein.

Note: The non-EU category includes tuition fee revenue from Norway, Iceland and Liechtenstein.

In other words, non-EU students generate more tuition fee revenue per capita than UK or EU students. In a 2009 analysis of the immigration system, the Migration Advisory Committee (MAC) argued that since non-EEA students pay more for the same education, they are “essentially cross subsidising the education [...] of their UK counterparts” and that “fewer non-EEA students would, all other things being equal, mean fewer UK students being able to access a university education” (MAC, 2009).

The Department for Business, Innovation and Skills (2013) has also argued that international students stimulate demand for courses that may be considered strategically important (such as postgraduate science and technology courses), enabling universities to continue to provide them for all students. Quantifying the extent or impact of this phenomenon would be difficult.

Limited available evidence suggests that non-EEA students are likely to make lower-than-average use of public services like health and education; there is less evidence on their impacts on transport congestion, the housing market and labour market

Non-EU students have other economic impacts that are not captured in estimates of tuition fee payments and export revenues. Costs associated with international students include their use of public services, such as health care or, if they bring children to the UK, schooling. They may contribute to congestion on roads or public transport. On the other hand, international students pay taxes such as VAT, council tax, national insurance and income tax if they also work during their studies. They also pay a £150 per year charge specifically designed to offset the cost of using the NHS.

The net fiscal impact of immigration is the difference between migrants’ contributions to tax revenues and the costs of the public benefits and services they receive. While there have been several studies examining overall fiscal impacts of immigration, available data provide limited scope to estimate the impacts for specific categories of migrants, such as international students.

Some studies have estimated the cost of international students’ use of public services without estimating tax contributions, which means that they cannot be used to understand students’ overall, net impact on public finances or service provision. A 2011 study by the National Institute for Economic and Social Research (NIESR), for example, estimated that based on their demographic characteristics, non-EEA students make lighter use of education, healthcare and social services than the average UK resident (NIESR, 2011) but did not calculate a net cost/contribution.

Another study, looking specifically at students in Sheffield, examined both economic costs (such as contributions to transport congestion) and benefits (such as spending money locally); it estimated a positive impact on GDP in the Sheffield area, but did not calculate a net economic or fiscal impact at the national level (Oxford Economics, 2013).

There are still considerable gaps in the evidence about the impacts of overall migration as a result of its contribution to population growth—such as impacts on the cost of housing or on traffic congestion (MAC, 2012). These gaps also exist in the case of international students. In addition, there is no quantitative evidence on the impact of international students in the labour market (for example, the impact those who participate in part-time work during their studies).

Evidence gaps and limitations

The available research on the economic impacts of non-EU students is largely limited to the revenue they generate through living expenses and tuition fees. Non-EEA students may have broader impacts that are difficult to assess systematically. These include impacts arising from graduate students' contribution to research in the UK, or international research collaborations that they may facilitate after returning home. International students on longer-duration courses sometimes bring dependants, which could involve both costs (such as the use of public services) and benefits (such as additional expenditure in the UK due to dependants or visiting family members).

Finally, there is also an ongoing debate about the extent to which non-EEA students contribute to population growth, productivity or public finances, among other things, by remaining in the UK in the long term (see the Migration Observatory commentary 'International students and the net migration target: should international students be taken out?').

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Related material

- Migration Observatory briefing -The Labour Market Effects of Immigration www.migrationobservatory.ox.ac.uk/briefings/labour-market-effects-immigration
- Migration Observatory briefing - The Fiscal Impact of Immigration in the UK www.migrationobservatory.ox.ac.uk/briefings/fiscal-impact-immigration-uk
- Migration Observatory commentary - International students and the net migration target: should international students be taken out? www.migrationobservatory.ox.ac.uk/commentary/international-students-and-net-migration-target-should-students-be-taken-out

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The Migration Observatory

Based at the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford, the Migration Observatory provides independent, authoritative, evidence-based analysis of data on migration and migrants in the UK, to inform media, public and policy debates, and to generate high quality research on international migration and public policy issues. The Observatory’s analysis involves experts from a wide range of disciplines and departments at the University of Oxford.



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