

Summary

In June 2011 CentreForum published a report, 'Tier 4 Fears: why government student visa proposals are unfair', which outlined the potential adverse impact of Home Office proposals to remove the part time working rights of international students at private higher education colleges. Under the same proposals, international students at public universities would still be able to work part time. We argued that this is a clear bias against the private sector and makes a mockery of the government's aim to promote greater diversity in the higher education sector.

In this report we examine what the impact has been and find that it has been swift and probably even more devastating than was predicted. The number of international student enrolments for HE courses at private colleges is estimated to have dropped by around 70 percent. As a result one college has already closed and others are having to retrench or be taken over by public universities.

Recent research shows that public concern about immigration does not extend to student migration where the vast majority of students leave the UK after their course has ended. The government's clampdown on international students is therefore misplaced.

We recommend that the government should permit Tier 4 visa applicants studying university degrees at private HE colleges the same working rights as those studying at public universities. We further propose that Tier 4 international students should be excluded from the government's net migration targets, as they should be treated as temporary visitors rather than permanent migrants.

Tier 4 tears:

how government student visa controls are destroying the private HE sector

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CENTRE:FORUM

Introduction

In June 2011 we published "Tier 4 Fears: why government student visa proposals are unfair". The report examined the Home Office's proposals to remove the part time working rights of international students at private higher education colleges. In contrast international students studying an identical degree at a public university would be able to work up to 20 hours a week. For international students the ability to work part time is often critical to being able to afford to study in the UK. Private HE providers had been able to expand because they were able to offer lower cost courses than were being offered by public universities,

but this advantage would be wiped out by international students being unable to work part time whilst attending a private college. The report concluded that “the Home Office proposals risk damaging the independent HE sector disproportionately at a time when it is most needed to help the UK expand higher education and make the most of the country’s position as an export earner from the provision of high quality degrees.”

The purpose of this short research update is to examine what the impact of the new requirements has been on the private HE sector and whether the fears expressed in our June 2011 report have been realised. We also review the policy recommendations which we made in that report and consider how far they may need to be updated in the light of experience. A full background to the issue is set out in our earlier report.

Information on the contribution which overseas students make to the UK economy was presented in a report we published in February 2011 ‘Pathway to prosperity: making student immigration work for universities and the economy’.

In the present report we summarise the key issues, before looking at the impact of the student visa controls on the private HE sector. Our conclusions are clear from the title of the report. The impact of the controls has been devastating for the sector and completely counter productive at a time when the government is looking to private providers to help the UK create a more flexible HE sector to help drive down fees.

Background

In March 2011, the home secretary Theresa May announced the government’s plans to overhaul the student visa system with a view to reducing the number of bogus students using this route to enter the country. Tier 4 visas (ie visas intended for students and requiring sponsorship from an educational establishment) currently make up around three quarters of all

visa entries into the UK; some 285,000 entries in 2010. Under Tier 4, students have been allowed to work for up to 20 hours during the academic term and full time during holidays. Students’ dependants have also been allowed to join them and work in the UK.

Problems have arisen with ‘sham’ providers masquerading as genuine colleges offering visas for cash, sending students on thinly veiled ‘work placements’ or providing no teaching whatsoever. In the past few years several sets of reforms have been made to the student visa regime with the aim of eliminating bogus colleges and language schools and making it easier for the UK Border Agency (UKBA) to identify and prevent fraudulent immigration. The changes made in 2009 and 2010 by the Labour government have significantly improved the situation vis-à-vis bogus colleges and language schools offering lower level courses. 13,000 institutions that were previously legally able to enrol visa students were dropped from the list. In addition many legitimate language schools withdrew from the Tier 4 system altogether because of the associated costs and complexity of regulations.

The problems that remain with the above regime, inherited by the coalition government and currently being reviewed, largely relate to oversight and standards rather than deep structural flaws.

The tightening up of the student visa system

Amongst the various changes in student visas the following are the most relevant to this issue:

- ⚡ From April 2012, any institution wanting to sponsor students must have proven itself to be a Highly Trusted Sponsor (HTS), and will need to be quality assured by either the Quality Assurance Agency (QAA), the Independent Schools Inspectorate (ISI) or other UKBA approved organisation by the end of 2012.
- ⚡ The formerly approved accreditation

bodies have lost the right to designate educational institutions as suitable sponsors of Tier 4 visas. Now only the UKBA's officially designated bodies can do so, amounting to a significant strengthening of oversight.

- Since July 2011 students at universities and publicly funded further education colleges have retained part time working rights, but all other students now have no right to work. Further restrictions are to be imposed on work placements in courses outside universities from April 2012.

We support these changes to the extent that they will make fraudulent immigration through the Tier 4 route more difficult. Requiring all institutions sponsoring Tier 4 visas to meet stringent UKBA HTS standards by April 2012 should filter out providers who fail to vet students sufficiently before sponsoring their visas. Likewise, limiting accreditation so that only officially designated bodies such as ISI or QAA can vouch for the standard of educational provision necessary to retain Tier 4 sponsor status will ensure greater transparency and boost public confidence.

Under the new rules, however, international students studying at any UK university can work part time during their degree, whilst international students studying an identical degree course, designed and validated by the same university, but run through one of its independent partner colleges are not allowed to work at all. This is driving international students away from private providers (many of whom tailor their provision to attract international students) and towards universities.

The Higher Education Statistics Agency's most recent survey prior to the changes found at least 38,000 students in the UK (both home and international) studied higher level qualifications with private providers, and figures from Universities UK suggest that around two thirds of all UK universities have some form of partnership arrangement with such

organisations. The major problem with the reforms is that the blanket restriction on the working rights of international students at private colleges penalises all such colleges, including reputable institutions that work closely with universities to provide high quality courses.

Many HE colleges design and teach their own HE courses which are externally validated by a university in an arrangement known as 'validated provision'. Others provide 'franchised' degrees that are designed and awarded by a university, which then collaborates with a partner college that teaches the same university degree but at an off campus location. A university will typically receive between £500 and £2,000 per student per annum for franchised degrees at private colleges, maybe less for validated courses. There are around 70 UK universities with such contracts linked to 120 private colleges which employ around 5,000 staff.

These arrangements are particularly useful for universities outside large cities which look to attract international students wanting to study a UK degree, but who would prefer to study in places like London rather than in out of town campuses or less metropolitan areas. Unlike creating new private universities with their own degree awarding powers, validated and franchised partnerships can be initiated relatively quickly and are highly flexible. Such partnerships offer perhaps the best example of how private HE could rapidly be integrated into the university system in coming years.

The impact of the student visa changes

In November 2011 Study UK carried out a survey of its members to ascertain the change in the number of applications and enrolments from the previous year. 25 percent of members responded and the survey found that the number of applications from international students for HE courses had dropped 56 percent, with the number of enrolments dropping by 71 percent. It is considered that the

greater decline in enrolments compared to applications points to students being deterred from enrolling by the complexity of the process for obtaining visas. The two most important reasons given by colleges for the decline in applications and enrolments were the absence of part time working rights and the complexity of immigration rules. It is not known how many of the students who did not attend private HE colleges simply switched to public universities where they were able to undertake part time work. Undoubtedly some would have done so but given overall the higher gross cost of public universities it is likely that a proportion will have been lost to the UK completely. Study UK estimates that the gross loss of tuition fees across the sector could be as high as £400 million; this differs markedly from the government's own estimate of £170 million (set out in UKBA's official impact assessment of June 2011). Anecdotal reports from educational recruitment agents suggest many students are transferring their applications to Australia (which has recently changed its points based system rules) or Canada.

The scale and swiftness of this loss of income due to the withdrawal of part time working rights in private sector colleges has been devastating for many in the sector. Some have had to close (see case study of Cavendish College in box). Others have been taken over completely by their partner university which will take responsibility for the students under Tier 4 rules by issuing Confirmations of Acceptance of Studies (CAS). These students will then gain part time working rights and thus student admissions may return to viable levels. Others are having to negotiate different arrangements with their partner universities to offer the college students the all important university CAS, where the balance of negotiating advantage lies very much with the public university. Unless the college agrees to the university's demands it again is likely to face closure. In other cases the university is simply not willing to enter into partnership arrangements.

Case study: Cavendish College London

Cavendish College London was established in 1985 and by July 2010 had 850 students, a £4 million turnover and 100 employees. It had an arrangement with the University of Wales for degree validation. It had also been instrumental in setting up two universities in Africa. One in Lusaka in Zambia, established in 2007 (although it had a presence there since 2004) had built up to 3,500 students and had full degree awarding powers. Cavendish College helped in curriculum development and quality assurance. A similar university was more recently established in Kampala in Uganda.

From the start of 2011 Cavendish College London started to see a decline in international student numbers with the announcements on curbing of post study work (PSW) rights and the withdrawal of 'in course' part time working rights for those at private colleges. The restriction on work during the study period was certainly the most damaging rule change and proved to have a devastating effect. In addition, many overseas students saw working for a few years in the UK after graduation as part of their international training, so the withdrawal of PSW made other locations eg Australia and Singapore more attractive. In April there was the first part of changes to the English language proficiency test which saw a further decline in numbers. By July 2011 annual turnover had dropped to £3 million from £4 million in July 2010. Cavendish College foresaw a further drop in numbers in the main September entry and so was budgeting for annual turnover to drop to £2 million. In the event in September 2011 numbers dropped by 70 percent (in line with the Study UK results for the sector), so it was clear that even £2 million income would not be achieved. Establishing a closer relationship with the University of Wales was not an option as that university had itself gone through considerable turmoil for a number of reasons. As a result of mounting losses in December 2011 Cavendish College took the decision to close.

Hence, as a result of the visa changes what had been a reputable HE college was rapidly forced to close.

The wider economic impact of the student visa controls

This paper has focused in particular on the impact of the Tier 4 visa controls and how there is differential treatment between public and private colleges. First, as the gross tuition cost of private HE colleges is less than that of public universities there will inevitably be a deterrent effect on international students choosing to study in the UK. Externally accredited graduate schools and HE colleges are commonly offering international students admission on recognised diplomas and bachelors degrees for around £5-6,000 per year compared to average fees for international students at universities of around £8-12,000 per year. Furthermore the other changes in visa rules makes the complexity of the UK system a deterrent to international students compared to other countries which are seeking to attract students – recognising that they contribute a substantial amount to economic activity in the host country.

The number of overseas students studying in the UK has in the recent past been growing at seven percent per annum. The OECD report 'Higher Education to 2030 Volume 2: Globalisation' predicts a continued steady rise in cross border education until at least 2030. The UK's reputation and business position as a leading global education provider risks being destroyed because the UK is seen as viewing all potential international students as 'potential migrants' rather than as consumers of high quality education services, where their fees are supporting both private sector and public sector businesses.

More broadly the adverse effect of these visa controls is having precisely the opposite effect to what the government is seeking to achieve in its higher education policy. The universities minister David Willetts is seeking to introduce greater diversity into the sector in order to provide greater flexibility and competitive pressure on existing public universities. It is hoped

that this will drive down tuition fees and improve quality.

*"Responding to student demand also means enabling a greater diversity of provision. We expect this to mean more higher education in further education colleges, more variety in modes of learning and wholly new providers delivering innovative forms of higher education"*¹

In practice, the very institutions that could form the backbone of the sector are being driven out of business. This is unfair, anti-competitive and at variance with the long term interests of the UK economy and higher education sector. There is a real risk that when the HE sector is opened up more fully to the private sector, not only will there no private sector to respond, but investors will be reluctant to invest in light of the way that government policies destroyed the nascent private sector.

Attitudes to student migrants

A recent opinion survey by Ipsos MORI for Oxford University's Migration Observatory has shown that whilst 70 percent of people want cuts in immigration this does not apply to their view of students coming to the UK. Respondents to the survey tended to think of immigrants as those who come to the UK permanently rather than those who stay temporarily. Indeed the survey found least support for reducing immigration of students – less than one third of respondents. The difference in attitudes is not surprising as student migrants add to the permanent population less than other migrants. Home Office research in 2010 found that of those who entered in 2004, 79 percent no longer remained in the UK as settled residents or in the immigration control system by the end of 2009. Six percent of the 2004 cohort remained as students, three percent were still in the UK temporarily on work visas not leading to settlement and 11 percent were on a path to settlement or settled

¹ Introduction to the 'Students at the Heart of the System' White paper July 2011

here through work or family routes. Moreover this preceded the various measures tightening up the controls in the run up to 2010.

Conclusions and recommendations

The fears which we expressed in our June 2011 paper are being realised. The government must act if we are to avoid seeing the destruction of much of the private HE sector in the UK. We propose that:

- : Government should permit Tier 4 visa applicants studying university degrees at private HTS colleges the same working rights as those studying at the parent public university. Private sector HE colleges can offer traditional universities an outlet to increase their revenues through collaborative arrangements whilst attracting greater numbers of international students to the UK by offering flexible learning options and low cost university degrees. The availability of lower cost degrees will also serve the domestic market going forwards as the government seeks to open up the HE sector to greater competition.
- : As we proposed in our February 2011 report 'Pathways to prosperity' there is a strong argument for removing Tier 4 students from net migration figures. Once other reforms on tightening visas have been enacted the government will have more ability to locate and enforce the original conditions of visa provision. Students who return home upon completion of their studies have not contributed to long term immigration, whereas students who remain with Tier 1 and Tier 2 visas should be included in net migration, albeit distinct from their earlier Tier 4 status. In this way the government could seek a more realistic limit without harming the higher education sector and broader economy. This would mirror practice in the US where student visas are included within the category of 'nonimmigrant visas' and classify students as 'temporary visitors' rather than permanent migrants. As discussed above the concern about immigration in the UK does not generally include concern about overseas students.

About the author

Chris Nicholson is Director and Chief Executive of CentreForum. He was a co-author of previous CentreForum reports "Tier 4 Fears: Why government student visa proposals are unfair" and "Pathway to Prosperity: making student immigration work for universities and the economy". Formerly he was a government economist and Partner and Head of the Public Sector practice at KPMG.

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