



House of Commons

Business, Innovation and Skills
Committee

**Too Little, Too Late:
Committee's
observations on the
Government Response
to the Report on
Overseas Students and
Net Migration**

Seventh Report of Session 2012–13

Report, together with formal minutes

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Business, Innovation and Skills Committee

The Business, Innovation and Skills Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Business, Innovation and Skills.

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Mr Brian Binley MP (*Conservative, Northampton South*)
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The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/bis. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are James Davies (Clerk), Amelia Aspden (Second Clerk), Peter Stam (Committee Specialist), Josephine Willows (Committee Specialist), Ian Hook (Senior Committee Assistant), Pam Morris (Committee Assistant), Henry Ayi-Hyde (Committee Support Assistant).

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Contents

	<i>Page</i>
Report	
1 Introduction	3
Introduction	3
The Government Response	3
Government strategy and support	4
Fudging the facts?	5
Conclusion	7
Conclusions and recommendations	8
Appendix: Written evidence submitted by Universities UK	9
Formal Minutes	13
List of Reports from the Committee during the current Parliament	14

1 Introduction

Introduction

1. On 4 September 2012, we published a Report on Overseas Students and Net Migration.¹ That Report considered the way the Government classifies overseas students in net migration figures. The Report did not recommend the removal of overseas students from migration statistics, nor did it recommend that the Government deviate from the UN definition of migration for international data returns. In fact, our Report recognised “the need for an agreed definition for the international reporting of migrants” and agreed that “the UN definition is a useful tool in that respect”.²

2. The Report went on to note that while the UN definition of migration included overseas students, the Government “was under no obligation to use that definition for the development of domestic policy”. We concluded that:

Removing overseas students from the Government’s migration targets would allow universities to compete on a level playing field with their international competitors. It would also allow the Home Office to concentrate on economic migrants and their value to the United Kingdom.³

The key recommendation in the Report was as follows:

We recommend that, for domestic policy purposes, overseas students should be recorded under a separate classification and not be counted against the overall limit on net migration. That does not mean that we wish to hide the level of overseas students studying in the UK. The Government could make clear the distinction by publishing, alongside its net migration data, detailed information on the number of overseas students studying in the UK, their country of origin, the number who remain here after they have completed their studies and the number who remain in higher education. Such an approach would make clear the difference between permanent immigration and study and crucially it would demonstrate clearly that the United Kingdom welcomes overseas students and values the contribution they make to our economy.⁴

The Government Response

3. There is a long-standing convention that Government Departments should respond to select committee reports within two months. In some circumstances a longer delay “may be considered permissible when those circumstances have been explained to the committee concerned”.⁵ Given the fact that policy in this area is determined by both the Department

1 Fourth Report from the Business, Innovation and Skills Committee, *Overseas Students and Net Migration*, HC 425 of Session 2012–13

2 HC (2012–13) 425, para 24

3 HC (2012–13) 425, para 38

4 HC (2012–13) 425, para 39

5 Erskine May, 24th Edition, page 837

for Business, Innovation and Skills and the Home Office we accepted that there would be some delay in receiving a response.

4. The Government published its response on Tuesday 26 February,⁶ nearly four months after the two month deadline. Given this extended delay we would have expected it to have been a thorough and detailed piece of work. It is not and it falls short of the level of quality we would expect from a Government Department.

5. We do not normally publish a Report so soon after a Government Response. However, on this occasion we believe that this is necessary. Not only is the Response very short but there are a number of assertions and statements which need to be challenged.

Government strategy and support

6. Higher Education is a key economic sector for the UK economy. As the Government notes:

Education exports (encompassing higher and further education, schools, English Language Teaching and educational products and services) contribute more than £14bn to the UK economy each year.⁷

7. Our Report stated that UK universities are an “export success story” but highlighted the fact that they were taking “an increasingly pessimistic view” in their future projections of market share in the overseas student market. We concluded that it was clear that “the Government’s policies in respect of student immigration have played a significant part in this decline” and that this should be of “deep concern to the Government”. We therefore made the following recommendation:

The Department for Business, Innovation and Skills has a responsibility to support UK universities, and to promote export success. As a matter of urgency it needs to demonstrate that it has an active strategy to support the expansion of this important and lucrative market.⁸

8. The Government’s response addressed that recommendation in the following terms:

In September 2012, Vince Cable announced that the Government will develop strategies for a number of sectors in which the UK has a competitive advantage and where government action could support their growth, including education. Work has already commenced on this strategy, and its overarching objective is “to exploit the excellence of the UK education sector to increase export earnings and the UK’s international influence”. The strategy will be co-created with industry and other sectoral organisations, and will be published between now and next summer.⁹

6 Government Response to the Fourth Report from the Business, Innovation And Skills Committee Session 2012–13 HC 425: *Overseas Students And Net Migration*, Cm 8557

7 CM 8557, page 1

8 HC (2012–13) 425, para 15

9 Cm 8557, page 1

9. The Government's timetable to publish a strategy sometime between now and next summer is unacceptable. It shows a complete lack of understanding about the urgency which is required. There is a perception overseas that the UK is becoming less welcome to overseas students. Delaying the publication of this strategy until some indeterminate time in the future runs the risk that this perception will harden and therefore could undermine the ability of UK Universities to expand their share of the overseas market. It also runs contrary to the Prime Minister's vigorous efforts to promote UK Universities abroad; most recently seen during his visit to India earlier in February.

10. The Government's loose timetable of "between now and next summer" for a strategy to promote the Higher Education sector is unacceptable. The Government has to produce a deliverable strategy to support UK Universities far more quickly, and in any case before the end of June 2013. This would give us the opportunity to review it before the summer recess.

Fudging the facts?

11. The Government's response contains a number of assertions which we believe are open to challenge.

12. In respect of international definitions for net migration, the Government stated that:

The OECD does not have a separate definition of net migration and supports use of the UN's definition. However, since some countries do not collect this data, for example because they do not have registration systems or measure outflows, it has produced a 'harmonised' set of data to compare immigration across different countries.¹⁰

This runs contrary to the evidence given to us. In particular, it fails to acknowledge the fact that the OECD classifies overseas students as temporary migrants for the first 36 months—the length of a 3 year degree course. This is a key difference and one which should not be ignored.¹¹

13. The Government goes on to say that:

All the UK's major competitors include students in their figures for net migration. These countries also distinguish between different categories of migrant in their immigration statistics, but information on emigrants can be much more limited.¹²

At best, we believe that this is only a partial reflection of the facts. As Universities UK pointed out to us, the US, Canada and Australia all treat international students as temporary migrants for domestic policy development.¹³

14. The Government also appears to dispute the negative impact that its approach is having on the Higher Education sector. In its response, it states that:

10 Cm 8557 page 2

11 HC (2012–13) 425, Q16, Ev 26

12 Cm 8557, page 4

13 HC (2012–13) 425, Q8, Ev 25

New data relating to visa applications by education sector was published as part of the quarterly immigration statistics for the first time on 29 November. This information is an important ongoing contribution to the available data on student migration. Statistics for July to September 2012 showed that the university sector accounted for 74% of visa applications, up from 52% in the same period the previous year, reflecting falls in other sectors while the university sector held steady. The Government's success in reducing abuse of student visas, while the number of successful applicants to study at British universities is up, means that we can now look forward to a period of policy stability on student migration policy.¹⁴

However, figures provided to us by Universities UK paint a very different picture. They indicate that:

- The number of first year non-EU students at Higher Education Institutes decreased by 0.4% in 2011–12, largely as a result of a decrease amongst postgraduates. Non-EU entrants to postgraduate degrees fell by 2% between 2010 and 2011.
- The overall number of non-EU students enrolled on courses in universities is up by 1.5% from 2010–2011. However, this is driven by increases in the number of new entrants in previous years, many of whom are enrolled on courses lasting more than one year. (*The critical figure with which to judge the impact of Government policy is new enrolments in year 2011–12.*)
- The total number of non-EU students enrolled on postgraduate courses dropped for the first time in ten years, before which records are not directly comparable.
- Recent figures released by the Home Office show that Tier 4 visa applications are substantially down, although the majority of the decrease is accounted for by a decrease in the number of visa applications for study at further education institutions and private colleges. Visa applications for study at HEIs are flat. In the context of a rapidly growing and highly competitive international market, and the government's commitment to 'sustainable growth in a market in which the UK excels', this is a cause for concern.¹⁵

15. The Government also appears to rely at least in part on a 2010 Home Office study which stated that:

Around one in five international students who came to the UK in 2004 were still in the immigration system five years later.¹⁶

That study was based on a cohort of students who were studying before the current Government came to power. As such we do not see the relevance of the study to current immigration policy, not least because they precede those measures introduced to tackle visa abuse which the Government focused on heavily in its response.

14 Cm 8557, page 3

15 See Appendix

16 Cm 8557, page 2

16. If the Government is to deliver credible response to our recommendations it needs to set out the facts in far greater depth and detail. The current evidence base is too weak to justify a policy with such profound implications for the FE and HE sectors. As a start, we expect the Government to respond to the questions raised as a matter of urgency.

Conclusion

17. It is not just our Committee which believe that the reclassification of overseas students as temporary migrants for domestic policy purposes is necessary. Five parliamentary committees have considered this issue and last month the Chairs of those Committees—Business, Innovation and Skills Committee, Public Accounts Committee, Home Affairs Committee, House of Lords Science and Technology Committee and House of Lords EU Sub-Committee on Home Affairs, Health and Education wrote to the Prime Minister urging the change of policy.¹⁷ The Government Response should have taken that collective view into account. It is clear that it did not.

18. The Government's Response was late, woefully short on detail and fails to take account of recent developments. It seeks to underplay the urgency of the problem and thus excuse the failure to act decisively to address this serious matter. The Government should listen, think again and change course.

¹⁷ *Migration target must leave out students, MPs say—Letter from chairs of five parliamentary committees tells PM that student visa policy needs to encourage study in Britain*, The Guardian, 31 January 2013

Conclusions and recommendations

Government strategy and support

1. The Government's loose timetable of "between now and next summer" for a strategy to promote the Higher Education sector is unacceptable. The Government has to produce a deliverable strategy to support UK Universities far more quickly, and in any case before the end of June 2013. This would give us the opportunity to review it before the summer recess. (Paragraph 10)

Fudging the facts?

2. If the Government is to deliver credible response to our recommendations it needs to set out the facts in far greater depth and detail. The current evidence base is too weak to justify a policy with such profound implications for the FE and HE sectors. As a start, we expect the Government to respond to the questions raised as a matter of urgency. (Paragraph 16)

Conclusion

3. The Government's Response was late, woefully short on detail and fails to take account of recent developments. It seeks to underplay the urgency of the problem and thus excuse the failure to act decisively to address this serious matter. The Government should listen, think again and change course. (Paragraph 18)

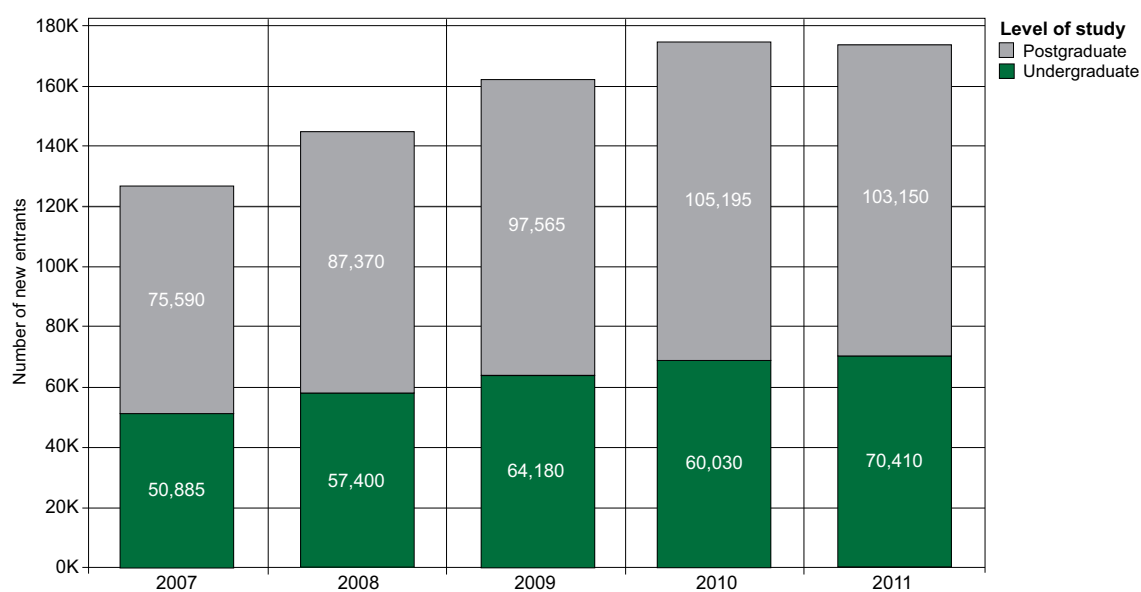
Appendix: Written evidence submitted by Universities UK

Introduction

1. Universities UK notes the government's response to the fourth report of the Business, Innovation and Skills Committee on Overseas Students and Net Migration.
2. We acknowledge the more positive tone of recent government statements on international students, including the Prime Minister's welcome comments during his recent trip to India, which highlighted the importance of international students to the UK and made it clear that there is no cap on the number of genuine university students who can study here. We are pleased that the response reiterates the government's commitment to "sustainable growth of a sector in which the UK excels".
3. However, we would take issue with the government's interpretation of the most recent HESA data on international student numbers. Our views are set out below.

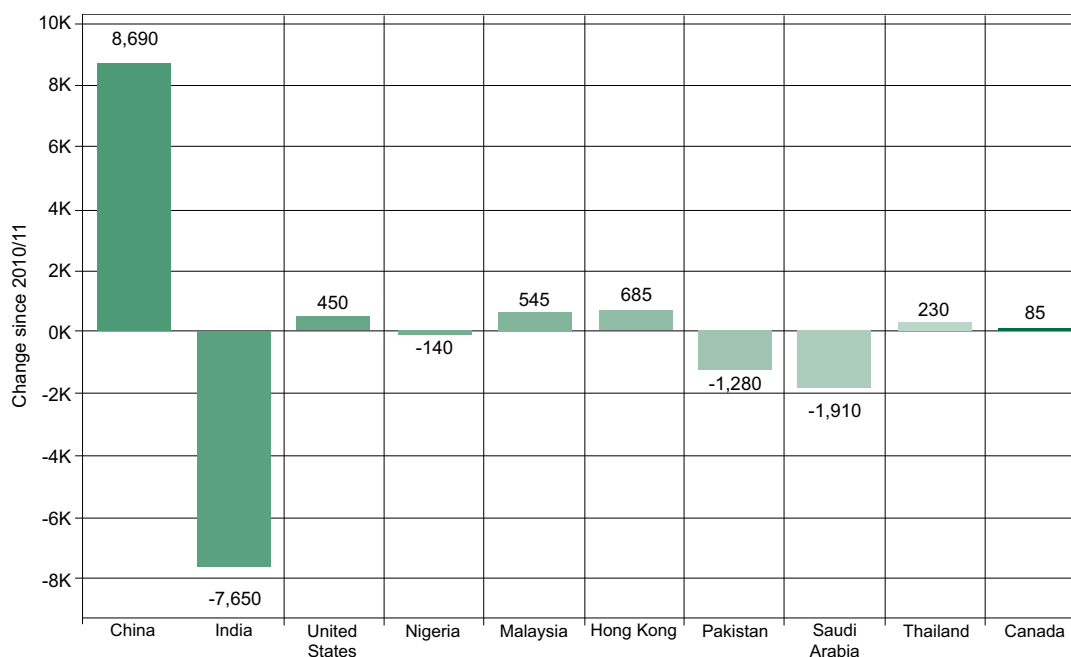
Latest figures for international enrolments

4. Figures published by the Higher Education Statistics Agency (HESA) in January show that the number of first year non-EU students at HEIs decreased by 0.4% in 2011–12. This is largely the result of a decrease amongst postgraduates. Non-EU entrants to postgraduate degrees fell by 2% between 2010 and 2011.



Source: HESA

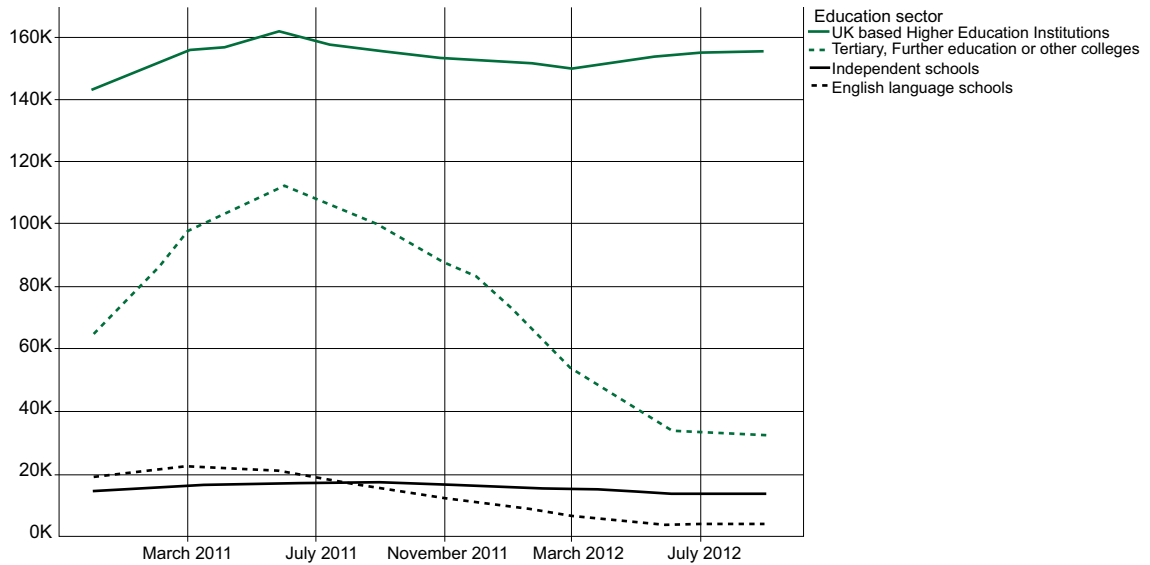
5. The above figures relate to new entrants. The overall number of non-EU students enrolled on courses in universities is up by 1.5% from 2010–2011. However, this is driven by increases in the number of new entrants in previous years, many of whom are enrolled on courses lasting more than one year.
6. The total number of non-EU students enrolled on postgraduate courses dropped for the first time in ten years, before which records are not directly comparable.
7. Within this it is clear that overall demand is being sustained by rapid growth in the number of Chinese students.



Source: HESA

Visa applications by education sector

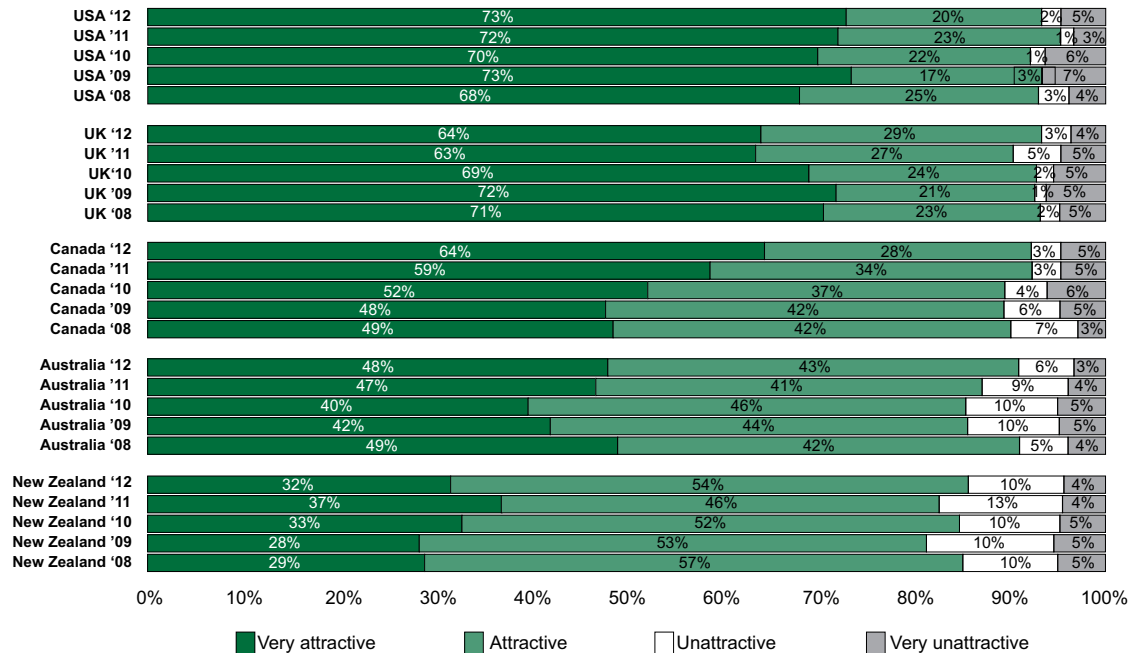
8. Recent figures released by the Home Office show that Tier 4 visa applications are substantially down, although the majority of the decrease is accounted for by a decrease in the number of visa applications for study at further education institutions and private colleges. Visa applications for study at HEIs are flat. In the context of a rapidly growing and highly competitive international market, and the government's commitment to 'sustainable growth in a market in which the UK excels', this is a cause for concern.



Source: Home Office

Perceptions of leading study destinations

9. There is also evidence to suggest the UK is becoming less attractive as a destination of study. The graph below shows the fall in the percentage of overseas education agents saying the UK is a “very attractive” study destination, in stark contrast to Canada which has seen a 15 per cent rise in a four year period.

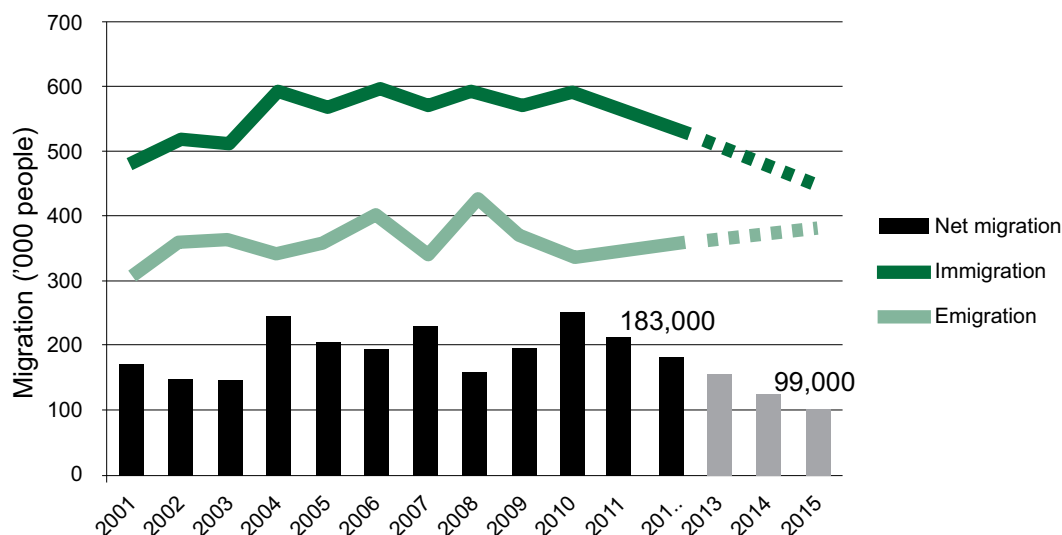


Source: ICEF i-graduate Agent Barometer

10. The UK had a 13% share of the market for international students in 2010, the second largest in the world behind only the USA. Our competitor countries, such as Canada and Australia, are making concerted efforts to increase their share of the international market. A report for the Canadian government recommended doubling the number of international students by 2022, and the Australian government commissioned a strategic review of their student visa system (the Knight Review), following which restrictions were lifted and a more generous post-study work option introduced.

Net Migration

11. We note that changes to visa policy to date have produced a reduction in net migration, but we are still a long way from meeting the government target of reducing net migration to the 'tens of thousands'.



* Year to March 2012

Source: ONS

12. In order to meet the target the government will need to continue to bear down on immigration. Since students are the largest category of migrant, and within this university students may account for about 75% of the total, we remain concerned that the continued inclusion of international university students in the net migration target is incompatible with the government's ambitions for growth.

26 February 2013

Formal Minutes

Wednesday 27 February 2013

Members present:

Mr Adrian Bailey, in the Chair

Paul Blomfield	Rebecca Harris
Mike Crockart	Ann McKechin
Caroline Dinenage	Mr Robin Walker
Julie Elliott	Nadhim Zahawi

Draft Report (*Too Little, Too Late: Committee's observations on the Government Response to the Report on Overseas Students and Net Migration*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 18 read and agreed to.

A Paper was appended to the Report as an Appendix.

Resolved, That the Report be the Seventh Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

[Adjourned till Tuesday 5 March at 9.00 am

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2012–13

First Report	The Hargreaves Review of Intellectual Property: Where Next?	HC 367-I/II (HC 579)
Second Report/First Joint Report	Scrutiny of Arms Export Controls (2012): UK Strategic Export Controls Annual Report 2010, Quarterly Reports for 2010 and January to September 2011, the Government's review of arms exports to the Middle East and North Africa, and wider arms control issues	HC 419
Third Report	Post Office Network Transformation	HC 84 (HC 678)
Fourth Report	Overseas Students and Net Migration	HC 425
Fifth Report	Apprenticeships	HC 83-I/II/III (HC 899)
Sixth Report	The Insolvency Service	HC 675

Session 2010–12

First Report	The New Local Enterprise Partnerships: An Initial Assessment	HC 434 (HC 809)
Second Report	Sheffield Forgemasters	HC 484 (HC 843)
Third Report	Government Assistance to Industry	HC 561
Fourth Report / First Joint Report	Scrutiny of Arms Export Controls (2011): UK Strategic Export Controls Annual Report 2009, Quarterly Reports for 2010, licensing policy and review of export control legislation	HC 686
Fifth Report	Government Assistance to Industry: Government Response to the Committee's Third Report of Session 2010–11	HC 1038
Sixth Report	Is Kraft working for Cadbury?	HC 871
Seventh Report	Rebalancing the Economy: Trade and Investment	HC 735 (HC 1545)
Eighth Report	Trade and Investment: China	HC 1421 (HC 1568)
Ninth Report	Time to bring on the referee? The Government's proposed Adjudicator for the Groceries Code	HC 1224-I
Tenth Report	Pub Companies	HC 1369-I/II (Cm 8222)
Eleventh Report	Time to bring on the referee? The Government's proposed Adjudicator for the Groceries Code: Government Response to the Committee's Ninth Report of Session 2011–12	HC 1546
Twelfth Report	Government reform of Higher Education	HC 885-I/II/III (HC 286)
Thirteenth Report	Pre-Appointment Hearing: Appointment of Director of the Office for Fair Access	HC 1811
Fourteenth Report	Debt Management	HC 1649 (HC 301)
Fifteenth Report	Stamp Prices	HC 1841-I/II