



Grant Thornton

An instinct for growth™

The politics of international student mobility

Higher Education report 2016



Executive summary

The international student market is growing and has huge potential. The OECD forecast the number to reach 8 million by 2025¹, so recruiting international students is a priority for many Higher Education Institutes (HEIs), especially those based in developed countries.

It is the policymakers which exert a major influence over HEIs' ability to take advantage of this opportunity. Domestically, the market is largely informed by higher education policy. But internationally, the market is more heavily shaped by foreign, economic and security policy - particularly immigration and visas.

This influence is most obvious in the UK, which has seen a reduction in its appeal to international students from outside the EU over the last five years. Because of a perceived 'tougher stance' on immigration by the UK government, market share fell by 3% between 2010/11 and 2013/14². Meanwhile, the Australian, Canadian and New Zealand governments all actively promote opportunities for international students.

However the biggest impact of all in the sector is likely to come from the US. Already the largest market for international students, the country is now more proactively targeting international students. 15 years after the terrorist attacks in 2001 and a perceived closing of the market, America's attitude towards students from overseas is beginning to shift and the effects will be felt around the world.

Policymakers also influence how HEIs use outbound student mobility to boost their international relationships and reputation. Governments in developing and emerging nations have long recognised the economic and diplomatic benefits of helping their students study overseas to build knowledge and capacity at home. It's a trend now bearing fruit in China and India.

The traditional 'push and pull' of student mobility is changing. Germany, for example, is putting its weight behind a new policy initiative to send half of all its graduate students overseas by 2020, to gain competitive advantage and increase its global 'soft power'³.

Influencing and responding appropriately to the policy environment in which you operate is critical to the future success of your HEI. This report recommends three ways to do this:

- **Focus on the economy:** demonstrate the economic value of international students at local, regional and national levels. Persuade governments to introduce attractive immigration policies and reduce restrictions on visas for international students.
- **Keep your friends close:** focus your recruitment efforts on areas where your country has strong business, cultural and diplomatic ties. Make sure you attend trade trips and state visits.
- **Don't stay still:** monitor developments and regularly review your business strategy so it adapts to the shifting political landscape.



Institutions should make their voice heard so governments and policymakers create opportunities for them to thrive. If HEIs can demonstrate the economic and political benefits of international student mobility, they can boost competitiveness and gain market share. If they sit back and hope policymakers look beyond populist clamour to restrict immigration, they could quickly find themselves struggling.

We have explored three focus areas for HEIs: demonstrating economic value, building cultural and diplomatic ties, and monitoring developments to adapt to the changing landscape.

Carol Rudge
Global leader of not for profit,
Grant Thornton

CONTENTS

Important trends:

Immigration policy and rhetoric	4-5
Soft power and diplomacy	6-7

Recommendations:

Economy, economy, economy	8
Keep your freinds close	9
Don't stay still	10
Conclusion	11





Important trends

Immigration policy and rhetoric

An international students decision about where to study is heavily influenced by countries' foreign policy. And HEIs based in countries with positive attitudes to immigration and a simple visa process have a competitive advantage over those that don't. So institutions need to help policymakers understand the value of international students and shape policy accordingly.

Many HEIs work hard to attract international students by demonstrating their research excellence and high quality teaching. These factors are important, but Barry Lodewyk, partner at Grant Thornton South Africa, points out that "government policy will often be the thing that most determines an HEI's ability to recruit international students."

Availability of visas, generous work allowances and an immigration policy that makes it easy to study and stay in a country after graduation all increase how attractive HEIs are. For example, Canada saw an 83% increase in international students between 2008 and 2014. This was after it launched a programme which makes it easier to gain permanent residency⁴. Christine Regimbal, partner at Raymond Chabot Grant Thornton in Canada, explains that "Canada is built on immigration so the recent proposed amendments to the Citizenship Act

are a welcome move. The new measures, which would make it easier for international students to become permanent residents will add to our competitiveness."

An international student's decision about where to study is also influenced by cultural attitudes to immigration. Richard Shaw, head of education at Grant Thornton UK, says that HEIs in his country are concerned because "the government's language on tightening border security has created an unwelcome impression, and this puts international students from outside the European Union off studying in the country." The recent Brexit vote has amplified some of these concerns.

"Immigration is a huge issue for universities. We have seen a big move in some major South African universities to assign qualified immigration officers to try to communicate directly with The Department of Home Affairs wherever possible. But the government isn't proactively supporting the sector in attracting international students, which makes it harder to attract them."

Barry Lodewyk
Partner
Grant Thornton South Africa

The UK's market share of new international HEI enrolments dropped from

36% to less than 33%

between 2010/11 and 2013/14



Analysis by the British Council shows that the UK's market share of new international HEI enrolments dropped from 36% to less than 33% between 2010/11 and 2013/14⁵. Stephen Avery, chief financial officer at Royal Holloway in the UK, believes "the tighter visa regulations, points-based system and credibility interviews are causing significant reputational damage to the UK. The government should be trying to facilitate inward mobility, not create barriers."

Across the Atlantic, the US seems to be taking a more positive stance on immigration by relaxing its visa restrictions. The country has made it easier for international students who study Science, Technology, Engineering and Mathematics (STEM) to stay in the country and work after graduation⁶.

According to Andrew MacIntyre, deputy vice-chancellor global development and vice-president at RMIT University in Australia, "the United States is on the turn. Having made it hard for a good decade after 9/11, it's now opening up."

The US already attracts the highest number of international students and has done so for a long time. But this is because individual HEIs promote themselves without the benefit of national advertising⁷. If the federal government decides to proactively target international students, institutions in other countries will need to work even harder to keep their market share.

Elections and referendum in late 2016 and 2017 that may change the policy environment for international student mobility include:

UK referendum vote to leave the EU

Russian legislative elections to the State Duma

Italian constitutional referendum

US presidential election

French presidential and parliamentary elections

Indian presidential election

Kenyan general election

Singaporean presidential election

German presidential and parliamentary elections

Argentinian legislative election



Important trends

Soft power and diplomacy

HEIs should make sure their promotional activities and partnerships align with government policies and priorities. This is because government initiatives could give an extra boost to their reputation and increase brand awareness.

Policymakers also have a huge impact on outbound student mobility. In low and middle income countries, sending students overseas is seen as a way to upskill domestic students and boost economic growth. For example, Russia is dealing with its brain drain problem by financing 3,000 postgraduates to study overseas. This is as long as they commit to return to Russia and work in a state organisation or enterprise for at least three years after graduation⁸.

Developed countries also see the advantage of building a larger network of contacts and gaining access to new knowledge. As Barry Lodewyk, partner at Grant Thornton South Africa, says “countries are starting to demand that their students have international

experience.” Germany has introduced a new programme to encourage half of all degree students to study abroad by 2020, for example. Its ambition is to increase its competitive advantage in business, science and industry, and gain long-term friends throughout the world⁹.

“Governments often want to encourage students studying overseas to return in order to increase domestic capacity, but other countries might be offering incentives to encourage international students to stay abroad after their studies have ended. This is both a challenge and an opportunity for HEIs, and they need to work hard to ensure their approach fits with government priorities.”

Mark Oster
Partner
Grant Thornton US

“New Zealand’s number one export is tourism, and international students increase the number of visitors to the country as friends and family come to see where they are studying. So there is strong support behind the relaxation of visas for international students as way to boost economic growth.”

Brent Kennerley
Partner
Grant Thornton New Zealand

“Sending students abroad has traditionally been a feature of emerging economies. Countries like India and China have benefited as international study improves their human resource capability and relationships with host destinations. While well-established education and developed economies such as the UK have tended to exert soft power through culture and diplomacy, they are increasingly seeing outward student mobility as another way to extend their global influence.”

Richard Shaw
Head of education
Grant Thornton UK

HEIs need to build on their government’s efforts to increase awareness in key recruitment markets. Donna Diskos, partner at Grant Thornton Canada, says Canadian universities benefit from “targeting students from China, India, South Korea and other countries with which our government is interested in developing trade ties.” Canada’s Global Markets Action Plan requires HEIs to focus on industries with employment and skills gaps which students can fill, and their trade delegations always include an education representative.

In other countries HEIs should provide an example to government on outward student mobility. For instance, the UK has been slow to see the benefits of sending students overseas and is described as the ‘poor cousin of its European counterparts’. Yet individual institutions like UCL recognise the value of international partnerships. The university has developed partnerships with institutions in Australia, Canada and the US to provide more opportunities for outward mobility. And it currently boasts 351 study abroad agreements¹⁰.





Recommendations

Focus on the three Es: Economy, Economy, Economy

HEIs must demonstrate the economic value of international students at local, regional and national levels. This is to persuade governments to introduce attractive immigration policies and reduce restrictions on visas for international students.

Policymakers are often driven by hard numbers. Scott Hartley, partner at Grant Thornton Australia, says this is why they are “unlikely to shape legislation in response to arguments from HEIs that international students are needed to ensure a diverse student body and create an international feel on university campuses, important though that may be.” Instead, policymakers

need convincing that the bottom line will benefit if they introduce policies which encourage students from overseas.

This means HEIs need to gather robust evidence of the economic value international students bring to their region, and the country as a whole. For instance, they could show that international students fill skills gaps

in sectors which drive economic growth like science and technology. Institutions should also gather quantitative data to show the economic benefits of sending domestic students overseas. This information can be used to lobby local, regional and national government. HEIs also need to work together to convince policymakers that barriers to attracting international students only hinders economic growth.

Case study: Looking up down under

In Australia, universities have successfully demonstrated the value of international students, which led to a relaxation of immigration policy.

In 2010, tightened student visa requirements made it more difficult for someone to transfer from being an international student to a permanent resident. Because of this, the country saw a decline in student visa applications, with numbers 23% lower in 2010/11 than in 2008/09¹¹.

This led to what Scott Hartley, partner at Grant Thornton Australia, describes as “the best example I’ve ever seen of the sector working collaboratively.” It happened when universities and wider HE bodies across Australia lobbied for the rules to be relaxed.

HEIs persuaded the Australian government to reconsider the framework that underpins its student visa programme. In January 2011 Ministers commissioned the Hon Michael Knight AO to complete a strategic review and make recommendations that would balance Australia’s economic, educational and migration interests.

Universities Australia and the Go8 (a group of eight leading research universities) highlighted the importance of international students, who provide the skills necessary for future economic growth¹². When Michael Knight published his final report in June 2011, his

recommendations addressed many of the challenges raised by the universities¹³. He adds that the report shows “the Australian government recognised there was a commercial benefit to having international students.”

Since the Knight Review, international student numbers in Australia have rebounded. And international education is now recognised as one of the five super growth sectors shifting Australia towards a modern service-based economy¹⁴. Other countries facing similar problems now look to learn from Australia¹⁵.



Recommendations

Keep your friends close

HEIs should focus their recruitment efforts on areas where their country has strong business, cultural and diplomatic ties. They should make sure they attend trade trips and state visits.

A sense of connection with a host country strongly influences where international students choose to study. For some, this is based on cultural understanding and shared values. As Bill Dow, associate vice president, student services at British Columbia Institute of Technology in Canada, points out, “students in India and some other Asian countries are attracted to Canada because the social justice structure is complementary.”

Trade and diplomatic relationships also affect recruitment efforts. Mark Oster, partner at Grant Thornton US, urges universities to “be more active in areas in which their governments are active. They need to identify where governments are investing significant amounts of money and trying to build trade relationships, and focus their marketing efforts in those areas.”

HEIs can achieve stronger brand awareness, create new partnerships and increase market share by working with local and national government. In this way, they can ensure higher education is represented on trade trips and during state visits.

Case study: Success during a state visit

President Xi Jinping’s visit to the UK in October 2015 was the first Chinese state visit to the country in a decade. During it, the UK government was keen to promote areas of excellence to the Chinese, and secure billions of pounds of inward investment. As part of these national efforts, the University of York secured £200m for new education and industrial training facilities aimed at overseas students.

The University of York recognised that the Chinese film and television industry is growing rapidly and requires highly skilled professional staff. So it promoted its excellence as a provider of high quality courses to the Chinese government¹⁶. From that, the University was able to secure a deal with the China Culture Investment Group (CCIG) which will expand its Department of Theatre, Film and Television and develop new training programmes.

As part of the deal, the University will recruit up to 300 students a year from China and other countries for these programmes. This will be a significant boost to the number of overseas students at the Arts and Humanities faculty, which was just 405 in 2015¹⁷.

Geng Zhenhao, CEO of the China Culture Investment Group, commented: “We are delighted to be working with the University of York in developing this important initiative. There is an ever expanding need for highly trained graduates to work in the film and television industry in China and across

the world. We look forward very much to continuing our discussions with the University to deliver innovative education and industrial training programmes to overseas students including Chinese students”¹⁸. These visits can also impact the city itself, for instance there was a steep increase in interest by overseas investors in the student property market in Manchester following the press attention the city received during President Xi Jinping’s visit.



Recommendations

Don't stay still

HEIs must recognise that policy is never static. They should monitor developments and regularly review their business strategy so it adapts to the shifting political landscape.

Saudi Arabia recently announced a significant reduction in its King Abdullah Scholarship Fund. It also backed this up with new restrictions on where recipient students can study¹⁹. This is an attempt to cut spending in the wake of falling oil prices and a ballooning deficit. HEIs that recruit international students from oil dependent countries must now urgently review their recruitment strategy and update their financial forecasts to account for any potential loss of income.

HEIs may not be able to directly influence all relevant policy areas, but they must stay alert to their potential

impact. Take the rate of interest or inflation, for example, which HEIs have no say on. Both have a knock-on effect on currency exchange rates, which in turn influence how attractive a country is to international students.

Donna Diskos, partner at Grant Thornton Canada, says it became “much more attractive to study north of the border” thanks to currency changes like these. This happened when the Canadian dollar grew weaker against the US dollar over the last five years, moving from 1:1 parity to 1:0.75 between 2012 and 2016.

In the same vein, Richard Shaw, head of education at Grant Thornton UK, notes that the number of Chinese students in the UK increased dramatically when the value of sterling fell after the financial crisis. The recent Brexit vote in the UK has seen a significant decline in sterling against the dollar (a 30 year low) and this should make the UK a more economically attractive country to study for international students. He warns that HEIs need to consider the potential impact of currency fluctuations in particular currencies such as the yuan to which UK HEIs will be exposed.

Case study: It's not just the luck of the Irish

In 2014/15 Ireland attracted 27,700 international students - its largest ever number and an increase of 33% from the previous year²⁰.

HEIs capitalised on the changing UK political environment as Elaine Daly, Partner at Grant Thornton Ireland, explains: “Irish universities have been quick to respond to the negative rhetoric in the UK around immigration. As a close neighbour that speaks the same language, Ireland was well placed to benefit from the UK losing market share. Institutions amended their recruitment strategies to actively target regions that UK institutions traditionally recruit from, and promotional material emphasised

the country's openness to international students.”

Irish HEIs also took advantage of the Brazilian government's Ciência sem Fronteiras (Science Without Borders) programme. This seeks to boost opportunities for Brazilian students so they can study STEM-related subjects in international institutions of excellence²¹. In April 2015, Education in Ireland reported that almost 1000 Brazilian students studied at Irish universities since 2012 under the Ciência Sem

Fronteiras programme. The then Irish Minister for Education and Skills, Ms Jan O'Sullivan TD, also launched a new scheme of Masters' Scholarships worth a minimum of €3,000 for each Ciência Sem Fronteiras student who returned to Ireland²².

Conclusion



The international student market is expanding but HEIs face increasing competition. This comes in the form of more active recruitment from the US and investment in domestic capacity in China and India.

If HEIs are to remain attractive to international students and maintain market share they must monitor, influence and respond to their policy environment. Those who lobby effectively and tap into wider government initiatives will see their reputation and brand awareness increase. Those who don't will struggle to remain competitive.

Grant Thornton's team has broad experience in the higher education sector. We already work with HEIs around the world to develop robust business strategies which align with the wider political environment.

Our specialist teams work in over 130 countries, so we're well placed to help you implement the recommendations outlined in this report. Connect with a specialist in your country.

Visit www.grantthornton.global to connect to a specialist in your country.

Footnotes:

- ¹ OECD (2012), Assessment of Higher Education Learning Outcomes (Volume 1), OECD Publishing, p24.
- ² Chan, Jeremy. UK Competitiveness Slips Again. But All Is Not Lost. British Council, 2015.
- ³ International Trends In Higher Education 2015. Oxford: University of Oxford, 2015, p7. 14 Apr. 2016.
- ⁴ The Canadian Bureau for International Education. A World Of Learning: Canada's Performance And Potential In International Education. Ottawa, ON: 2015. Web. 27 May 2016.
- ⁵ Chan, Jeremy. UK Competitiveness Slips Again. But All Is Not Lost. British Council, 2015.
- ⁶ Robbins, Liz. "New U.S. Rule Extends Stay For Some Foreign Graduates". Nytimes.com. N.p., 2016. Web. 10 June 2016.
- ⁷ "Brains Without Borders". The Economist. N.p., 2016. Web. 27 May 2016.
- ⁸ International Trends In Higher Education 2015. Oxford: University of Oxford, 2015, p7. 14 Apr. 2016.
- ⁹ International Trends In Higher Education 2015. Oxford: University of Oxford, 2015, p7. 14 Apr. 2016.
- ¹⁰ "UCL Annual Review 2013-14". Ucl.ac.uk. p31. N.p., 2016. Web. 10 June 2016.
- ¹¹ Australian Bureau of Statistics. Australian Social Trends. Sydney: N.p., 2011. Web. 27 May 2016.
- ¹² Universities Australia Submission to the Strategic Review of the Student Visa Program (Knight Review) April 2011
- ¹³ Creagh, Sunanda. "Universities Welcome Knight Review of International Student Visa Rules". The Conversation. N.p., 2011. Web. 10 June 2016.
- ¹⁴ "Minister's Foreword | National Strategy for International Education 2025". Nsie.education.gov.au. N.p., 2016. Web. 10 June 2016.
- ¹⁵ Morgan, John. "UK Frets Over Overseas Students as Australia Backs 'Super Growth'". Times Higher Education (THE). N.p., 2016. Web. 10 June 2016.
- ¹⁶ University of York. New Education And Training Partnership For TV And Film. 2015. Web. 27 May 2016.
- ¹⁷ "Planning Office, The University Of York - Staff And Student Statistics". York.ac.uk. N.p., 2016. Web. 27 May 2016.
- ¹⁸ University of York. New Education And Training Partnership For TV And Film. 2015. Web. 27 May 2016.
- ¹⁹ "Report: Saudi Scholarship Programme To Sharpen Focus On Top Universities". ICEF Monitor. N.p., 2016. Web. 21 Apr. 2016.
- ²⁰ "International Students in Ireland". Project Atlas. N.p., 2016. Web. 27 May 2016.
- ²¹ Ciências sem fronteiras, doutorado pleno. "Goals - Ciência Sem Fronteiras". Cienciasmfronteiras.gov.br. N.p., 2016. Web. 27 May 2016.
- ²² Education in Ireland. Minister For Education And Skills Launches A New Irish Universities Masters' Scholarship Programme For Brazilian Students. 2016. Web. 27 May 2016.

About Grant Thornton

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice.

Proactive teams, led by approachable partners, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions. More than 40,000 Grant Thornton people across over

130 countries, are focused on making a difference to the clients, colleagues and the communities in which we live and work.

Global contacts

Our specialist teams work in over 140 countries, so we're well placed to help you implement the recommendations outlined in this report. To find out more and connect with a specialist in your country contact:

Global leader

Grant Thornton
Carol Rudge
T +44 (0)20 7728 2400
E carol.rudge@uk.gt.com

Africa

Kenya
Dipesh Shah
T +254 20 375 2830
E dipesh.shah@ke.gt.com

South Africa

Barry Lodewyk
T +27 21 417 8800
E barry.lodewyk@za.gt.com

Uganda

Jasmine Shah
T +256 753 1001 05
E jasmine.shah@ug.gt.com

Americas

Canada
Donna Diskos
T +1 604 443 2163
E donna.diskos@ca.gt.com

Canada

Deryck Williams
T +1 416 360 4954
E deryck.williams@ca.gt.com

Canada, Quebec

Christine Regimbal
T +1 514 878 2691
E regimbal.christine@rcgt.com

United States

Mark Oster
T +1 212 542 9770
E mark.oster@us.gt.com

Asia Pacific

Australia
Scott Hartley
T +61 3 8663 6143
E scott.hartley@au.gt.com

Australia

Simon Hancox
T +61 7 3222 0307
E simon.hancox@au.gt.com

New Zealand

Brent Kennerley
T +64 (0)4 495 3771
E brent.kennerley@nz.gt.com

Pakistan

Zohair Ashir
T +92 21 35821014
E zashir@pk.gt.com

Philippines

Sheng Llovido
T +63 2 988 2207
E sheng.llovido@ph.gt.com

Vietnam

Nguyen Tuan Nam
T +84 4 3850 1686
E tuannam.nguyen@vn.gt.com

Europe

France
Rudy Jardot
T +33 (0)3 20 30 26 26
E rudy.jardot@fr.gt.com

Germany

Friedrich Vogelbusch
T +49 351 31 821 612
E Friedrich.Vogelbusch@wkggt.com

Ireland

Elaine Daly
T + 353 (0)1 6805805
E elaine.daly@ie.gt.com

Sweden

Johan Andersson
T +46 08 56 30 72 88
E johan.andersson@se.gt.com

United Kingdom

Richard Shaw
T +44 (0) 20 7728 2344
E richard.shaw@uk.gt.com



© 2016 Grant Thornton International Ltd.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

www.grantthornton.global