Universities at the heart of a global and thriving United Kingdom

How can Government enhance the impact of British Universities following the vote to leave the European Union?

As the Government develops plans to seize the opportunities and minimise the uncertainty presented by exiting the European Union (EU), the university sector can make an invaluable contribution to an outward-facing and competitive United Kingdom (UK).

Universities can play a central role in driving inclusive economic growth locally, regionally and nationally; improving productivity as part of a new industrial strategy, and strengthening our international trade and diplomatic relationships across Europe and the wider world.

Our Universities are a British success story, world-renowned, internationally competitive and a major economic asset, generating annual output of £73bn for the British economy. Universities support the UK's soft power and global partnerships - many leading international figures are alumni of British universities and our universities are globally connected with businesses, governments, research partners and other universities world-wide.

The vote to leave the EU poses significant challenges for universities. However, Universities UK believe that, with the right support and investment from Government, universities can thrive outside the European Union.

This paper includes a number of high impact policies and initiatives that Government could deliver to ensure that universities are best placed to maximise the UK's economic success and global influence outside of the EU in five areas:

1. Enhancing international research collaboration
2. Making the UK an attractive destination for talented university staff
3. Encouraging talented and entrepreneurial students from around the world to choose to study in the UK
4. Increasing public investment in research and innovation
5. Supporting UK students and staff to access vital global opportunities

Universities UK want to work with Government to explore options in each of these five areas, offering our own analytical expertise, knowledge of universities and reach within the sector.
The impact of universities on the UK economy

Universities are engines of growth and anchor institutions in towns, cities and regions across the UK economy. Universities play a central role in the UK economy – creating jobs, driving innovation, supporting business growth and are a major export industry.

British universities:
- Generate annual output of £73bn for the UK economy
- Contribute 2.8% of UK GDP
- Generate 757,268 full-time jobs via their economic output
- Generate around £11bn of export earnings for the UK

Universities support regional growth, by encouraging local entrepreneurship and business development, attracting investment and talent, and providing and creating jobs across the UK.

They are in an ideal position to take the lead on significant socio-economic issues at the local level, for example by helping to shape local economic strategies and by linking research and teaching priorities to local economic and social needs. Universities' close links with their regions means that they are well placed to support the government in its regional growth objectives.

The return on public investment in universities is high.
- Universities drive productivity gains through higher skills and innovation;
- Universities boost private sector R&D investment and innovation – a 10% increase in university research is estimated to increase private R&D investment by 7%.
- Businesses that collaborate with universities or public research institutes invest more in R&D and perform significantly better on a number of indicators, including process and product innovation, than similar firms that do not.
- Almost 2 million new high skilled jobs are expected to be created between 2014-24, with universities central to developing the graduates that a highly-skilled, knowledge-based, internationally-competitive economy needs.

In addition, students from all over the world wish to study at our world-renowned universities (many developing networks which underpin the UK’s diplomatic and commercial links), spending billions of pounds in all regions of the country, and the UK is an attractive destination for talent and a world leader in research productivity and impact.
What policy support can the Government provide to enhance the impact of universities?

We need Government support to create the conditions for the university sector to contribute most fully to the UK’s economic success and global influence outside the European Union. To enable universities to thrive we need Government policies to:

➢ **Enhance the UK’s international research collaboration**
  
  o Prioritise ensuring continued UK influence over and access to EU research policy and programmes not just for the duration of the current programme but beyond, recognising that participation in this area of EU policy serves the national interest.
  
  o Establish a cross-Government international research strategy, covering engagement with both the developed and developing world and drawing together and building on the disparate funding mechanisms which exist for international collaboration currently.
  
  o Promote research collaboration opportunities (through the new Department of International Trade) as a central pillar of the UK’s offer to overseas governments and businesses.
  
  o Invest in additional bilateral and multilateral research and innovation initiatives with key European, transatlantic and global partners.

➢ **Make the UK an attractive destination for talented university staff**
  
  o Reform the immigration system to ensure that talented academics, researchers and university staff globally can come to the UK, regardless of their nationality
  
  o Preserving access to vital, globally competitive individual grant funding for excellence open to UK based academics through the European Research Council currently.
  
  o Confirm that EU staff will continue to be able to come to the UK to work without unnecessary administrative burdens following exit.

➢ **Encourage talented and entrepreneurial students from around the world to choose to study in the UK**
  
  o Launch an international student strategy, backed by investment to support international marketing, mobility and partnerships globally including a quantitative target to increase higher education export earnings.
  
  o Reform the immigration system to ensure the most talented and entrepreneurial students globally can come to the UK, regardless of their nationality and remove students from the net migration target.
  
  o Communicate a welcoming message worldwide that the UK is an open and attractive destination for students.
  
  o Take immediate action to clarify EU students’ access to student finance and tuition fee status for the cohort applying to begin studies in 2017/18, stipulating that the same terms will apply for the duration of their course, regardless of the timing of the UK’s formal exit.

➢ **Increase public investment in research and innovation**
  
  o Commit to replacing any lost research and innovation funding associated with the UK’s exit from the EU.
  
  o Provide added reassurances to the UK’s research community and preserve the UK’s international competitiveness by committing to a real terms increase in science funding.
  
  o Strengthen the UK’s capacity for economic growth delivered through innovation and collaboration at local and national levels by increasing investment in the Higher Education Innovation Fund (HEIF).
Invest in enhanced funding opportunities for innovation activity, with both established partners such as Germany and emerging powers such as India and China.

Fund capital investment projects to replace the funding opportunities represented by the European Structural and Investment Funds.

Support UK students and staff to access vital global opportunities

Invest in international mobility programmes to support international experiences for UK researchers and students, setting quantitative targets regarding the percentage of UK students and researchers accessing international opportunities.

Negotiate continued UK access to EU funded mobility programmes, Erasmus+ and the Marie Skłodowska Curie Actions (MSCAs).

Retain the Erasmus fee waiver mechanism which guarantees that institutions can charge students studying abroad on Erasmus or any other bilateral exchange scheme up to 15% of the total tuition fee (or 20% for a sandwich year) and that these fees are covered for the student by the Student Loans Company.
Policy proposals – further supporting information

1. Enhancing international research collaboration

What policy support is needed to maximise opportunities?

The UK Government can support UK universities to maintain their excellence, efficiency and impact by driving international collaboration in research and innovation, supporting researchers to work together to find solutions to the world’s most pressing problems and driving the UK’s knowledge economy. This can be achieved by:

- establishing a cross-Government international research strategy, covering engagement with both the developed and developing world and drawing together and building on the disparate funding mechanisms which exist for international collaboration currently.
- promoting research collaboration opportunities (through the new Department of International Trade) as a central pillar of the UK’s offer to overseas governments and businesses.
- prioritising ensuring continued UK influence over and access to EU research policy and programmes not just for the duration of the current programme but beyond, recognising that participation in this area of EU policy serves the national interest.
- investing in additional bilateral and multilateral research and innovation initiatives with key European partners.

Why does this matter?

- International collaboration drives the efficiency, excellence and impact of UK research.
- By working together, researchers can pool their expertise, infrastructure, data and resources to achieve more together than they could do alone. This enables them to harness diverse and often multi-disciplinary approaches to arrive at innovative solutions to complex problems. It also provides the scale necessary for the establishment and upkeep of large infrastructures.
- The UK has more articles per pound and per researcher than our major competitors and this is in large part driven by the UK’s high levels of international collaboration. Almost 50% of UK academic papers are written with an international partner, and internationally co-authored publications have been shown to have greater reach and higher rates of citation than those with only domestic authors. International co-authorship is associated with 41% more impact.
- Cooperation with European countries is a fundamental pillar of the UK’s international engagement. 47% of UK internationally co-authored publications from 2008-12 were with EU and EEA research partners, and 13 of our top 20, ‘most collaborated with’ nations are other EU member states.
- However, the UK also has close non-EU partners. From 2008-12, the UK’s top research partners in terms of the number of co-authored publications included the USA in first,
Australia fifth, China eighth, and Canada ninth. As the UK repositions itself globally, it must seize new opportunities to enhance research collaboration with countries around the world.

2. **Enhancing the UK as an attractive destination for talented university staff**

*What policy support is needed to maximise opportunities?*

The UK Government can support UK universities to remain globally competitive and to maximise their contribution to the economy in all areas of the UK by enhancing the UK’s attractiveness as a destination for talent. EU staff make up 16% of the academic workforce contributing vital and highly specialized skills to the UK economy and research base, and enhancing the quality of teaching as well as supporting the sustainability of courses from Modern Languages to Chemical Engineering.

Addressing the immediate uncertainties associated with Brexit to protect and encourage the continued recruitment of talent from EU countries, as well as avoiding the administrative burdens currently associated with hiring international staff, should be a fundamental pillar of any initiative to attract talent to UK HE and ensure the associated benefits to British society and the economy. In particular, it should be noted that the current income thresholds for Tier 2 work visas are too high at £35,000 to accommodate recruitment at the post-doctoral level, despite the fact that it is vital that the UK nurtures these future world leaders at early career stage.

Simultaneously it should be noted that access to prestigious and globally recognised funding for excellence, such as is currently funded by the European Research Council, is a major part of the UK’s attractiveness to overseas talent. In this context, preserving access to this funding should be prioritised. Equally, it should be recognised that any attempt to fund an equivalent on a national basis would need to be open to researchers globally (provided the money would be spent in the UK) in order to retain its globally competitive reputation.

The government has an opportunity to reshape the immigration system to recognise the value of attracting overseas talent and to remove unnecessary barriers for highly-skilled international staff wanting to work at UK universities. This can be achieved by:

- Reforming the immigration system to ensure the most talented academics, researchers and university staff globally can come to the UK, regardless of their nationality.
- Preserving access to vital, globally competitive individual grant funding for excellence open to UK based academics through the European Research Council currently
- Confirming that EU staff will continue to be able to come to the UK to work without unnecessary administrative burdens following exit.
Why does this matter?

- The excellence and global competitiveness of the UK research base relies on attracting the most talented researchers to pursue groundbreaking projects at British universities, regardless of where they come from and the availability of research funding to attract them.

- Almost half of UK academic papers are currently written in collaboration with at least one international partner, and this in turn drives the UK’s research productivity. 28% of the UK’s academic workforce are non-UK citizens, 12% from countries outside the EU and 16% are from EU countries.

- These staff bring with them specialized skills, experience and expertise sought the world over, and complement and enhance the quality of teaching and the quality of UK research, science and innovation. For example, Professor Sir Konstantin Novoselov and Professor Sir Andre Geim who co-discovered graphene, are prominent examples of international researchers who chose the UK, and whose skills and experience have benefited the UK economy. Even conservative estimates of graphene’s global market predict it will be worth more than £256m by 2024. The ‘miracle material’ that could revolutionise the world is about 100 times stronger than steel by weight.

- EU/EEA staff are fundamental to excellent and sustainable teaching in a range of subjects and make up over 20% of teaching staff in Modern Languages, Physics and Astronomy, Mathematical Sciences, Biological Sciences, Chemistry and Material Sciences, and Computer Sciences. All crucial subjects for tomorrow’s workforce.
3. Encouraging talented and entrepreneurial students from around the world to choose to study in the UK

It is key to the future growth of the UK economy and the competitiveness of British universities that EU and non-EU students alike are able to continue to come to the UK to study without unnecessary bureaucratic burdens, and that the UK’s outstanding global reputation for providing high-quality education sought by students the world over is protected and enhanced.

Some of the changes to the Tier 4 student visa system since 2010 have created a perception that the UK is not ‘open for business’, noticed in key international markets such as India – the UK’s second largest market and from where student numbers have more than halved since 2010. Competitor countries such as Australia and Canada have taken advantage of the stagnation in recruitment in the UK, and are reaping the benefits with annual growth of 8% compared to a 2% fall for the UK. If Britain is to meet the government’s own target of increasing total education exports to £30 billion by 2020, it needs a new approach to immigration that is proportionate and welcoming to genuine international students.

The government has an opportunity to reshape the immigration system to recognise the value of international students as temporary visitors who contribute to the economy and to remove unnecessary barriers for students wishing to study in the UK.

This can be achieved by:

- Launching an international student strategy, backed by investment to support international marketing, mobility and partnerships globally including a quantitative target to increase higher education export earnings.
- Reforming the immigration system to ensure the most talented and entrepreneurial students globally can come to the UK, regardless of their nationality and remove students from the net migration target
- Communicating a welcoming message worldwide that the UK is an open and attractive destination for students
- Taking immediate action to clarify EU students’ access to student finance and tuition fee status for the cohort beginning their studies in 2017/18, stipulating that the same terms will apply for the duration of their course, regardless of the timing of the UK’s formal exit

It is vital that the UK Government launches an education exports strategy that will build on the target to increase the value of UK education exports from £17bn in 2011 to £30bn by 2020 as outlined in the 2015 Autumn Statement. International student expenditure in the UK forms the most substantial contribution towards export earnings (£9bn in 2011/12), and an education exports strategy should set out how this could be increased further, underpinned with a target to increase the numbers of international students coming to the UK, to drive economic growth and soft power.

*Universities UK, September 2016*
Why does this matter?

- The UK is the world’s second most popular destination for international students, who spend money and create jobs. EU students alone make up 5.5% of the student body and generated an estimated £3.7 billion for the UK economy and 34,000 jobs across the country in 2011/12. International (non-EU) students already make a £7 billion contribution to the economy, generating almost 137,000 jobs across all regions of the country. International students enrich campuses both academically and culturally. Many return home having forged strong professional and personal links that provide long-term, soft-power benefits for Britain.

- Higher education exports earnings are currently estimated at £10.7 billion and offer a significant opportunity to drive economic growth post-Brexit, with the current global total of 4.5 million students studying outside their home country estimated by the OECD to rise to more than 8 million by 2025.

- While the UK is currently second only to the USA as a destination for international students, there is growing competition, with many countries (including Canada, Australia, the US, Germany and China) adopting ambitious strategies for increasing their international student populations.

- Without investment in this area, the UK risks losing global market share in a growth industry. Promoting the UK as a welcoming destination for European students, avoiding future administrative burdens that could be associated with visa requirements, and providing clarity on the tuition fee status and loan eligibility of EU students before and after Brexit is a vital part of this. EU student fee income in 2014/15 alone was more than £600 million.

- International student recruitment can also support the UK’s soft power and influence worldwide. Through studying in the UK, international students establish networks and connections which support trade and business links; they develop a positive perception of the UK, and a familiarity with UK brands globally.

- Polling consistently shows that the British public regards international students as valuable, temporary visitors. They come, study for a period, and then the overwhelming majority go home. Only 22% of the public thinks that international students should count as migrants. Most people do not understand why they would be counted towards the government’s immigration targets.

- The university sector places a huge importance on tackling abuse of the student visa system, spending £67m in compliance with Tier 4 in 2012/13 alone. Students are also highly compliant with their visas, and levels of overstaying are low. Home Office research in 2010 analysed the compliance of a sample of non-EEA students studying at universities in terms of whether they were enrolled on a course, had valid leave to remain in the UK or had potentially overstayed their visa. This found that just 2% of the sample were potentially non-compliant with their visas. It is likely that this figure is now even lower, as universities continue to invest in immigration compliance.
4. Increasing public investment in research and innovation

*What policy support is needed to maximise opportunities?*

The UK Government can support UK universities to maximise their positive contribution to the UK economy and to British influence globally by prioritising stable and sustainable public investment for the sector, which will in turn leverage investment from private sources.

This can be achieved by:

- Committing to replacing any lost research and innovation funding associated with the UK’s exit from the EU.
- Providing added reassurance to the UK’s research community, and taking practical steps to preserve and enhance the UK research base’s international standing, which makes it the preferred collaborator of choice to countries around the world. This could be done through committing to a real terms increase in science funding. This would provide government with an excellent return on investment, through investing in a long-term, stable sector that will help mitigate the effects of shorter-term economic uncertainty, and bring the UK more in line with competitor countries, given the UK’s government investment in research falls well below other countries such as the USA, Germany and France.
- Strengthening the UK’s capacity for economic growth delivered through innovation. This could be done through increased investment in the Higher Education Innovation Fund (HEIF), which has a proven track record in driving collaborations between universities, business and the wider community. Strong collaborations at the local and national level are more important than ever before in order for the UK to develop beneficial and long-lasting relationships with international partners. Further investment in HEIF provides a very real, practical way for government to strengthen the UK’s ability to compete on the international stage, while supporting local and national growth.
- Investing in enhanced funding opportunities for collaborative research and innovation activity, with both established partners such as Germany and the US, and emerging powers such as India and China.
- Funding innovation-focused capital investment projects to replace the funding opportunities represented by European Structural and Investment Funds.

*Why does this matter?*

- The UK higher education system is world-class in both quality and efficiency. With only 0.9% of the world’s population, and 4.1% of researchers, the UK research base accounts for 9.9% of downloads, 10.7% of citations and 15.2% of the world’s highly cited articles in 2014.
- However, in the absence of sustained public investment, the UK’s research base and university sector risks falling behind key competitors. The UK already invests less public
funding in research and development as a percentage of GDP than the OECD average – 0.49% compared to 0.66%.

- Current uncertainty regarding the UK’s future ability to access EU research funds represents an additional challenge. Between 2009/10 and 2014/15, UK universities received £3.9 billion in research funding from EU sources, including EU governmental bodies and EU-based industry and charities. The proportion of all competitively-awarded UK university research grant income that comes from EU sources has steadily increased from 11.6% in 2010/11 to 14.1% in 2014/15.

- Additionally UK universities have received more than £1 billion from the EU via European Regional Development Funds (ERDF) and European Social Funds (ESF) since 2003/04, over €2.6 billion in European Investment Bank loans since 2011; more than £600 million in EU student fee income in 2014/15; £558 million in research grants and contracts income from EU charities, industry and other non-governmental bodies since 2009/10.

- Public investment in this area also leverages private investment. Analysis suggests that even a one-off 5% increase in public spending on R&D could permanently raise private sector productivity by at least £90 million a year, and that for every £1 spent by government on R&D, private sector R&D output rises by at least 20p per year.
5. Support UK students and staff to access vital global opportunities

What policy support is needed to maximise opportunities?

By supporting global opportunities for UK students and staff, the UK Government can support the international networks and employability of UK graduates, as well as the productivity and economic contribution of the UK’s researchers and the positive profile of UK worldwide.

This can be achieved by:

- Investing in international mobility programmes to support international experiences for UK researchers and students, setting quantitative targets regarding the percentage of UK students and researchers accessing international opportunities
- Negotiating continued UK access to EU-led mobility programmes, Erasmus+ and the Marie Skłodowska Curie Actions (MSCAs)
- Retaining the Erasmus fee waiver mechanism which guarantees that institutions can charge students studying abroad on Erasmus or any other bilateral exchange scheme up to 15% of the total tuition fee (or 20% for a sandwich year) and that these fees are covered for the student by the Student Loans Company.

Why does this matter?

- Evidence shows that students who have studied abroad are less likely to experience long-term unemployment, more likely to achieve academically and to reach a higher level of employment in their professional lives.
- Many of the jobs that today’s graduates will do in the future don’t exist yet, but we do know that the UK workforce needs internationally networked and culturally agile graduates who can support the UK to become a global trading nation.
- Of the UK students graduating in 2013/14 who responded to the Destination of Leavers from Higher Education (DLHE) survey, those that were mobile were more likely to receive a first or an upper second class degree than their non-mobile peers. 81% of mobile students achieved a first or an upper second class whereas 72% of non-mobile students achieved the same levels of classification.
- Of this same group of surveyed students, the unemployment rate among mobile students 6 months after graduation was lower, at 5%, than that for non-mobile students, which stood at 7%. This difference in outcomes was even more pronounced for BME students when compared to white students: 9.9% of non-mobile black graduates were unemployed, compared to 5.4% of black mobile graduates, and 9.5% of Asian non-mobile graduates were unemployed, compared to 4.4% of Asian mobile students.