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# The economic impact of London's international students

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## Executive Summary

**In total, international students studying at London higher education institutions directly contributed £1.5 billion to UK GDP in 2005/06 at current prices and supported over 40,000 jobs**

### **London's international students paid around £560 million in fees to London's higher education institutions...**

We estimate that London's higher education institutions derived about £560 million of revenues from fees of all international students in 2005/06. The bulk of the revenue, around £450 million, comes from fees charged to the 86,000 students at London's Higher Education Funding Council for England (HEFCE) funded higher education institutions<sup>1</sup>.

An additional 41,200 international students were registered on the University of London external programme in 2005/2006. This programme allows international students to study at home under the auspices of the University of London. The programme is estimated to have provided around £30 million worth of fees in 2005/06.

There were also estimated to be an additional 19,000 US students who spent at least part of the 2005/06 academic year in London as part of a study abroad programme. They are estimated to have contributed £78 million in fees.

### **...with subsistence spending by these students contributing a further £800 million to GDP...**

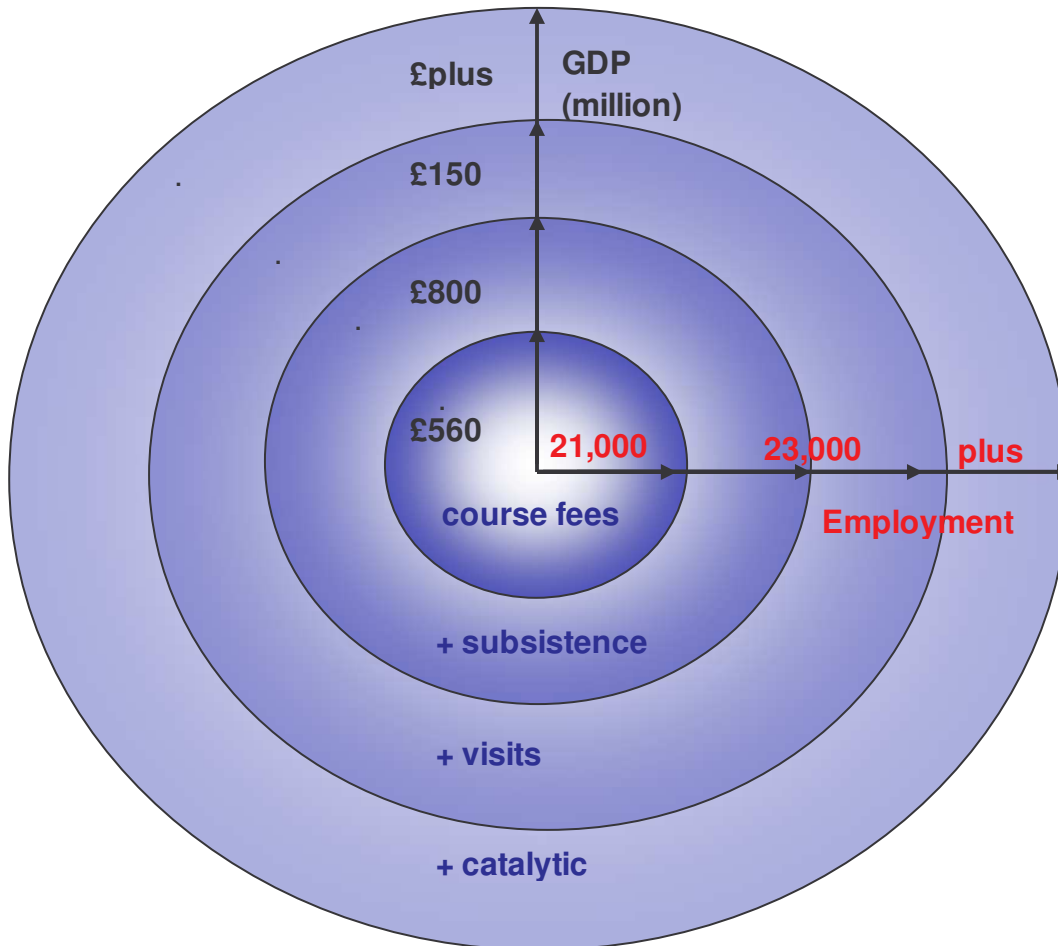
We estimate that the contribution to UK GDP in 2005/06 from subsistence spending by full time international students at London's HEFCE funded higher education institutions was around £520 million and the equivalent figure for part timers was £205 million. In addition, we assume that the boost to GDP from the spending by the students on US study abroad programmes was around £80 million. This means that the total addition to UK GDP from the subsistence spending of international students was over £800 million in 2005/06.

### **...and visits by friends and relatives adding a further £150 million to GDP in 2005/06**

Our estimates for the total amount of spending by visitors to London whose primary reason for entry was to visit a student at a HEFCE funded higher education institution total £170 million in 2005/2006. Adjusting for imports we find that the impact upon GDP is around £126 million. Furthermore, we estimate that an additional £21 million was spent by people visiting students on US study abroad programmes, which gives an overall estimate of around £150 million.

<sup>1</sup> See appendix for a list of these institutions. Throughout this report when we refer to students at London's HEFCE funded higher education institutions we do not include those on the University of London external programme. These students are analysed separately.

In total, international students studying at London higher education institutions directly contributed £1.5 billion to UK GDP in 2005/06 at current prices and supported over 40,000 jobs...



...but the catalytic effects mean the overall contribution of London's international students to the economy is far wider than these direct effects

These wider benefits are more intangible and so less easy to measure, but nevertheless ultimately have a very real impact upon the London economy. These economic benefits result from the social and cultural links that build up as a result of international students studying in London.

For example, contact that is initially made by visitors studying in London may eventually lead to other economic links as these students become more aware of what London has to offer and return to take up important roles in their home countries.

**London based Chinese, Indian and US higher education students directly contributed £0.4 billion to the economy in 2005/06**

There were 7,800 Chinese students studying at HEFCE funded higher education institutions in London in

2005/06. This compares to 4,300 students from India and 5,300 from the US. There are a further 19,000 US students participating in study abroad programmes and a further 126, 420 and 1,143 Chinese, Indian and American students respectively on the University of London's external programme.

Together the students from these three countries contributed £440 million to the economy, or in other words nearly a third of the total contribution of all international students. The largest overall contribution comes from the US and is estimated to be about £275 million. Mainland China<sup>2</sup> contributes £110 million and the smallest contribution of the three is that of India (around £60 million).

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<sup>2</sup> Throughout this report we focus on students from mainland China excluding Hong Kong and Macau. For brevity when we use the term Chinese students and China we are referring to mainland China only.

## 1. Introduction

### 1.1. The brief

London Higher commissioned Oxford Economics to undertake an analysis of the contribution international students<sup>3</sup> make to London's economy. The key areas to be included in the quantification of this contribution are:

- Fees;
- Subsistence; and
- Family visits while studying in London.

In addition, Oxford Economics were requested to calculate the economic contribution of the sub-set of students from:

- Mainland China, India and USA

### 1.2. Report structure

The remainder of the report is structured as follows:

- The remainder of this chapter provides background information about international students studying in London.
- Chapter 2 outlines the economic contribution of London's international students to the UK economy.
- Chapter 3 provides information on the number of international students who are sponsored by their employer along with estimates for the proportion of international students who remain in London after completing their studies.

### 1.3. Background

The Higher Education Statistical Authority (HESA) provide a comprehensive array of statistics on students studying at the 41 HEFCE funded higher education institutions in London. These data indicates that there were 391,801 students studying at HEFCE funded higher education institutions in London in 2005/2006. Of these, twenty two percent or 85,718 are international students. Around 70% of international students pay fees at the overseas rate, which is generally much higher than the UK or European Union (EU) rate,

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<sup>3</sup> The report does not cover: international students studying at English language schools in London (less those at the HEFCE funded higher education institutions); international students studying within Further Education (FE) colleges (unless on a course delivered by a HEFCE funded higher education institution); or private universities and colleges in London unless as part of a US study abroad programme. Given these restrictions, the economic contribution of international students as whole will be larger than the estimates presented in this report.

while the rest pay at the UK/EU rate. In this report all non-UK students including those from other EU countries are termed international students, those from outside the EU are termed overseas and those from the EU (including the UK) as home students. The EU refers to the 25 state membership prior to the entry of Bulgaria and Romania in early 2007. This section of the report focuses solely on those students at the HEFCE funded higher education institutions.

Students from the non-UK EU make up just over 6% of London’s student population. Chinese students account for 2%, implying that there are more Chinese than US or Indian students. Students from other countries comprise 11% of London’s student population. The largest contributors to this category are students from Japan, Malaysia, Nigeria and Pakistan.

**Figure 1-1: International students as a proportion of total student body in London’s higher education institutions**

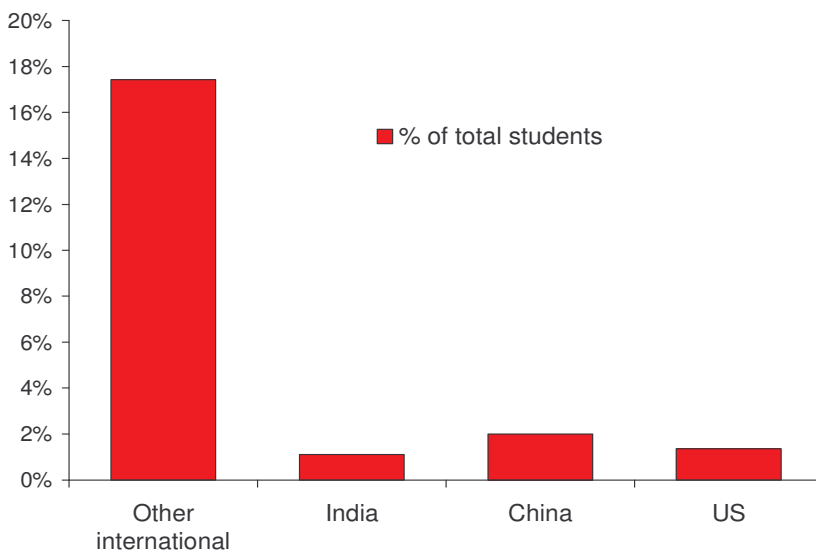
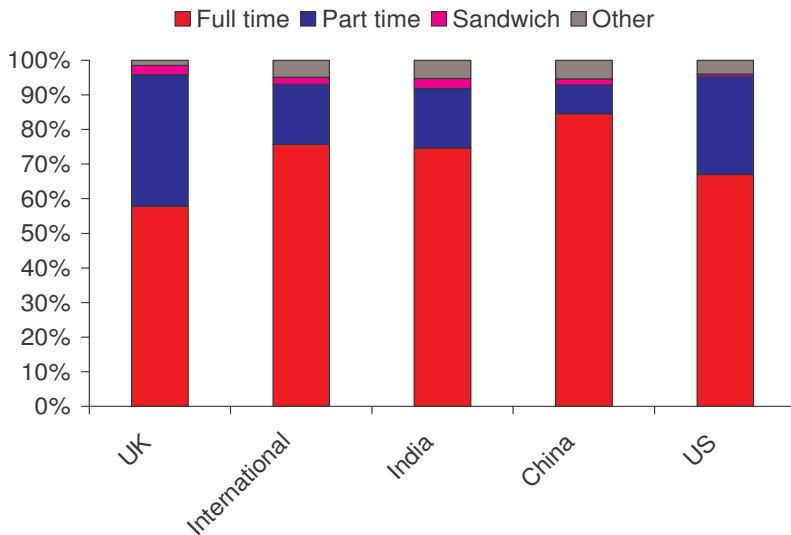


Figure 1-2 presents data for the mode of study for international students. More than three quarters (47,566) of all overseas students are enrolled on a full time course while 16% are enrolled on a part time course. US students are less likely, and Chinese students more likely, to be studying full time. In general, international students are more likely to be studying full time in London than UK students.

Figure 1-2: Mode of study for international students at London’s higher education institutions



Source: HESA 2005/06

Table 1-1 presents data for the proportion of overseas students at all London based higher education institutions. Unsurprisingly, institutions with a strong international reputation such as London Business School (LBS) and London School of Economics (LSE) have the highest proportion of overseas students, at 48%. The next highest proportions can be found at London School of Hygiene and Tropical Medicine (42%) and School of Oriental and African Studies and Royal Academy of Music where overseas students account for 30% and 27% of the student body respectively.



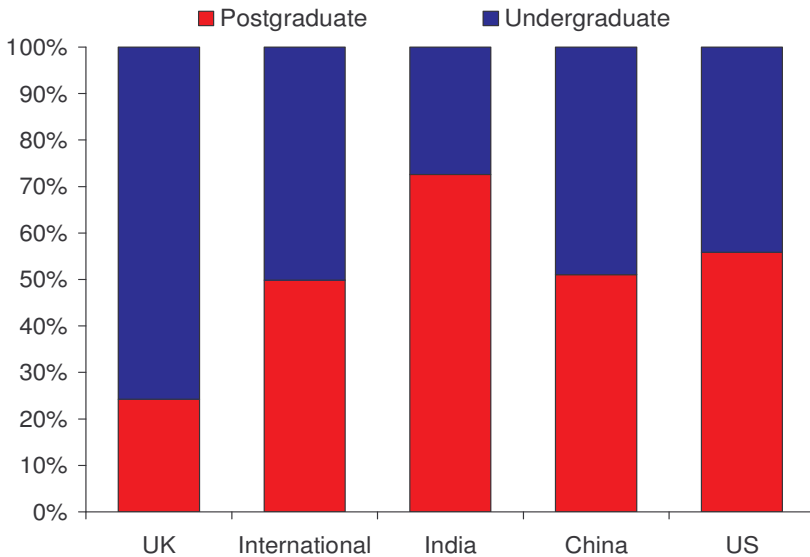
Table 1-1: Proportion of overseas and home students at London's higher education institutions

Overseas and home students studying at London's HEFCE funded institutions		
	EU including UK students	Overseas (ie non EU)
Birkbeck College	97%	3%
Brunel University	85%	15%
The Institute of Cancer Research	79%	21%
Central School of Speech and Drama	93%	7%
City University	85%	15%
Conservatoire for Dance and Drama	90%	10%
Courtauld Institute of Art	76%	24%
The University of East London	89%	11%
Goldsmiths College	90%	10%
The University of Greenwich	85%	15%
Imperial College of Science, Technology & Medicine	75%	25%
Institute of Education	88%	12%
King's College London	89%	11%
Kingston University	91%	9%
University of the Arts, London	77%	23%
London Business School	51%	49%
University of London (Institutes and activities)	78%	22%
London Metropolitan University	84%	16%
London South Bank University	91%	9%
London School of Economics and Political Science	53%	47%
London School of Hygiene and Tropical Medicine	58%	42%
Middlesex University	83%	17%
Queen Mary and Westfield College	82%	18%
Ravensbourne College of Design and Communication	91%	9%
Roehampton University	94%	6%
Rose Bruford College	93%	7%
Royal Academy of Music	73%	27%
Royal College of Art	84%	16%
Royal College of Music	80%	20%
The Royal College of Nursing	97%	3%
Royal Holloway and Bedford New College	81%	19%
The Royal Veterinary College	91%	9%
St George's Hospital Medical School	95%	5%
St Mary's College	98%	2%
The School of Oriental and African Studies	70%	30%
The School of Pharmacy	87%	13%
Thames Valley University	91%	9%
Trinity Laban	90%	10%
University College London	79%	21%
The University of Westminster	86%	14%
Wimbledon School of Art	93%	7%

Source: HESA 2005/06 (HE institution names as reported in HESA database)

Figure 1-3 presents data for the proportion of students from different countries who are studying at undergraduate and postgraduate level. Three quarters of Indian overseas students and half of all overseas students are enrolled on postgraduate courses. This compares to just a quarter of UK students.

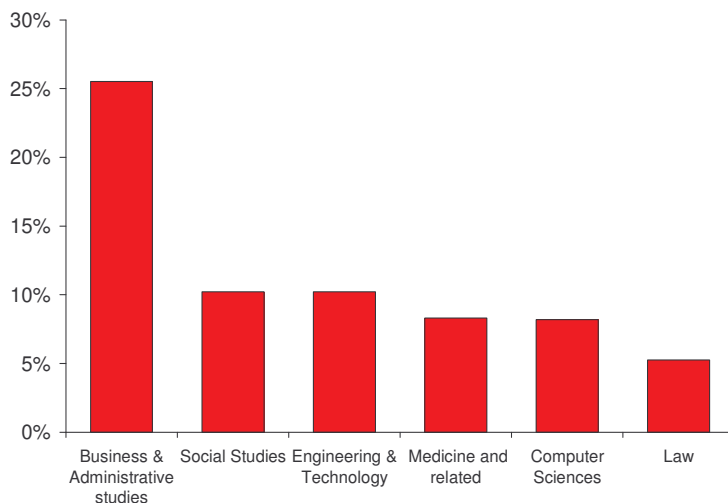
**Figure 1-3: Proportion of overseas and home students on postgraduate and undergraduate courses.**



Source: HESA 2005/06

Figure 1-4 presents the most popular courses studied by overseas students. By far the most popular subject studied in London’s higher education institutions is Business and Administrative studies where around a quarter of the overseas student body undertook these courses. This compares to just 13% of home students choosing these courses. Other popular subjects for overseas students include: social studies (10%), engineering and technology (10%); Medicine and related (8%), computer science (8%) and law (5%).

**Figure 1-4: Most popular courses studied by overseas students**



Source: HESA 2005/06

## 2. Economic impact of international students in London

### 2.1. Introduction

This section of the report looks at the total economic contribution of international students in London in 2005/06 under three headings:

- Fees paid to London higher educational establishments
- Subsistence spending by international students
- Visits by family and friends to students while they are studying in London

These three drivers can in conjunction be seen as the direct impact of international students on the London economy. It is these direct effects that this report concentrates on. It does not look at the second round or indirect effects nor does it look at any induced effects that result from the expenditure of staff who derive income from meeting the needs of students. It will, however, say something about the catalytic effects of students on the London economy.

### 2.2. Fees

The previous section noted that in 2005/06 there were 85,718 overseas or non-UK European Union students spread across the 41 HEFCE funded higher education institutions in London.

Fees paid by students vary depending upon the educational establishment, whether the student is part or full time and by the students' country of origin. For example, in academic year 2005/06 one of the institutions that charged fees at the high end of the distribution was London School of Economics. They charged £8,130 per full time post graduate home student, £4,065 to part time post graduate students and £11,958 to overseas students. In contrast, Wimbledon School of Art charged only £2,800 to full time post graduate home students and £9,500 to overseas students. In looking at fees an important distinction is that between students from European Union (EU) countries (as the analysis undertaken here is for academic year 2005/06, what is meant by the EU are the 25 countries that comprised its membership prior to the entry of Bulgaria and Romania in early 2007) and other international students who are liable for full overseas fees. We refer to these non-EU students here as overseas students, while by international students we mean all non UK students including those from other EU countries (including the Republic of Ireland).

The fees figures that are quoted here have been derived in two ways. Where possible we have taken the estimates of income from the fees of international students directly from the financial accounts of each HEFCE funded higher education institution. However, this information is not available for 15 of the 41 institutions, so in those cases we have calculated estimates of the fees revenue by multiplying the number of non-UK EU and overseas students by the fee per student (the latter figures being obtained from the Colleges or University websites). As we will discuss later, this methodology probably results in an overestimate of fee revenue and so we have made an adjustment for this.

**Table 2-1: Breakdown of Fee revenue from International students 2005/06 (£ million)**

Total fee income	
	Fee Income ( £ mn)
HEFCE funded HE institutions	451
External Scheme	29
Study abroad programmes	78
Total fee income	558

Source: Oxford Economics

We estimate that the fees paid by International students totalled about £560 million. Table 2-1 shows this revenue broken down. The bulk of the revenue, around £450 million, comes from fees charged to students at HEFCE funded higher education institutions. However, in addition to these, two other types of courses also make a contribution to fees:

- About 41,200 international students were registered on the University of London external programme<sup>4</sup> in 2005/2006. This programme allows international students to study at home under the auspices of the University of London. This programme in 2005/06 included 1,143 students in the US, 420 in India and 126 in mainland China. The programme is estimated to have provided around £29 million in fees in 2005/06<sup>5</sup>.
- There were also around 16,000 US students who spent at least part of the 2005/06 academic year in London as part of US study abroad programmes<sup>6</sup>. These are estimated to have contributed around £78 million in fees revenue<sup>7</sup>.

It was noted earlier that the calculation of revenue from regular non-UK EU & overseas students was derived by two methods. For 26 institutions we have been able to obtain data on fee revenue from their financial accounts. This aggregates to £393 million for 2005/06. For the other 15 institutions we have had to make an estimate by multiplying the total number of international students at each institution by the fee charged to that student. Having appropriately adjusted this figure<sup>8</sup> we get an estimated figure for total fee revenue from these institutions of £57 million.

<sup>4</sup> While the University of London external programme is a HEFCE funded institution, its 41,200 external programme students are not included in the HESA data and have therefore been analysed separately.

<sup>5</sup> We assume all fees are paid directly to the University of London.

<sup>6</sup> These are US students who study in London, but not at London's HEFCE funded higher education institutions,

<sup>7</sup> Whilst the fees are paid to the relevant US higher education institution, we assume that they in effect cover the London based expenses (academics, facilities etc) that are required to teach these students whilst they are studying in London. This fees calculation is based on the results of a survey undertaken by Association of American Study Abroad Programmes (AASAP).

<sup>8</sup> When a similar methodology is used to estimate revenue for those where we do have actual revenue data the total obtained was somewhat higher than the actual revenue figures. This may be because the methodology fails to take into account such factors as various exemptions from fees including scholarships. To take into account this tendency to overestimate we have scaled down the fee estimate for the other 15 institutions.

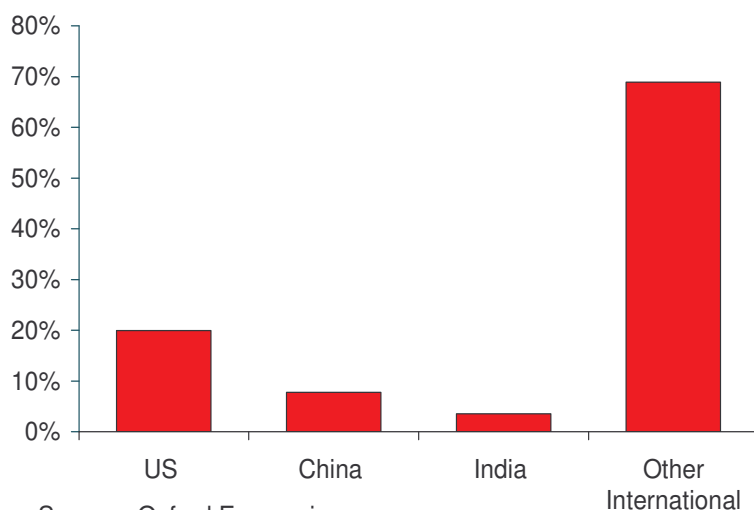
**Table 2-2: Breakdown of Fee revenue from US, Chinese and Indian students 2005/06 (£ million)**

Fee from US, China and India	
	Fee Income (mn)
US	111
China	43
India	19
Total fee income	174

Source: Oxford Economics

Table 2-2 shows how much of this revenue derives from students from mainland China, India or the US. Students from all three countries participate in the external student programme as well as studying on site at HEFCE funded higher education institutions. In addition some 19,000 US students participate in study abroad programmes. In total we estimate that £111 million of fee revenue derives from the US, £43 million from China and £19 million from India.

Figure 2-1 shows these revenue figures as a percentage of total revenue from international students. The chart illustrates that a substantial contribution to total fee revenues is made by these countries with a combined total of around 30% of all international revenue.

**Figure 2-1: International fee revenue by country (% of total)**

### 2.3. Subsistence

Subsistence spending here refers to all spending by international students on goods and services other than their education fees. It includes, for example, expenditure on food, rent, travel and entertainment. The most comprehensive data source on expenditure by students is the Student Income and Expenditure Survey (SIES) commissioned by the Department for Education and Skills and the National Assembly for

Wales. This is a rich source of data on the expenditure patterns of students, but unfortunately makes no distinction between domestic and international students. However, it is still the best source of data available for this study.

The only real alternative data source for this is the Office for National Statistics' International Passenger Survey (IPS). This is a good source of data on the expenditure of visitors to the UK but unfortunately makes no distinction between the expenditure patterns of students and other types of visitors such as tourists or businessmen. The expenditure patterns of students are likely to be markedly different from these other types of visitors. Students are likely to be staying for much more extended periods, they are likely to come from a younger demographic than the average visitor and are also likely to have less income. Consequently the IPS is of little help in looking at the expenditure of students. However, it is a source that we will return to in the next section.

The latest SIES survey for 2004/05 tells us that the average expenditure by a full time student in London (excluding expenditure on course fees) was £9,985 and the equivalent figure for a part time student was £13,487. The part timer's expenditure figure is higher than that for full timers not only because part timers tend on average to have more money, but also because they tend on average to be older and so have different responsibilities. We have adjusted these figures for inflation to derive estimates for 2005/06.

We have used these estimates along with data on the number of full time (64,807) and part time (20,911) international students at HEFCE funded higher education institutions in London to derive estimates of total subsistence spending by international students. We have used the same methodology to derive figures for the expenditure by students from China, India and the US. Ideally we would like to have used spending data that was specific to each country as it is possible, for instance, that international students are wealthier on average than domestic students and that this is reflected in their expenditure. However, given the available data this methodology provides a robust estimate of the level of subsistence spending by international students studying in London.

**Table 2-3: Expenditure by international students 2005/06 (£ million)**

<b>Expenditure for all International students</b>	
<b>Subsistence expenditure (mn)</b>	
HEFCE funded HE institutions	722
Study abroad programmes	83
<b>Total subsistence expenditure</b>	<b>805</b>

Source: Oxford Economics

Table 2-3 presents the figures for expenditure by international students in London in 2005/06. It is estimated that total spending by full time international students at HEFCE funded higher education institutions was £679 million and by £296 million by part time students. However, at least some of that expenditure is likely to be on imports and so will not result in a boost to the London economy. Accounting for this we estimate that the boost to GDP in 2005/06 from spending by full timers was about £503 million and the equivalent figure for part timers was £219 million. In addition, we assume that the spending contribution to GDP from students on the study abroad programmes was around £80 million. This means that the total addition to GDP from the subsistence spending of all international students in 2005/06 was

£805 million.

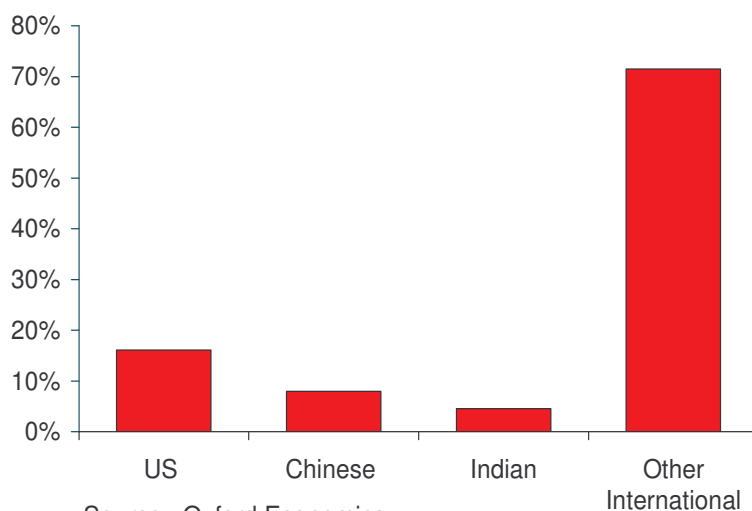
**Table 2-4: Expenditure by Chinese, Indian & US students 2005/06 (£ million)**

Subsistence expenditure of US, Chinese and Indian students	
Subsistence expenditure (mn)	
US	129
China	64
India	36
Total subsistence expenditure	230

Source: Oxford Economics

Table 2-4 presents the equivalent figures for China, India and the US. It shows that the total boost to GDP from spending by Chinese students was £64 million, by Indian students was £36 million and by US students was £129 million. The higher figure for the US is purely a reflexion of the fact that there are more US students in London (including those on study abroad programmes) than there are Chinese or Indian students. Figure 2-2 presents these figures as a percentage of all the spending of international students.

**Figure 2-2: Expenditure by International students (% of total)**



Source : Oxford Economics

## 2.4. Additional visitor impact

The final element of the calculation of the direct impact of international students on London is the expenditure by friends and relatives from abroad visiting international students who were domiciled in London during 2005/06. The source used for this was the previously mentioned International Passenger Survey (IPS). This provides detailed expenditure by various types of visitor to the UK as a whole including data on those who describe the primary reason for their journey as visiting friends and relatives. The data is also partially broken down by the country of origin of the visitors which means that it is possible to say

something about the spending of visitors from China, India and the US. However, there are two areas in which the data is still insufficiently detailed:

- The IPS provides detailed expenditure data by visitor and country of origin for the UK as a whole. However, the breakdown of the data by each region of the UK, including London, is less detailed. For London the figures are only subdivided into visitors from North America, Europe and a category called Other Countries. Consequently we have had to produce estimates based upon the available data.
- The IPS data merely specifies that visitors are visiting friends and relatives. It does not specify who their friends and relatives are nor whether or not they are students. We have assumed here that visitors are all visiting foreign nationals from their own country and that the percentage of these visits that are to students are proportionate to the percentage of the population of that nationality that is made up of students. For example the latest set of population figures from the ONS suggest that there were close to 45,000 persons of US citizenship living in London in 2005/06, while the HESA data shows that there were slightly more than 5,000 US students in London at that time (not counting those on study abroad programmes). Consequently we have assumed that around 12% of the American visitors to London in 2005/06 who claimed to be visiting friends or relatives were visiting students. This methodology produces a particularly high estimate for China. It is possible that some of these Chinese are visiting people who are of Chinese ethnic origin, but who are not Chinese nationals, indeed they may even be visiting friends of a different ethnic origin. Consequently the figures presented here may be an overestimate. However, it should also be remembered that we would not be counting any foreign visitors who gave another reason for coming to the UK such as business, but who also spend some time seeing student relatives. Overall we are confident that the estimates presented here are robust given the available data.

**Table 2-5: Spending by visitors to London visiting international students 2005/06 (£ million)**

Spending by visitors to London visiting foreign students 2005/06	
	Spending (mn)
HEFCE funded HE institutions	126
Study abroad programmes	21
Total	147

Source: Oxford Economics

Table 2-5 shows our estimates for the total amount of spending by visitors to London whose primary reason for entry was to visit a student. Total expenditure by all such visitors to London in 2005/2006 was £170 million. However, as some of this expenditure would have gone on imports the impact upon GDP would be smaller than this. Adjusting for this we find that the impact upon GDP is £126 million. We also estimate that an additional £21 million was spent by people visiting students on study abroad programmes, which gives an overall estimate of around £147 million.



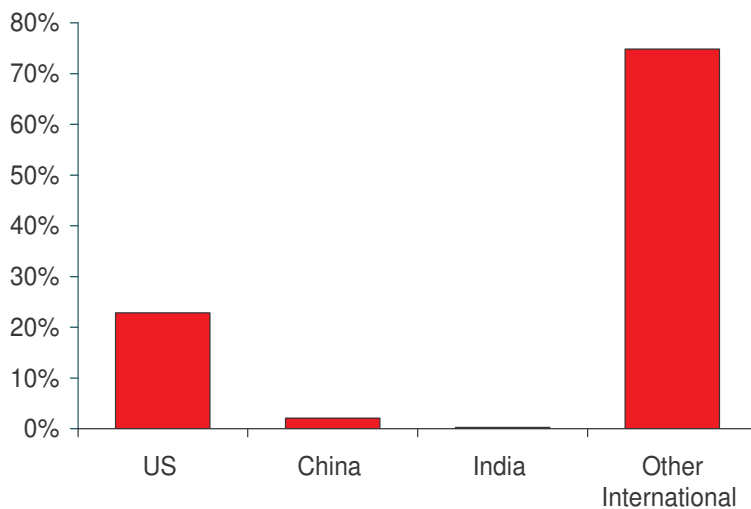
**Table 2-6: Spending by visitors to London visiting Chinese, Indian or US students 2005/06**  
(£ million)

Spending by visitors to London from US, China and India who were visiting foreign students 2005/06	
Spending by Visitors (mn)	
US	34
China	3
India	0.4
Total	37

Source: Oxford Economics

Table 2-6 shows that people visiting Chinese, Indian or US students are estimated to have contributed £3 million, £0.5 million and £34 million respectively to UK GDP. The estimate for the US includes people visiting students on study abroad programmes. It can be seen in this case that the contribution of US visitors is substantially higher than those from China and India. This is because there are many more US visitors, who generally stay for longer. This is also reflected in the Figure 2-3 which shows that the US contribution to total spending is a much higher percentage than the other two. However, the figures overall are dominated by visitors from other areas, in particular the EU.

**Figure 2-3: Expenditure of visitors to students (% of total)**



Source : Oxford Economics

## 2.5. Total contribution to GDP

The overall contribution to GDP is summarised in Table 2-7. The overall impact of London's international students on GDP at current prices in 2005/06 was £1.5 billion. The largest contribution was from subsistence spending by students, which is estimated at £0.8 billion, payment of fees is estimated to have contributed £0.6 billion, while the impact of spending by visitors was a relatively minor £0.1 billion. We can

also split the contributions up by different types of programme. On this basis, international students at HEFCE funded higher education institutions contributed £1.3 billion, students on the external scheme contributed £29 million and students on study abroad programmes contributed £182 million.

**Table 2-7: Overall contribution to GDP by international students 2005/06**

<b>Overall contribution to GDP by foreign students 2005/06</b>	
	<b>£ million</b>
<b>Fees</b>	
HEFCE funded HE institutions	451
External Scheme	29
Study abroad programmes	78
Total	558
<b>Subsistence Spending</b>	
HEFCE funded HE institutions	722
Study abroad programmes	83
Total	805
<b>Spending by Visitors</b>	
HEFCE funded HE institutions	126
Study abroad programmes	21
Total	147
<b>Overall Total</b>	<b>1511</b>

Source: Oxford Economics

Table 2-8 looks at the contribution purely from Chinese, Indian or US students. This shows that these three countries together are responsible for £440 million, or in other words almost a third of the total contribution of all international students. The largest overall contribution comes from the US and is estimated to be about £275 million or almost 65% of the combined total of the three. China contributes less than that at around £110 million or about 25% of the combined contribution. Finally, the smallest contribution is that of India, which is around £60 million.

Table 2-8: Contribution of Chinese, Indian &amp; US students to GDP 2005/06

Contribution of Chinese, Indian & US students to GDP 2005/06	
	£ million
<b>China</b>	
Fees	43
Subsistence Spending	64
Spending by Visitors	3
<b>Total</b>	<b>110</b>
<b>India</b>	
Fees	19
Subsistence Spending	36
Spending by Visitors	0.4
<b>Total</b>	<b>56</b>
<b>US</b>	
Fees	111
Subsistence Spending	129
Spending by Visitors	34
<b>Total</b>	<b>274</b>

Source: Oxford Economics

## 2.6. Impact on employment

The impact of international students on employment can be calculated by multiplying the GDP figure by an estimate for productivity. The productivity figures we have used here are output per employee. To calculate the employment generated by fees we have used an estimate of output per employee in higher education (which is in the order of £25,000 of output per employee), whereas for the impact of subsistence spending and for spending by visitors we have used whole economy productivity (which we gauge to be about £40,000 per employee).

These calculations suggest that income earned from overseas students is estimated to be responsible for about 21,000 of the 77,000 jobs in Higher Education in London. We also estimate that the spending of overseas students and that of their visitors are responsible for an additional 23,000 jobs in the wider UK economy. This means that the total employment impact is around 44,000, many of whom will be in London.

## 2.7. Differences from 2001/02 study

The estimate for the economic contribution of international students studying at London's HEFCE funded institutions in 2005/06 is around 75% higher than the estimate prepared in 2001/02. The two key reasons for the rise over this period are:

- a 40% rise in the number of international students;

- price rises – a 50% rise in the estimate used for the average expenditure by each student, along with a rise in tuition fees charged to international students and general inflation.

## 2.8. Catalytic effects of international students upon London's GDP

Section two of the report focuses mainly on the direct and more easily measurable impacts of international students upon the London economy. However, we will conclude by saying something about other effects which will be longer term are more intangible and so less easy to measure, but will nevertheless ultimately have a very real impact upon the London economy. We have termed these economic benefits, which result from the social and cultural links that build up as a result of international students studying in London, catalytic effects. They include:

- The injection into the workforce of additional well educated and dynamic workers. This is a benefit that will be considered in more detail in the next chapter. However, even if these students return home rather than staying to work in London the links that they build up with the UK could show up in other ways. Some for instance will end up working for UK companies later on in their careers and the language and other social skills that they will have acquired in their time as students will undoubtedly help with that.
- International students who studied in London are also likely to develop a predilection for UK products both in their personal and professional lives. Overtime this should act as a considerable boost to UK exports.
- Indeed the benefits of these personnel links should not be underestimated. Many of these international students will return home to eventually play important roles in their country. So a predilection for or even bias in favour of anything British will potentially have a considerable impact upon the UK economy. This is of particular importance for London as financial, business and cultural services are a large and growing part of the London economy and increasingly these services are exported rather than just being aimed at the domestic market. Personnel contact is an important catalyst in obtaining and maintaining this sort of business and so links that are first developed when people are students can eventually lead to substantial gains for the UK economy.

### 3. Further dimensions

#### 3.1. Sponsorship of international students

HESA provides the most comprehensive data on the source of tuition fees for students. These statistics report the predominant source for the fees for the student where this is known. This includes fees from UK government, research councils, EU sources and other sources.

Table 3-1 summarises these statistics with international and UK students identified separately. Three quarters of international students have no award or financial backing compared to just over half (55%) of home students. The second most important source of tuition fees for all students is from other UK institutions. This group includes students who have had their fees waived by the institution they are studying at and those whose fees have been paid by the local educational authority. Only 2% of international students have their fees paid by their employer with a further 1% having their fees paid by the Department of Health/NHS/Social Care.

**Table 3-1: Major source of tuition fees**

Major source of tuition fees				
	International students		UK students	
	Number	%	Number	%
Student's employer.	1,325	2%	11,522	4%
Departments of Health/NHS/Social Care.	1,120	1%	23,272	8%
Other UK	13,320	16%	95,890	31%
Overseas institution.	1,270	1%	64	0%
Overseas industry or commerce	231	0%	27	0%
Overseas government.	1,245	1%	64	0%
Other Overseas	639	1%	35	0%
No fees	2,525	3%	5,562	2%
No award or financial backing.	64,043	75%	169,647	55%
Total	85,718	100%	306,083	100%

Source: HESA 2005/06

#### 3.2. Retention of international students in London

There are a number of different data sources that provide insight into the proportion of London's international student population who remain in London after completing their studies. The HESA university leavers' survey, whilst only covering European Union (EU) domiciled students studying in London, does provide some useful information on what students do once they have completed their studies. The latest data available at the time of this study covers the period 1 August 2004 to 31 July 2005. The survey records those students whose study was full-time or part-time (including sandwich students and those writing-up theses) who obtained the relevant qualification and then entered employment.

According to this data source, 31% of EU (excluding UK) students who had been studying at a London

based higher education institution remained in London and gained employment after successfully obtaining their qualification. A further 7% obtained work elsewhere in the UK.

However, as we are interested in all international students and not those just from the EU (excluding UK) we need to make use of an alternative data source. The Labour Force Survey (LFS) is a quarterly sample survey of households living at private addresses in the UK carried out by the Office for National Statistics (ONS). Data from this source indicates that, on average over the period 2001 to 2006, 5% of the stock of all international London based students go on to obtain work in London each year. If we assume that a third of the stock of these students in London finish their studies each year (i.e. on average courses are 3 years long<sup>9</sup>) then we can approximate that 15% of international students finishing their studies in London go on to obtain work in London during the following year. Although there is clearly a high degree of uncertainty around this estimate, it does seem reasonable that the figure is somewhat lower than the corresponding figure for EU students (31% from HESA) given the difficulties some non EU international students would have obtaining a UK work permit.

In order to provide a sense check to these estimates we approached all of London's higher education institutions to request any information they may hold about the destination of international students who had been studying at their own institution. Data from a survey undertaken at one HEFCE funded higher education institution indicates that, of those graduates of non-UK start domicile who provided a location for their place of employment, 46% gave a location that was in the UK. Another HEFCE funded higher education institution had also undertaken a trial survey, albeit with a low response rate of just 10%, but from this survey 20% of international students stated that they were currently working in London. The results from these two surveys suggest that the estimate from the LFS, at 15%, may be conservative. As discussed in the catalytic section of the report, a low retention rate may bring considerable future benefits to the London economy through the links and knowledge developed by international students whilst studying in London, which may subsequently be exploited when the student returns to take up employment in their home country.

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<sup>9</sup> This may be a conservative estimate given the fact that half of all international students are postgraduates, often studying for 1 year masters courses.

## Appendix – London’s HEFCE funded HE institutions

Correct names (as of June 2007)

Birkbeck, University of London  
Brunel University  
City University  
Conservatoire for Dance and Drama  
Courtauld Institute of Art  
Goldsmiths, University of London  
Guildhall School of Music and Drama  
Heythrop College, University of London  
Imperial College London  
Institute of Education  
King's College London  
Kingston University London  
London Business School  
London Metropolitan University  
London School of Economics & Political Science  
London School of Hygiene & Tropical Medicine  
London South Bank University  
Middlesex University  
Queen Mary, University of London  
Ravensbourne College of Design and Communication  
Roehampton University  
Rose Bruford College  
Royal Academy of Music  
Royal College of Art  
Royal College of Music  
Royal Holloway, University of London  
School of Oriental and African Studies, University of London  
St George's, University of London  
St Mary's University College, Twickenham  
Thames Valley University  
The Central School of Speech & Drama  
The Institute of Cancer Research  
The Royal Veterinary College  
The School of Pharmacy, University of London  
Trinity Laban  
University of the Arts London  
University College London  
University of East London  
University of Greenwich  
University of London  
University of Westminster