Title: **Reform of the Points Based Student (PBS) Immigration System**	Impact Assessment (IA)
Lead department or agency: The Home Office	**IA No:** HO0025
Other departments or agencies: HM Treasury; Business, Innovation and Skills; Health; Education; Foreign and Commonwealth Office; Communities and Local Government; International Development; Office for National Statistics; Devolved Administrations.	**Date:** 01/06/2011
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Contact for enquiries: Immigration Policy, UK Border Agency (0208 760 2573)

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

The Government believes that Britain can benefit from migration, but not uncontrolled migration. The student route has been subject to abuse and recent evidence suggests that some non-EU students are not progressing, are not studying at higher levels, and do not view the route as temporary. The Post-Study Work Route has also seen high volumes of migrants qualifying to remain in the UK, some of which are not in skilled employment.

The Government regulates migration using the Points Based System (PBS). Changes to the PBS requirements are needed to reduce abuse, and to secure students who effectively contribute to the UK. Intervention is necessary to achieve this.

What are the policy objectives and the intended effects?

Policy objectives in reforming the student immigration system are to:

- Reduce the areas of the student route that are prone to abuse;
- Reduce net migration;
- Improve selectivity of students and Post-Study Work Route migrants to the UK, to ensure they are the brightest and the best and those making the highest economic contribution;
- Restore public confidence in the immigration system; and
- Ensure that the system is robust and practical to enforce.

The intended effect is to have a simple and fair selection system that robustly controls against abuse.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) Option 1: Do nothing Option 2: The Government's preferred policy package includes the following proposals for those coming to the UK under Tier 4 of the PBS: impose stricter educational accreditation procedures for those education providers wishing to be admitted to, or remain on, the Tier 4 sponsor register, by requiring them to have been accredited by a body with a public remit; require all education providers on the Tier 4 sponsor register to achieve Highly Trusted Sponsor (HTS) status; remove working rights for students not studying at Recognised or Listed bodies (i.e. universities) or public further education institutions; require all students studying at level NQF6 and above to achieve level B2 in English; limit the entitlement for students to sponsor dependants; simplify checking procedures for low risk students; close the post-study route, but open a bridge into the Tier 2 route, and prevent those from overseas from bringing dependants. The preferred option is option 2. The 'Do-nothing' option and other non-regulatory options were considered, but are not sufficient to meet the objectives.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 4/2012	
What is the basis for this review? Duty to review. **If applicable, set sunset clause date:** Month/Year	
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

Ministerial Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister: Damian Green Date: 9th June 2011

Summary: Analysis and Evidence

Policy Option 1

Description:

Option 1 - Do Nothing

Price Base Year 2010	PV Base Year 2010	Time Period Years 4	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate: 0

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		1		
High				
Best Estimate	0		0	**0**

Description and scale of key monetised costs by 'main affected groups'

There are no additional monetised costs of option 1.

Other key non-monetised costs by 'main affected groups'

There are no additional costs of the do nothing option. The do nothing option is characterised by continued abuse of the student route, continued employment of some Post-Study Work Route migrants in less skilled occupations, continued pressure on public services, significant public concern about migration, and a risk that net migration will remain at high levels.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		1		
High				
Best Estimate	0		0	**0**

Description and scale of key monetised benefits by 'main affected groups'

There are no additional monetised benefits of option 1.

Other key non-monetised benefits by 'main affected groups'

There are no additional non-monetised benefits of the do nothing option.

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

The main assumption is that the volume of student visas and in country extensions will grow by approximately 1 per cent per annum and that the Post-Study Work Route will grow in line with forecast economic growth, and keep net migration at high levels.

The key risks include increased abuse of the student route, and high or increasing net migration. In turn public opinion in the immigration system will remain low.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: 0	**Benefits:** 0	**Net:** 0	No	NA

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			United Kingdom		
From what date will the policy be implemented?			06/04/2011		
Which organisation(s) will enforce the policy?			The UK Border Agency		
What is the annual change in enforcement cost (£m)?			n/k		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			N/A		
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A	**Non-traded:** N/A	
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			**Costs:** N/A	**Benefits:** N/A	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	**Micro** n/k	**< 20** n/k	**Small** n/k	**Medium** n/k	**Large** n/k
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Does your policy option/proposal have an impact on…?	**Impact**	**Page ref within IA**
Statutory equality duties[1] Statutory Equality Duties Impact Test guidance	No	-
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	-
Small firms Small Firms Impact Test guidance	No	-
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	-
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	-
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	-
Human rights Human Rights Impact Test guidance	No	-
Justice system Justice Impact Test guidance	No	-
Rural proofing Rural Proofing Impact Test guidance	No	-
Sustainable development Sustainable Development Impact Test guidance	No	-

[1] Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Summary: Analysis and Evidence

Policy Option 2

Description:

Option 2: Reform the Student Immigration System

Price Base Year 2010	PV Base Year 2010	Time Period Years 4	Net Benefit (Present Value (PV)) (£m)		
			Low: -3,641	High: -1,356	Best Estimate: - 2,438

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.1	1	1,275	4,786
High	0.1		581	2,183
Best Estimate	0.1		947	3,558

Description and scale of key monetised costs by 'main affected groups'

The key monetised costs over the four year period (in constant prices) are as follows: loss of student tuition fees to institutions (£170 million); reduced output from students and their dependants who can no longer come to the UK and reduced output from a change in student work entitlements (£2.0 billion); reduced output from Post Study workers (£1.2 billion); reduced visa and CAS fee income for the UK Border Agency (£160 million).

Other key non-monetised costs by 'main affected groups'

Key non-monetised costs include: potential impacts on growth and the fiscal position; impacts on UK, EU and non-EU students; impacts on the UK population; wider impacts on public services; and wider impacts on the Higher Education sector.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	1	346	1,295
High	0		316	1,185
Best Estimate	0		299	1,119

Description and scale of key monetised benefits by 'main affected groups' The key monetised benefits over the four year period (in constant prices) are as follows: reduced course provision costs for the education sector (£75 million); reduced UKBA processing costs (£150 million); reduced costs for public services (£840 million); and resource savings (non-cashable) in enforcement costs of £45 million which may be used to combat more significant abuses of the immigration system that potentially result in harm to the UK economy and society.

Other key non-monetised benefits by 'main affected groups'

Non-monetised benefits will include: a reduction in abuse of the student route, a reduction in net migration, and a reduction in the risk of illegal working. Institutions who comply with the new legislation and accreditation process benefit from an enhanced reputation. There will also be a potential increase in public confidence in the immigration system, and improved social cohesion.

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

The main assumptions are: that the volume of student visas and in country extensions will grow by approximately 1 per cent per annum and that the Post Study Work Route will grow in line with forecast economic growth, and keep net migration at high levels; and that there will be some replacement of non-EU students with UK and EU students at institutions affected by the policy. Annex 7 contains the key assumptions used in estimating the impacts associated with this policy. The sensitivity analysis on page 30 of the IA shows the impact of varying the underlying assumptions. The key policy and modelling uncertainties are set out on page 29 of this IA.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: 47.6	Benefits: 22.1	Net: 25.5	Yes	IN

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			United Kingdom		
From what date will the policy be implemented?			06/04/2011		
Which organisation(s) will enforce the policy?			UKBA		
What is the annual change in enforcement cost (£m)?			n/a		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			N/A		
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A	**Non-traded:** N/A	
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			**Costs:** N/A	**Benefits:** N/A	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	**Micro** n/k	**< 20** n/k	**Small** n/k	**Medium** n/k	**Large** n/k
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Does your policy option/proposal have an impact on…?	**Impact**	**Page ref within IA**
Statutory equality duties[1] Statutory Equality Duties Impact Test guidance	No	35
Economic impacts		
Competition Competition Assessment Impact Test guidance	Yes	37
Small firms Small Firms Impact Test guidance	No	38
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	38
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	38
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	38
Human rights Human Rights Impact Test guidance	No	38
Justice system Justice Impact Test guidance	No	39
Rural proofing Rural Proofing Impact Test guidance	No	39
Sustainable development Sustainable Development Impact Test guidance	No	40

[1] Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

References

No.	Legislation or publication
1	HM GOVERNMENT (2010) *The Coalition: our programme for government*, Cabinet Office, May, London, p21.
2	HM GOVERNMENT (2010) *The Queens Speech*, www.number10.gov.uk, 25th May, London.
3	The UK Border Agency (2010), *Tier 4 of the Points Based System - Policy Guidance*, July, London.
4	The Home Office (2010) *The Migrant Journey Analysis,* Research Report 43, London.
5	The UK Border Agency (2010) *Migration Permanent Limit (Points Based System Tiers 1 and 2) Impact Assessment HO 0020*, London.
6	The Home Office (2010), *Control of Immigration statistics: Quarterly statistical summary, United Kingdom- Fourth Quarter 2010*, http://rds.homeoffice.gov.uk/rds/immigration-asylum-stats.html
7	The Office for National Statistics, *Long-term International Migration (MN series)*, http://www.statistics.gov.uk/statbase/Product.asp?vlnk=507
8	HESA (2010) *Data on International Student Volumes and Nationality Groups*, http://www.hesa.ac.uk/index.php/content/view/1897/239/
9	Vickers and Bekhradnia (2007), *The Economic Costs and Benefits of International Students*, Higher Education Policy Institute, July.
10	Home Office (2011) *Users Views of the Points Based System*, Research Report 49, http://rds.homeoffice.gov.uk/rds/pdfs11/horr49c.pdf
11	Home Office (2010) *Overseas students in the immigration system: Types of institution and levels of study*, http://rds.homeoffice.gov.uk/rds/pdfs10/occ90.pdf
12	Home Office (2010) *Tier 1: an Operational Assessment*, http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/statistics/pbs-tier-1/
13	Singh, M. and de Looper, M. (2002), *Australian Health Inequalities: 1 birthplace*, Bulletin No. 2, July AIHW Cat. No. AUS 27, Australian Institute for Health and Welfare, Canberra

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y0	Y1	Y2	Y3	Total
Transition costs	**0.1**	**0.0**	**0.0**	**0.0**	**0.1**
Annual recurring cost	**424**	**941**	**1,226**	**1,198**	**3,788**
Total annual costs	**424**	**941**	**1,226**	**1,198**	**3,788**
Transition benefits	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Annual recurring benefits	**126**	**260**	**388**	**421**	**1,195**
Total annual benefits	**126**	**260**	**388**	**421**	**1,195**

* For non-monetised benefits please see summary pages and main evidence base section.

One- in-one- out costs (£m)

	Y_1	Y_2	Y_3	Y_4	4 year total	4 year NPV	EAC
Additional Costs	**22.6**	**34.5**	**66.3**	**67.0**	**190.5**	**178.3**	**47.6**
Additional Benefits	**10.1**	**15.9**	**31.1**	**31.4**	**88.4**	**82.8**	**22.1**
Net Costs	**12.5**	**18.6**	**35.3**	**35.6**	**102.0**	**95.5**	**25.5**

Note on One-in-one-out impacts: additional costs include sponsor registration and obligation costs, familiarisation time for sponsors and employers to understand the new regulations; and reduced tuition fees to institutions. Additional benefits include reduction in sponsor obligation and registration costs for those no longer sponsoring migrants; a reduction in familiarisation time for employers and private and third sector immigration advisers in understanding the Tier 1 Post Study Work Route guidance; and a reduction in course provision costs to institutions.

Evidence Base

A. Strategic Overview

A.1 Background

The Points Based System (PBS) was introduced between February 2008 and March 2009 in phases and replaced over eighty predecessor routes, wrapping them up into five tiers.

Summary of the Points Based System:

Tier 1:	Highly skilled migrants
Tier 2:	Skilled workers with a job offer
Tier 3:	Low skilled workers (currently suspended)
Tier 4:	Students
Tier 5:	Temporary Workers and Youth Mobility - primarily for non-economic reasons.

Tier 4 of the PBS relates to international students.[1] To gain a Tier 4 visa, students must meet the full requirements of the Immigration Rules, demonstrate they have sufficient funds to cover course fees and living costs for themselves and any dependants, and produce a valid Confirmation of Acceptance for Studies (CAS) from a Tier 4 sponsoring institution. All Tier 4 sponsoring institutions must be licensed by the UK Border Agency (UKBA).

Highly Trusted Sponsor (HTS) status is awarded to those sponsors who have the highest levels of compliance with their sponsor obligations, and whose students are showing the greatest compliance with the terms of their visa or permission to stay.

Tier 4 students studying more than six months are currently given a number of entitlements whilst in the UK; including restricted access to the labour market up to twenty hours per week for students studying at above foundation degree level, and up to ten for those studying below. Those studying for more than six months may also bring their dependants (children under 18 and eligible partners) if they are demonstrably financially dependent.

Students who graduate from a UK university may remain in the UK to seek employment and to work in any job for two years after their course has finished through the Tier 1 Post-Study work route (PSWR).

The Government aims to strengthen the student route against abuse, increase the selectivity of the system and raise the quality of sponsors. At the same time this will help to achieve the Government's overarching policy aim to reduce net migration to the UK. This Impact Assessment (IA) estimates the impact of the Government's proposals for changes to the student route and the PSWR.

A.2 Groups Affected

Those affected by the policy are:

- Government departments and agencies, including the UKBA which is responsible for administering the PBS, and other Government departments which have an interest in student immigration, schools and other aspects of student life;

[1] Throughout this IA we use Tier 4 to refer to all PBS Tier 4 migrants, and those on earlier pre-PBS student routes.

- UK-based education establishments, including universities, colleges of further education and English language schools.

- UK-based employers who recruit current students or those on the PSWR;

- PBS migrants in Tier 4 and the PSWR, and their dependants; and

- UK and EU students that may attend courses no longer attended by non-EU migrants.

A.3 Consultation

Within Government

The Government departments that were consulted include: the Home Office, HM Treasury, Foreign and Commonwealth Office, Business, Innovation and Skills, Health, Education, Work and Pensions, Communities and Local Government, International Development, Cabinet Office, and the devolved administrations. The Office for National Statistics (ONS) was also consulted.

Public Consultation

The public consultation on changes to Tier 4 and the PSWR of the PBS ran from the 7th December 2010 to the 31st January 2011. A summary of the responses is set out in annex 3.

B. Rationale

The Government believes that immigration has enriched our culture and strengthened our economy. In recent years however, the system as a whole has been allowed to operate in a manner which is not sustainable; between 1997 and 2009, 2.2 million more migrants came to Britain than the number who left. Unchecked migration may place significant pressure on our public services and damage community cohesion if not properly managed.

Britain benefits from migration provided it is properly controlled. The Government's aim is to reduce the level of net migration down to sustainable levels. We need to improve the public's confidence in our immigration system with the introduction of better, more selective controls, which sensibly reduce net migration while ensuring that the brightest and the best can come to the UK to live, work and study.

We have already taken action to reform the economic routes to the UK, with the introduction of an annual limit on workers entering through Tier 2 of the points-based system and restrictions on Tier 1. It is clear that reducing net migration will not be achieved without careful consideration of and action on the non-economic routes including students. Students make up the majority of non-EU immigrants; however we do not propose to put a limit on student numbers. We recognise the important contribution that legitimate international students make to our economy and cultural life and to making our education system one of the best in the world.

However, not all those using the student route are legitimate students, and we have seen that certain areas of the sector are particularly prone to abuse. We want to ensure the primary objective of studying in the UK is to study, not to work or to acquire long-term residency status. We will take steps to bear down on the abuse that has affected the route in recent years; we want to reach a position where every student who comes to the UK is genuine, and is studying at a bona fide education provider towards a qualification that will enhance their future prospects when they return home.

We want a student visa system which encourages the entry of legitimate students coming to study legitimate courses – that means students who are equipped to study the courses to which they have subscribed and who fulfil their academic obligations. For these students and their education providers, we are looking at ways of reducing the complexity of Tier 4, the student tier of the PBS, bearing in mind the need to make sure that we are able to continue to compete in the global market for the best international students, especially with respect to higher education.

We propose a series of measures that will reduce numbers by raising the quality of students coming to the UK, ensuring that the brightest and the best students are able to continue to come to the UK's best educational institutions to study courses at a range of levels, while targeting abuse by filtering out those who contribute least and pose the highest immigration risk. We believe that taking action in this way will both reduce inflow and increase outflow.

The PSWR route allows students graduating from a UK university to stay in the UK for up to two years on completion of their course with unrestricted access to the labour market. In 2009, over 38,000 PSWR applications were granted, along with almost 10,000 of their dependants. This route was originally conceived as a bridge between academic study and highly skilled work in the UK. Recent studies have indicated however that a proportion of Tier 1 migrants are not employed in skilled or highly skilled work.[2] We do not believe that it is reasonable to continue to offer unrestricted access to the labour market when graduate unemployment has risen to its highest level for 17 years. For the same reason, we have recently announced the closure of Tier 1 (General). We also want to make an absolute distinction between those who come to study and those who come to work, and make it clear that the study route is not a back-door into working in the UK.

C. Objectives

The Government intends to reduce abuse throughout the immigration system and to reduce net migration significantly. In order that Tier 4 of the PBS contributes towards these aims, the Government intends to raise the qualifying criteria for students who come to the UK to study. The system of controls on migration that will be put in place should provide the public with greater confidence in the system. The Government also intends to amend the PSWR.

The Government's objectives are to:

- **Reduce the areas of the student route that are prone to abuse.** Tighten control and supervision over areas that are open to abuse, to create a system where every student coming to the UK is genuine, attending courses at legitimate institutions and studying for a qualification that will enhance their skills and their employability on completion;

- **Reduce net migration overall by the end of the current Parliament**. This will require measures on both inflows and outflows, including tightening on extensions and changes to the PSWR;

- **Improve selectivity of students to the UK, to ensure they are the brightest and the best.** Increasing selectivity will ensure only the brightest and best students, equipped with the academic ability to pursue their chosen course of study, are able to come to the UK for over a year;

[2] Users Views of the Points Based System (Home Office 2010): http://rds.homeoffice.gov.uk/rds/pdfs11/horr49b.pdf
Tier 1: An Operational Assessment (Home Office 2010): http://rds.homeoffice.gov.uk/rds/pdfs11/horr49b.pdf

- **Restore public confidence in the immigration system**, by bearing down on abuse of the system and reducing net migration numbers; and

- **Ensure that the system is robust and practical to enforce.** Make the immigration system easier for students, education providers and the UK Border Agency to operate; whilst increasing robustness against abuse.

D. Options

Option 1: To make no changes (do nothing).

Option 1 is the "do nothing" option, the option which involves no change in policy and where net migration is then assumed to continue to follow the trends governed by the previous policy framework and driven by economic and social developments. The conditions for entry and leave to remain for the student route would remain as described in Part 6a of the PBS system immigration rules.[3]

The Government has examined the consequences of the previous policy framework and decided that the current situation cannot be allowed to continue unchecked. It is clear that, overall, there is significant public concern that the current trends in net migration will, if not addressed, ultimately prove unsustainable. More precisely, the current system throws up the following problems in the student route.

First, there are numerous examples of migrants using Tier 4 to obtain work in the UK in breach of their visas. For example, one private education institution was employing just two lecturers for 940 students- students were attending classes for one day a month and working excessive hours for the remainder of the time. Other Tier 4 migrants were found to be working up to 280 miles away from the college where they were supposed to be receiving regular tuition.[4]

Second, the Government must ensure that there are sufficient incentives placed on employers and in turn, on the UK education and skill development systems to generate flows of suitably skilled non-migrant workers. An abundance of potential migrant workers who have the qualities required by employers may act to weaken those incentives. We shall then fail to develop non-migrants in ways that make them effective competitors for work in the UK labour market**.**

Third, more widely, a reduction in the overall volume of migrants to this country will help to reduce congestion and pressure on public services such as schools and healthcare (especially where demands are unexpected) at a time when public spending is reduced.

The do-nothing option would not meet the Government's objective to reduce abuse, lower net migration, or improve public confidence in the immigration system.

Option 2: Reform of the Student Immigration System.

Option 2 will improve the selectivity of students and tighten control of Tier 4 and PSWR migration by introducing the following package of measures, which will apply to both new applicants and extensions:

[3] See: http://www.ukba.homeoffice.gov.uk/policyandlaw/immigrationlaw/immigrationrules/part6a/

[4] These and others examples of breaches in visa conditions were referred to in the Ministers speech on Reforming the Immigration System, 1st February 2011 (http://www.homeoffice.gov.uk/media-centre/speeches/immigration-reform), and evidence of non-compliance was discussed in the Student Immigration system consultation document (http://www.ukba.homeoffice.gov.uk/sitecontent/documents/policyandlaw/consultations/students/)

ACCREDITATION

Institutional Requirements

- All sponsors must have been accredited by either Ofsted and its devolved equivalents, QAA, the Independent Schools Inspectorate, the Bridge Schools Inspectorate or the Schools Inspection Service and all must become Highly Trusted Sponsors.
- Sponsors will be required to achieve Highly Trusted Status by April 2012, and accredited by a relevant agency by the end of 2012. They will be required to apply for HTS status and accreditation by a date to be specified.
- During the transition period there will be an interim limit on numbers sponsored by those who do not meet above criteria.
- Private providers will be able to provide courses, including pathway courses, by working in partnership and where the licensed sponsor takes responsibility and sponsors the student directly.

ENTRY REQUIREMENTS

English Language requirement

- B2 in listening, reading, speaking and writing is the appropriate level for those coming to study at level 6 (undergraduate) and above.
- B1 is the appropriate level for lower courses, including the Pathways.
- Those outside of universities will have to present, in order to get a visa, a test certificate from an independent test provider proving they have attained that level; universities will be able to vouch for a student's ability where they are coming to study at degree level or above.
- We will waive this requirement for truly exceptional students only following individual requests by university academic registrars.
- UK Border Agency Officers will be able to refuse a migrant who cannot speak without an interpreter.

Evidence of student funding

- All applicants to sign declaration that the funds they present to meet the maintenance requirement are genuinely available for use in coming to the UK to study, this will make refusals easier on grounds of deception.
- We shall refuse applications where the bank statements are from a bank which we cannot trust to verify the statements. Local lists of proscribed banks will be established.
- We shall introduce a streamlined process for low risk applicants going to Highly Trusted Sponsors, in general waiving the requirements to provide documents beyond the CAS and passport/identity document. This is based on robust supporting evidence of compliance and abuse. This will bring about a system which is more targeted and responsive for both staff and applicants.

ENTITLEMENTS

Work during term and work placements

- Students at Recognised Bodies (universities) will retain their right to work 20 hours a week part-time and to do work placements where study : work ratio is 50:50.
- Students at publicly funded FE colleges will continue to be able to work 10 hours a week part-time.
- Other students will have no right to work part-time and work placements will have to be 66:33 in favour of study:work.

Dependants

- For a student to sponsor a dependant, the student will have to be on a post graduate course (NQF 7 and above) at a university which is of more than 12 months' duration, or a Government Sponsored student.
- The dependants will be able to work.

AT THE END OF THE COURSE

Time allowed as a student

- Maximum of 3 years at NQF 3-5 and 5 years at NQF 6-7.
- For those at the higher level doing a PhD, there will be exceptions, as well as for those courses which require as a matter of professional qualification a longer duration than 5 years (e.g. medicine, architecture).
- The sponsor will have to vouch for academic progression where students are not moving up to next NQF level.

Post Study Work Route

- The PSWR will be closed from April 2012.
- Those graduating from a UK university with a recognised degree, PGCE, or PGDE will be able to switch into Tier 2.
- There will not be a limit on these switchers
- They will only be able to switch if they are in the UK, before their student visa expires.
- The normal Tier 2 requirements will apply, except for the Resident Labour Market Test.
- We will ensure that genuine student entrepreneurs with a great idea are able to stay on in the UK to develop their business proposition

The policies described under Option 2 seek to reduce abuse, lower net migration, and improve public confidence in the immigration system.

<u>Non-regulatory options</u>

We believe that non-regulatory options would prove insufficient to meet the Government's objectives because they would be unlikely to deliver the required reduction in net migration in the time available. The reduction in net migration sought by the Government must be achieved by the end of the current Parliament, which implies that self-regulation must have almost immediate effect. Yet not only has the current system of accreditation and licensing proved insufficiently robust, and to have not prevented all abuse, but it is clear that even an enhanced system involving rigorous monitoring, investigation and the potential revoking of HTS status could not have immediate impacts on the measured level of net migration.

E. Appraisal

In Section E.1 we examine the impact of the policy package on student volumes, as measured by both visas granted and the International Passenger Survey. Annex 5 of this IA contains further information relating to the composition of non-EU students studying in the UK.

Then in Section E.2 we examine the monetised costs and benefits of the policy. The methodology and assumptions underlying the costs and benefits are set out in Annex 7 of this IA, and we provide a breakdown of the costs and benefits by educational institution type in Annex 9.

E.1 Volume Impact

Option 1: "Do nothing"

The counterfactual case below sets out the 'Do nothing' option. Under the 'Do nothing' option we expect net migration to rise, and abuse of the system to continue. The 'Do nothing' option represents the baseline against which we analyse option 2.

The counterfactual case – visa volumes

Main Applicants

The number of main applicant Tier 4 **out of country** visas granted declined between 2007 and 2008, from 224,000 to 209,000, but then grew significantly in 2009 to 273,000.[5] In 2010 out of country Tier 4 visa grants fell to 254,000.

The volume of main applicant PSWR out of country visas issued was 4,000 in 2009, and this grew to 5,000 in 2010.

In assessing the impact of the policy changes, we need to compare projected visa volumes in 2011 and beyond with what we estimate they would otherwise have been, in the absence of any policy changes.

The Home Office does not publish forecasts of future migration but for the purpose of this IA we have assumed that Tier 4 and student visas issued in the years following 2010 would have grown marginally at around one percent per annum to around 267,000 in 2015. There is a great deal of uncertainty around the expected path of student visa demand. Whilst we have seen a general upward trend in student visa demand in recent years, recent visa data suggests demand has flattened off. In addition, policy changes to Tier 4 implemented last year are likely to prevent significant growth in student visa demand. Policy tightening in 2009/10 had a noticeable impact, for example in North India, Bangladesh, Nepal, and South China. We therefore assume only some small growth in Tier 4 demand overall. PSWR visa grants are expected to grow in line with the Office for Budget Responsibility (OBR) trend growth forecast for UK GDP in the short-run, from around 5,000 in 2010 to 6,000 by 2015, in line with assumptions made in the Tier 1 and Tier 2 Limits impact assessment.[6]

Main applicant **in country** grants of extension of leave to remain in the UK under Tier 4 and student routes grew from 109,000 in 2009 to 120,000 in 2010.[7] These volumes are also estimated to grow by one percent per annum in the counterfactual to around 126,000 in 2015. PSWR in country grants were 34,000 in 2009, and remained steady at 34,000 grants in 2010. We assume these will grow in line with the trend growth forecast, to around 39,000 in 2015.

Table 1, Non-EU nationals, Main Applicants, Baseline, 000s Grants

	2009	2010	2011	2012	2013	2014	2015
Tier 4 OOC	273	254	256	259	262	264	267
Tier 4 IC	109	120	121	122	124	125	126
PSWR OOC	4	5	5	6	6	6	6
PSWR IC	34	34	35	36	37	38	39
Total OOC	**277**	**259**	**262**	**265**	**267**	**270**	**273**
Total IC	**142**	**154**	**156**	**158**	**160**	**163**	**165**
Total	**419**	**413**	**418**	**423**	**428**	**433**	**438**

Note – numbers may not add due to rounding.

[5] Control of Immigration Statistics Q4 2010, Table 1.1: http://rds.homeoffice.gov.uk/rds/immigration-asylum-stats.html
[6] This is based on OBR November 2010: http://budgetresponsibility.independent.gov.uk/econ-fiscal-outlook.html.
[7] Control of Immigration Statistics Q4 2010, Table 4.1: http://rds.homeoffice.gov.uk/rds/immigration-asylum-stats.html

Table 1 sets out our counterfactual estimates of main applicant visa grants in Tier 4 and the PSWR, broken down by in country (IC) and out of country (OOC) grants. It is from this baseline that the migrant volume impacts and associated costs and benefits of Option 2 are calculated.

Dependants

In 2009, approximately 30,000 dependants of students accompanied out of country main applicants coming to the UK. The number of student dependants grew slightly to 32,000 in 2010. In 2009, the volume of in country student dependant grants was 21,000; this fell slightly to 20,000 in 2010. In the PSWR the volume of dependants accompanying out of country main applicants coming to the UK was around 2,500 in 2009 and grew to around 3,500 in 2010. The volume of in country dependants of PSWR migrants was around 6,000 in 2009 and this fell to around 5,000 in 2010. In the counterfactual, we assume that the volume of dependants will grow in line with main applicant growth as set out above.

The counterfactual case – modelling non-EU student net migration (IPS)

The Office for National Statistics (ONS) estimates the annual and quarterly flows of "over 12 month" migrants to and from the UK in the International Passenger Survey (IPS). More detail on net migration is at Annex 4.

The estimation of the path of non-EU student net migration in the absence of any policy change- the counterfactual case- is not straightforward.

Our approach was as follows:

First, we examined the relationship ('scaling factor') between the volume of student visas issued and the inflow of students measured in the IPS. This is not a one-to-one relationship. Some grants of visas will not generate an arrival; some migrant intentions in the passenger survey may change; and sampling variability affects the precision of the relationship.

Second, we projected forward the IPS student inflow, using our projection of visa volumes and the estimated relationship between the two, as described above.

Third, we modelled emigration by non-EU students in the IPS. The ONS do not produce estimates of outflow by reason for *immigration*, and instead produce estimates of outflow by reason for *emigration*. So the ONS tables do not show net non-EU migration for those coming to study because, for example, someone may arrive in the UK to study but then leave to work. To produce a counterfactual estimate of non-EU student outflows we instead used the IPS Table 3.13, which provides annual estimates of emigration by 'last actual occupation' in the UK. Allowing for some PSWR switching, we then modelled emigration based on past immigration, using assumptions for the number of years that immigrants stay and the percentage that leave each year to minimise the difference between historic levels of emigration and the modelled level.

Our modelling approach, set out above, resulted in the net non-EU student baseline below:

Table 2, Non-EU national Students, Baseline, UK, 000s

Year	2011	2012	2013	2014	2015
BASELINE NET	108	111	112	113	114

Note – numbers may not add due to rounding.
These numbers will not match those produced by the ONS which look at the reason for immigration and reason for emigration.

This is not an official forecast of non-EU student net migration in the absence of a policy change; rather it is a construct to allow an estimate of the broad impact of the policy on net

migration. These baseline estimates are highly uncertain, as set out in the risks section of this impact assessment.

Option 2: Reform of the student immigration system

We estimate the impacts of the policy proposals against the visa and in country grant counterfactual set out above, and then relate those changes to measured net migration (LTIM).

Impacts on visas and in country grants

Main Applicants

Each individual policy will have an impact on Tier 4 and PSWR main applicant visa and in country grants. However, the combined impacts of the Tier 4 proposals will be smaller than the sum of the parts, as some of the policies will overlap in terms of which students they affect. We therefore first set out the individual policy effects on total estimated Tier 4 volumes and then second discuss the estimated combined impact of the policy proposals. A summary of the available evidence relating to non-EU students in the UK is set out in Annex 5 and 6. The methodology and assumptions used to determine the volume effects below are set out further in Annex 7.

Tier 4 Impacts

Requiring all education providers who wish to bring in international students under Tier 4 to achieve Highly Trusted Sponsor status is expected to reduce the volume of main applicant grants by around 67,000 per annum once the full policy is in place. To derive this figure we take the estimated number of students at non-HTS Private FE, Public FE, and English Language institutions (there were approximately 100,000 in 2009) and assume that 30% of these students would either switch to an HTS institution, or that the institution they attend would now gain HTS status. We then assume the remainder would no longer qualify under the new proposals. We assume that the impacts are lower in the transition period, up to the end of 2012, at which point all institutions will need to have been accredited.

Raising the level of English language requirements to B2 for all non-EU students studying at NQF 6 level and above is expected to reduce the volume of student visas by around 11,000 per annum once the full policy is in place. This is estimated as 1% of undergraduate students attending a course at NQF Level 6 failing the language test at Level B2 compared to Level B1 (similar to the rates assumed for previous IAs) and a considerably smaller percentage of 0.1% at postgraduate level as *ad hoc* advice from universities suggest that post-graduate English language ability is much more reliable. We assume that the above effects apply only to privately and publicly funded HE/FE colleges, and that universities are not affected.

Restricting the ability of students to sponsor dependants to those students on courses of over 12 months and at NQF 7+ reduces the volume of dependant visas by around 20,000 per annum once the full policy is in place. To derive this figure we break down the number of main applicants by institution and qualification level. In the absence of information on the distribution of dependants by applicant, we apply the overall Tier 4 dependant ratio to each main applicant and assume every dependant of a main applicant below NQF7 no longer qualifies for a visa.

Restricting the work entitlement for some non-EU students is not estimated to reduce volumes of students coming to the UK to study; the purpose of the policy is to raise the quality of students studying in the UK by reducing the amount of time they can work and increasing the time in study. There is a risk that it leads to some deterrence but the level of deterrence is unknown and is not quantified.

In addition, the following policy proposals are assumed, in the absence of further evidence, to have no impact on student volumes:

- Introducing streamlined processes for low risk students to the UK Border Agency to refocus resources toward checking those applications with a higher risk profile.
- Tightening up on abuse of work placements by raising the minimum ratio of study to work from 50:50 to 66:33.

There is a risk that these policies have some impact or lead to some deterrence, but we expect any such effects to be relatively low.

Post Study Work Route Impacts

Closing the PSWR route from April 2012 onwards and replacing it with a Tier 2 route is estimated to reduce the volume of PSWR visas and in country grants by approximately 49 percent. Recent Home Office analysis suggests that approximately 51 percent of PSWR migrants are employed in the top three Standard Occupational Code groups, and are hence likely to be in skilled employment and qualify for Tier 2. Given the uncertainty of how many post PSWR migrants will qualify under Tier 2, a range of outcomes is tested in the sensitivity analysis.

The estimated impact of a 49 percent reduction in visas and in-country grants from the changed requiring them to qualify in Tier 2 is given in Table 3.

Table 3, Reduction in PSWR Main Applicant Grants, 000s

Year	2009	2010	2011	2012	2013	2014	2015
PSWR OOC	0	0	0	2	3	3	3
PSWR IC	0	0	0	13	18	18	19

Table 4, Reduction in Tier 4 and PSWR Main Applicant Grants, 000s

Year	2009	2010	2011	2012	2013	2014	2015
T4 OOC	0	0	20	28	71	72	72
T4 IC	0	0	0	0	0	0	0
PSWR OOC	0	0	0	2	3	3	3
PSWR IC	0	0	0	13	18	18	19
Total OOC	**0**	**0**	**20**	**30**	**74**	**74**	**75**
Total IC	**0**	**0**	**0**	**13**	**18**	**18**	**19**
Total	**0**	**0**	**20**	**43**	**92**	**93**	**94**

Note – numbers may not add due to rounding.

Combined Policy Effects

The combined impacts of the policy proposals are estimated to reduce the volume of Tier 4 and PSWR main applicant visas and in country grants as set out in Table 4. The numbers presented in the table above are lower than the total individual policy parts, because some of the policies will overlap in terms of which students they affect.

Dependants

In the absence of better evidence, student and PSWR dependant volumes are expected to fall in line with the reduction in main applicant student and post study work route visa and in country grant volumes. In addition, there will be a reduction in dependants of PSWR main applicant visa grants as they will no longer be allowed to bring dependants to the UK.

Impacts on Net Migration

To estimate the impact of the change in visa volumes on measured non-EU student net migration, we undertook the following steps.

First, we applied the net migration scaling factor to the visa reductions to estimate the impact of the changes on non-EU student inflows.

Second, by comparing actual outflows by last occupation (whilst accepting that some migrants may switch occupation before leaving) with past inflows by reason for migration, we modelled how outflows related to previous inflows. This modelling of emigration allowed us to take account of the fact that reduced inflows in the current period should lead to reduced outflows in a later period. This has the effect, all other things equal, of reducing the net migration impact of a given fall in inflows over time.

Where policy changes related to a reduction of in country grants, we assumed that this would increase outflows in line with the estimated reduction in grants, and applied the scaling factor.

In our central case, we expect the policy options proposed in this Impact Assessment to have the impact on net non-EU student migration described in the table below, subject to wide error margins.

Table 5, Estimated Impact on Non-EU Student Net Migration, UK, 000s

	2011	2012	2013	2014	2015
IMPACT OF STUDENT AND PSWR POLICIES	- 16	- 38	- 61	- 61	- 56

The amendments to the student route are just part of the package to reduce net migration; the Government has already stated that amendments to other routes will be necessary and has already announced changes to the Tier 1 and 2 routes.

E.2 Costs and Benefits

Time Period of Appraisal

The impacts are estimated over four years (from financial year 2011/12 to 2014/15), because the objectives of the policy proposals are to reduce abuse of the student immigration system and reduce net migration over the course of this parliament, to 2015.

Methodology

The estimated volume impacts of the Tier 4 policy framework are translated into monetary values for inclusion in the cost-benefit analysis under two broad headings – direct costs and benefits on the one hand, and indirect, or “wider”, costs and benefits on the other.

Both the direct and indirect impacts need to be considered in conjunction to inform a decision between the Options outlined in this impact assessment.

The **direct** costs and benefits are those that are immediately related to the *implementation* of the new policy framework, and which affect the UK Border Agency, educational institutions, sponsors and employers. The direct costs cover the training and familiarisation costs for those bodies; additional sponsor registration fees and administrative costs; additional sponsor obligation costs; reductions in tuition fee income if non-EU students are not all replaced by UK or EU students; and reductions in UKBA fee income from student and PSWR main applicant and dependant applications. The direct benefits, on the other hand, are represented by the

reduced need for familiarity with the PSWR; the reduction in sponsor registration and sponsor obligation costs for Tier 4 sponsors that no longer sponsor migrant students; the resources released because some courses are no longer running because there are fewer non-EU students, where they are not replaced by UK or EU students; and the reduction in UKBA case processing and enforcement costs.

The **indirect** costs and benefits are those which arise as a *consequence* of the policy. They tend to be more closely associated with changes to wider economic output and labour market activity.

The indirect costs include: (i) the lost output because students and their dependants no longer contribute to economic output through work, either because they no longer come to the UK, or because their right to work is limited under the policy proposal; and (ii) a loss in output arising from the abolition of the PSWR. The extent to which output is lost depends in part on the extent to which non-migrant labour takes up the slack. On the basis of the extant literature we assume no displacement of non-migrant workers by migrants, although in a time when growth in the economy is less well-established, there might be more scope for displacement to occur. We test the impact of assuming some displacement in the sensitivity analysis section on page 30.

The indirect benefits include reduced pressures on health, education, and criminal justice system costs in line with the reduction in volumes of migrants and their dependants in the UK.

In our analysis we distinguish between five types of educational institution:

- Universities;
- Publicly funded Further Education (FE) and Higher Education (HE) colleges;
- Privately funded FE and HE colleges;
- English language colleges; and
- Independent Schools

The following sections describe in more detail how costs and benefits have been calculated, and summarise the results. In general the method is straightforward: total costs and benefits are the product of a change in volume and an estimated unit cost or benefit, where the unit costs or benefits vary by area under consideration.

A more detailed methodology note and list of key assumptions is included at Annex 7.

Direct Costs

The direct costs relating to the implementation of the policy are the training and familiarisation costs related to changes to the visa system, changes to UKBA fees, changes to educational institutions tuition fee income, and additional sponsor registration burdens and fee costs. These are discussed below.

- Familiarisation costs for sponsors of post study migrants

There will be familiarisation costs to sponsors of post study migrants; we estimate this will total around £500,000 over the four year period.

Note - the additional familiarisation costs estimated here are lower than the ongoing benefits of reduced familiarisation set out on page 21, as we assume the direct regulatory impact of the policy is that employers of PSWR migrants that need to become UKBA sponsors in Tier 2 will need one administrative staff to spend three hours reading and understanding Tier 2 sponsorship rules and guidance in each year. Around half the PSWR migrants are expected to qualify so would require sponsor familiarisation. Of these we assume a large majority (75%) will

already be registered sponsors, although this is uncertain. The ongoing benefit is larger however, as we assume that in every year of the policy, all current employers of PSWR migrants that no longer qualify under this route would no longer need to spend any time understanding the PSWR rules and guidance. We assume they would currently need one administrative staff to spend three hours reading and understanding the PSWR rules and guidance each year.

- Familiarisation costs to Tier 4 sponsors

There will be familiarisation costs to Tier 4 sponsors as they will need to learn and understand the new rules and guidance on being a Tier 4 sponsor; resulting in a one off cost in the first year of the policy of approximately £50,000.

- Familiarisation costs to UKBA

There will be some costs to UKBA staff that will need training and familiarisation in the new rules and guidance. These impacts will become clearer once the full package of limits policies is known, and hence no estimates are provided here. Some preliminary estimates of training and familiarisation costs associated with the whole package will be included in the forthcoming Tier 5, Other Work Routes and Settlement Consultation Stage Impact Assessment.

Reduction in UKBA fee income

A reduction in UKBA income arises from lower numbers of out of country visa applications, in-country applications, and issuance of CAS certificates. We assume that fees are as in the Minister's statement on 9 September 2010.[8] We recognise that fees may be revised in the future but the impact of such a change would be covered in a separate Impact Assessment. We estimate that over the four year appraisal period UKBA will receive around £160 million less in fee income compared to the do nothing case. This includes around £2 million in CAS fee income which will be a *transfer* from UKBA to sponsors.

Reduction in tuition fee income to educational establishments

UKBA believe that private FE and English Language institutions are heavily reliant on non-EU students. On this basis we assume that businesses would strive to attract other nationalities of students (UK and EU students), otherwise they would face going out of business.

We believe a sensible replacement assumption would be 80%; so for every 10 non-EU migrants no longer able to study at all affected institutions we assume 8 of their places would be filled by either EU or British nationals. In English Language institutions, we assume places will also be filled by either resident EU students or by students on the Student Visitor Route.

In the absence of better data, we also assume that EU and British nationals or students using the Student Visitor Route would pay the same tuition fees at these institutions as non-EU nationals, as set out in Annex 7.

Under these assumptions, we estimate that over the four year period total tuition fee income would fall by approximately £170 million over 4 years. This estimate is relatively uncertain.

Other than for English Languages courses, we have not attempted to estimate precisely how institutions might adapt their behaviour if they are constrained from admitting long-term migrants, perhaps by offering shorter courses. To the extent that displaced students flow back as student visitors, falls in educational institution tuition fee income and UKBA fee income will be lower.

[8] http://www.the UK Border Agency.homeoffice.gov.uk/sitecontent/documents/aboutus/fees-wms-ia/

Sponsor registration costs and administrative burdens

- Sponsor registration costs for new sponsors of post study migrants – *transfer to UKBA*

Under the new rules, employers of PSWR migrants will need to register as a Tier 2 sponsor if they are not registered already, and will face additional administrative time costs of registration. We estimate this will total around £700,000 over the four year period. In addition, the new sponsors will need to pay sponsor registration fees of £410. We estimate this will lead to costs of around £6 million over 4 years – this is a *transfer* from sponsors to UKBA.

- Sponsor obligation costs for new sponsors of PSWR migrants

There will be sponsor obligation administrative burden costs to sponsors of post study migrants that will need to maintain records and report non-attendance, in line with Tier 2 sponsorship guidance; we estimate this will total around £500,000 over the four year period.

Total direct costs of Option 2

The total direct costs of Option 2 are estimated at around £330 million over 4 years. Of these, the total direct costs on the private and third sector are estimated at around £180 million over 4 years.

Direct benefits

The proposed policy package will: reduce UKBA case working and enforcement costs; reduce familiarisation costs for immigration lawyers and employers who will no longer need to read the PSWR guidance; reduce sponsorship costs and administrative benefits for sponsors that receive fewer non-EU students; and reduce educational institutions course provision costs, releasing resources for alternative use where courses are not filled by other students.

Reduction in UKBA costs

- Reduction in UKBA case processing costs

There will be a cost saving from not processing visas and in-country applications for those who no longer eligible under Tier 4 or the PSWR and their dependants. We estimate that, over the four year period of this assessment, there will be a saving of around £150 million to the UKBA.

- Reduction in UKBA enforcement costs

Part of the UK Border Agency's wider work is enforcement activity. In 2009 a part of this activity involved 3,500 students who were in breach of the entry conditions. Of these 1,500 were enforced removals and a further 300 took Assisted Voluntary Removal (AVR). The best estimate of the cost of this activity to the UK Border Agency is approximately £11.8 million per annum. The benefit from this activity is the removal of persons who are in breach of the immigration rules and over 4 years using these data the total benefit is £45 million but this is a resource saving and it is a non-cashable benefit. Enforcement activity will remain at its current level. This policy will therefore help to reduce the stock of those students who are here illegally or can be focussed elsewhere to remove other individuals who potentially pose the UK particular harms.

- Increase in UKBA sponsor fee income

In addition, there will be an increase in UKBA income from Tier 2 sponsor registration fees of around £6 million over 4 years. This is a *transfer* from sponsors to UKBA.

Reduced private and third sector familiarisation costs

- Reduction in employer costs to learn and understand the PSWR rules and guidance

There will be a reduction in time burdens to employers in familiarising themselves in the rules and guidance for the PSWR. We estimate that, over the four year period of this assessment, this will result in a saving of around £3 million.

- Reduction in familiarisation costs for immigration lawyers

There will be a reduction in time burdens to immigration advisers in familiarising themselves with the rules and guidance for the PSWR. We estimate that the time saving will total around £1 million over the four year period.

- Simplification of working restrictions

Simplification of working restrictions for students will make it easier for employers to familiarise themselves with the rules, understand them fully, and apply them in practice. We are not able to quantify the benefit from this simplification.

Reduced Tier 4 Sponsorship fees and administrative burdens

- Reduction in Tier 4 sponsorship costs for educational institutions that no longer sponsor non-EU students

There will be a benefit to educational institutions who no longer enrol non-EU students to undertake a course of study, from no longer needing to maintain their Tier 4 licence. We estimate that this may total approximately £0.2 million over the four year time period.

In addition, there will be a benefit of no longer facing the administrative burden of applying for CAS. We estimate this will lead to saving of around £1 million over the four year time period.

- Reduction in costs of CAS for Tier 4 sponsors that see a reduction in non-EU students

A reduction in the number of migrant students coming to the UK to study will reduce demand for CAS, which cost £10 each. We estimate that over the four year period the benefit may be approximately £2 million. This is a *transfer* from UKBA to sponsors.

- Reduction in sponsor obligation costs for Tier 4 sponsors

There will be a reduction in Tier 4 sponsor obligation costs (e.g. reporting non-enrolment) for Tier 4 sponsors that see a reduction in the volume of Tier 4 migrants. We estimate that, over the four year period of this assessment, this will result in a saving of around £2 million. In addition, we expect to see an increase in compliance rates, which will be beneficial to both educational institutions and to the UKBA.

Reduction in course provision costs for educational institutions.

If non-EU student numbers are falling, costs of provision for educational services could also decline. In some cases the cost reduction may be marginal, but if some educational providers see numbers fall substantially then costs could potentially be reduced by a more significant amount. The impact is likely to vary widely by institution and course. As set out above on page 19, we expect a high proportion of courses to be filled by other students from the UK and EU or by students on the Student Visitor Route. We only calculate the expected *net* reduction in course provision costs allowing for such replacement of students.

The data we have used to calculate the benefits of resource use saving from having fewer non EU students in the UK comes from the Higher Education Funding Council for England (HEFCE). This is based on the Transparent Approach to Costing for Teaching (TRAC(T)) data for 2008-09 that they have collected from higher education institutions. This data set excludes capital costs, non subject related administrative costs and other costs such as institution specific additional costs. The remaining costs relate to the cost of providing tuition to students. This is our best estimate of the variable costs of teaching, given that many of the identifiable fixed costs have been removed.

Under these assumptions, we estimate that over the four year period total course provision costs would be reduced by approximately £75 million; this estimate is relatively uncertain.

Total direct benefits of Option 2

The total monetised direct benefits of Option 2 are estimated at around £280 million over 4 years; the breakdown of these benefits is summarised in the table on page 24. Of these, the total direct benefits to the private and third sector are estimated at around £80 million over 4 years.

Indirect costs

The indirect costs that arise as a consequence of the policy are associated with reductions in output as the number of students, PSWR migrants and their dependants in work is reduced.

Reduction in output through work restrictions

Students both spend money in the wider economy, which calls forth additional supply in the short-run, and often work part-time, generating additional supply in the process. Their dependants may also work. It is important that we do not double-count the contribution of a student and because of data limitations we score his or her contribution to output by the value of their expenditure (rather than their income from employment) over the full period they are resident in the UK.

We estimate that average expenditure is £9,400 annually for a university student, £7,600 annually for a student at a publicly funded or privately funded establishment, £3,400 for four months for a student at an English Language College, and £2,000 a year for a student at an independent school. We assume that dependants' spending is around half that of students, as they are unlikely to spend on accommodation and shared living costs. The basis for these assumptions is set out in Annex 7.

To derive our total output loss estimate we multiply the loss per student and dependant by the estimated volume reductions in each category and our estimate of the employment rate. We estimate that the total output loss will be around £1.4 billion over the four year period. In addition, the UK will lose the output of those students and their dependants who no longer arrive in the UK - we estimate this at around £0.6 billion over the four year period. As discussed on page 18, the extent to which output is lost depends in part on the extent to which non-

migrant labour takes up the slack. On the basis of the extant literature we assume no displacement of non-migrant workers by migrants, although in a time when growth in the economy is less well-established, there might be more scope for displacement to occur. We test the impact of assuming some displacement in the sensitivity analysis section on page 30.

An approximate calculation of student expenditure based on their income could also be made. Using a student's expected earnings on the basis of the likely hours worked and plausible hourly earnings indicate that the expenditure assumptions are a reasonable proxy.

Reduction in output from closure of PSWR

We calculate the output effect of abolishing the PSWR, but allowing a bridge into Tier 2, using the expected earnings (output) foregone from no longer having as many PSWR migrants and their dependants working in the UK. We assume that there is no labour market displacement, so vacancies will not be filled by resident labour, and hence there will be a reduction in UK output. We estimate that the net impact will be around £1.2 billion over the four year period. As the PSWR migrants excluded by the policy will be those that do not qualify under the Tier 2 criteria, we assume that they will be earning approximately £15,000 per annum, and multiply this by the volumes affected under the new proposals. There is limited evidence available on the average earnings of PSWR migrants. We think £15,000 is a reasonable estimate given what we know about the distribution of skill in the PSWR, and earnings by occupation data for non-EU nationals drawn from the Labour Force Survey. We do not include an adjustment for on-costs as the impacts are on the UK economy rather than on businesses.

Total indirect costs of option 2

The total indirect costs of option 2 are estimated at around £3.2 billion over the four year period.

Indirect benefits

The indirect benefits are associated with reduced pressures on public service provision in health, education and the criminal justice system.

Reduced pressure on infrastructure and public services

The presence of migrants in the UK places additional pressure on the country's infrastructure and public services. The way these impacts are felt is sometimes complex and this fact, combined with an absence of suitable data, means that we are unable to estimate all of the impact of a higher number of student migrants (for example, those impacts on housing costs or public transport).

Through knowledge of the age distribution and dependants of the student migrant we are, however, able to make rough estimates of their impact on primary and secondary education; the demand for health services; and the impact on the criminal justice system (CJS), assuming average usage identical to a non-migrant with the same age and number and type of dependants.

On this basis we estimate that over the four year period, compared to the do nothing case, healthcare costs will be around £340 million lower, education costs will be around £410 million lower, and criminal justice system costs will be around £90 million lower. A fuller discussion of the likely impact of students and their dependants on education and health services is contained in the "Public Services" paragraphs below and the methodology used to calculate these figures is described in Annex 7.

Total indirect benefits of option 2

The total indirect benefits of option 2 are estimated at around £840 million over the four year period.

Summary of quantified costs and benefits

The summary costs and benefits of option 2 are set out in the tables below:

Summary Costs

Discounted	2011/12	2012/13	2013/14	2014/15	4 Year
Familiarisation costs for Tier 4 sponsors	£ 50,000	£ -	£ -	£ -	**£ 50,000**
Familiarisation costs for sponsors of PSWR	£ -	£ 200,000	£ 200,000	£ 200,000	**£ 500,000**
Lost Main Application Fees	£ 8,700,000	£ 12,100,000	£ 23,800,000	£ 23,200,000	**£ 67,800,000**
Lost Dependant Application Fees	£ 6,600,000	£ 7,300,000	£ 7,300,000	£ 7,100,000	**£ 28,300,000**
Lost Tuition Fees	£ 22,500,000	£ 30,800,000	£ 59,400,000	£ 57,900,000	**£ 170,600,000**
Lost Expenditure Main	£ 47,700,000	£ 95,100,000	£ 166,900,000	£ 199,600,000	**£ 509,400,000**
Lost Expenditure Dependant	£ 14,400,000	£ 26,000,000	£ 27,000,000	£ 26,600,000	**£ 94,000,000**
LOST OOC PSWR Application Fees	£ -	£ 4,000,000	£ 4,000,000	£ 4,000,000	**£ 11,900,000**
Lost IC PSWR Application Fees	£ -	£ 15,300,000	£ 15,200,000	£ 15,100,000	**£ 45,700,000**
Loss of Main Applicant Work Rights	£ 321,400,000	£ 465,300,000	£ 352,100,000	£ 260,600,000	**£ 1,399,400,000**
Loss OOC PSWR Output	£ -	£ 36,000,000	£ 70,600,000	£ 70,100,000	**£ 176,700,000**
Loss of PSWR IC Output	£ -	£ 211,300,000	£ 414,200,000	£ 411,400,000	**£ 1,036,900,000**
Loss of PSWR Dependant Output	£ 2,100,000	£ 2,700,000	£ 1,300,000	£ 1,300,000	**£ 7,300,000**
Sponsor registration admin costs for PSWR	£ -	£ 200,000	£ 200,000	£ 200,000	**£ 700,000**
Sponsor registration fees for sponsors of PSWR	£ -	£ 2,000,000	£ 2,000,000	£ 2,000,000	**£ 6,000,000**
Sponsor obligation costs for sponsors of PSWR	£ -	£ 200,000	£ 200,000	£ 200,000	**£ 500,000**
UKBA sponsor fee reduction due to reduced T4 sponsor registration	£ -	£ -	£ -	£ -	**£ 200,000**
UKBA CAS fee reduction due to reduced students	£ 200,000	£ 300,000	£ 700,000	£ 600,000	**£ 1,800,000**
Total Costs	**£ 424,000,000**	**£ 909,000,000**	**£ 1,145,000,000**	**£ 1,080,000,000**	**£ 3,558,000,000**

Summary Benefits

Discounted	2011/12	2012/13	2013/14	2014/15	4 Year
Reduced UKBA Processing Costs Main	£ 9,800,000	£ 13,600,000	£ 26,800,000	£ 26,100,000	**£ 76,400,000**
Reduced UKBA Processing Costs Dependants	£ 7,400,000	£ 8,200,000	£ 8,200,000	£ 8,000,000	**£ 31,900,000**
Reduced Course Provision Costs	£ 9,600,000	£ 13,200,000	£ 25,900,000	£ 25,300,000	**£ 73,900,000**
PSWR Reduced Processing Costs OOC	£ -	£ 3,900,000	£ 3,800,000	£ 3,800,000	**£ 11,500,000**
PSWR Reduced Processing Costs IC	£ -	£ 9,400,000	£ 9,300,000	£ 9,300,000	**£ 27,900,000**
Indirect Social Benefits - Health	£ 27,200,000	£ 60,900,000	£ 116,700,000	£ 134,200,000	**£ 339,000,000**
Indirect Social Benefits - Education	£ 50,200,000	£ 106,500,000	£ 126,200,000	£ 124,600,000	**£ 407,600,000**
Indirect Social Benefits - Crime	£ 9,700,000	£ 19,800,000	£ 29,500,000	£ 32,600,000	**£ 91,700,000**
Reduced admin burden of applying for sponsor licence	£ -	£ 5,000	£ 5,000	£ 5,000	**£ 15,000**
Reduced sponsor fees for educational institutions	£ 50,000	£ 50,000	£ 40,000	£ 40,000	**£ 180,000**
Reduced CAS fees for sponsors	£ 200,000	£ 300,000	£ 700,000	£ 600,000	**£ 1,800,000**
Reduced admin burden of applying for CAS	£ 100,000	£ 200,000	£ 400,000	£ 400,000	**£ 1,000,000**
Reduced sponsor obligation costs	£ 200,000	£ 200,000	£ 600,000	£ 600,000	**£ 1,500,000**
Reduced costs for employers understanding Tier 1 Post Study rules	£ -	£ 1,000,000	£ 1,000,000	£ 1,000,000	**£ 3,400,000**
Reduced costs for immigration lawyers in private and third sector	£ -	£ 300,000	£ 300,000	£ 300,000	**£ 900,000**
UKBA Increased sponsor income from new Tier 2 sponsors	£ -	£ 2,000,000	£ 1,988,000	£ 1,975,000	**£ 6,000,000**
Reduction in UKBA student enforcement costs	£ 11,800,000	£ 11,401,000	£ 11,015,000	£ 10,642,000	**£ 44,859,000**
Total Benefits	**£ 126,000,000**	**£ 251,000,000**	**£ 363,000,000**	**£ 380,000,000**	**£ 1,119,000,000**

Note – estimates are uncertain and are based on internal modelling

Wider impacts

There will be a number of wider impacts associated with any reduction in student and PSWR migrants and their dependants in the UK; these are discussed below. Some of these impacts can not be monetised, either because of data availability or the inherent difficulty of doing so, but may be potentially significant in size. These wider impacts need to be considered alongside those monetised impacts estimated above to assess the total impact of a change in migration policy.

Trend growth

Changes to the policy, described in this impact assessment, could lead to a reduction in trend growth.[9] Trend growth can be considered as the product of its components in an identity: output per person hour (productivity); hours worked per person; the employment rate; and the population size.

A lower level of student and PSWR migration will tend to reduce the growth rate in potential labour supply. Reducing the potential labour supply will, all else equal, lower the trend rate of growth compared to the counterfactual. As a result the economy will be smaller in each subsequent year; with a permanent effect on the level of output and tax receipts even if the policy changes were later removed.

An additional impact on GDP may indirectly result from a reduction in knowledge creation and transfer. We acknowledge that these effects can be significant for the brightest and best international students. As the policy proposals largely affect students that abuse the system or those studying at lower levels, any adverse impacts on knowledge creation and transfer should be minimised.

As discussed on page 18, the extent to which output is lost depends in part on the extent to which non-migrant labour takes up the slack. On the basis of the extant literature we assume no displacement of non-migrant workers by migrants, although in a time when growth in the economy is less well-established, there might be more scope for displacement to occur. If there were significant replacement of migrants with UK or EEA labour, there would be reduced impacts on UK output. The displacement assumption is tested in the sensitivity analysis on page 30.

Fiscal impact

If lower migration resulted in lower trend and actual economic growth, this lower rate of economic expansion is likely to reduce growth in a number of economic variables, including wages and salaries, consumption and profits. This would have the effect of holding back receipts growth and would affect borrowing.

The effect on public spending will depend on the decisions the Government takes on the funding needs for public services if lower migration results in a lower population than had previously been expected.

The quantification of costs in this Impact Assessment does not account for the impact that lower trend and actual economic growth may have on the public finances through its effects on tax receipts.

Impact on Students

Non-EU students

Stricter control will be in the best interest of the majority of legitimate students. Some of those who come to study at UK institutions are genuinely in search of education which they do not receive. They may have been misled by agents overseas or by unscrupulous colleges based in the UK. In either case unsuspecting students may end up out of pocket, without the education they wanted and stuck illegally in the UK. Action to strengthen the student visa route will help protect the unsuspecting from being defrauded.

[9] The economy's trend or potential rate of growth is the rate at which the economy can grow on a sustained basis without exerting upward or downward pressure on inflation. A higher rate implies the economy can grow faster without hitting the inflationary buffers; and crucially signals the potential for higher absolute tax yields.

The proposals to restrict education to Highly Trusted Sponsors will increase not only the oversight over immigration status of the international student body but should also help to improve the quality of the overall management and professionalism in education provision and therefore ensure a better service is provided to international students.

UK and EU national students

If non-migrant students are discouraged from acquiring additional education, or are unable to do so, because of the presence of foreign students, a reduction in the volume of migrant students may be beneficial to them.

Conversely, UK students may be affected negatively if migrant fees subsidise non-migrant fees, and this effect may differ within and between institutions. Some institutions, such as English language colleges, are unlikely to have many UK national students and therefore the degree of cross-subsidisation is likely to be low. Others, such as those in the university sector, may have a larger degree of cross-subsidisation.

Impacts on Higher Education, Research and Innovation in the UK

If there is reduction in students in the Higher Education sector in the UK there could be wider impacts on Higher Education research income. Any reduction in Higher Education volumes could also affect potential sources of innovation in this sector and have wider impacts on innovation in the UK economy. There may also be a reduction in cultural diversity of courses offered and life in the UK.

However, as set out above, there is not expected to be a significant impact on universities or on compliant Higher Education colleges. Therefore, we do not expect negative effects on Higher Education research income or innovation in the UK. Instead, we expect that stricter control will be in the best interest of the majority of legitimate students and genuine UK institutions that are involved in valuable research and innovation activities.

Population

In their latest central estimate, the ONS project that the population of the UK will rise to 64.3 million in 2015, 68.7 million in 2025, and 71.6 million in 2033. Of the increase in population to 2033 they project that just over two-thirds will be attributable to migration (45 per cent directly attributable to future migration and a further 23 per cent indirectly attributable due to natural change).[10]

Research has shown that some students continue to contribute to population growth after their studies are complete. Home Office research titled *'The Migrant Journey'* (Home Office, 2010), based on migrants in the 2004 cohort granted non-visit visas under the main entry routes, found that 21 per cent of migrants were still in the UK after five years, of those who remained 7 per cent had moved into the work route, 3 per cent had moved into the temporary work route, 6 per cent were still students and 1 per cent changed into the family route – very few (3 per cent) of migrants had reached settlement status after five years.[11]

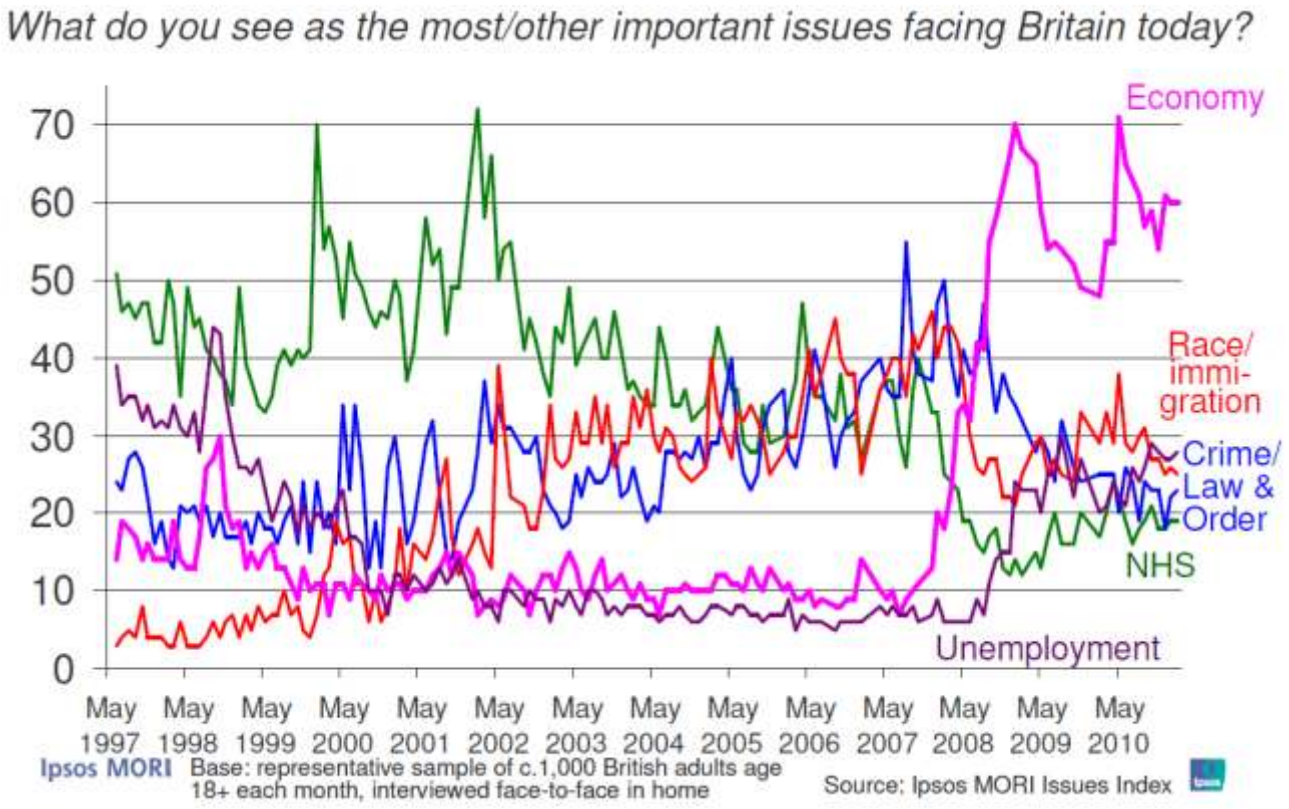
The policy proposals will reduce the population of the UK compared to the counterfactual case, both directly through its impact on migrant flows and indirectly through its impact on the number of UK births. The indirect impact is likely to be small over the four year reference period, but have a larger impact over the longer term.

[10] See: http://www.statistics.gov.uk/downloads/theme_population/NPP2008/NatPopProj2008.pdf
[11] See: The Migrant Journey, Lorrah Achato, Mike Eaton and Chris Jones, Research Report 43, http://rds.homeoffice.gov.uk/rds/pdfs10/horr43c.pdf

A reduction in population growth could reduce congestion costs if, for example, it leads to reduced hospital waiting lists, lower house prices, or less traffic on our roads.

Public opinion and social cohesion

Concerns about the economy are currently at the forefront of the mind of the British public, yet migration remains an issue of concern. An independent survey by Ipsos Mori in February 2011 put it as the third most important issue, with 25 percent of those surveyed mentioning race relations or immigration.[12]



The reasons given for public concern include the perceived abuse of public services, pressure on jobs and employment, and numbers of immigrants. The policy proposals may help to reduce public concern through bearing down on perceived abuse of the system and reducing the number of immigrants compared to the 'do nothing' case.

Few studies have examined the relationship between migration and cohesion directly; those that have conclude that:[13]

(i) High levels of residential turnover (of both immigrants and non-migrants) has the potential to undermine the ability of residents to form cohesive communities and build up strong social capital; and

(ii) Perceived (and in some cases "real") competition for finite resources – e.g. housing – and tensions around differing norms of behaviour, especially compounded by poor English proficiency could intensify the impact population churn might have on cohesion.

Option 2 seeks to restrict abuse of the system and increase English language proficiency, and therefore may help to improve social cohesion and public confidence in the immigration system.

[12] See: http://www.ipsos-mori.com/researchpublications/researcharchive/2724/February-2011-EconomistIpsos-MORI-Issues-Index.aspx

[13] Such as Laurence, J. and Heath, A. (2008) Predictors of Community Cohesion: Multi-level Modelling 2005 Citizenship Survey. http://www.communities.gov.uk/documents/communities/pdf/681539.pdf

Public services – Health and Education

Education

Those entering the UK under the Tier 4 (Child) route are not expected to be affected by any of the proposed policy measures outlined in this IA. However, the policy proposals may have a wider impact on schools due to the reduction in student and PSWR dependants that come to or remain in the UK.

We have assumed that the benefit through reduced student numbers is equal to the average unit of funding for a student in full-time education. However, it is difficult to estimate the contribution that migrant dependants make to total education costs – they may be more costly if they consume additional resources (for example, if they arrive late in the academic year and require extra tuition, or if additional English language classes are required);[14] or they may only add to costs marginally if few extra resources are required in addition to those already provided for the class.

Our estimates of the impact on education services are based on a number of assumptions as set out in Annex 7. Under these assumptions, we estimate the impact of these policy changes will reduce the cost of education by around £410 million over 4 years.

Health

Migrant students can access free public healthcare if they study in the UK for over six months; a bill may be levied for any costs to the health service prior to this, however no individual is turned away from Accident and Emergency departments because of concerns about ability to pay or immigration status.

In general, lower net migration might be expected to reduce the total demand for healthcare, although the extent will depend on which migrants arrive in the UK and the extent to which they use health services. Individuals can have very differing healthcare needs - the old and the young for example have, on average, higher costs than the rest of the population. In 2009 of those stating their main reason for immigrating to the UK was to study almost 64 percent were aged 15-24, and 34 percent were aged 25-44.[15] Individuals of working age tend to be associated with lower levels of demand on the healthcare system. On the other hand, specific nationalities of migrants may have higher than average health care needs than the UK population for specific illnesses or treatments (for example see Singh and de Looper 2002, discussed in Annex 7).

Research by the UK Border Agency suggests that around 21 per cent of Tier 4 migrants might stay in the UK for at least five years.[16] The healthcare costs of student migrants may rise over time if they continue to consume UK healthcare resources as they grow older. To the extent that they settle, we would expect a continuing and perhaps growing pressure on public service use to result.

Depending on whether the migrants that no longer qualify as a result of the policy consume more or less than a non-migrant of the same age profile, the estimated indirect benefits of reduced healthcare provision (around £340 million over 4 years) could under or over-estimate the true benefits of reduced healthcare provision.

[14] Note that not all migrant pupils have EAL and not all pupils with EAL are migrants.
[15] See: http://www.statistics.gov.uk/statbase/Product.asp?vlnk=15054 Note: These figures relate to all nationalities, as the IPS is not available in a cross-tabulation of age, reason for migration, and nationality.
[16] See: The Migrant Journey, Lorrah Achato, Mike Eaton and Chris Jones, Research Report 43, http://rds.homeoffice.gov.uk/rds/pdfs10/horr43c.pdf. Research based on a 2004 cohort.

Other public services

Although we estimate that the Criminal Justice System may be affected by the presence of migrants, we believe that the impact of student and PSWR migrants and their dependants on such public services – such as social work, social care, and housing provision – is minimal over the reference period of this impact assessment.

Risks

Policy Uncertainties

We believe the proposals set out in this IA will reduce abuse in the student route. There is a possibility that non-genuine students and bogus agents may adapt their approach to gain entry to the UK, and so continue to abuse the system, but we believe that the policy proposals set out in this IA significantly lessen the likelihood of abuse compared to the counterfactual case.

As there is no limit placed on the volume of students allowed to qualify under the new proposals there are uncertainties around the volume estimates; without a limit it is possible that student visas issued will not significantly reduce. The Home Office will continue to monitor the number of students and dependants coming through the route.

Baseline student numbers are assumed to grow relatively slowly at 1% per annum. It is possible that these numbers could continue to rise more or less rapidly in the absence of any changes.

The combined set of proposals may lead to some deterrence of legitimate student migrants as the system is perceived to be tougher. This risk is unknown and is not quantified, but may arise if policies such as restricting the work rights of dependants, or ability to work after graduation are significantly out of step with the UK's key competitor countries.

Lastly, some educational establishments may not be able to replace non-EU students with UK and EU students or would have to offer them lower course fees. This would imply a larger net reduction in the fee income for these institutions. Educational institutions, however, will be able to respond to any changes in student volumes by adapting their fees and courses, so any negative impacts could be mitigated.

Modelling Uncertainties

The estimation of the impact of the policy changes described here is not straightforward, and is subject to error.

Firstly, the impact of the policy on visas granted is subject to how the behaviour of universities and individual migrants adapts. Although we make allowance for this in our calculations, we have to make assumptions in the absence of similar historical changes on which we might base them. The key volume impact assumptions are therefore tested in the sensitivity analysis below.

Secondly, in terms of modelling net migration impacts, the International Passenger Survey (IPS) is sample-based and hence subject to reasonably wide margins of error.

Thirdly, the relationship between visas granted and IPS flows is uncertain, because not all those granted a visa arrive, and because some visas run for less than 12 months (only migrants intending to stay for longer than one year are counted in the IPS). There is also volatility in this relationship over time.

Lastly, there is no administrative data on emigrants, meaning that the calibration we have conducted between administrative data and the IPS for inflows is not possible for outflows. Our approach to modelling student emigration and, hence, net student migration, is by its nature uncertain. There is no "fixed point" given by administrative data on visas issued to anchor the emigration estimate, in the same way as there is for immigration. In fact, the modelling approach suggests a relatively high proportion of the student inflow may remain in the UK at the two year point and thereafter, a result inconsistent with the analysis of visas recently published by the Home Office (The "*Migrant Journey*" analysis, (MJA)) based on those arriving in 2004. That analysis suggests only around 21 per cent of the student inflow had a valid right to remain in the UK after 5 years. If we model student emigration using the estimates of length of stay from the MJA, the projected path for student emigration is a poor fit to the known outturn data. For the purpose of this Impact Assessment we model student emigration in a way consistent with historic patterns in the IPS, given this is the Government's headline measure of net migration, but there is clearly a significant amount of uncertainty around these figures.

Sensitivity Analysis

There are a number of uncertain assumptions used in the modelling as set out in the risks section above. The most uncertain assumptions include the following:

- Proportion of PSWR migrants that will fail to qualify in Tier 2 under the new rules;
- Proportion of non-HTS sponsors that respond to the changes by upgrading to HTS status;
- Employment rates of Tier 4 students in the UK;
- Degree of displacement of migrants and residents in the labour market;
- Estimated non-compliance rates across educational institutions;
- Estimated student replacement rates across institutions;

The table below sets out the ranges used in the sensitivity analysis for the above assumptions:

Assumption	**Worst case**	**Central case**	**Best case**
Reduction in PSWR (not qualifying in Tier 2)	65%	49%	34%
PSWR employment rate	90%	82%	70%
Proportion of non-HTS institutions that uplift their course levels	40%	30%	20%
Employment rates for Tier 4 students in the UK	50%	37%	25%
Estimated displacement of migrants of resident workers	0%	0%	10%
Estimated student replacement rates across institutions	70%	80%	90%

Note: The worst case is associated with the highest costs due to lost volumes and the highest benefits due to reductions in processing, course provision costs and social impacts.

The ranges around non-compliance rates across institutions are set out in the table below:

	University	Public FE/HE College	Private FE/HE College	English Language School	Independent School
Worst case	99%	96%	87%	93%	100%
Central case	98%	92%	74%	86%	100%
Best Case	97%	88%	61%	79%	100%

The key assumptions set out above are tested here and used to provide the lower and upper bound estimates for the summary boxes. A summary table showing the range of net impact outcomes is set out below:

Scenario (in £ millions)	Worst case	Central case	Best case
Total Costs (PV)	£4,811	£3,558	£2,422
Total Benefits (PV)	£1,169	£1,119	£1,066
Net Present Value (NPV)	**- £3,641**	**- £2,438**	**- £1,356**

The most significant impacts on the total costs and benefits are the assumptions on the proportion of PSWR that qualify under Tier 2, and the student employment rate. The assumption around labour market displacement is also important given the uncertainty around this effect. Compared to the central case (NPV of -£2.4 billion), and holding everything else constant if we assume that there was 10% displacement of resident workers by students, the net present value would fall to £2.1 billion. If we assumed there was 20% displacement, the net present value would fall to £1.8 billion.

In addition to the uncertainties tested formally above, there are a number of other uncertain assumptions which are discussed briefly below. These include:

- Estimated displacement into the Student Visitor Route;
- Estimated growth in baseline student and Post Study visa and in-country volumes; and
- Estimated similarity between migrants and non-migrants use of health services

Firstly, non-EU students will be able to continue to use the Student Visitor Route (SVR) for shorter courses but the number who transfer out of Tier 4 into this route is unknown. This route grew from 38,000 in 2009 to 49,000 in 2010, perhaps due to a mix of natural growth and in response to the tightening of Tier 4 last year.[17] If we assumed that this was repeated in 2011 at approximately 10,000 students then the offsetting fee income (£150 for a SVR visa) to the UK Border Agency would be £1.5 million a year or £6 million over the four year period. As most of these students are likely to attend English language schools then the offsetting benefit to them could be (using £2,200 as the assumed tuition fee) £22 million a year or £88 million over four years. These estimates however are uncertain and are not included in the costs and benefits section but are used for illustrative purposes only.

The second key uncertainty is the rate at which visa and in country grant volumes would have grown in the absence of any policy changes. This is not formally tested but is discussed briefly here – if the estimated counterfactual volume growth assumptions were higher, there would be a small increase in the costs and benefits, as there would be a higher volume of students and PSWR migrants in the baseline, and hence a larger reduction in volumes for a given set of policies.

Thirdly, there is some uncertainty around whether migrants use health services in the same scale as non-migrants. There is limited evidence in this area, so we assume that use of health services is the same between migrant and non-migrants of the same age. There is, however, some initial evidence from Australia that some migrant groups use around 20% less health services than non-migrants of the same demographic groups.[18] If we assumed the benefits of reduced healthcare provision were 20% lower, these benefits would fall from around £340 million to around £270 million over four years.

[17] Control of Immigration Statistics Q4 2010: Table 1.1: http://rds.homeoffice.gov.uk/rds/immigration-asylum-stats.html
[18] See: Singh, M. and de Looper, M. (2002), *Australian Health Inequalities: 1 birthplace*, Bulletin No. 2, July AIHW Cat. No. AUS 27, Australian Institute for Health and Welfare, Canberra.

F. Enforcement

UKBA will enforce the current and revised Tier 4 and PSWR policy.

H. Summary and Recommendations

The table below outlines the costs and benefits of the proposed changes.

Costs and Benefits		
Option	**Costs**	**Benefits**
1	£0	£0
	Continued abuse of the student route, significant public concern about migration, high net migration	-
2	£3,558	£1,119
	Possible wider impact on UK economy and fiscal position	Reduced abuse of the student route, lower net migration, reduced risk of illegal working

The preferred option is Option 2 – reform of the student immigration system. Whilst we recognise that the estimated economic costs of these proposals appear significant, it is clear that Option 2 will help tackle abuse in the student system and help to reduce net migration. In addition, the proposals will simplify the currently complex system and ensure the UK continues to attract the brightest and best foreign students. By closing the PSWR and introducing a new Tier 2 skilled route in its place, the policy will ensure that those in skilled graduate level employment that are sponsored will be allowed to remain in the UK and ensure we maximise the contribution of migration to the UK economy.

I. Implementation

The Government plans to implement the student policy package in a phased manner from April 2011 to April 2012. Implementation will be carried out by the UK Border Agency, and the key milestones are set out below:

<u>April 2011</u>

- Require degree level students to achieve English at level B2;
- Apply an interim limit on CAS allocation for all sponsors not meeting the new accreditation arrangements.

<u>Summer 2011</u>

- Simplify application procedures for certain low risk students;
- Require sponsors of students applying for further leave to study a new course to certify that the course represents genuine progression;
- Restrict permission to work to students at Universities and publicly funded providers;
- Restrict the entitlement to sponsor dependants to those studying at post-graduate level.

<u>April 2012</u>

- All education providers to have achieved HTS status,
- Close the PSWR, but allow a bridge for Tier 4 students into Tier 2; and not allow dependants for those arriving from outside the UK;
- Change the work placements ratio for study from 50:50 to 66:33;

- Bring in limits on the time students can spend in Tier 4.

Summer 2012

- All sponsors must meet new accreditation arrangements.

J. Monitoring and Evaluation

The effectiveness of the new regime will be monitored by the UK Border Agency. This will include:

- Monitoring rates of compliance in the student system both by sponsors, highly trusted sponsors and student migrants;
- Monitoring the inflows of Tier 4 and PSWR visas and in country extensions to monitor the impact of the policy on Tier 4 and PSWR volumes;
- Monitoring the inflows of student and work migrants in the IPS and their contribution to net migration;
- Monitoring the volumes of PSWR migrants that qualify for Tier 2 employment;
- Monitoring behavioural changes by educational institutions and migrants after implementation, to understand how they respond to the changes.

K. Feedback

Analysts within the UK Border Agency have conducted various process evaluation surveys of PBS respondents, sponsors, employers and staff.[19] Similar studies may be conducted and the feedback and findings from these will be incorporated into the review of the policy.

L. Specific Impact Tests

See Annex 2 for details.

[19] See: Research Report 49, Users' views of the Points Based System, http://rds.homeoffice.gov.uk/rds/pdfs11/horr49c.pdf

Annexes

1 Post Implementation Review
2 Specific Impact Tests a) SED and b) EIA
3 Summary of Consultation responses
4 Net Migration
5 Students in the UK
6 Institutions and CAS distribution
7 Economic Impacts, Assumptions and data (Tier 4 evidence base part)
8 Labour market Analysis
9 Institutional breakdown

Annex 1: Post Implementation Review (PIR) Plan

Basis of the review: Post-Implementation Review
Review objective: Review is intended as a proportionate check that regulation is operating as expected to tackle the problem of concern, and will also be reviewed alongside other changes to migration policy
Review approach and rationale: Review will be based on monitoring data, stakeholder views, and quantitative and qualitative analysis of whether the policy has had the intended effects.
Baseline: The current (baseline) position against which the change introduced by the legislation will be measured is set out in the Evidence Base.
Success criteria:: The success of the policy will be assessed against the objectives set out at the start of this impact assessment. In particular, success will be measured against the objective to reduce the areas of the student route that are prone to abuse, and to reduce net migration overall by the end of the current Parliament.
Monitoring information arrangements: The effectiveness of the new regime will be monitored by the UK Border Agency. This will include • Monitoring rates of compliance in the student system both by sponsors, highly trusted sponsors and student migrants; • Monitoring the inflows of Tier 4 and Tier 1 Post-Study visas and in country extensions to monitor the impact of the policy on Tier 4 and Tier 1 Post-Study volumes; • Monitoring the inflows of student and work migrants in the IPS and their contribution to net migration; • Monitoring the volumes of Tier 1 Post-Study migrants that qualify for Tier 2 employment; • Monitoring behavioural changes by educational institutions and migrants after implementation, to understand how they respond to the changes.
Reasons for not planning a review: N/A

Annex 2 Specific Impact Tests

Statutory Equality Duties

Equality Impact Assessment

Race

The proposed policy options would apply equally to all non-EU nationals, regardless of race.

However whilst the policies are indiscriminate of race, their impact may be greater on certain races due to the nationality preferences of foreign students to study in the UK.

Religion, belief and non-belief

The proposed policy options would apply equally to all non-EU nationals, regardless of religion, belief and non-belief.

Disability

The rules will apply equally to those with and without disabilities.

Gender

The rules will apply equally to men and women. The breakdown of all non-EU inflows, outflows and the balance by gender for 2009 is set out in Table A2.1. There are slightly more (approximately 12%) male inflows and balance compared to female flows in 2009. Over time (since 2001) the situation is evenly balanced between either, relatively similar inflows and balance or of significantly higher inflows and balance in favour of males but there is no consistent trend.

Male non-EU students (defined as their usual occupation prior to migration) have either slightly higher or similar inflows in most years for the period 2001 to 2009 as a proportion of all non-EU students. On average this is approximately 5% higher over the period. The balance of non-EU male students is also slightly higher but on average for 2001 to 2009 this is closer to 10%. In 2009 56% of student inflows and 60% of the net balance were male.

Table A2.1 Inflow, Outflow and Net Balance of non-EU Citizens by Gender and by Usual Occupation (Student) Prior to Migration, 2009

Gender	Non-EU citizenship (**All**) (thousands)			Non-EU citizenship (**Students**) (thousands)		
	Inflow	**Outflow**	**Balance**	**Inflow**	**Outflow**	**Balance**
Males	155	58	+ 97	180	59	+ 121
Females	125	50	+ 75	101	29	+ 72
All persons	**280**	**108**	**+ 172**	**79**	**29**	**+ 50**

Source: IPS 2009, Table 3.05a: http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15054

Gender Identity

The rules will apply equally regardless of gender identity, and we have no identified any disproportionate impact.

Sexual Orientation

The rules will apply equally regardless of sexual orientation, and we have no identified any disproportionate impact. The Immigration Rules permit those admitted as a PBS migrant to be accompanied by a same-sex partner.

Age

The rules will apply equally regardless of age. However, whilst the policies are indiscriminate of age, their impact may be greater on certain ages due to the likelihood that an individual of a certain age will attend a certain type of institution. The breakdown of non-EU immigration, emigration and net migration by age bands for all reasons of migration is presented in Table A2.2. Since 2001 the data consistently shows that for the age bands 15 to 24 years plus 25 to 44 years account for 90% of all flows. When the 15 years and under age group is added then for inflows and outflows this increases to approximately 95% for the same period. From 2005 onwards the balance for these three age groups nears 100% compared to 95% in the period 2001 to 2004.

Table A2.2 Inflow, Outflow and Net Balance of non-EU Citizens by Age Bands, 2009

Age band	Other foreign citizenship (thousands)		
	Inflow	**Outflow**	**Balance**
Under 15	14	3	+ 11
15-24	117	27	+ 91
25-44	139	73	+ 66
45-59/64	9	6	+ 3
60/65 and over	1	2	-
All ages	**280**	**45**	**+ 74**

Source: IPS 2009, Table 3.05b: http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15054

The breakdown of all immigration, emigration and net migration by usual occupation prior to migration and age bands is set out in Table A2.3.

Table A2.3 Inflow, Outflow and Net Balance of Students by Age Bands, 2009

Age group	All migrants by usual occupation – (**Students**) (thousands)		
	Inflow	**Outflow**	**Balance**
Under 15	-	-	-
15-24	138	34	+ 105
25-44	41	25	+ 17
45-59/64	-	-	-
60/65 and over	-	-	-
All ages	**180**	**59**	**+ 121**

Source: IPS 2009, Table 3.12b: http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15054

It is not possible to separate out non-EU students by age band as the data does not provide this information so Table A2.3 refers to all nationalities.

Welfare of children

Consultation on the Government's proposals has not identified any impacts on children and the need to safeguard and promote welfare of children.

Economic Impacts

Competition Assessment

There are four main questions that are used to assess the impact of the policy change on competition:

- Will the policy proposal directly limit the number or range of suppliers?
- Will it indirectly limit the number or range of suppliers?
- Does it limit the ability of the suppliers to compete?
- Does the policy change or reduce the suppliers' incentives to compete vigorously?

The proposed policy options will place no direct limit on the number or range of suppliers. It is possible there will be an indirect effect because of the requirement placed on all educational providers who wish to bring in international students under Tier 4 to be accredited and to achieve HTS status. The proposals may also indirectly impact on the number or range of suppliers if they reduce the revenue that educational institutions receive in fees from non-EU students.

The policy proposals will not limit the ability of suppliers to compete with their domestic counterparts. The indirect impact of the policy on international competition is unclear; below we compare the proposed package with the migration system in other countries. On the one hand, some consultation responses indicated that the post-study route was important for attracting overseas students, and that restructuring or abolishing this route could impact on the international competitiveness of educational establishments within the UK. The policy framework provides a bridge for students into Tier 2, albeit subject to a future limit. On the other hand, the requirement for accreditation in the future should act to raise the average quality of institutions in this country and hence reinforce any competitive advantage they enjoy vis-à-vis their international counterparts. In addition, the reduced size of the potential pool of overseas students caused by the tightening of English language requirements may lead to more vigorous competition amongst institutions for students.

There is limited information on the sectors and occupations in which Post Study migrants work. The Users Views of the PBS: applicant survey, suggests that Post Study migrants work across all occupations with 51% employed in skilled occupations. The policy proposals will restrict Post Study migrants from working in less skilled occupations, which could have an impact on some sectors. We do not expect this impact to be significant.

Comparison of the proposed system with other countries

English language requirement: We are proposing a Secure English Language Test (SELT) at a minimum of B2 level for NQF level 6 + 7, and B1 for NQF 3, 4 and 5. USA, Canada and New Zealand do not require a language test upfront. USA expects the migrant to have sufficient knowledge of English to meet the demands of their institution. Similarly, Canada expects the institute to assess proficiency and in New Zealand it is left to the institution to set an entry requirement if desired. In Australia, the individual's Assessment Level (immigration risk level) dictates the level of English required.

Post Study Work: We are proposing to close Tier 1 Post Study Work, but to allow graduates with a job offer to apply under Tier 2. Canada has the Canadian Post Graduation Work permit programme, which grants leave for up to three years, in any field, to graduate students from publicly-funded providers. The USA, Australia and New Zealand do not have direct equivalents, but do provide some mechanisms for students to stay on after graduation. The Optional Practice Training Scheme in the US lasts up to a year and must be related to subjects studied. New Zealand has a couple of relevant visas – Graduate job search (valid for 12 months) and

practical experience after completion of studies – for graduates with an offer of employment, relevant to their qualifications, valid for two years.

In Australia students can apply for General Skilled Migration - students with an Australian qualification must meet a two year study requirement in a course listed on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), and pass a points test and skills assessment. They can also apply for a Temporary Skilled Graduate Visa which allows overseas students who do not meet the criteria for a permanent General Skilled Migration visa to remain in Australia for 18 months to gain skilled work experience or improve their English language skills, or employer nominated categories both permanent and temporary

Dependants: We are proposing that only those studying at NQF level 7 and on a course of over 12 months will be able to sponsor dependants. These dependants will be able to work. USA, Canada, Australia and New Zealand allow dependants to accompany students, but in Australia the Assessment Level affects whether dependants are allowed. In USA, Canada and New Zealand if the dependant wishes to work they need to have a work visa.

However it is important to note that there are important differences in the way cases are considered. For example, the Americans make a subjective assessment of the applicant's aptitudes and motivation and all student visa applicants are interviewed. They do not have to give reasons for refusal and there is no right of appeal. In this context, there is no need for minimum requirements for course levels, maintenance or language competency. Canada and New Zealand also operate a system based judging the intentions and ability of the student. At the other end of the spectrum, the Australians operate an objective system like ours, but classify applicants into 5 tiers based on a risk assessment. Requirements and permissions alter depending on the tier.

Small Firms Impact Test

The policy will be applied to small businesses in the same ways as to other businesses. It is possible that some small businesses may find it more difficult than others to deal with any changes that may be implemented.

Environmental Impacts

Greenhouse Gas Assessment

No impact has been identified.

Wider Environmental Issues

No impact has been identified.

Social Impacts

Health and Well-being

No impact has been identified.

Human Rights

No implications for human rights arising from these proposals have been identified.

Justice

There may be an increase in the number of Judicial Reviews on the rationale of the policy, but this is expected to be small.

We do not expect that the student or post study work changes will lead to a higher rate or increase in volumes of appeals. Entry clearance PBS applications carry an entitlement to an administrative review rather than a full appeal if the application is refused. In-country applications do have a right of appeal on all grounds except those set out in s.88 2002 Act[22], namely an appeal cannot be brought against a decision made on the basis that the applicant:

- Does not satisfy a requirement relating to age, nationality or citizenship;
- Does not have an immigration document of a particular kind (or any immigration document);
- Has failed to provide a medical report or certificate as required;
- Is seeking to be in the UK for a period greater than that permitted in his case by the rules; or
- Is seeking to enter or remain in the UK for a purpose which is not in the rules.

The objective PBS framework allows applicants to see if they qualify before they apply. We do not expect application refusals to go up as a result of the policy changes; rather, we expect application volumes to fall. Transitional measures to smooth the introduction of the new policies will also help reduce the risk - and therefore cost - of legal challenge.

Rural Proofing

The policy proposals are unlikely to have a significant impact on rural areas, as educational institutions are less likely to be based in rural areas. It is unlikely that the proposed changes will affect the pattern of demand for non-EU students or make any significant structural changes to educational establishments in rural areas.

The impact of the policy proposals may however have a differing impact in Government office regions due to the volume of non-EU students studying in each region and the composition of educational establishments within the region.

The table overleaf sets out the regional distribution of all non-EU students from the Labour Force Survey (LFS). The LFS analysis should be considered as indicative only, due to the poor coverage of migrant students in the survey. Non-EU student growth, as recorded by the Labour Force Survey (LFS), for the years 2000 to 2005 and for 2005 to2010 was 50% and 32% respectively. All regions experienced growth ranging from 7% (London, 2005-10) to 150% (North East, 2005-10).

The most significant change over the entire period is that the share of non-EU students in London fell from 60% in 2000 to 40% in 2010. This is primarily driven by North East, North West, Yorkshire and Humberside, Midlands and Wales more than doubling their numbers in the period 2000-05. This also happened in Scotland and Northern Ireland but not until 2005-10.

Over the entire period the share of non-EU students increased most in the Midlands (6 percentage points), Scotland (4 percentage points) and in the North West (3 percentage points).

Table A2.4 presents the regional distribution of all non-EU students from the Labour Force Survey (LFS) for the period 2000 to 2010.

[22] http://www.legislation.gov.uk/ukpga/2002/41/section/88

Table A2.4 Non-EU Student Distribution by Government Office Region, 2000-10

Non EU students 2000 - 2010	2000		2005		2010		2000-10 Change in Share(pp)
	Volume	Share	Volume	Share	Volume	Share	
North East	4,000	2%	10,000	3%	11,000	2.4%	0.7
North West	11,000	5%	23,000	7%	37,000	8.1%	3.4
Yorkshire & Humberside	10,000	4%	23,000	7%	28,000	6.2%	1.8
Midlands	16,000	7%	36,000	10%	60,000	13.2%	6.3
Eastern	13,000	6%	19,000	6%	33,000	7.3%	1.6
London	135,000	59%	171,000	50%	183,000	40.3%	-18.4
South	29,000	13%	43,000	12%	60,000	13.2%	0.6
Wales	4,000	2%	8,000	2%	9,000	2.0%	0.2
Scotland	7,000	3%	12,000	3%	31,000	6.8%	3.8
Northern Ireland	1,000	0%	-	0%	2,000	0.4%	0.0
Total	230,000	100%	345,000	100%	454,000	100%	

Source: LFS 2000 to 2010
Note: The LFS analysis should be considered as indicative only, due to the poor coverage of migrant students in communal establishments in the survey.

HESA also produce a breakdown of Higher Education Students by region. Their data shows that in 2009-10 a third of higher education students studied in London or the South East.

Table A2.5 Higher Education Students by Region, 2009-10

Region	2009-10	Percentage
England	2,093,635	84%
North East	115,320	5%
North West	259,040	10%
Yorkshire and The Humber	206,640	8%
East Midlands	162,395	7%
West Midlands	193,920	8%
East of England	133,990	5%
London	407,795	16%
South East	449,390	18%
South West	165,140	7%
Wales	127,885	5%
Scotland	220,910	9%
Northern Ireland	50,990	2%
UK Total	**2,493,415**	100%

Source: HESA 2009/10

The educational institutions most affected by the policy proposals in this IA, will be those not subject to statutory regulation/ listed/ recognised bodies; there are about 500 of these. We have looked at a UKBA list of these institutions and our indicative assessment is that approximately 70 per cent of these are based on London, and approximately 15 per cent based in the Midlands.

Sustainability

Sustainable Development

No impact has been identified.

Annex 3 – Summary of Consultation Responses

Online survey

- 30,851 responses received from the online survey of which 72% were students, 10% were responding on behalf of an organisation and 18% did not say.
- Of those individuals who responded, 57% were students, 13% academics and 29% responded as 'other'.
- Of those responding on behalf of an organisations, 48% responded on behalf of a university – it should be noted that of those who said they were responding on behalf of an organisation may not have responded in an official capacity and in practice may have been responding in an individual capacity.

Findings

Following is a breakdown of responses/findings from survey questions:

Raising the minimum level of study offered for standard sponsor licence holders	• 50% of respondents disagreed with proposal to raise minimum level of study that standard license holding sponsors could offer under tier 3 • 46% agreed and 6% said they did not know • Respondents numbered 29,140.
Limiting below degree level study to Highly Trusted Sponsor (HTS) only	• 50% of respondents agreed with proposal to only allow HTS to offer study below degree level in the Tier 4 General category. • 28% disagreed, feeling that ALL sub degree level study would be prohibited and 10% stated that NQF level 3 should be prohibited • Respondents from the university sector were more likely to say all sub-degree level study should be prohibited under Tier 4 and institutions/businesses not directly involved in education were less likely.
Making no changes to the Tier 4 (child) route	• Considering that there was a perceived low risk of abuse in this route, the majority of all respondents (63%) agreed that there should be no changes to this route, with 27% disagreeing and 10% answering 'Don't know'
Introducing tougher entry criteria for students	• A majority of all respondents (55%) agreed that all Tier 4 (general) students should be required to pass a language test demonstrating proficiency in English to level B2 of the CEFR (43% disagreed) • 67% of respondents felt that students awarded degree equivalent qualifications or above, taught in English in a majority English speaking country should be exempt from this requirement • 51% thought that those from majority English speaking countries should be exempt and 45% thought that students who recently studied in the UK as children should be exempt. • 28% felt that no groups should be exempt
Evidence of progression	• Those apparently representing universities were least likely to agree with this proposal contrastingly, representatives of private FE/HE institutions were most likely to agree • 53% of all respondents agreed that students wishing to study a new course should have to show evidence of progression with 44% disagreeing and 3% answering 'don't know'
Ensuring students return overseas after their course	• A considerable majority of 92% of all respondents (out of 26,912) disagreed that students wishing to study a new course should return home before applying from overseas
Tier 1 Post-Study Work Route	• 83% of respondents disagreed with restriction of the Post Study Work Route to those who obtain a PhD by a UK university

	• Comments on this section largely surrounded students often citing it as the reason they chose to study in the UK and, in conjunction with academics and education providers of all types, suggesting that closure will make the UK less competitive. If changes are to be made, the point was often made that those already in the UK should be exempt.
Limiting the entitlements of student routes	• A clear majority of all respondents (85%) disagreed with the proposal to further restrict students' paid work. Thirteen per cent agreed with the proposal and 3% answered 'don't know'. • Representatives from private FE/HE institutions were more likely to agree with these proposals • As regards the option fro simplifying the rules around student work by limiting it to set times (except work on campus), 56% disagreed with the proposal and 39% agreed with 5% unsure (again Private FE/HE institutions were more likely to agree).
Courses containing work placements	• 53% of respondents disagreed with the minimum ratio of study to work placement permitted being increased from the current 50:50 to 66:33 (except where there was a statutory requirement to do otherwise). With 31% agreeing and 16% responding 'don't know' • English language schools were most likely to disagree, and private providers of FE/HE and independent schools were more supportive of these ideas.
Family members	• 51% agreed that only those studying for more than 12 months should be allowed to bring dependants, with 46% disagreeing. • 73% of all respondents (25,958) disagreed with prohibiting family members from working.
Simpler procedures for checking low risk applications	• 50% of all respondents agreed with the adoption of different requirements for low and high risk students with 40% disagreeing. • 51% agreed that UKBA should focus on abuse of documentary evidence ad the basis for differential treatment • Similarly 52% agreed that we should look at sponsor ratings as a basis for differential treatment versus 39% who disagreed
Stricter accreditation procedures for education providers	• The majority of all respondents (65%) agreed that more should be done to raise accreditation and inspection standards to ensure quality of education provision in private institutions for Tier 4 purposes with 28% disagreeing • Those responding as individuals were significantly more likely than those responding as organisations to agree with the proposal on stricter accreditation procedures (66%, compared to 60% respectively).

Further suggestions from the survey included

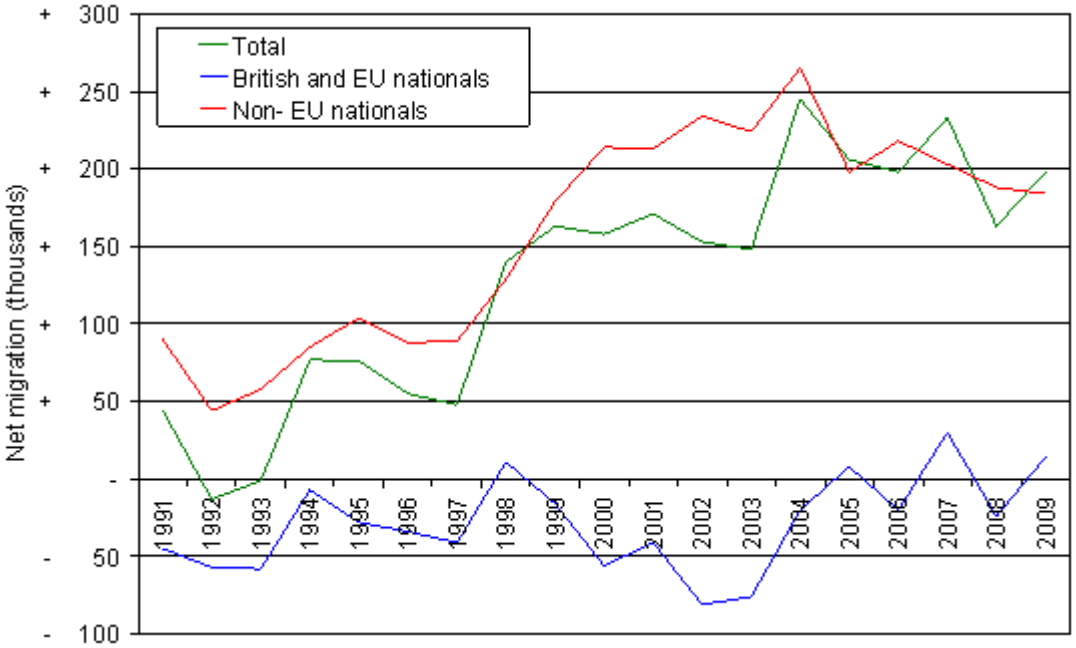
- Operate deposit system whereby students receive return of funds upon exiting the country.
- Use of ESCROW funds.
- Tighten rules for dependants or those wanting to remain in UK after study rather than excluding them before they get here.
- More needs to be done to target overseas agents.
- Applicants should be interviewed as part of the visa process.

Annex 4: Net migration

Total net migration is measured using an internationally recognised method, and counts all those coming to the UK to stay for more than 12 months, against those leaving for more than 12 months, including British and EU citizens .

The Scale of the Challenge

Net migration in 2009 was 198,000. Net non-EU migration formed a large proportion of the total, 184,000. As usual, British and EU migration tended to cancel out, as shown in the chart below.

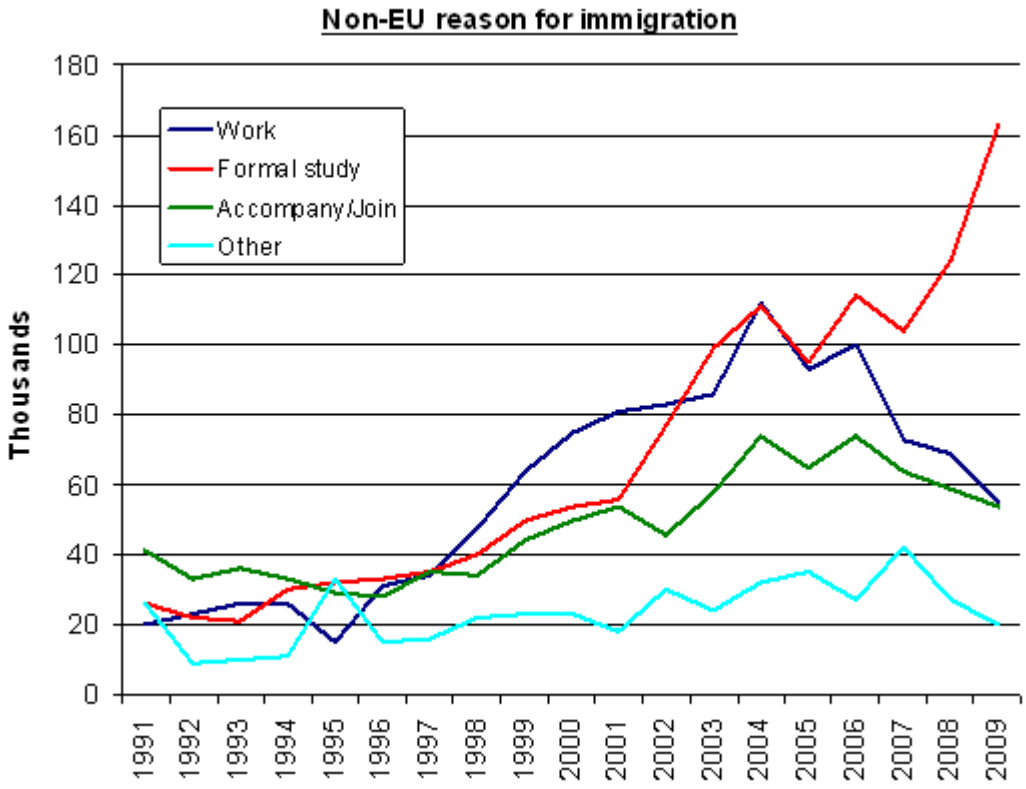


Note: These data are Long-Term International Migration annual data which are only available up to 2009.

The overall level of net migration to the UK is of course, affected by both routes that we control, such as non-EU work and study, and routes that we do not, such as returning British or EU citizens. There is a quite a large degree of uncertainty around the future path of migration that we do not control. Within the EU total, for example, the position on A8 is particularly uncertain, because Germany and Austria open their borders to A8 migrants in 2011.

Non-EU migration by route

Since the early 1990s, the importance of the study route has grown. It has now overtaken work as the dominant reason for coming to the UK. The graph below shows the main reason for immigration for non-EU nationals. The number of those coming to the UK to work has been falling quite substantially since 2006, but overall immigration has remained high because immigration to study has risen sharply.



Note: These data are Long-Term International Migration annual data which are only available up to 2009.

The gross inflow of non-EU migrants by main reason for entry in 2009 breaks down roughly 20 percent work; 60 percent study; and 20 percent family routes and asylum.

Annex 5: Non-EU Students in the UK

5.1 Student entrants and stocks in the UK

Data on Overseas Student entrants and stocks by course level are available from the Higher Educational Statistics Authority (HESA) as set out in the tables below.

Table A5.1: Number of entrants to UK HEI by domicile and level of study 2008/09

	UK	EU (excl. UK)	Non-EU
Under-Graduate	744,845	35,235	57,401
Post-Graduate	194,191	24,980	87,369
Total	939,036	60,215	144,770

Source: 2008/09 HESA record

Table A5.2: Number of entrants to UK HEI by nationality and level of study 2008/09

	UK	EU (excl. UK)	Non-EU	Not known/ missing
Under Graduate	599,618	52,493	90,395	94,975
Post Graduate	166,410	31,168	98,089	10,873
Total	766,028	83,661	188,484[23]	105,848

Source: 2008/09 HESA record

Table A5.3: Student enrolments on HE course by domicile and level of study 2009/10

	UK	EU (excl. UK)	Non-EU	Total
Under Graduate	1,673,655	73,375	112,215	1,859,240
Post Graduate	353,430	44,285	139,100	536,815
Total	2,027,085	117,660	251,310	2,396,055

Source: HESA 2011

Please note that the figures in Tables A5.1 and A5.2 are new entrants to HE institutions. The figures in Table A5.3 are stock data, reflecting all overseas students currently in UK Higher Education Institutions (HEI's).

5.2 Students across Institutions

In December 2010, the Home Office published a paper titled "Overseas students in the immigration system: Types of institution and levels of study",[24] which used a survey of Confirmation of Acceptance for Studies (CAS) to estimate the percentages of non-EEA students sponsored to study in the UK by establishment and level of study.

The results of the survey are displayed in the table overleaf, and show the difference in type of degree offered at each institution type.

[23] There are more non-EU national students than non-EU domicile students. There are also approximately 173,000 more UK domicile students than UK national students. According to BIS, 49,000 non-EU nationals are domiciled in the UK, of which three quarters are eligible to pay home fees, suggesting that they have been ordinarily resident in the UK for some time.

[24] Overseas students in the immigration system: Types of institution and levels of study, December 2010, Occasional Paper 90, Home Office

Table A5.4: Estimated percentages of non-EEA students sponsored to study in the UK by establishment type and level of study, 2010 (from a survey of 17,034 CAS)

%	Above degree		Below degree		
	Post-Grad (NQF 7&8)	Under-Grad (NQF 6)	NQF Level 5	NQF Level 4	NQF level 3 or below
Universities	57	30	7	1	5
Publicly funded HE/ FE institution	25	10	23	3*	40
Privately funded HE/FE institutions	15	28	20	25	13
English language schools	0	0	18	2*	80
Independent schools	0	0	0	0	100

* Note - small numbers in this category means this estimate may be unreliable.

The paper found that overall 34 percent of students were studying at postgraduate level, 25 percent were studying at undergraduate level, 13 percent were studying at NQF level 5, 9 percent were studying at NQF level 4 level, and 19 percent were studying at NQF level 3 or below.

The table below sets out the estimated breakdown of non-EEA students across institutions by HTS and non-HTS status, based on UKBA Management Information.

Table A5.4: Breakdown of non-EEA students in the UK by establishment type and HTS status

	< NQF L3	NQF L4	NQF L5	NQF L6	NQF L7	NQF L8	Total
Universities	7,000	2,000	9,000	40,000	65,000	10,000	**133,000**
Universities - HTS	7,000	2,000	9,000	40,000	65,000	10,000	**133,000**
Universities - Non HTS	0	0	0	0	0	0	**0**
Publicly funded	6,000	-	4,000	2,000	3,000	1,000	**16,000**
Publicly Funded - HTS	6,000	-	2,000	1,000	3,000	1,000	**13,000**
Publicly Funded - Non HTS	1,000	0	1,000	-	1,000	-	**3,000**
Privately funded	12,000	23,000	18,000	25,000	14,000	-	**92,000**
Privately Funded - HTS	9,000	1,000	-	4,000	2,000	-	**16,000**
Privately Funded - Non HTS	2,000	22,000	18,000	21,000	12,000	-	**75,000**
English Language Schools	18,000	-	4,000	0	0	0	**22,000**
English Language Schools - HTS	2,000	0	1,000	0	0	0	**3,000**
English Language Schools - Non HTS	16,000	-	3,000	0	0	0	**19,000**
Independent Schools	9,000	0	0	0	0	0	**9,000**
Independent Schools - HTS	5,000	0	0	0	0	0	**5,000**
Independent Schools - Non HTS	4,000	0	0	0	0	0	**4,000**
Total	**52,000**	**25,000**	**35,000**	**68,000**	**82,000**	**11,000**	**273,000**
Total - HTS	28,000	3,000	12,000	46,000	70,000	11,000	**170,000**
Total - Non HTS	23,000	23,000	23,000	22,000	12,000	-	**103,000**

Source: Analysis of UKBA (NEYH) MI data and Control of Immigration Statistics, Q4 2010, ARK and ERA.
Note: Figures are rounded to the nearest thousand. The symbol "-" indicates that publication of these data would be disclosive whereas zero means that there are none in that category. These data are based on analysis of a representative sample of 17,034 CASs (Confirmation of Acceptance of Study) assigned by 75 institutions between the introduction of Tier 1 (April 2009) and the end of August 2010. The sample of CAS was manually examined to establish institution-type (including whether or not the sponsor was HTS or non-HTS) and level of course. The proportions found in this study have been applied to the 273,000 Tier 4 or student entry clearance visas issued to main applicants in 2009 (Control of Immigration Statistics 2010 Q4), to give estimates of the numbers of students coming to the UK to study at different types of institution. For further details of the methods used, please see: http://rds.homeoffice.gov.uk/rds/pdfs10/occ90.pdf

Table A5.6 National Qualifications Framework

Level	Examples of NQF qualifications
1	- GCSEs grades D-G - BTEC Introductory Diplomas and Certificates - OCR Nationals - Key Skills at level 1 - NVQs at level 1 - Skills for Life
2	- GCSEs grades A*-C - BTEC First Diplomas and Certificates - OCR Nationals - Key Skills level 2 - NVQs at level 2 - Skills for Life
3	- A levels - GCE in applied subjects - International Baccalaureate - Key Skills level 3 - NVQs at level 3 - BTEC Diplomas, Certificates and Awards - BTEC Nationals - OCR Nationals
4	- NVQs at level 4/Certificate of higher education - Foundation degree - BTEC Professional Diplomas, Certificates and Awards
5	- HNCs and HNDs - NVQs at level 5 - BTEC Professional Diplomas, Certificates and Awards
6	- Bachelors Degree, Graduate diploma/certificate - BTEC Advanced Professional Diplomas, Certificates and Awards
7	- Post-grad certificate
	- Masters Degree, PGCE etc.
8	- specialist awards (eg. PHD/Doctorates)

Source: http://www.direct.gov.uk/en/EducationAndLearning/QualificationsExplained/DG_10039017

5.3: Student duration

Visa duration

Control of Immigration data for 2008 gives the split between students arriving for 12 months or more, students arriving for less than 12 months and student visitors as follows:

Table A5.7: Passengers given leave to enter the UK for study, excluding EEA and Swiss nationals, by proposed length of stay 2007 and 2008

	2007	2008
Persons whose accepted purpose is to study for 12 months or more	139,900	158,500
Persons whose accepted purpose is to study for less than 12 months	218,000	68,600
Persons admitted as a dependant of a student	17,100	20,300
Student visitors	3,400	143,300

Source: Control of Immigration Statistics, 2008. Note: The length of stay is not collected under the PBS, so this is our most up-to-date breakdown.

These data suggest a 70:30 split in favour of long term students (studying for 12 months or more) excluding student visitors and dependants. If we apply this ratio to Tier 4/ Students for 2009, this would mean that of the 269,885 students who entered the UK in 2009, around 189,000 came for more than a year, and around 81,000 came for less than 12 months.

Course duration

HESA data for 2008/09 shows that 63,779 non-EU domiciles entered short (less than one year) HE courses in the UK at post graduate level, and 16,646 at under graduate level, giving a total of 80,425.

HESA data also suggests that non-EU students are much more likely than UK/ EU domiciles to study short courses (of equal to or less than 12 months) at both undergraduate and post-graduate level (see tables below). Thus there isn't a straightforward correspondence between level of course and course length. For example, we know from HESA data that 73 per cent of overseas post-graduate entrants to UK Higher Education establishments are studying for less than or equal to a year, and 29 per cent of overseas undergraduates to HE establishments are also studying for up to one year. Therefore it would be incorrect to assume that overseas entrants to HE are likely to be studying for more than one year, since from these figures a total of 56 per cent of all HE students are studying for one year or less.

Table A5.8: Percentage of post graduate entrants to UK HE by domicile and length of study 2008/09

	Less than or equal to 1 year	More than 1 year	Total
UK	47% (91,270)	53% (102,921)	194,191
EU	63% (15,737)	37% (9,243)	24,980
Other overseas	73% (63,779)	27% (23,590)	87,369

Source: 2008/09 HESA record.[25]

Table A5.9: Percentage of under graduate entrants to UK HE by domicile and length of study 2008/09

	Less than or equal to 1 year	More than 1 year	Total
UK	20% (148,969)	80% (595,876)	744,845
EU	22% (7,751)	78% (27,483)	35,235
Other overseas	29% (16,646)	71% (40,755)	57,401

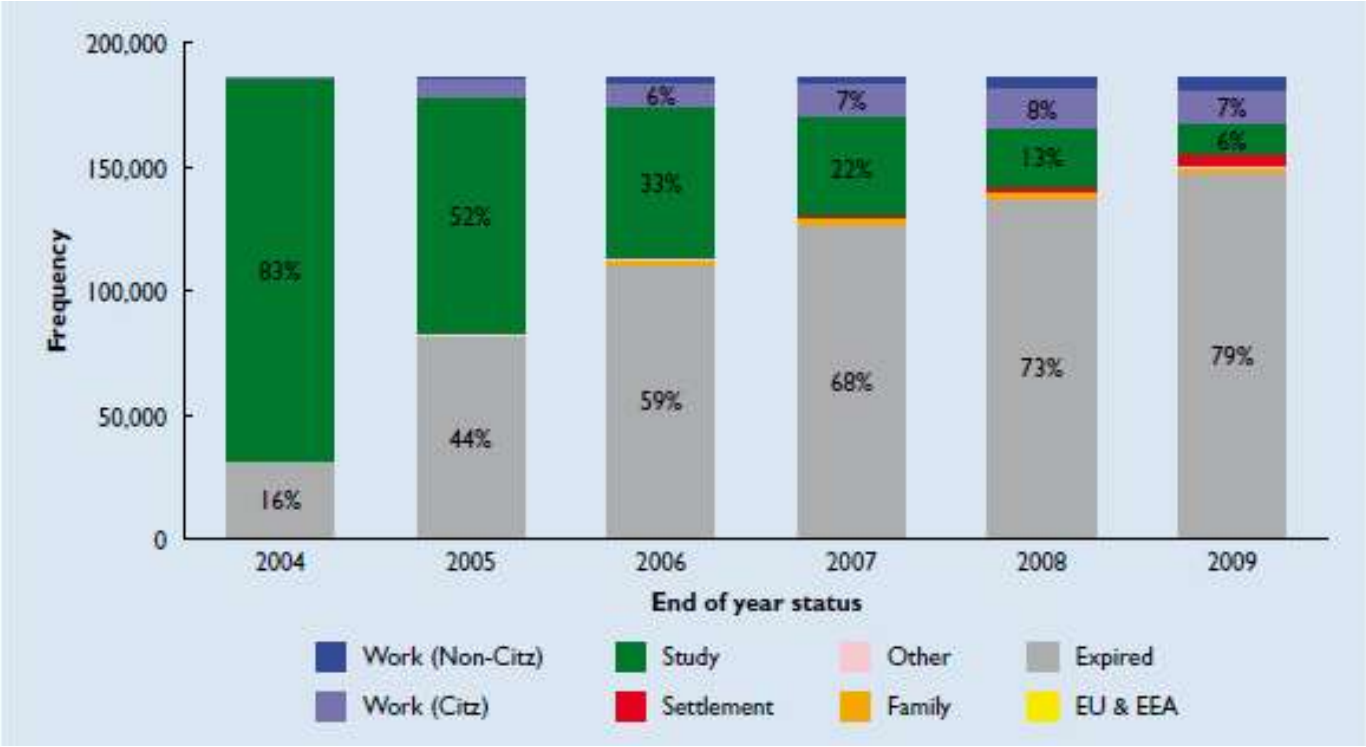
Source: 2008/09 HESA record

Duration of stay

Based on the *Migrant Journey Analysis* (Home Office 2010), in 2004, approximately 185,600 non-visit visas were issued to migrants coming to the UK to study. After two years, 59 per cent of the migrants who entered the UK on a student visa were no longer in the immigration system. At the end of five years 79 per cent no longer had valid leave to remain (and so we would assume the majority had completed their studies and left), with 21 per cent remaining in the country.[26] As shown below, those who remained in the UK tended to have moved into work (leading to citizenship) route (7 per cent), were still students (6 per cent), or changed into the family route (1 per cent). Very few of these migrants (3 per cent) had reached settlement after five years in the UK.

[25] HESA data and FE data only cover publicly funded institutions.
[26] Student visas do not normally have a direct route to settlement, and therefore those who initially arrived as students and achieved settlement had switched into the family route.

2004 student cohort by immigration status, 2004 to 2009



Source: Migrant Journey Analysis

5.4: Student Compliance

The Home Office paper "*Students in the immigration system: Types of institution and levels of study*", December 2010 examined student compliance by institution type. The results are shown below.

Note that the analysis for the university sample is not comparable with that of the non-university sample, as set out in the Home Office paper.

Table A5.10 Overall picture of students' compliance by type of Tier 4 sponsoring institution: Universities

	Universities (n=12,656)
Enrolled on course and continuing to study	84%
Regularised their stay or left the UK	4%
Did not enter UK having been issued with a visa letter or a CAS	9%
Have no record of leaving the UK and do not have a value reason to remain (potentially 'non-compliant'	2%

Source: Overseas Students in the Immigration System (Home Office 2010)

These percentages should be considered the maximum potential estimate of non-compliance, as the coverage for those leaving the UK and the focus of the roll-call investigation means that the actual levels of non-compliance are likely to be lower.

Table A5.11 Overall picture of students' compliance by type of Tier 4 sponsoring institution: All other institutions

	Privately funded HE/FE institutions (n=1,191)	Publicly funded HE/FE institutions (n=2,397)	English Language Schools (n=2,060)	All three types of institutions (n=5,648)
Enrolled on course and continuing to study	39%	47%	65%	52%
Regularised their stay or left the UK	12%	15%	15%	14%
Did not enter UK having been issued with a visa letter or a CAS	23%	30%	6%	20%
Have no record of leaving the UK and do not have a valid reason to remain (potentially 'non compliant')	26%	8%	14%	14%

Source: Overseas Students in the Immigration System (Home Office 2010)

Annex 6: Types of Institution and CAS assigned

The Home Office paper *Overseas students in the immigration system: types of institution and levels of study* (December 2010) also analysed the sponsor register by type of institution. The study found that 51% of CAS were assigned to Universities, which made up just 7% of all sponsors; Privately funded HE/ FE institutions were assigned 34% of all CAS assigned, and were 32% of all sponsors.

Table A6.1: Analysis of the Sponsor Register by type of institution

Types of institution	Number of institutions on sponsor register	Institution type as a percentage of all sponsors	Percentage of total number of CASs assigned by institution type
Universities	155	7%	51%
Publicly funded HE/ FE Institutions	428	19%	6%
Privately funded HE/FE institutions	744	32%	34%
English language schools	299	13%	7%
Independent schools	666	29%	2%
Total	2,292	100%	100%

Note – data as at 31st August 2010. Please note that the data are given as at particular point in time and will change over time.

Annex 7: Methodology and assumptions

Introduction

The focus of the impact assessment is on the policy changes that affect the Points Based System (PBS) Tier 4 (Students) and the Post-Study Work Route (PSWR) of the student immigration system. In assessing the economic impacts of the Tier 4 changes, the approach follows the methodology of Vickers and Bekhradnia (2007) and Greenaway and Tuck (1995) which is the generally accepted method for estimating the economic impacts of students. This is described in more detail in the methodology section.

Evidence base

Throughout the impact assessment published data is used where possible. Where this is lacking, management information data have been used to inform the evidence base and to help estimate the impact of specific policies – these data are published in the impact assessment or in the annexes.

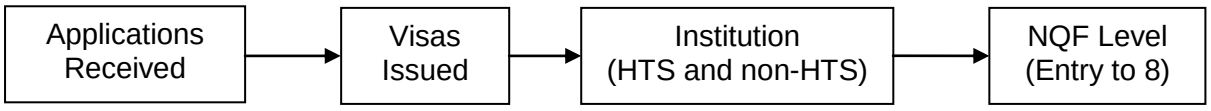
The main sources of data include:

- National Statistics (NS) publications;
- Long-Term International Migration (LTIM), International Passenger Survey (IPS) and Control of Immigration (COI) statistics;
- Labour Force Survey (LFS), Annual Survey of Hours and Earnings (ASHE) and other labour market indicators;
- Higher Education Authority (HESA), Association of Colleges and other relevant education data;
- Survey data e.g. for expenditure, tuition fees and other related evidence;
- UK Border Agency management information data; and
- Data supplied by other government departments (OGDs), associations or other relevant bodies.

Where possible, all data is referenced and explanatory notes are provided where it may be helpful to the reader.

Methodology

The methodological approach to assess the impacts is to disaggregate the data in the following manner:



Note: HTS = Highly Trusted Sponsor and non-HTS = not a Highly Trusted Sponsor
NQF = National Qualifications Framework

Visa application data is taken from UK Border Agency management information and the number of visas issued is taken from the Control of Immigration Statistics

(2010 Q4). Visas granted are estimated at approximately 79% of applications based on 2010 UK Border Agency management information data.

The baseline volume of students measured by visa and in country grants is assumed to grow by one percent per annum, in line with UK Border Agency internal business planning assumptions. Some students bring dependants with them when they enter the UK and the dependant to student ratio is assumed to remain constant at 0.125 (based on Control of Immigration Statistics 2010) for the purpose of modelling flows in the future years.

The data on volume of students is disaggregated by HTS and non-HTS by institution type and by NQF level using internal sample data. We consider 5 types of institution:

- Universities;
- Publicly funded HE and FE colleges;
- Privately funded HE and FE colleges;
- English language schools and
- Independent schools.

The impacts are modelled over the lifetime of the parliament because the policy objectives relate to this time period. Estimates of the impacts are made on an annual basis and summed over the four year period. The analysis costs the impact of a cohort of students where appropriate, for example, where students would be present for more than one year. To do this, the average length of stay of students is calculated by institution (see Table A7.1). For example the average length of stay at a university is 2 years, so a flow reduction in grant volumes in year 1 is added to the flow reduction in year 2 to estimate the stock reduction.

A flow and a stock change in student volumes are modelled by institution and further disaggregated by HTS and non-HTS status for the policies listed below. The timing of policies is also taken into consideration, with phasing as set out below.

In estimating the impacts, the total number of students and dependants is reduced by successive policies so that there is no double counting of policy impacts. The total change in student volumes provides a realistic estimate of the impact of the policy package. The policy is described in separate parts but is presented as a combined measure because this is how it will be implemented. Overall the total package does not have as great an impact as the separate proposals (if they were summed individually) as the policy effects, for example of accreditation and English Language policies, are assumed to have some degree of overlap and hence affect the same students.

Impacts of Tier 4 policies

The policies analysed are:

- Increasing English language ability to B2 for NQF Level 6+, starts in 2011-12;

- All non-HTS sponsors who wish to continue to recruit international students to gain HTS status and approved accreditation by the end of 2012;
- Closing the Post Study Route and replacing it with an alternative skilled Tier 2 route tied to a sponsor employer, starts in 2012-13;
- Restricting the work entitlements of non-EU students and their dependants to work in the UK if not at a university during term-time, starts 2011; and
- Restricting the entitlement of non-EU students to sponsor dependants, starts 2011.

Increasing the English language threshold

For all courses at NQF Level 6 and above the English language threshold is B2 for listening, reading, speaking and writing. For all courses at NQF level 5 and below the threshold is set at B1. Universities already recruit non-EU students at NQF Level 6 and above at B2 or its equivalent using their own tests.

Accreditation and Requiring HTS status

The policy requires institutions who recruit non-EU students to achieve HTS status by the end of 2012. The number of institutions and the volume of students attending these institutions are based on UK Border Agency management information. There is some uncertainty around what proportion of institutions that are currently non-HTS will upgrade to HTS status. We know that around 50% of institutions on the UKBA sponsor register are HTS and hence will not be affected by the policies. We also know that around 70% of *private* institutions are non-HTS and not accredited. It is assumed that the remaining private non-HTS institutions that are either accredited or have indicated they are willing to upgrade (approximately 25%) will upgrade to HTS. It is also assumed that some publicly funded institutions will upgrade. The overall assumption is that around 30% of institutions that are currently non-HTS will upgrade to HTS status. Given the uncertainty, this assumption is tested in the sensitivity analysis.

Exempting Pathways courses

Students on pathways courses can be at different institutions but have a link to a university or a recognised body that sponsor them. Exemptions are made so that the 'pathway' to a university course is not disrupted and this is set at 50% for English language schools and publicly funded HE and FE colleges. Advice was sought from Universities UK and the Department for Business, Innovation and Skills (BIS) on the number of students involved. However, prior to enrolling on a university course at NQF Level 6 and above non-EU students will need to demonstrate English language ability at B2.

Rates of non-compliance

The non-compliance rates are taken from the UK Border Agency PBS sample survey. They are expressed by institution but have relatively wide ranges e.g. some of the worst privately funded colleges have rates of 40% to 50% non-compliance while other colleges have rates closer to 8%. A sample of data indicated that non-compliance could be between 13% and 24% for a 2 to 3 year period. These data

are subject to a significant degree of uncertainty and are tested in the sensitivity analysis. Table A7.1 presents the estimates used in the Impact Assessment.

Restricting work entitlements

For those not at a university or a publicly funded higher education and further education (HE and FE) college there are restrictions on the work rights of non-EU students and their dependants. The assumption is there will be a reduction in their output as a result of these changes. This is proxied by their employment rate multiplied by the average expenditure, as a measure of their contribution to output.

Restricting rights to sponsor dependants

The right to sponsor a dependant is being restricted to those who are on NQF Level 7 and above (postgraduates) who are here for 12 months or more. All dependants who are not in this category are assumed not to qualify in the future. An estimate of the loss of their contribution to output is proxied by their employment rate multiplied by the average expenditure.

Post-Study Work Route

Tier 1 Post Study Work Route (PSWR) is going to close and graduates can work in the new post study route in Tier 2 provided they have a sponsor employer and meet the salary requirement. Analysis of skilled occupations indicates that approximately 50% of the current PSWR would qualify under the new criteria. The lost output from those excluded is measured by the average wage for the occupations excluded (£15,000) multiplied by the employment rate (82%). The lost output from dependants in the PSWR is proxied by their average expenditure for those who contribute to output, measured by their employment rate. We do not include on-costs as the impacts are on the UK economy rather than on business.

Table A7.1 - Students and Institutions by Duration of Course and Compliance assumptions

Institution Type	Average length of stay (yrs)	Non-Compliance	Compliance	Non-Progression(1)
Universities	2.0	2%	98%	2%
Publicly Funded FE/HE Colleges	1.6	8%	92%	4%
Privately Funded FE/HE Colleges	1.7	26%	74%	4%
English Language Schools	0.33	14%	86%	4%
Independent Schools	3.4	0%	100%	0%

Notes:
(1) Estimate of students who do not progress to a higher level of course when extending their leave.
(2) Table and results are based on analysis in *Overseas Students in the UK* (Home Office 2010). There are significant caveats around the estimates of compliance by institution type so results should be treated as indicative only.

Costs and benefits

The costs and benefits are given annually in constant prices and the net present value is presented for the period of the IA (2011-12 to 2014-15) - this reflects the

objective of the policy: to increase selectivity and quality; and to reduce net migration by the end of the current parliament in 2015. The base year is 2010.

The methodology as set out above is to estimate the volume impacts from each individual policy proposal and then calculate the combined impact of the proposals. The volume changes are then used to estimate the direct and indirect impacts of the proposals on education institutions, the UK Border Agency, Tier 4 sponsors, employers of Tier 1 Post Study migrants, and immigration advisers. Non-compliant students are removed from the analysis as the value of the lost output of this group is not costed.

Direct costs

The direct costs include tuition fees and course provision cost impacts on educational institutions, administrative and regulatory impacts on HE and FE institutions, employers and immigration advisers, as set out below:

Tuition fees

Average tuition fees (by institution) multiplied by the volume of students lost gives this impact on an annual basis. The average cost of course provision by institutions is estimated using the Higher Education Funding Council England and Wales (HEFCE) Transparent Approach to Costing Teaching (TRAC (T)) report data on the revenue-based costs of course provision.

Tier 4 sponsors

The main assumption is that whilst most Tier 4 sponsors will remain sponsors even with a lower volume of students, there will be a small reduction in Tier 4 sponsor registrations or re-registrations per annum. For de-registrations, the assumption is that the sponsor will benefit from no longer facing sponsor registration fees, or the administrative burdens of applying for sponsorship or of conducting their sponsor obligations.

Tier 1 Post Study employers

The occupational analysis indicates that 51% of PSWR migrants would qualify under Tier 2 but would need a registered UKBA sponsor. The principal assumption here is that the majority would already work for a registered sponsor as they are qualifying through the PBS immigration system. For employers that need to become registered sponsors, it is assumed they will face the UKBA Tier 2 sponsorship fee and the administrative burdens of applying for sponsorship. For all current and new sponsors, the assumption is that the new volume of PSWR migrants that qualify under Tier 2 will face additional sponsor obligation costs. In addition, for all current PSWR migrants, the assumption is there will be a reduction in familiarisation time costs in the PSWR rules and guidance, as this route will no longer operate.

Private and third sector immigration advisers

For all private and third sector immigration advisers, the assumption is there will be a reduction in familiarisation time costs in the Tier 1 PSWR rules and guidance, as this route will no longer operate.

Impacts of Tier 1 Post Study Work Route proposals

The PSWR volumes are estimated by using an assumption that 51% of PSWR workers will continue to qualify in a new route within Tier 2 where they have a sponsor and meet the salary requirement. This is based on the *Users Views of the Points Based System* (Home Office 2011) findings that 51% of PSWR migrants are working in the top three Standard Occupational Classification (SOC) codes. The direct impact on their employers is then estimated to understand the change in sponsor fee and obligation costs. A summary of the key assumptions used to estimate the direct and indirect impacts are set out in Tables A7.2 and A7.3.

Table A7.2 – Summary of Direct Impact Assumptions

Summary Assumptions	Assumption	Notes and Sources
Tier 4 Sponsor Assumptions		
Stock of Tier 4 sponsors	2,300	Overseas Students in the Immigration System
Familiarisation time in new rules (hrs)	2	Assumption
Percentage of Tier 4 sponsors that de-register	5%	Assumption based on reduction in students and average volume of students per sponsor
Admin burden of sponsor registration	£45.61	PBS Sponsorship Impact Assessment, 2007
Admin burden of sponsor reporting	£11.63	PBS Sponsorship Impact Assessment, 2007
Admin burden of sponsor maintaining	£5.81	PBS Sponsorship Impact Assessment, 2007
Tier 4 Sponsor Registration Fee	£410	UKBA website – Fees from 6th April 2011
Median hourly wage of Admin staff	£11.63	ASHE, 2009
Tier 1 Post Study Employer/Sponsor Assumptions		
Percentage of Tier 1 PSWR migrant employers	82%	Users Views of the PBS survey (82% of post-study migrants in employment)
Percentage of employers of PSWR migrants that qualify under Tier 2	51%	Users Views of the PBS survey (51% of post-study migrants in skilled employment)
Percentage that are existing registered sponsors	75%	Assumption that the majority will already be users of the PBS, increasing to 90% in year 2
Familiarisation time for sponsors (hrs)	3	Assumption
Sponsor admin burdens	As above	PBS Sponsorship Impact Assessment, 2007
Reduced familiarisation time with Post Study Work Route guidance (hrs)	3	Assumption
Private and Third Sector Immigration Advisers		
Volume of regulated advisers	4,000	OISC annual report 2009-10
Median hourly pay of Senior Manager/Professional	£27	ASHE, 2009 including on-costs of 21%

Table A7.3 - Assumptions on Fees, Expenditure and Course Provision Costs

Cost by Institution	Amount	Year	Source or Assumption
Tuition Fees			
Universities	£ 8,800	2010	HESA
Publicly Funded Colleges	£ 5,000	2009	Association of Colleges
Privately Funded Colleges	£ 5,000	2009	Association of Colleges
English Language Schools	£ 2,200	2010	English in Britain
Independent Schools	£12,000	2008-09	ISC Census 2008-09
Course Provision Costs[1]			
Universities	£ 6,500	2010	HESA Tracking Report
Publicly Funded Colleges	£ 2,000	2010	HESA Tracking Report
Privately Funded Colleges	£ 2,000	n/a	Assumed to be the same as Public
English Language Schools	£ 1,750	n/a	Reduced by £250 from Colleges
Independent Schools	£ 9,900	2010	Department of Education
Student Expenditure			
Universities	£ 9,400	2006-07	UNITE Student Experience Report[2]
Publicly Funded Colleges	£ 7,600	2006-07	UNITE Student Experience Report[2]
Privately Funded Colleges	£ 7,600	2006-07	UNITE Student Experience Report[2]
English Language Schools	£ 3,400	2006-07	UNITE Student Experience Report[2]
Independent Schools	£ 2,000	2006-07	UNITE Student Experience Report[2]
Dependants (All Institutions)	£ 3,000	2006-07	UNITE Student Experience Report[2]
Student Expenditure			
Student employment rate	37%	2010	Labour Force Survey
Dependant employment rate	31%	2010	Labour Force Survey

Notes: (1) This is taken as the revenue cost only not the capital costs as this is thought to most closely resemble the additional costs of extra students although it is actually an average cost.
(2) Plus the UNITE International Student Experience Report (2006-07). The methodology follows that of Vickers and Bekhradnia (2007), The Economic Costs and Benefits of International Students, HEPI, July.
Dependants are assumed to spend 50% of what the main applicants spend in the absence of any other evidence.
(3) We do not distinguish estimates between inside and outside of London although there is likely to be some differences.

Indirect costs

The indirect costs assessed include: output loss from the reduction in students, their dependants and from the reduction in student work rights when in the UK; output loss from the reduction in Post Study workers employed in the UK; and wider benefits from reduced public service provision. The student and dependant impacts are based on the estimated reduction in stocks over time, as set out on page 62. The output loss resulting from a reduction in work rights is based on the impact on the stock of students that remain in the UK.

Student expenditure

The reduction in student stocks is multiplied by student expenditure (adjusted for employment) to estimate the output effect of reduced student spending in the UK. Student expenditure estimates are estimated from the UNITE student report (see Table A7.3). The expenditure varies by length of stay. We apply an employment rate for student migrants (estimated from the LFS) to proxy the impact of expenditure changes on economic output.

Dependant expenditure

Dependant expenditure is set to be equal across institutions and, given that fixed costs will already be paid by the main applicant student e.g. accommodation, then

dependants are assumed to have expenditure that is 50% of student expenditure. This is estimated at £3,000 per dependant. We apply an employment rate for student dependants (estimated from the LFS) to proxy the impact of expenditure changes on economic output.

Students and dependants – output loss from reduction in work rights

The output loss from reducing students and their dependants' work rights is proxied using their estimated expenditure because the wage data for non-EU students is relatively weak and does not cover communal establishments. The student (and dependant) stocks affected multiplied by their estimated employment rate and expenditure is multiplied by the estimated reduction in work hours resulting from the policy change to estimate the output loss.

Post-Study – output loss

The impact on the wider economy of reduced PSWR workers is estimated using an average wage (to reflect the productivity of these workers) because the PSWR has workers across all sectors. Using LFS evidence looking at non-EU nationals between the ages of 20 and 30 (a proxy for possible PSWR migrants) on wage by occupation and skills by occupation from the Tier 2 UK Border Agency survey we use an average wage of PSWR migrants of £15,000 taken from the occupational groups 4 to 9 as these are the groups that will be excluded by the policy. We do not include on-costs as the impacts are on the UK economy rather than on business. We do not adjust for Gross Value Added for these workers as the value of the worker to the economy is reflected by their wage (see HMT (2003) The Green Book), not the net profits earned by their employers.

Social impacts

The presence of migrants in the UK places additional pressure on the country's infrastructure and public services. The way these impacts are felt is sometimes complex and this fact, combined with an absence of suitable data, means that it is not possible to estimate all of the impacts of a higher number of student migrants (for example, those impacts on housing costs or public transport).

An attempt to quantify the impact of the policy proposals on healthcare, education, and the criminal justice system (CJS) has been made. These estimates are uncertain due to data availability, as the nationality groupings of those committing crime, accessing healthcare and accessing public school education is not collected in a routine manner. The figures below therefore represent the best estimate given the data available.

Unit cost estimates

The nationality of those accessing education, healthcare and the CJS is not collected in a routine manner. To derive an estimate of the impact on education, healthcare and the CJS we assumed, in the absence of other information, that migrants have the same average costs as the UK population of the same age profile; the methodology and source of these average costs are described below.

There are a number of reasons why migrants could have either higher or lower costs, but this is highly uncertain. Given this uncertainty we believe that assuming migrants have the same average cost as the UK population of the same age profile is the most sensible approach. However, selected evidence from Australia (see Singh, M. and de Looper, M. (2002)) and from the ONS General Lifestyle Survey 2009 suggests that non-British students *may* have lower healthcare costs; we discuss the impact of changing this assumption in the sensitivity analysis.[27]

Our estimates below are based on making a number of assumptions, as set out in the text below. The Migration Advisory Committee (MAC) has been commissioned to research the labour market, social and public service impacts of non-EEA migration, and is due to report back to the Government in November. The unit cost estimates of social and public service impacts set out below will be revised once the recommendations made by the MAC have been considered.

Average unit cost – Healthcare

To estimate the health care costs of migrants, we took Hospital and Community Health Services (HCHS) per capita expenditure by age (1999-00, England)[28] and inflated the figure by the increase in overall HCHS expenditure in England.

The derived estimates of healthcare costs by age are shown in Table A7.4.

Table A7.4 Estimated Healthcare Costs in the UK by Age

Age (years)	Per capita HCHS cost per annum
under 5	£1,913
5 to 15	£446
16 to 44	£790
45 to 64	£1,107
65 to 74	£2,287
75 to 84	£4,057
over 84	£6,360

Note: We assume that per capita costs stay constant over the reference period.

Average unit cost – Education

To estimate the unit cost of compulsory education by migrants we used the revenue funding per school pupil figure of £5,360 from the Revenue and Capital Funding Plan per School Pupil 2004-05 to 2010-11, and applied a participation rate for the relevant age group in line with guidance from the Department for Education.[29] We assumed that the cost stayed constant during the reference period.

[27] The sensitivity analysis is used as the Australian evidence shows that for visits to hospitals the non-resident population rate is about 20% lower than that of residents but that they have higher rates for some specific health problems and self-reported health risks e.g. tobacco use, high alcohol consumption and obesity. The ONS data is for non-British students not just non-EU migrants.

[28] See: http://www.ohe.org/page/knowledge/schools/appendix/nhs_cost.cfm

[29] See: http://www.education.gov.uk/rsgateway/DB/TIM/m002012/ts-rev-r06-mar11.xls

There are a number of reasons why the unit cost could be either higher or lower than £5,380, as set out below:

- The participation age will rise to 17 in 2013 and to 18 in 2015; the figures in this IA do not consider the impact of this change and will therefore underestimate the benefits in this respect. The IA has also assumed the current participation rate for those aged between 16 and 18 will remain constant, but this may be subject to change over time. The participation age will rise to 17 in 2013 and to 18 in 2015; the figures in this IA do not consider the impact of this change and will therefore underestimate the benefits in this respect.
- We have assumed that the unit funding will stay constant during the reference period. However the spending review announced that unit funding will need to fall and therefore the cost savings are overestimated in this respect, but it is uncertain by how much.
- We have assumed that children of students and those on the post study work route would attend public schools. Costs at independent schools and higher education institutions may differ, and revenue may be lost at independent schools.
- Schools and colleges may counter the effect of fewer migrant students by recruiting more UK or EU students. This would lower the estimated cost savings of the policy.
- Schools and colleges may have already committed most of the resources allocated to them in advance of the start of the academic year (on staffing contracts for example) so resource savings in the first and second year may be limited.

Given the above uncertainties it is important to note that the quantified estimate is indicative only and could be subject to a wide range.

Average unit cost – Crime

We assumed that the propensity of non-EU migrants to commit crime was the same as that of British nationals of the same age group. We also assumed that, of those excluded by the proposals, half would be male and half would be female.

We used data from the Offending Crime and Justice Survey 2006[30] and the Offending Crime and Justice Survey 2006[31], to estimate the likelihood that an individual of a certain age would commit a crime, by crime type.

We then uplifted published 2003 criminal justice costs by crime type[32] by the GDP deflator and multiplied this by the propensity to commit crime to obtain estimates of the criminal justice system impact; as shown in Table A7.5.

[30] See: http://rds.homeoffice.gov.uk/rds/pdfs08/hosb0908.pdf
[31] See: http://rds.homeoffice.gov.uk/rds/pdfs05/hors275.pdf
[32] See: http://rds.homeoffice.gov.uk/rds/pdfs05/rdsolr3005.pdf

Table A7.5 Estimated CJS Costs by Age

Age (years)	Cost per annum
10-15	£251
16-23	£283
25-45	£74

We were not able to estimate the CJS costs of those aged 23 – 25. We assumed, conservatively, that those aged 23-25 had the same cost per annum as those aged 25-45.

Stock reduction

Once we had derived the average unit costs by age, we multiplied this by the estimated reduction in relevant stock by age. The reduction in stock estimate was derived using a relatively complex model; based on visas granted, length of duration, and compliance by migrant route and education institution type. Essentially our approach was as follows:

Stock reduction by route or institution type = Reduction in grants x compliance rate x estimated length of duration

The stock calculations were based on the following assumptions:

Table A7.6 - Students and Institutions by Duration of Course and Compliance assumptions

Institution Type	Average length of stay (yrs)	Non-Compliance	Compliance
Universities	2.0	2%	98%
Publicly Funded FE/HE Colleges	1.6	8%	92%
Privately Funded FE/HE Colleges	1.7	26%	74%
English Language Schools	0.33	14%	86%
Independent Schools	3.4	0%	100%

Notes:
Table and results are based on analysis in *Overseas Students in the UK* (Home Office 2010). There are significant caveats around the estimates of compliance by institution type so results should be treated as indicative only.

We assumed that those on the post study route would stay for the full two year period of their leave, and that dependents would stay for the same duration as their main applicant counterpart.

Using the above information, we estimated that over the four year time horizon of this assessment the stock reductions per annum averaged approximately:

- Students: 81,000;
- Student dependents: 32,000;
- PSWR main applicants: 26,000 and
- PSWR dependents: 6,000.

Stock reduction by age

To derive the estimated stock reduction by age we multiplied the above stock estimates by the estimated proportion of migrant inflow by age group; based on results from the International Passenger Survey, and information from in-country and visa grants.

Since the majority of the policy changes affect the *inflow* of migrants, the breakdown of students by age was estimated using IPS data for the main reason for immigration by formal study (all nationalities)[33]. The IPS tables for 2009 indicated that the majority of those coming to study were aged 15 to 44 years, as shown in Table A7.5. We assumed that the age breakdown would stay constant over the reference period.

Table A7.5 IPS, All Nationalities, 2009, Main Reason for Immigration is for Formal Study

Years	Inflow
All ages	**209**
Under 15	4
15-24	134
25-44	70
45-59/64	0
60/65 and over	0

Note: The ONS do not publish reason for migration by age by nationality, and so the student age breakdown for all nationalities is used as a proxy for the distribution.

Since the policy will not have a significant impact on independent schools we assumed that the reductions would only impact those aged 15 – 44. We therefore estimated, using the figures above, that of those excluded students and post study workers 65% would be aged 15 -24 and 34% would be aged 25 – 44.

For dependent visas, we obtained a breakdown of in-country and visa dependent grants by age; as shown in Table A7.6. We assumed that this age breakdown would be the same as those dependents coming to the UK, and that the breakdown remained constant for the future periods of this assessment. We assumed that the policy would affect those of differing ages equally.

Table A7.6 Breakdown of Dependants by Age, In-country and visa grants, 31st March 2009 to 15th February 2011.

Age Group (Years)	Percentage
16 to 18	39%
19-25	6%
Over 25	25%
Under 16	30%

[33] See: http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15054. The ONS do not publish IPS tables for citizenship by reason for migration by age.

Estimated impact of policy proposals

The unitary cost by age of education, health, and the CJS were then multiplied by the relevant stock reduction by age group to produce an overall quantified benefit of the social impact.

Healthcare

The stock reduction estimates by age (for students, post study workers, and dependents) were multiplied by the estimated healthcare costs by age. The costs for those aged 5 to 15 years were taken as a proxy for dependants aged 16 years and under.

On this basis we estimated that over the four year period, compared to the do nothing case, healthcare costs would be approximately £410 million lower.

Education

In the absence of data relating to the inflow of dependant migrants below school attendance age, we assumed they would make up 18% of those aged under 16. The estimate, shown in Table A7.7 below, was based on Labour Force Survey analysis of the age of non-EU national spouses and dependants of someone coming to the UK. The LFS analysis showed that approximately 18% of those aged under 16 were below compulsory school attendance age (age 5 to 16).

Table A7.7 Estimated proportion of non-EU nationals under 16 below school age

	Spouse/ dependent of someone coming to UK
Age 0 - 4	18%
Age 5 - 16	82%

Note: LFS Q4 2010, WHYUK10 variable

The estimated stock reduction per annum of dependants aged under 16, but of school attendance age, was then multiplied by the £5,360 education unit cost derived above.

For those aged between 16 and 18 we estimated the proportion that would still be participating in education (67.5%) using published statistics of Participation in Education, Training and Employment in England[34]. We then multiplied this stock reduction per annum by the £5,360 unit cost figure.

On this basis we estimated that over the four year period, compared to the do nothing case, education costs will be approximately £410 million lower. There are a number of uncertainties with this estimate, as set out on page 61.

CJS

The stock reduction estimates by age (for students, post study workers, and dependents) were multiplied by the estimated CJS costs by age.

[34] See: http://www.education.gov.uk/rsgateway/DB/SFR/s000938/index.shtml

On this basis we estimated that over the four year period, compared to the do nothing case, CJS costs would be approximately £90 million lower.

Annex 8 – Labour Market Analysis

Using the Labour Force Survey (LFS) to measure migrant students

Data on students living in communal establishments are collected via their parent's household (apart from individuals living in NHS accommodation which are sampled using a separate list of accommodation); therefore the LFS may exclude some migrant students living in halls whose parents are not UK residents. The figures below make no adjustment for this and should be treated as indicative only.

Labour market participation

Non-EU students can currently work in the UK under the following restrictions: work part-time (up to 20 hours per week) during term-time; work full-time during vacations; do a work placement as part of your course; work as a postgraduate doctor or dentist (if the course of study is a recognised Foundation Programme); or be a student union sabbatical officer for up to two years.

LFS analysis for the year ending September 2010, showed that 36% (164,000) of non-EU students described themselves as employed or self employed compared to 48% (1,950,000) UK students and 45% (65,000) of all EU national students.

Students from outside of the EU tend to be concentrated within distribution, hotels and restaurants, banking and finance and the public administration, education and health sector.

Non-EU students who work are largely concentrated in elementary, professional, personal service and sales occupations.

According to the Home Office report "*Points Based System Tier 1: an operational assessment*" over 50 percent of the post study route sample appeared to be in unskilled employment.

Table A8.1 Employment status of Tier 1 visa holders (June 2010 sample), by sub-category

Visa Type	Skilled	Unclear	Unskilled	Total
General	265	450	194	909
Post Study	**23**	**77**	**153**	**253**
Investor	4	9		13
Entrepreneur	2	3		5
Gateway*	1	3		4
Total	295	542	347	1,184

Source: Home Office
Note: * Transitional category, no longer used

Impact of the policy proposals on the labour market and business

Reduced student numbers, limits to the entitlement of students to work, and a crack down on abuse of the student route will reduce the total working hours

worked by non-EU students. Reducing the post study work route may also affect businesses practices.

The impact on business will be lessened by current reform to the benefit and skills system. The range of activity already underway will ensure more UK residents are seeking work and have the necessary skills. The Work Programme, for example, will be introduced in full from summer 2011 and will provide a personalised package of support to help unemployed people back into sustained work.

It is difficult to estimate, given data availability, the impact of the policy proposals on profit and business viability. Those businesses close to the margins may find that the policy reduces profits to an extent that they need to close their business; but given that the policy will bear down on abuse in the student route those most affected should be businesses helping to bring students to the UK by fraudulent means.

Annex 9 – Institutional Breakdown

In 2010 254,000 Main applicant and 32,000 dependant visas were granted; we estimate the split by institution as follows:

Table A9.1 Estimated visa grants by institution, 2010, rounded

	Main applicants	Dependants
Universities	**124,000**	**15,000**
Universities - HTS	*124,000*	*15,000*
Universities - Non HTS	*0*	*0*
Publicly funded	**15,000**	**2,000**
Publicly Funded - HTS	*12,000*	*2,000*
Publicly Funded - Non HTS	*3,000*	*0*
Privately funded	**86,000**	**11,000**
Privately Funded - HTS	*15,000*	*2,000*
Privately Funded - Non HTS	*71,000*	*9,000*
English Language Schools	**21,000**	**3,000**
English Language Schools - HTS	*2,000*	*0*
English Language Schools - Non HTS	*18,000*	*2,000*
Independent Schools	**9,000**	**1,000**
Independent Schools - HTS	*5,000*	*1,000*
Independent Schools - Non HTS	*4,000*	*0*
Total	**254,000**	**32,000**
Total - HTS	*158,000*	*20,000*
Total - Non HTS	*96,000*	*12,000*

Note: Totals may not sum due to rounding

The policy proposals outlined in this paper will mainly impact on the privately funded FE colleges; as shown by the estimated reductions in visas granted by institution type below:

Table A9.2 Estimated reduction in main applicant visas granted, rounded

	2011/12	2012/13	2013/14
Universities	0	0	0
Publicly funded	600	900	2,100
Privately funded	20,500	28,700	56,200
English Language Schools	3,300	5,200	13,200
Independent Schools	0	0	0
Total	**24,300**	**34,800**	**71,000**

Note: Totals may not sum due to rounding

Table A9.3 Estimated reduction in dependant visas granted, rounded

	2011/12	2012/13	2013/14
Universities	6,000	6,900	6,900
Publicly funded	1,200	1,400	1,400
Privately funded	8,800	10,100	10,700
English Language Schools	2,300	2,600	2,700
Independent Schools	0	0	0
Total	**18,300**	**21,500**	**21,800**

Note: Totals may not sum due to rounding

Independent schools are not estimated to be significantly affected by the proposals in this impact assessment.

The estimated impact of these reductions by institution, over the four year period is as follows:

Table A9.4 Estimated impact of policy proposals by institution

	4 year total discounted (£m)		
	Costs	Benefits	Net
Institutional Effects (course fees and reduced inputs)			
Universities	0	0	0
Publicly funded FE/HE colleges	5	2	-3
Privately funded FE/HE colleges	151	60	-91
English Language Schools	14	11	-3
Independent Schools	0	0	0
Sub-total	**171**	**74**	**-97**
Output loss from students and dependants			
Lost output - change in work rights	1,407	0	-1,407
Lost output - excluded students	603	0	-603
Output loss from Post study work route			
Lost output - post study	1,214	0	-1,214
Other			
UKBA Income - students	96	108	12
UKBA Income - post study	58	39	-18
Wider social benefits	0	838	838
Other (familiarisation costs, admin burdens and UKBA enforcement)	10	60	50
Total	**3,558**	**1,119**	**-2,438**

Note: Totals may not sum due to rounding