

## Business, Innovation and Skills Committee's Inquiry on the Productivity Plan – million+ Supplementary Evidence

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### The need to support and incentivise work-based learning

1. In order to improve the professional and technical skills and qualifications of those already in the workplace, there is a need to stimulate demand from employers and in particular, to support SMEs to engage. The Committee was rightly concerned that SMEs face pressures in terms of resources including releasing staff. We would draw attention to the work of modern universities in relation to work-based learning – another area in which the productivity plan is under-researched in terms of what is already available and which could be further promoted and incentivised.
2. As an example, Middlesex University has for many years supported an Institute for Work Based Learning that is internationally recognised for innovation and expertise in professional and work-based learning. The Institute offers organisations and individuals the opportunity to gain formal recognition and academic credit for learning that occurs in the workplace. Higher education programmes allows participants to focus their learning on their workplace activities – enhancing the skills of individuals but also providing a potential return on investment for employers. The Institute supports a broad range of innovative professional practice programmes at undergraduate and postgraduate level, a Professional Doctorate and Professional Doctorate by Public Works. Middlesex University's development of innovative Higher and Degree Apprenticeships programmes in a number of sectors have been led by the Institute.
3. Work-based learning and sponsored degrees are both areas which could be further incentivised by an employer tax credit geared at SMEs.

### Regional growth: regional targets to improve graduate supply

4. There are stark variations in university participation across the country (in some areas the proportion of people with graduate level skills is less than 35%). In 2014 million+ analysed graduate destinations by region<sup>1</sup>. The research confirmed that in spite of differentials in attainment, in regions outside of London and the South East, significant numbers of graduates lived and worked in the regions in which they studied. For example, in the North West 76% of graduates in employment studied in the region; in the North East this rises to 79%.
5. Research undertaken with London Economics sought to further explore the link between graduate supply and regional growth and analyse the economic impact in each region arising from the graduates who obtain employment in the region in which they have studied. This also confirmed that the majority of the economic impact generated by universities through the education of graduates in the regions took place in the regions.

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<sup>1</sup> *Smarter Regions Smarter Britain* pub 2014 million+ <http://www.millionplus.ac.uk/research-policy/reports/latest-reports/research-report-smarter-regions-smarter-britain-boosting-regional-growth-through-universities/>

6. For example, per year, from a single cohort of graduates, universities in the North East generate £1.7 billion, and £1.3bn – or 80% of this – is generated by those who obtained employment in the North East after graduation. This economic impact is achieved despite the lower regional participation and attainment rates. Incentivising and encouraging participation in higher education in the regions is therefore likely to have positive outcomes in terms of regional growth as well as having wider positive spill-over effects for employers and regional economies.
7. In addition to the promotion of high quality apprenticeships, the government should set new targets for university participation by region. This would also require co-ordinated efforts to improve attainments at Level 2 and 3.

**The visa regime for international students: a non-tariff barrier to UK trade and exports**

8. The Productivity plan refers to the importance of exports and Ministers have set new targets for educational exports. We endorse the widely-held view that international students should be removed from migration figures. However, even if these students were taken out, the current visa regime and its operation by UKVI are non-tariff barriers to UK trade and exports.
9. There are a number of ways in which these barriers have been erected. For example, universities issue a confirmation of acceptance of studies (CAS) when they are satisfied that students are academically qualified to be accepted on a course of study. These students then apply to UKVI for a visa. Since 2012, the Home Office has significantly increased the number of students who are interviewed (often by Skype) to assess whether they are ‘credible’. In the 2014 calendar year over 125,000 credibility interviews took place. Universities have reported a large increase in the number of applicants being refused visas and that refusals on grounds of credibility are inconsistent and can be spurious. In addition, universities report that potential students who have been issued with a CAS and who are from West Africa, Pakistan, Bangladesh and parts of India, are treated by UKVI as ‘high risk’.
10. In September 2015 the UK Council for International Student Affairs (UKCISA) carried out research into credibility interviews. The findings are alarming and suggest that Home Office officials are making judgements well beyond the stated terms of the credibility interview. For its part, the Home Office has confirmed that it does not currently collect statistics on the reasons for visa refusal.
11. Aside from the fact that the system was specifically designed to ensure universities were the ones assessing academic potential, universities have been made responsible for their own visa refusal rates, regardless of cause. If more than 10% of students to whom an institution makes an offer, are refused a visa by the UK Government, the institution loses its ability to issue any more offers (CAS). Between 2013 and quarter 2 of 2015 the overall visa refusal rate for Tier 4 applications ranged from 5% to 15%.
12. When “credibility” refusals are difficult to predict and outside of the control of the institution, it makes rational HEI offer-making almost impossible. Where visa refusal rates unexpectedly increase, universities have no option but to reduce risk by stopping and / or pulling away from recruitment in associated markets or cities. A relatively low number of visa refusals can impact adversely on overall institutional visa refusal rates. At best the system lacks transparency. At worse it means that the Home Office is effectively judge and jury of both credibility interviews and institutional refusal rates.
13. The Home Office has indicated that it will reduce institutional visa refusal rates to 5 per cent and impose controls on the issue of CASs if institutional refusal rates exceed this percentage. This

will further disadvantage the capacity of UK universities to compete in the international market and further undermine the confidence of potential students in the UK's visa regimes.

14. In addition there is strong Home Office rhetoric on “overstayers,” together with a widely repeated claim that many students stay in the UK illegally after finishing their degree. There is no clear evidence that this is the case. The UK visa system logs people in, but not out, so Government figures are based on the International Passenger Survey, which is, at best, an incomplete picture of what is actually happening
15. In fact students have 90 days and most students’ visas do not expire precisely when they “complete study,” and for good reason. The actual marking, moderating, award (and in some cases viva voce) and graduation process can take some time after teaching and examinations are completed. The proposition that universities should be responsible for students leaving the country is unrealistic and would in any case undermine the entitlements currently afforded to international students via the visa regime to freedom of movement to travel within the UK after they have completed their studies.
16. The failure of the Home Office to assess the outcome of credibility interviews, independent UKCISA evidence that UKVI decision-making is biased together with the control exercised by the Home Office over institutional visa refusal regimes, suggest that UK universities are being disadvantaged by the erection of non-tariff trade barriers that are anti-competitive and unfair. This regime is limiting the UK's share of the international HE market and will undermine the government's ambitions to improve exports.

### **Tier 2 salary thresholds: a disincentive for employers**

17. International student graduates are able to apply for a graduate level job with a Tier 2 visa provided that the employer is a registered Tier 2 sponsor and the role pays above a certain threshold. The minimum salary threshold for a Tier 2 application is currently £20,800.
18. million+ commissioned London Economics to undertake analysis of average annual earnings for individuals aged between 22 and 24 inclusive - in possession of a first degree – not in full time education. This reveals some strong regional differences. The salaries **highlighted in bold** are those that would meet the current Tier 2 minimum threshold. Only in London are average earnings for both men and women higher than the threshold:

<b>SALARY</b>			
REGION	MALE	FEMALE	ALL
North East	£18,600	£17,700	£18,100
North West	£16,700	£17,700	£17,300
Yorkshire	£16,200	£17,800	£17,100
East Midlands	£17,000	£17,300	£17,200
West Midlands	£19,100	£15,700	£16,800
East Anglia	<b>£21,000</b>	£18,900	£19,800
London	<b>£26,100</b>	<b>£21,600</b>	<b>£23,900</b>
South East	<b>£22,100</b>	£18,200	£19,900
South West	£18,200	£18,800	£18,600
Wales	£17,100	£17,400	£17,200
Scotland	£20,600	£17,000	£18,600
Northern Ireland	£17,800	£15,300	£16,400
Total	£20,300	£18,200	£19,200

*London Economics analysis derived from the Labour Force Survey - pooled between 2011 and 2014 (to achieve sufficient sample) - with the earnings in previous years adjusted (up) for inflation over the period. The total number of observations was 1,874 (un-weighted) corresponding to 1,574,700 individuals when weighted. Full technical information available on request.*

19. Although the minimum salary threshold is based on wage by specific occupation, rather than average wage overall, these figures demonstrate the scale of regional variation in “new entrant” or graduate starting salaries.
20. This has two effects. Firstly, businesses in London and the South East are most likely to benefit from the talents of international graduates as labour market forces require them to set salaries higher than the threshold. Secondly, regional companies that benefit from international graduates are likely to be high in the chain of production, rather than lower down the supply chain for example, in component manufacture, as larger multi-site companies are more likely to have standardised salary structures across the UK.
21. This is supported by Government figures<sup>2</sup> on the regional distribution of employers who are Tier 2 licence holders; employers in London and the South East make up 63 % of active Tier 2 (General) sponsors<sup>3</sup>.

Number of Sponsors by region associated with migrants who have used Tier 2 General CoS					
Region	2009	2010	2011	2012	2013
London & South East	3,435	3,565	3,594	4,805	6,836
Midlands & East of England	1,016	1,143	1,036	1,192	1,726
Wales & South West	427	532	392	460	635
Scotland & Northern Ireland	506	517	387	449	672
North East, Yorkshire & the Humber	330	366	316	359	495
North West	310	344	258	347	495

### **Translational research funding to improve productivity**

22. We were invited to give oral evidence in a session focused on skills. We would therefore draw attention to our original evidence submission which included a reference to research funding. It pointed out that 72 universities in the UK now receive less than £5m per annum in research funding. Britain’s research base cannot be maintained on a handful of ‘elite’ universities in a ‘geographic golden triangle’ and SMEs need to be able to access relevant research in their localities.
23. There is an urgent need to address the lack of support for translational research as part of the productivity plan. This could be boosted by the provision of a £400m fund over four years (3% of the total current research resource), geared at those universities which get the least research funding but which have excellent world-leading research and a record of strong relationships with SMEs in their region.

<sup>2</sup> <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2014-10-10/209962/>

<sup>3</sup> Additional analysis via the APPG Migration report on Post Study Work  
[http://www.appgmigration.org.uk/sites/default/files/APPG\\_PSW\\_Inquiry\\_Report-FINAL.pdf](http://www.appgmigration.org.uk/sites/default/files/APPG_PSW_Inquiry_Report-FINAL.pdf)

### **Transferring funding from HE to FE: mistaken assumptions**

24. Apart from the fact that there is little to be gained from pitching HE against FE when both contribute to productivity, Policy Exchange proposals that £500m should be transferred from universities to colleges is based on the flawed assumption that university reserves represent cash when in fact they represent all assets including buildings. In the alternative if £500m were to be transferred from what remains of direct teaching grant this would wipe out the Student Opportunity Allocation fund (used to support widening participation students) and the additional funding made available to support high costs subjects including STEM.

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