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Facts

EXPRESS

WHAT DO WE KNOW ABOUT THE ECONOMIC IMPACT OF INTERNATIONAL HIGHER EDUCATION STUDENTS?



➤ Number of
students rising
– effects varied.



Investigating the economic impact is very relevant just now

THE NUMBER of international students in Finland has grown substantially during the 2000s. In 2013, almost 20,000 degree students from abroad studied in Finnish higher education institutions, which is almost three times as many as in the year 2000.

The increase is a result of national efforts put into international education as well as global mobility trends. Finnish higher education institutions have been actively recruiting international students and developed study programmes and services in the English language. The Finnish Ministry of Education and Culture has encouraged

higher education institutions to recruit students from abroad. It is thought that international students enrich the Finnish higher education community and bring knowledge capital to Finland.

The increase in the number of international students makes investigation of the impact of international education topical. The impact of recruitment of international students on higher educa-

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tion, skills of students and to the wider society is complex.

There is not much research available in Finland into the economic impact of international education. The Government Institute for Economic Research VATT and CIMO produced a preliminary report about the economic impact of international students¹. The report looks into the possibilities of studying this subject in more depth in Finland. In this Facts Express, we look into what we know about the economic impact of international students on the basis of this preliminary report and other studies.

¹The Government Institute for Economic Research VATT: Esiselvitys ulkomaalaisten korkeakouluopiskelijoiden taloudellisista vaikutuksista. VATT Valmisteluraportti 21/2014. Includes an abstract in English.



For productivity, it is essential that young, skilled adults stay in the country after graduation and find work at their level of education.

In the mid- and long term, increasing the number of students outside EU/EEA will bring the greatest benefits.

Immigration of employable young adults is economically beneficial

ACCORDING TO the calculations of VATT (2014), the net impact of immigration on Finnish public economy depends decisively on the age of the immigrants and how well they and their offspring succeed on the labour market. At the beginning of a person's career, between 20 and 40 years of age, the net benefit of an immigrant to the public economy is at best almost 200,000 euros, if he or she and his or her offspring succeed in the labour market as well as those born in Finland of the same age. When immigrants are young or old, costs become higher than benefits. This is also true if young adults don't succeed in the labour market as well as those born in Finland.

Similar results have been reached in Sweden and the United States, too. Immigration of young adults at the peak of their working life results in clear net benefit in the public economy. In other age groups, the cost of education, health care, pensions and other services rise considerably.

These studies are not specifically about students, but the results do indicate that recruitment of international higher education students is beneficial to public economy. Higher education students belong to the most productive group: young, skilled adults. Crucial from the point of view of productivity is that they remain in the country after graduation and find employment at their education level.

Recruiting students outside the EU/EEA brings the highest economic benefits

THE IMPACT of international degree students on public economy has been studied in Denmark (Danish Ministry of Science... 2013). According to the study, increasing the number of international students has long-term economic benefits for Denmark even when the training is funded by Denmark, as is the case when students are from the EU/EEA. The benefit of 1,000 international students on public economy varies from 0.4 to 0.8 billion Danish Krone. The benefit results from the tax revenue

from students who stay in the country to work.

In the mid-term (about 20 years), increasing the number of students from non-Western countries outside the EU/EEA will result in the biggest financial benefit. In the long term (about 40 years), the biggest benefit results from increasing the number of students from Western countries outside the EU/EEA.

Higher education students from abroad have a positive impact on economy

COST-BENEFIT analyses have been conducted in many countries. According to calculations made, international higher education students have a positive impact on public economy. According to calculations made in Germany, the state would get back the money invested in four-year higher education degrees of international students in five years, if 30% of them would stay in the country to work (Prognos AG 2013). According to an analysis made in the Netherlands, the net benefit of an international

Based on cost-benefit calculations, impact of international higher education students on public economy appears positive.



Students with positive experiences from their time as students will become ambassadors for their country of study even if they don't stay there.



student to public economy is between 10,000 and 90,000 euros during his or her life time, depending on the type of the educational institution and the country of origin of the student. The premise is that 19% of students remain in the country and that they would earn similar salaries and their characteristics in the labour market would be similar to those of Dutch people with similar education, and that they would use public services in a similar way as Dutch people and live as long. (CPB 2012.) We need to interpret these results with caution, however. The premises about employment, consumption and use of services have a decisive impact on the sum total of the calculation.

The complexity of economic impact

IN ADDITION to impact on the public economy, international students have other economic effects. Students who start working contribute to increasing production in the country and strengthen international networks and business between countries. On the other hand, an increased competition for work places may lower salaries.

Recruitment of international students also has an impact on the volume and quality of training provided by the higher education system. If provision remains constant, local students may

not find a place to study. Furthermore, the presence of international students may have an impact on the learning of local students. The economic impact of international students is complex and is made up of a number of factors difficult to assess.

When decisions about internationalisation of education are being made, we should consider other types of impact, too, such as development of competences needed at work. An international study environment increases understanding of different cultures and establishes trust and cooperation between countries. Students whose experience of studying in another country was positive will become good ambassa-

In studies (Prognos AG 2013; CPB 2012), benefits and costs were divided to those during studies and those after:

During studies		After studies	
<p>Costs</p> <ul style="list-style-type: none"> • Provision of education • Scholarships/grants to students 	<p>Benefits</p> <ul style="list-style-type: none"> • Money students spend to live and consume, and its added value to economy and indirect tax revenue. • Tax revenue from working during studies • Tuition fees (to higher education institutions) 	<p>Costs</p> <ul style="list-style-type: none"> • Use of social benefits • Use of public services 	<p>Benefits</p> <ul style="list-style-type: none"> • Added value to public economy produced by employment and consumption • Tax revenue from employment or self-employment



Most international students study in the fields of technology and business and administration.



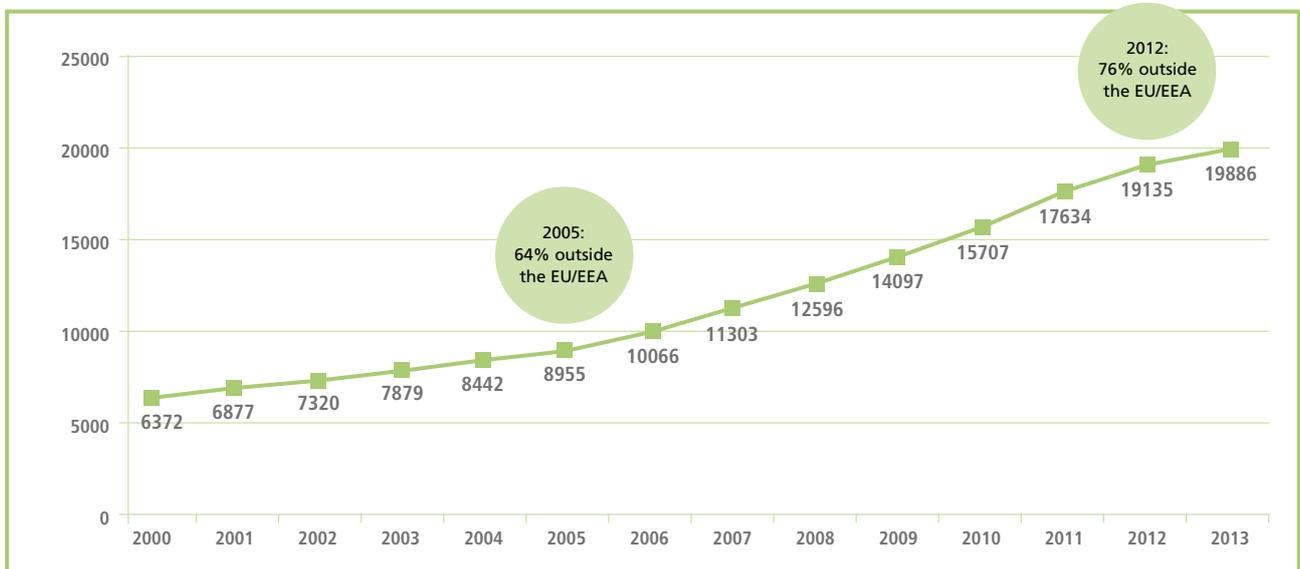
dors for that country even if they don't stay there. As for the home country of those studying abroad, students may take an important role in developing their societies, particularly, as many come from the developing world. (Department for... 2013.)

Number of students outside the EU/EEA in Finland is on the increase

ALMOST a half of international students in Finland study for a degree in a university of applied sciences. Many of them are also enrolled in Master programmes and as post-graduate students in traditional universities. Most international students study in the fields of technology and business and administration.

The most common nationalities 2013

- Russia 2816
- China 2147
- Vietnam 1378
- Nepal 1180
- Estonia 817
- Nigeria 711
- India 695
- Pakistan 691
- Germany 658



International degree students in Finnish higher education institutions 2000–2013



The decisive point of the economic footprint of an international student is whether they stay in the country to work or whether they move somewhere else.

The number of students coming from outside the EU/EEA has grown, particularly, in the past few years. Russia and China have topped the list of nationalities for years, whereas there were only a few dozens of Vietnamese or Nepalese students in Finland at the beginning of the millennium, for example. The proportion of students from outside of the EU/EAA in Finland is large compared to that in the Netherlands, Germany or Denmark, for example. The proportion of international students from outside EU/EEA in Denmark is 12%; in the Netherlands those coming outside of Europe account for 30%.

According to a study in the UK, raising the tuition fee reduced the number of international applicants only in lesser known higher education institutions.

Where does the economic footprint of those studying in Finland lead to?

THE DECISIVE POINT of the economic footprint of an international student is whether they stay in the country to work after their graduation or whether they move somewhere else. According to Statistics Finland, just under a half (46%) of international students who graduated in Finland in 2011 were employed in Finland a year after, 6% continued studying, 18% remained in Finland for other reasons, and 31% had left the country.

The number of students remaining in Finland is relatively high, compared, for example, to the premises made in the calculations in Germany and the Netherlands. The figures of Statistics Finland only describe the situation a year after graduation, however. The situation may be different after some years. Neither do the numbers tell us if people have been able to find work at their level of education.

The Facts Express coming out in November 2014 will look into integration of international higher education students in Finland.

Tuition fees are not a straightforward solution to cover costs of education

Tuition fees are part of the discussion about economic impact of international students. Should international students contribute to costs of education by paying tuition fees? The effects of tuition fees on higher education and student selection are varied.

Finnish higher education institutions were given the opportunity to test charging tuition fees from students from outside the EU/EEA who were enrolled in foreign-language post-graduate degree programmes by the end of 2014. According to the team assessing the trial, it is difficult to make a reliable assessment of the impact of tuition fees because the number of institutions participating in the trial was too small. The short term of the trial did not persuade Finnish higher education institutions to participate in it. (Korkeakoulujen lukukausimaksukokeilun... 2013.).

The higher education institutions that participated in the trial did not report any significant economic impact. Only a few individual students paid the fee; the majority of students received a grant from the institution. At the same time,



Based on experiences from other Nordic countries, adoption of tuition fees will reduce the number and relative share of students outside the EU/EEA.



international students and the fees caused extra administrative work for the university. In some universities, the number of applicants fell but this was partly due to a decrease in redundant applications. Universities regarded the trial as a way to develop tuition as well as their business and marketing skills.

Tuition fees will have an impact on the student numbers. Free tuition and the cost of education are important factors when people choose their place of study (ISB 2010). Charging tuition fees may decrease interest in studying in Finland. This conclusion, however, was reached by asking the question from students who were already studying free of charge. In many countries, tuition fee is the norm that people expect and regard as a guarantee of quality.

The impact of tuition fees on the number of students is not straightforward. For example, in a study conducted in the United Kingdom, raising the tuition fee reduced the number of students only in lesser known higher education institutions. The ranking of an institution and its distance from London were more significant factors than the size of the fee in choosing the place of study. (Soo & Elliott 2010.)

Based on experiences from other Nordic countries, introduction of tuition fees also

has an impact on where the applicants come from. The number of international students has continued to grow after Denmark introduced tuition fees in the autumn of 2006, but the number and relative share of students coming outside the EU/EEA, countries that the charge applies to, has clearly fallen. At its highest in 2005, the number of students from these countries accounted for 33.5%, but only 12% in 2012. At the same time, the number of students from the EU/EEA has grown considerably. (Danish Agency... 2014.)

When Sweden introduced tuition fees to students outside the EU/EEA in the autumn of 2011, the number of new international students fell by over 50%. The drop was a result of the decrease in the number of students from outside the EU/EEA. Their number has risen after the dramatic drop but is nowhere near the volume before the fees. The rise has been explained by an increase in scholarships awarded. International students from outside the EU/EEA accounted for 61.5% of new international students in the autumn of 2010, but only for 28.6% in the autumn of 2013. (Swedish... 2014.)

Because many students in Finland come outside of the EU/EEA, it is likely that the impact of tuition fees on reducing the number of students would be great.

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