'Not heard of this': Employers' perceptions of the UK's Graduate Route visa

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Background

Migration policy has continued to dominate the news thanks to:

- **political shenanigans,** which in autumn 2022 saw the resignation of one Home Secretary (Suella Braverman), the appointment of another Home Secretary (Grant Shapps) who was in post for less than a week, followed by the reinstatement of the Home Secretary who had resigned just a few days earlier;
- a sharp increase in the number of asylum seekers arriving on boats via the Channel, with the number totalling over 40,000 in 2022, up from 8,404 in 2020 and the most since statistics started being collected in 2018;¹ and
- employers facing significant challenges in finding staff, with the Confederation of British Industry's annual *Employment Trends Survey* finding 'three-quarters of UK companies [have been] hit by labour shortages in the last 12 months' and the leading pro-Brexit business leader Lord Wolfson stating, 'in respect of immigration, it's definitely not the Brexit that I wanted.'²

Just as this Policy Note was going to press, the House of Lords' Economic Affairs Committee published a report entitled *Where have all the workers gone?* This noted job vacancies had recently peaked at 1.3 million and that unemployment has been running at its lowest level for almost half a century:

Since the start of the pandemic, economic inactivity has increased by 565,000 people. This is quite different from what has happened in most other developed economies, where inactivity rose during the COVID-19 pandemic but has since fallen back. ... The rise in inactivity poses serious challenges to the UK economy. Shortage of labour exacerbates the current inflationary challenge; damages growth in the near term; and reduces the revenues available to finance public services, while demand for those services continues to grow.³

One related area of public policy that has been in considerable flux is the UK's policies towards both international students and former international students who have recently graduated.

During the period that Theresa May was Home Secretary, which coincided with David Cameron's time as Prime Minister (from 2010 to 2016), and while she was herself Prime Minister (from 2016 to 2019), the policy environment was tighter for those who wanted to come to the UK to study and to stay afterwards to work than it was either beforehand or afterwards. For example, the Post-

Study Work visa, which had been put in place by the Labour Government before 2010 and which allowed people to stay in the UK to work for up to two years, was abolished in 2012.

As a result of this generally negative official attitude and the specific policies put in place, there was a big drop in the number of people coming to the UK for lower-level educational courses and a relative flatlining in the number coming for higher education.⁴ Meanwhile, other countries, perhaps most notably Australia, surged ahead.⁵

Boris Johnson took a different approach during his time as Prime Minister (2019-22). He quickly junked the long-standing net migration target, which had aimed to reduce net inward migration to below 100,000 people a year. His administration also liberalised the post-study work rules experienced by those who came to the UK initially for education, via a new Graduate Route visa. This meant international students in higher education generally received the right to stay in the UK after completing their course for up to two years, or three years for doctoral students.

Nonetheless, there was also a countervailing trend during Boris Johnson's time as Prime Minister, for the number of students in the UK from the 27 European Union (EU) countries declined sharply as a result of Brexit. This had three specific causes beyond any general chilling effect that the vote for Brexit may have caused:

- i. EU students lost their entitlement to (taxpayer-subsidised) loans from the UK's Student Loans Company;
- ii. EU students had to start paying fees at the often much higher international-fee level; and
- iii. EU students faced new restrictions on their working rights, as they had previously benefited from freedom of movement but became subject to the same rules on working-during-study and post-study employment as other international students.

The new Graduate Route visa particularly appealed to people from the Indian subcontinent as well as Nigeria. In the first year of the new scheme, 66,000 people benefited, with people from India, Nigeria and China jointly accounting for 64 per cent of the total.⁶ Indeed, there was such a big increase in demand for UK higher education on the back of the new Graduate Route that fears were raised about whether the scale of growth masked some fraud.⁷

Targets

Despite the reduction in students from the EU, overall the number of international students surged in the early 2020s, helping the UK to surpass the target in the UK Government's *International Education Strategy* of hosting 600,000 higher education students by 2030 a decade early.⁸ In 2020, higher education students at UK universities generated around £18 billion in living costs and tuition fees.⁹ This happened despite COVID's generally adverse impact on educational provision, including transnational education.

However, the Government's 600,000 target had not ever been particularly challenging and it was widely felt the UK was still punching below its true potential in terms of recruiting international students.¹⁰

- Some people, such as Lord Bilimoria, responded to the success in hitting the 600,000 target by calling for a more ambitious target of one million students.¹¹
- Others, such Lord (Jo) Johnson called for further improvements in the post-study work rules, such as extending the new Graduate Route visa to allow international students to stay for four years, rather than the usual two.¹²

Such ideas for further liberalisation lived on after Boris Johnson left office but, in her first stint as Home Secretary – during the brief premiership of Liz Truss (from September to October 2022) – Suella Braverman instead floated the idea of toughening up the rules on international students and graduates. There was a heavy implication that the rules could revert to something closer to those in place under David Cameron and Theresa May than under Boris Johnson.¹³ This generated negative headlines around the world – *The Times of India* said 'Sunak's plans to restrict foreign students could bankrupt UK'.¹⁴ However, the plans were reportedly dropped soon afterwards.¹⁵

Existing research

The benefits to the UK of hosting so many international students are numerous. Focus is often put on the very considerable financial benefits, but these are not the only advantages. Other benefits include making higher education institutions more diverse, thereby benefiting learning, as well as increasing the UK's soft power by extending the UK's influence and connections abroad.

HEPI and Kaplan have jointly published a wealth of research on international students, including:

- Calculating the net financial benefits of international students, broken down to a regional and per-constituency level: the original research, published in 2019 and produced in conjunction with London Economics, put the net financial benefit of international students to the UK at £20.3 billion. A subsequent piece of work from HEPI, Universities UK International and London Economics, which used the same methodology and was published in 2021, found the number had increased by over one-quarter to £25.9 billion.¹⁶
- Showing the substantial tax and National Insurance payments of international students who stay in the UK to work: the minority of international students from one cohort who opted to stay in the UK to work after their studies were forecast to pay £3.2 billion to the Exchequer over a decade. This research also showed international graduates who find employment in the UK typically do so in sectors suffering acute skills shortages.¹⁷
- Assessing the impact of Brexit on student flows: work published soon after the referendum
 on the UK's membership of the EU, in conjunction with London Economics, suggested there
 would be a 57 per cent drop in incoming EU students after Brexit once Brexit happened,
 UCAS found a 56 per cent drop.¹⁸

The annual *HEPI Soft-Power Index* has additionally shown that in every year between 2017 and 2022, at least 55 senior serving leaders (monarchs, presidents and prime ministers) had been educated in the UK tertiary sector.¹⁹ In other words, at any point in time around one-quarter of the world's nation states have a very senior leader educated at a higher level in the UK.

HEPI and Kaplan's most recent piece of work, which looked at international students' views about their higher education institutions' careers services, found considerable room for improvement in meeting international students' expectations. In *Paying more for less? Careers and employability support for international students at UK universities*, we reported that only half (52 per cent) of international students regard their university career service as doing well in terms of supporting the career needs of international students.

We concluded:

the scale of fees paid by international students means we cannot – hand on heart – promise that every international student has always received every penny of value they expected before they arrived [in the UK].²⁰

Despite the existence of so much research, some pieces of the jigsaw remain missing. In particular, there is a need to know more about employers' practices. For example, we do not fully understand why, despite widespread skills shortages, employers often avoid making maximum use of the current rules to employ former international students.

However, even though we do not always know all the underlying causes, the reluctance of employers to recruit former international students is abundantly clear. For example, at the HEPI / Kaplan webinar to launch our work on perceptions of careers services, one expert researcher in the area of international students admitted:

I think a lot of employers, particularly small ones, are pretty cautious about what they're allowed to do legally. They really don't want to break visa rules and so forth. If I am brutally honest, working in a small SME myself, if we had the choice between a UK student and an international student for a placement, we would probably take the UK student.²¹

The current situation is bad for the UK, which is missing out on talent. It is bad for international students, who are missing out on opportunities. It is also bad for those educational institutions that want to recruit a higher number of international students in the future, as ambitious applicants may look to study in another country instead.

What do employers think?

If employers do not make the most of the migration rules that exist, then skills shortages will be worse than they need to be and productivity improvements will be more sluggish. Building a better understanding of the barriers that employers face should encourage better policymaking – even if it does not guarantee it, given the other factors that influence discussions on migration.

To this end, in late October 2022 HEPI and Kaplan worked with the Institute of Directors (IoD) – which is a membership organisation for company directors, senior business leaders and entrepreneurs – to ask three migration-related questions to 656 of the IoD's members. This survey was conducted as part of the IoD's long-standing and highly respected monthly Policy Voice survey.²²

The results provide a useful snapshot of how senior executives regard the current visa regime. Moreover, the companies responding to the poll are, by definition, ones engaged with public policy through their involvement with the IoD and its polls, so their experiences are particularly worth hearing.

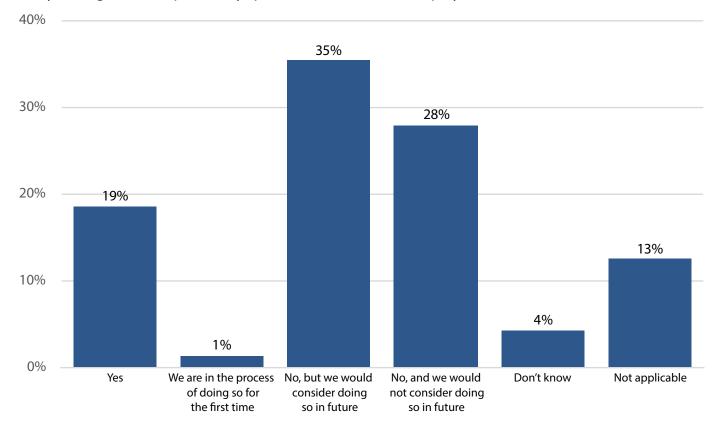
Bureaucracy

One-in-five of the employers who responded to the survey said they had 'previously sponsored a visa for an employee' (19%) or were 'in the process of doing so for the first time' (1%). Over one-third said they had not done so as yet but would consider it in the future (35%), while a slightly lower proportion (28 per cent) had not done so and had no intention of doing so.

Bigger companies were more likely to say they had sponsored a visa than smaller companies: just 5 per cent of those with a turnover of under £250,000 had done so compared to 18% of those with a turnover of over £50 million.

While these results may sound negative, in fact a higher proportion of our respondents provided a positive answer than is true for employers overall: there are only 32,000 UK organisations out of a total of 1.4 million employers listed on the Register of Licensed Sponsors.²³ These organisations hold a valid sponsorship licence that enables them to recruit people with a Skilled Worker visa and other temporary worker visas.

Has your organisation previously sponsored a visa for an employee?



When given the opportunity to explain their answer, the most common theme by far – which helps to explain the overall negative tenor of the results – was the level of bureaucracy associated with sponsoring someone:

- [O]ur experience with obtaining a visa for our co-founder was not easy at all.
- I employ highly skilled highly qualified workers, the attitude of the immigration authorities towards these valuable tax paying workers is problematic.
- Current rules are unfathomable. Even Govt offices don't understand their own system.
- There is enough red-tape in business, without inviting more.
- We tried it once (for an Egyptian) and it proved too difficult and expensive.
- It was incredibly expensive costing us over £30k!
- We looked into it once and tbh [to be honest] the expense and hassle made it not worth it, not enough ROI [return on investment].

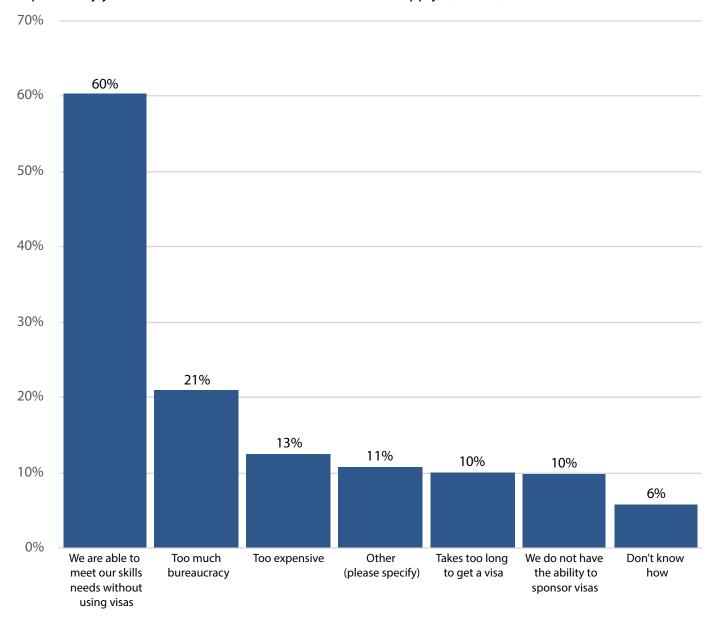
The two-thirds of employers in our survey who had not yet sponsored a visa for an employee were then asked why they had not done so. Most of them (60%) said they believe they can find the skills they need without having to use the visa system.

However, it is clear that many employers are put off by the hassle, cost and wait times, with one-in-five (21%) of those employers who had not yet sponsored a visa saying there is 'too much bureaucracy' and some focusing on the cost (13%) and time delays (10%).

Respondents to this question were also given the chance to provide a comment to explain their answer. As with the free-text box provided to respondents after the initial question, the most common theme was too much bureaucracy:

- Again, drawing from our previous experience, the legal costs are prohibitive for many roles we
 would look to fill. Also, the time it takes to complete the forms and deal with the bureaucracy is a
 significant burden.
- We work to tight timelines and cannot afford to wait 6 months for UK govt.
- Too time consuming, complex and possibly too expensive for a small <5 employee business.

You said you have not previously sponsored a visa for an employee. Which of the following reasons explain why you have not done so? Please select all that apply. (N=415)



Graduate Route visa

In 2021, a new Graduate Route visa was introduced, allowing international graduates of UK universities to stay in the UK to work for two years (or three years for doctoral students), with none of the wage or job restrictions that apply to other work-related visas. In many respects, the new rules have much in common with the UK-wide Post-Study Work visa in place from 2008 to 2012 and the earlier Fresh Talent – Working in Scotland Scheme in place from 2005 to 2008.

It was aimed at people like the 71 per cent of international students who, in a HEPI / Kaplan poll conducted in 2021, said they wanted to stay in the UK to work for a while after completing their studies.²⁴ In research conducted for the Government, one beneficiary reported:

Considering I had little time after my graduation, and there was little time to look for a job with covid restrictions, I thought this was the best option. This route was also faster than the Skilled Worker visa route and it didn't require a sponsor.

This Graduate Route is different to other migration routes in that it is unsponsored. This means there is no onus on employers to complete lots of paperwork for the right to recruit someone, nor do employers face any additional direct costs in doing so. Migration advisers have noted that this allows:

UK employers to try out their new international hire before committing to sponsorship or incurring the expense associated with sponsorship. The graduate visa can also be useful for employers looking for a relatively quick and cost-effective way of meeting their recruitment needs around short-term projects, or where some level of flexibility is needed if they're not yet sure of longer term requirements.²⁵

On the other hand, while those on the Graduate Route do not have to provide proof of funding, the visa currently costs £715. Applicants also have to pay the Immigration Health Surcharge of £1,248 for a two-year visa and £1,872 for a three-year visa, plus there are significant additional costs for those with eligible dependants. While employers do not have to pay any costs, they can opt to contribute.

Opinions on the reasonableness of these charges are evenly split. When 50 people who had made use of the Graduate Route were asked about them during research conducted for the Home Office, 'around half thought they were fair, and half thought they were unfair.'²⁷

The freedoms offered to former international students by the Graduate Route relative to other migration options are highly valued by those who use it: in the survey conducted for the Home Office, when asked which features of the Graduate Route influenced their decision to stay in the UK, 98 per cent of beneficiaries favoured the 'Flexibility to either work, look for work, be self-employed, volunteer etc.' and 62% picked this option as their 'main influence'.

However, the Graduate Route is not suitable for all. Dr Robin Mellors-Bourne of the Careers Research and Advisory Centre (CRAC), who hosted some focus groups with international students for HEPI and Kaplan in 2021, found:

They appreciated that the new Graduate visa was great in that it enabled, you know, a couple of years of work after study. But there were practical difficulties. As I understand it, once you actually finish your course, you change status and as a result your outgoings go up really quite fast and then of course you don't actually have any income until you've actually got the job. So practically staying here to apply for a job that you're entitled to apply for could be very difficult indeed. And it may that be that our policies are not entirely joined up to enable the practical delivery of what the new Graduate Route visa enables.²⁸

The Graduate Route visa should be very attractive to employers because those who use this route are highly skilled, because there are no direct costs to the employer and because the option works well for time-limited projects but can also be used to find staff who might stay on permanently, assuming they move in time to a different visa category.

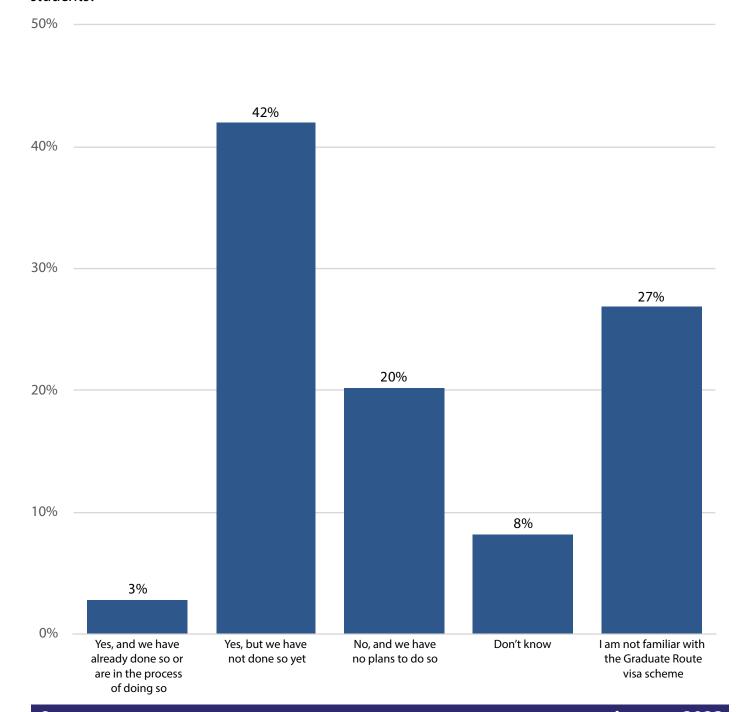
Yet there is evidence that employers do not understand the Graduate Route at all well. The former Minister for Universities and Science, Jo Johnson, has noted: 'There is still a job to do in terms of educating employers about the Graduate Route and assuring them that it is simple to use.'²⁹ In the research commissioned for the Government, when asked how the Graduate Route could be improved, one beneficiary reported:

I think potential availability of information and information for UK employers because as I was the first person from [company name] to go down this Graduate route, they were not familiar with the process and didn't understand what type of contracts I was allowed to sign or other general restrictions.

In our survey, only 3 per cent of employers said they had knowingly made use of the Graduate Visa. This is surprisingly low, given 20 per cent of them said in response to the first question that they had either sponsored a visa before or were currently in the process of doing so.

More than one-quarter (27 per cent) of employers in our survey said they were not familiar with the Graduate Route visa, while a further one-fifth (20 per cent) said they would not consider using it. However, four-in-ten (42 per cent) respondents said they would consider using the Graduate Route in future even though they have not done so to date.

Would you consider using the government's new Graduate Route visa to employ former international students?



When asked to elaborate on their answer, the most notable theme was a lack of knowledge about the Graduate Route:

- I'm not sure of this new scheme.
- I'm not in a position to comment on this at the moment, but I think it is a good suggestion. . . . It is important that this is QUALITY CONTROLLED though.
- Not heard of this; I wonder if it is something that partly restores one of the many benefits taken away by the idiocy that is Brexit?

The final comment listed above, linking the current debate about migration to the impact of Brexit, was a theme that appeared repeatedly in the free text boxes. Other remarks included:

- our relationship with the EU must be resolved
- For EU nationals one just had to scan their passport
- just cancel Brexit
- The negative impacts of Brexit are felt every day. They destroy growth and development. They result in piecemeal patches such as this [Graduate Route visa] (ironically more not less red tape).

Prior to publication of this Policy Note, we shared our thinking with the Institute of Student Employers (ISE), who discussed the issue with some of their members. This confirmed that, despite the many strengths of the Graduate Route visa, it is not appropriate in all circumstances because of its temporary nature. One employer told the ISE, 'we give our candidates the choice on whether they want to go down grad visa route or skilled worker, all so far have chosen skilled worker visa route'.

The shortcomings that were raised with the ISE include:

- The expense of sponsorship once the graduate visa has expired, and the impact it would have on our workforce planning if we don't offer them roles after the two years for this reason.
- Our Graduate roles are permanent roles, and we invest significantly in them, so a 2 year student VISA doesn't meet our requirements.
- Our Engineering programmes are a minimum of 3 years. With the Graduate Visa being only 2 years, it means we're having to use the Skilled Worker route. ... the time on the Graduate visa doesn't count towards settled status.

Conclusions

If the opportunities for post-study work were better publicised and, in time, further improved, this would be likely to stimulate additional demand for study in the UK. Moreover, it would help to diversify the intake of international students in the UK, as the largest group in recent years, Chinese students, have traditionally seemed to be, on average, less interested in post-study work arrangements than those from some other countries. Soon after the Graduate Route visa was introduced, the number of sponsored study visas granted to students from India overtook the number issued to students from China.³⁰

The conclusions from this small and limited piece of work are clear:

- the current migration system is widely disliked by employers for the level of bureaucracy involved in recruiting someone from another country;
- while many employers say they can meet their current staffing needs without recruiting people who need a visa to work in the UK, a sizeable minority avoid recruiting people from overseas primarily because of the hassle, cost and time involved; and
- the Graduate Route, which is comparatively light-touch and obviates the need for employers to act as sponsors, has not been knowingly used by more than a tiny minority of employers and many employers have not yet even heard of it.

Alongside any general improvements in the migration regime, if the Graduate Route visa is to work as well as possible for both employers and graduates, not to mention the Exchequer, then it would make sense to convey its benefits more clearly to employers.

This might even encourage some employers in need of skilled new staff to engage with their local universities' careers services, which are in contact with hundreds of thousands of international students each year, a majority of whom say they are interested in staying in the UK to work (although, in reality, only a minority do in fact end up doing so).³¹

Fears that Graduate Route visa holders would snatch jobs from others seem ill founded. In the early days of the Graduate Route, two-thirds (66 per cent) of those who were making use of the scheme and who had already found employment were in either 'Professional Occupations' or 'Associate Professional and Technical Occupations'. Over two-thirds (68%) of them were on an annual salary of over £20,000 a year.³²

Policy towards international students has fluctuated in recent times. For example, post-study work visas were introduced UK-wide in 2008, then cancelled in 2012 before being reintroduced in 2021. Even when policy has not formally changed, Ministers have sometimes emitted unclear signals about the direction of travel.

One reason is that migration rules that affect students and graduates are an area where different government departments have struggled to be joined up, and the Westminster Government has not always seen eye-to-eye with the devolved administrations.³³

So it would also be in the interests of economic stability, better productivity and future growth if there were to be a meaningful long-term agreement across Whitehall and across the political spectrum to maintain, or even improve, the current post-study work rules for former international students willing to stay in the UK and devote their skills to UK employers.

Endnotes

- 1 https://www.bbc.co.uk/news/explainers-53734793
- 2 <u>https://www.cbi.org.uk/media-centre/articles/three-quarters-of-uk-companies-hit-by-labour-shortages-in-last-12-months-cbipertemps/; https://www.bbc.co.uk/news/business-63573988</u>
- 3 <u>https://publications.parliament.uk/pa/ld5803/ldselect/ldeconaf/115/11503.htm#idTextAnchor001</u>

- 4 https://www.gov.uk/government/statistics-year-ending-september-2019/why-do-people-come-to-the-uk-to-study (Just 3 per cent of study visas were issued to people in Further Education colleges, fewer than to those in independent schools, in 2021/22 see https://www.gov.uk/government/statistics/immigration-statistics-year-ending-june-2022/why-do-people-come-to-the-uk-to-study.)
- 5 <u>https://www.universitiesuk.ac.uk/sites/default/files/field/downloads/2022-07/international-student-recruitment-why-aren%27t-we-second.pdf</u>
- 6 <u>https://www.gov.uk/government/statistics/immigration-statistics-year-ending-june-2022/why-do-people-come-to-the-uk-to-work</u>
- 7 <u>https://thepienews.com/news/uk-nigerian-agents-help-students-break-immigration-rules/</u>
- 8 <u>https://www.gov.uk/government/publications/international-education-strategy-2022-update/international-education-strategy-2022-progress-update</u>
- 9 <u>https://explore-education-statistics.service.gov.uk/find-statistics/uk-revenue-from-education-related-exports-and-transnational-education-activity/2020</u>
- 10 https://www.hepi.ac.uk/2019/03/16/why-todays-international-education-strategy-is-welcome-but-guaranteed-to-fail-unless-we-adopt-more-ambitious-policies/
- 11 <u>https://www.timeshighereducation.com/news/uk-should-seek-recruit-1-million-international-students</u>
- 12 https://www.kcl.ac.uk/policy-institute/assets/universities-open-to-the-world.pdf
- 13 <u>https://www.dailymail.co.uk/news/article-11318339/Suella-Braverman-restrict-number-foreign-students-stay-UK-studies.html</u>
- 14 http://timesofindia.indiatimes.com/articleshow/95898444.cms?utm source=contentofinterest&utm medium=text&utm campaign=cppst
- 15 <u>https://www.telegraph.co.uk/politics/2022/12/16/ministers-drop-plan-bar-foreign-students-non-elite-universities/</u>
- 16 https://www.hepi.ac.uk/2021/09/09/international-students-are-worth-28-8-billion-to-the-uk/
- 17 <u>https://www.hepi.ac.uk/2019/03/21/just-one-cohort-of-international-students-who-stay-in-the-uk-to-work-pay-3-2-billion-in-tax-and-they-arent-taking-jobs-from-uk-citizens/</u>
- 18 https://www.hepi.ac.uk/2017/01/12/universities-lose-students-gaining-financially-brexit-new-restrictions-international-students-cost-uk-economy-additional-2-billion-year/; https://www.universityworldnews.com/post.php?story=20210819092302668
- 19 https://www.hepi.ac.uk/2022/08/22/2022-hepi-soft-power-index-uk-slips-further-behind-the-us-for-the-fifth-year-running/
- 20 <u>https://www.hepi.ac.uk/wp-content/uploads/2021/10/Paying-more-for-less-Careers-and-employability-support-for-international-students-at-UK-universities.pdf</u>
- 21 https://www.hepi.ac.uk/2021/09/30/hepi-kaplan-webinar-on-international-students-careers-and-employability-14-october-2021/

- The nature of the poll means it is not directly comparable with HEPI's other polling work, which is generally of individuals rather than employers, which usually includes weighting of the results and which is often undertaken through companies registered with the British Polling Council rather than via a membership organisation like the IoD.
- 23 <u>https://www.gov.uk/government/publications/register-of-licensed-sponsors-workers</u>
- 24 https://www.hepi.ac.uk/wp-content/uploads/2021/10/Paying-more-for-less-Careers-and-employability-support-for-international-students-at-UK-universities.pdf
- 25 https://www.davidsonmorris.com/graduate-route/
- 26 https://www.gov.uk/graduate-visa/how-much-it-costs
- 27 https://www.gov.uk/government/publications/evaluation-of-the-future-borders-and-immigration-system-early-insights-research-with-graduates/graduate-route-early-insights-evaluation
- 28 https://www.hepi.ac.uk/2021/09/30/hepi-kaplan-webinar-on-international-students-careers-and-employability-14-october-2021/
- 29 <u>https://www.applyboard.com/applyinsights-article/setting-the-uk-up-for-long-term-success-in-international-education-an-interview-with-jo-johnson</u>
- 30 https://www.gov.uk/government/statistics/immigration-statistics-year-ending-september-2022/why-do-people-come-to-the-uk-to-study#recent-changes-in-visa-numbers
- 31 https://migrationobservatory.ox.ac.uk/resources/briefings/student-migration-to-the-uk/
- 32 https://www.gov.uk/government/publications/evaluation-of-the-future-borders-and-immigration-system-early-insights-research-with-graduates/graduate-route-early-insights-evaluation
- 33 <u>https://www.timeshighereducation.com/blog/it-time-break-home-offices-hold-student-immigration-policy</u>





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