

Can governments facilitate the enrolment of foreign students in their universities?

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A rise in foreign students fuelled by demand-and-supply factors

Foreign education has become a key factor in the globalization trend we have seen for decades. Since 1975, the flow of students completing their higher education in a foreign institution has increased by a factor of five. Nowadays, foreign students enrolled in universities or other higher education institutions number more than five million. About 80% of them study in an OECD country. More than 3000 foreign students were studying in Luxembourg in 2015.

This tremendous rise is obviously due to factors shaping the demand and supply of education. On the demand side, a key element is the striking economic development of many developing countries such as China, which has increased the need for a highly educated labour force. It is not surprising that, at present, China has become the main exporter of foreign students; close to 20% of foreign students overall come from China.

On the supply side, the two main actors—namely, the government and the universities—have obvious interests in boosting the number students coming from abroad. For universities, the advantages of hosting foreign students are manifold. One of the main ones is the capacity to open new education programs that could not be launched and sustained with the intake of students from only the one

country. The PhD programs in many disciplines provide a conspicuous example of this phenomenon. The PhD program in economics and finance at the University of Luxembourg has only two Luxembourg students out of a total of more than 30 students. The share of foreign students at the PhD level in all fields at the University of Luxembourg was 88% in 2015. While clearly Luxembourg is an extreme case, it demonstrates the global importance of foreign students to most of the major providers of higher education.¹ In short, the intake of foreign students has become a vital ingredient of the development strategy of higher education institutions.

Foreign education as a way of attracting skilled workers

What about governments? What are their interests in hosting foreign students in their universities, and why do they subsidize the education of young people whose parents are not taxpayers? In some countries such as the English-speaking developed ones (United States, the United Kingdom, Australia), foreign students make a significant financial contribution, mainly



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¹ Corresponding figures for other important countries are 53% for Switzerland, 42% for the U.K., 38% for the U.S., 33% for Australia, 41% for Belgium, and 40% for France. In general, the share of foreign students in an institution's total enrolment increases with the academic level of study. In the University of Luxembourg, for example, this share is 71% and 45% for master and bachelor programs, respectively.

because they often pay higher tuition fees than native students. Nevertheless, in most European countries, the level of tuition fees paid by foreign students clearly shows that governments subsidize their education to a great extent. For instance, in Belgium, the subsidy rate for foreign students varies between 60% and 90% of the actual cost. In Luxembourg, with an annual tuition fee of 400 Euros, this rate is even likely to be higher. There must therefore be other reasons for encouraging foreign students than their financial contribution. One of these reasons relates to solving imbalances in the domestic labour market.

In most developed countries, the labour market is characterized by both unemployment and skill shortages in some sectors or professions. Both features reflect the growing impact of skill-bias technological change that tends to lead to more complex tasks and jobs in most industries. The skill shortages also reflect the intense competition among countries to attract skilled workers from abroad. To alleviate this shortage, governments can follow various policies. One traditional route is to favour the immigration of skilled workers. When skilled immigrants come from less-developed countries, it is labelled the brain drain phenomenon. Policies to attract skilled workers have been implemented in a set of countries using different approaches (for example, the points systems in the U.K. and its former dominions; specific guest-worker programs in Canada; a list of prioritized professional occupations in Australia). Nevertheless, these policies are not always possible to implement within a government's current framework since they may require comprehensive reshuffling of existing policies. Furthermore, they are not always effective since their success depends on a large set of factors related to how attractive the country is to foreigners.

Attracting foreign students, educating them, and retaining them so they can work in the domestic labour market afterwards is an alternative strategy to the skilled immigration policies. In fact, foreign education can be viewed as a subtler form of that policy but with a set of important advantages. One significant advantage is that, by subsidizing partly their foreign students' education and by offering programs often unavailable in their countries of origin, attracting foreign students is a less harmful policy at the global level. Unlike brain drain policies, the destination country subsidizes the higher education of foreign students and provides skills impossible to acquire in the origin country. The key question is therefore this: What can governments do to support attracting foreign students in their universities?

Enrolment and retention policies

There are basically two types of policies aimed at boosting skilled immigration through foreign education, those that affect students before graduation and those that affect them after graduation. The latter policies' goal is to increase the retention rate of these students in the country of destination. This is important as the retention rates are typically low in OECD countries: only between 15% and 40% of foreign students stay and work in the country where they graduated. Issuing transition visas allowing the students to stay and search for a job after graduation has been one traditional way of avoiding the loss of freshly skilled workers due to forced return migration. In 2018, Luxembourg introduced such a visa for non-European students, allowing them to extend their stay for up to nine months after graduating.

Policies affecting students before graduation endeavour to boost enrolment of foreign students. Policies that ease students' arrival in the country are in this category; examples include providing specific student visas and assisting in the application procedure. We know the impact of this type of policy; for example, in 2015, the quota of F-1 visas for students in the U.S. was lowered, resulting in a sharp drop in the number of new foreign students. However, we know very little about the effectiveness of the policies conducted by government. So the questions here are the following: How effective are policies aimed at boosting applications from foreign students by reducing the costs of applications? And to what extent do they generate some unintended effects?

Lessons from Campus France

To address those questions, we look at the findings of a recent analysis that I conducted jointly with my colleague Prof. Lionel Ragot of the Paris-X University. In this study, we evaluate the effects of the Campus France (CF) policy. This policy was implemented in 2007 under the Government of President Nicolas Sarkozy with the goal of increasing the skilled labour force in France. Campus France was a key ingredient in the immigration reform called 'Chosen Immigration' ('Immigration Choisie'). The policy aimed at easing the application process for students from a set of countries. In short, students from those countries were able to submit a single application, in digital format, to all eligible universities. Furthermore, if selected through that channel, the students could get a visa, paying only 50% of the price. This new procedure replaces the

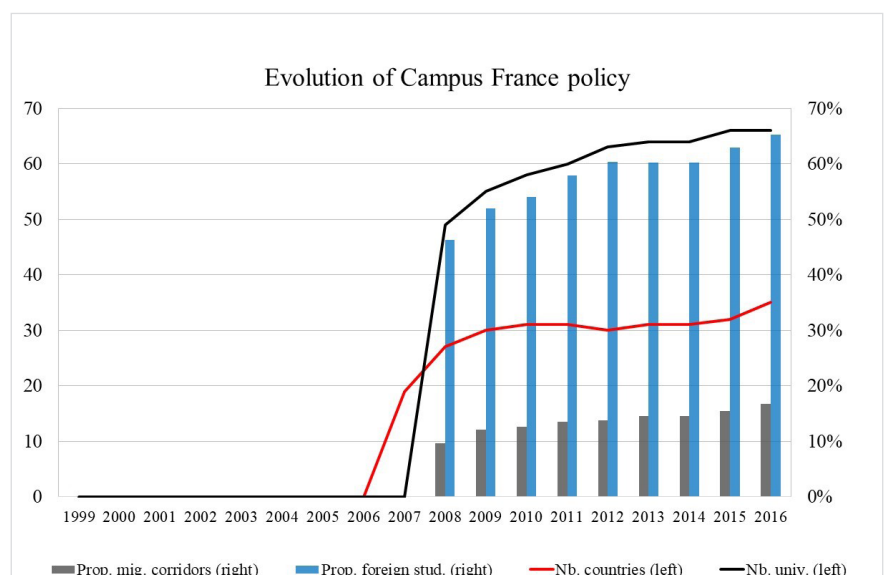
traditional channel through which each candidate had to prepare an application specifically for each university (and program), sending the hard-copy application by regular surface mail. If the application related to first choice was not successful, it could be on paper redirected to the second choice. However, this reallocation process was not straightforward and, in many cases, did not work in practice due to coordination problems. In contrast, due to automation, centralization and digitization, the CF channel ensures that, if the application to the first university is rejected, it is automatically sent to the second preferred university, and so on.

In that scheme, universities also play a key role, at least in two respects. First, each university can choose whether it will join the CF program. If the university stays outside the system, applications for entry can be only through the traditional channel, regardless of the candidate's country of origin. Second, selection of candidates remains entirely in the hands of the university. A foreign student's enrolment in any given university results from a match between application and selection. While it is a reasonable expectation that the CF system will boost the number of applications to each university, there is no guarantee that this will not be offset by the selection policy of the university. The selection process can be guided not only by capacity constraints (building, teaching, and administrative staffs; teaching programs) but also by strategic concerns. In general, one can expect research-oriented institutions to favour a small number of students in order to devote more resources to research activities. How strict the selection criteria are is therefore likely to depend on the quality of the university, especially in terms of research.

The CF policy was launched in 2007. It was gradually implemented on both fronts: the number of countries joining the program rose gradually to reach 30 at the end of the phasing-in period (2016); most universities in France (66 out of 73) had joined the program by 2016, but this was a very gradual process, reflecting some institutions' reluctance over a significant period of time.

Figure 1:
Evolution of Campus France policy

The figure below shows this process over time, in terms of the number of selected countries and number of universities (left y-axis), as well as the share of migration corridors (right y-axis) that could be subject to the CF channel. The chart shows that, while the proportion of migration corridors remains under 20%, more than 50% of the foreign students enrolling in French universities are nowadays using the CF channel.



Our analysis relies on a DIFF-DIFF-DIFF estimation strategy. Three main findings emerge from it. First, the CF program was successful in raising the total number of enrolled foreign students in French universities. The number of foreign students enrolled in French universities rose by 8%. This number reflects a medium-term effect in the sense that a given foreign student will have an impact on global enrolment for several years in a row (the number of years he or she spends in the French higher education system). Second, while there is a positive global impact, the effect was zero for the best universities in terms of research. The results suggest that, while they received more applications, the best universities did not expand their foreign enrolment but tightened their selection criteria. This confirms that the selection behaviour of universities plays a key role in the success of the policy. Third and finally, the increase in global enrolment of foreign students did not occur at the expense of native students, i.e., there is no evidence of a crowding-out effect of native students by foreign students.

The analysis of the CF program is very useful for governments interested in increasing the number of foreign students in their country. There is little doubt that the authorities in Luxembourg belong to this category. The first lesson is that making applications to universities easier for foreign students is a key factor in achieving that goal. Any single foreign application is very costly for young people located abroad. Governments should impose some uniformity for the applications submitted to their national universities to avoid inflating these costs for foreign candidates and should centralize the process to ease the reallocation of applications. The second lesson is that any increase in applications does not give rise to the same increase in terms of foreign enrolment since selection by the universities can have a significant dampening effect.

This policy brief is part of an ongoing research project conducted by Michel Beine (University of Luxembourg) and Lionel Ragot (Université Paris Ouest Nanterre La Défense). A presentation entitled “Assessing the Role of Immigration Policy for Foreign Students: the Case of Campus France” was made at the 9th Annual conference on “Immigration in OECD Countries” (Paris, December 2019).