

# Worrying About International Student Demand? Look at the Fundamentals and Look Beyond

August 18, 2017

NAFSA Guest Blog Post by [Alan Ruby](#)

## Political Volatility & International Student Demand

We are in a politically volatile time and uncertainty may be influencing the choices and preferences of young people thinking about studying outside their own nation. The Brexit vote, the subsequent general election and announcements and executive orders of President Trump's administration have been perceived by many who deal with population mobility – be it immigration, international labor markets, cross border education, or trade in service – as abrupt or very 'discontinuous' policy shifts. Whatever the intentions, these announcements can have powerful signaling effects, especially in communities which are far away from London and Washington. The colorful, exaggerated, and simplistic claims about immigration, post study work opportunities, short term visas, and the perils to the nation's sovereignty posed by "pathways to citizenship" seem to shape international students' decisions and choices. A recent survey of 200,000 potential students by the Royall division of the Education Advisory Board (an enrolment management services company) found that one third of the respondents had reduced interest in studying in the US since the 2016 presidential election (Jaschik, 2017); the remainder had either not changed (61%) or had increased interest (6%). But there is a lot of ambiguity and uncertainty about how student preferences change. The same survey identified factors like urban location, prestige, and size, preferably less than 10,000 students as being influential to at least 50% of the potential students (Jaschik, 2017).

Some of the US-based evidence about changes in student behavior is anecdotal (Nigam, 2016; Basu & Khosla, 2017; Hansen, 2017; Yong, 2017) whereas others' work (ACCARAO, 2017; Redden, 2017) is based on reports of reduced numbers of international applications. The biggest declines in recent surveys were shown from Middle East applicants although there were also declines in applications from China and India. In the latter cases, there were reports of perceptions that visa refusals were becoming more common. But some colleges reported growth in applications, which suggests that there was volatility at the application stage for 2017 admissions cycle. A subsequent survey led by the Institute of International Education (IIE) examined offers of admission and acceptances, the next steps in the undergraduate admissions process (Farrugia & Andrejko, 2017). The results were mixed. There was a slight fall in the proportion of international students accepting offers, but this was matched by a similar fall in acceptances by domestic students. There were also regional variations in acceptance rates illustrated by the four biggest host states. Two states, Massachusetts and New York, had admission rates similar to 2016, whereas California had a modest increase and Texas institutions reported a decline. Uncertain seems to be the best description of the situation; a description that seems also to apply to the United Kingdom (UK).

The UK Office for National Statistics (2017) reported a decrease in the numbers of people entering the UK with the intention to study for at least 12 months between 2015 and 2016. The reduction of 32,000 was about 20% immigration of the previous intake. But the office also reported an increase in the numbers of student visas issued to non-EU applicants in the same period. Applications data for the 2017 admissions cycle shows a similarly mixed picture with a 5% reduction in applications from EU (non-UK) nations and 2% increase from other non-UK domiciles. Most of the increase came from applications from China and India (UCAS, 2017, table 1.1.3).

For higher education institutions in both nations, the next data points will be visa issue numbers and actual enrolments at the beginning of the academic year. Until then uncertainty will prevail.

This uncertainty is to be expected in an industry where individual decisions about the consumption of relatively expensive services are influenced by many different factors. Such factors range from the policy decisions of sovereign nations about freedom of movement and visa numbers to perceptions of personal safety in the host environment and judgements about the return on the investment in an international qualification. The mix of tangible and intangible elements in the decision process makes it difficult to predict the immediate effects of big policy announcements that take time to be operationalized, implemented, adjudicated, and tested in practice. And at times the proposed policy change fails to come into effect as the processes of review and design reveal flaws or as political circumstances change.

What are institutional leaders to do in times of uncertainty? Monitoring the shifts in applications, admissions, and acceptances is appropriate but it is also prudent to look at the fundamentals, at the underlying factors that determine demand over a longer period. In the medium-term, demand will be dependent on demographics and consumption spending of the global middle-class; on the global number of potential students and their capacity to pay. This assumes that the world avoids a large-scale war that stops the free flow of people or another financial crisis which reduces the value of families' assets.

## **Demographics**

The number of available potential students is a reasonably reliable number for medium-term planning. It is derived from data on live births and the progression of annual cohorts through primary and secondary schooling, and then into higher education. Current projections have the feeder group of 15-19 year-olds continuing to grow, although at a slower rate than the growth between 2000 when it was roughly 570 million and 2010 when it was just over 605 million. By 2020, the feeder cohort is expected to reach 609 million. There will then be stronger growth between 2020 and 2030 when the population will be around 660 million (United Nations, 2017). There will also be changes in the geographic distribution of the youth population as nations in Europe continue to 'age' and the effects of higher fertility rates in Africa increase the total youth population on that continent. But from 2010 to 2030, over 55% of the feeder cohort will be in Asia, especially in India, China, and Indonesia. This is despite a marked numerical decrease in the youth population of China, which is well illustrated by the fall in the 20-24 age population

from 176 million in 2010 to 140 million in 2015, with a projected decline to 105 million in 2025 (Universities UK, 2017, 49).

In aggregate terms, enrolment in higher education has been growing steadily, doubling between 2000 and 2014, to just over 200 million. The increase has been driven by population growth and by increases in the proportion of young people entering higher education soon after finishing secondary school. This transfer rate, the global gross enrolment ratio, is likely to continue to float up from around 35%. Even if it stays constant, demand will increase because of the increase in the population base.

The increased total demand for higher education is expected to flow through to increased demand for international education. The British Council (2012) uses the assumption that a constant 2% of the global tertiary education population will study at a destination outside their country of origin, what they describe as a “stable propensity to study abroad” (4). Combining these data points we arrive at the formulation that as the population increases and family and individual aspirations rise, lifting enrolment rates, it reasonable to expect greater demand from international students. This leads us to the question of affordability.

### **Growth of the Global Middle-Class**

Most of the constant 2% seeking international education opportunities are likely to come from the wealthier segments of national populations. These households are more likely to foster children’s aspirations for higher education and be able to financially support participation either domestically or internationally. One indicator of the size of this group is the size of the middle-class population.

The latest estimates on the size of global middle-class population put it at 3.2 billion people in 2015 (Kharas, 2017). This is 500 million more than had previously been projected (Kharas, 2010). The global middle-class includes people living in households with per capita incomes between \$11 and \$110 per day. At the low end of this range, the family is unlikely to fall back into poverty and can afford to buy consumer durables. At the upper end, “households can afford to buy almost anything they want” (Kharas, 2017, 27) with an annual income for a family of four being \$160,600. Half of these people live in Asia and that is where growth in the numbers of middle-class households has been concentrated in the last seven years.

As the global middle-class has increased in numbers their total spending power has also increased. In 2015, middle-class consumption expenditures were around \$35 trillion – or approximately \$12,000 per person. As households enter the middle-class they purchase electronics and cars (“consumer durables”) and services like education. And parental aspirations for children (or the only child) increase. In a small proportion of the population this translates into a desire for and a willingness to save and pay for international educational services.

Numbers and total consumer spending are projected to continue to grow to 2030 with a billion more people joining the global middle-class by 2022, and a further billion by 2030. Gross consumption spending by this group is currently around \$35 trillion (using 2011 purchasing values) and this is projected to grow by a further \$29 trillion (Kharas, 2017, 30). So there is a

reasonable basis for continued growth in demand for international education from households willing and able to spend for the service.

### **But Solid Fundamentals Are Not a Cause for Complacency**

While demand for higher education will increase as the population grows and economic development continues to enrich households, this does not automatically translate into a steady stream of applicants to higher education. To attract international students, institutions will still need to look at the perceived value of what they offer, which includes the wider social and cultural environment. Concerns about personal safety were identified by institutions responding to the IIE survey (Farrugia & Andrejko, 2017) as an important factor for potential students from Indian students. However, students from China and other parts of Asia were more concerned about employment prospects after graduation and the availability of work visas (2017, 7). It is a strategic error to assume homogeneity in the interests, concerns, and preparedness of the population of international students. The greater demand will be geographically concentrated. Ninety percent of the next wave of middle-class households will be in Asia, most of them in India and China but with significant increases in Indonesia and Vietnam. By 2030, Kharas predicts that nearly two thirds of the global middle-class will be in the Asia Pacific region (2017, 14).

We have seen how different groups have responded differently to the signals from national leaders. Students from European nations seem to have been more immediately influenced by the Brexit policy shift than students from China. Highly visible attacks on individuals, including murders, have quickly influenced the expressed preferences of Indian students about where to study (Saha, 2017). The political economy of nations and the decisions of sovereign governments about visa processing, access to employment opportunities, and citizenship could lead to shifts in 'market share' as demand grows and individuals opt for personal security and easier access to employment.

For US-based institutions the challenge is to communicate more effectively to potential students about the academic and cultural environment, about the value placed on diversity, and how the norms and mores of campus and classrooms are not determined by the national executive branch or Congress. They need to present themselves as safe places that welcome people from different cultural, religious, racial, and social backgrounds and strive to have them succeed as students and future community members.

### **References**

AACRRAO: American Association of Collegiate Registrars and Admissions Officers. (2017). *Trending topics survey: International applicants for Fall 2017 - Institutional & applicant perceptions. Early release of key findings*. March 13. Washington, DC: AACRAO. <https://www.aacrao.org/docs/default-source/TrendTopic/Immigration/intl-survey-results-released.pdf>

Basu, S. D., & Varuni K. (2017). Indian students in America concerned about future in Trump era. *The Economic Times*, Updated 5 February 2017.

<https://economictimes.indiatimes.com/nri/visa-and-immigration/indian-students-in-america-concerned-about-future-in-trump-era/articleshow/56962760.cms>

British Council. (2012). *The shape of things to come: Higher education global trends and emerging opportunities to 2020*. London: British Council.

Farrugia, C. & Andrejko, N. (2017). *Shifting tides? Understanding international student yield for Fall 2017*. New York: Institute of International Education Center for Academic Mobility Research and Impact. <https://www.iae.org/Research-and-Insights/Publications/Shifting-Tides-Understanding-International-Student-Yield-for-Fall-2017>

Hansen, L. (2017). *H-1B visa program faces uncertain future in Trump era*. *The Mercury News*, 23 January 2017 | UPDATED: 30 January 2017. <https://www.mercurynews.com/2017/01/23/trump-administration-brings-uncertainty-to-h-1b-visa-program/>

Jaschik, S. (2017, August 7). *More evidence of Trump impact on international admissions*, *Inside Higher Ed*. <https://www.insidehighered.com/admissions/article/2017/08/07/study-finds-new-evidence-international-student-fears-about-us-trump>

Kharas, H. (2017). *The unprecedented expansion of the global middle class: An update*. Global Economy and Development, Working Paper 100. Washington, DC: Brookings Institution. [https://www.brookings.edu/wp-content/uploads/2017/02/global\\_20170228\\_global-middle-class.pdf](https://www.brookings.edu/wp-content/uploads/2017/02/global_20170228_global-middle-class.pdf)

Kharas, H. (2010). *The emerging middle class in developing countries*. OECD Development Centre, Working Paper #285. Paris: OECD. <https://www.oecd.org/dev/44457738.pdf>

Nigam, N. (2016). Brexit, Trump win: Indian student's overseas dream may fall apart. *India Express*, 17 November 2016. <https://indianexpress.com/article/education/brexit-trump-win-indian-students-overseas-dream-may-fall-apart/>

Office for National Statistics (ONS). (2017). Migration statistics quarterly report: May 2017. London: ONS. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/may2017>

Redden, E. (2017). Will international students stay away? *Inside Higher Ed*, 13 March 2017. <https://www.insidehighered.com/news/2017/03/13/nearly-4-10-universities-report-drops-international-student-applications>

Saha, M. (2017, June 9). Indian and other international students scared of studying in Trump's America. WION. <https://www.wionews.com/world/indian-and-other-international-students-scared-of-studying-in-trumps-america-16633>

UCAS. (2017). *2017 cycle application figures - June deadline*.

UNESCO. (2017). *Six ways to ensure higher education leaves no one behind*. Global Education Monitoring Report, Policy Paper 30. Paris: UNESCO.  
<https://unesdoc.unesco.org/ark:/48223/pf0000247862>

United Nations Department of Economic and Social Affairs. (2017). *World population prospects: The 2017 revision*. New York: United Nations.  
<https://www.un.org/development/desa/publications/world-population-prospects-the-2017-revision.html>; custom data acquired via <https://esa.un.org/unpd/wpp/>.

United Nations Department of Economic and Social Affairs. (2016). *International migration report 2015: Highlights* (ST/ESA/SER.A/375). New York: United Nations.  
[https://www.un.org/en/development/desa/population/migration/publications/migrationreport/docs/MigrationReport2015\\_Highlights.pdf](https://www.un.org/en/development/desa/population/migration/publications/migrationreport/docs/MigrationReport2015_Highlights.pdf)

Universities UK. (2017). *Patterns and trends in UK higher education 2017*. London: Universities UK.

Yong, E. (2017). Trump's immigration ban is already harming American science. *The Atlantic*, 29 January 2017. <https://www.theatlantic.com/science/archive/2017/01/trumps-immigration-ban-is-already-harming-americas-scientistsand-its-science/514859/>