

## **Russell Group response to the Government Review of the Balance of Competences between the UK and EU: Free Movement of Persons**

### **1. Introduction**

- 1.1 The purpose of The Russell Group is to provide strategic direction, policy development and communications for 24 major research-intensive universities in the UK; we aim to ensure that policy development in a wide range of issues relating to higher education is underpinned by a robust evidence base and a commitment to civic responsibility, improving life chances, raising aspirations and contributing to economic prosperity and innovation.
- 1.2 We welcome the opportunity to comment on the balance of competences between the UK and the EU in relation to the free movement of persons. This is a key issue for UK universities in enabling them to recruit staff and students from elsewhere in the EU easily, as well as to collaborate and cooperate with EU institutions.
- 1.3 We are also providing a response to the Asylum and Immigration consultation particularly focusing on the impact of the UK opting out of the border and visa aspects of the Schengen Protocol. It may be useful for the Home Office to read the responses in tandem.

### **2. The impact of EU competence in the free movement of persons for the UK (Question 5)**

- 2.1 The EU and UK have 'shared competence' in relation to the free movement of persons meaning that where the EU has enacted legislation, the UK does not have the competence to act. The legislation which has been enacted by the EU<sup>1</sup> to ensure that not only 'economically active' citizens, but also students, have the right to move and reside freely within the territories of Member States has had a significantly beneficial impact for the UK higher education sector and for research-intensive universities in particular.
- 2.2 The strength of the UK higher education sector internationally lies in its quality and diversity, including the ability to attract the most talented staff and students from within and outside the EU. Prominent non-UK EU nationals such as Professor Andrea Ferrari at the Cambridge Graphene Centre and Professor Erkki Autio, Chair in Technology Venturing and Entrepreneurship and Director of the Doctoral Programme at Imperial College London Business School, are involved in cutting-edge research at Russell Group universities, generating the innovation that will create the jobs of the future for the UK. The ability of universities to recruit EU nationality (excluding UK)<sup>2</sup> staff and to attract EU nationality students without having to negotiate the UK visa system, with the attendant expense and administrative burden for both parties, is incredibly valuable.

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<sup>1</sup> Articles 18, 20, 21, 45-8, 49-53 of the Treaty of the Functioning of the EU and secondary legislation under Directive 2004/83/EC

<sup>2</sup> Where 'EU nationality' is referred to throughout the document, this relates to non-UK nationalities only.

- 2.3 Russell Group universities employ more EU nationality staff as a proportion of total staff than other UK higher education institutions (HEIs), and attract a greater number of EU nationality students as a proportion of total students than other UK HEIs:
- The proportion of academic staff with EU nationality at all UK HEIs in 2011/12 was 13.4% rising to 18.7% at Russell Group universities.
  - The proportion of EU nationality staff at all non-Russell Group universities is 10.1%.<sup>3</sup>
  - 7% of all students at Russell Group universities are EU nationality students compared to 5% across all UK HEIs.
  - 30% of all EU nationality students, including undergraduates, post-graduate taught and research students at UK HEIs are at Russell Group universities (40,400 out of a total of 132,550 students).<sup>4</sup>
- 2.4 Although relatively small in number, the 24 Russell Group universities are vital to the success of the UK higher education sector as a whole, contributing a total economic output of over £30 billion per annum, which represents 45% of the total economic output for the whole university sector. They are responsible for supporting over 270,000 jobs UK-wide and lead in the cutting-edge research that will create the jobs of the future knowledge economy.<sup>5</sup> Russell Group universities make up 14 of the top 50 universities in Europe on Framework Programme 7 participation.
- 2.5 The free movement of persons within the EU is therefore not only of critical importance to the Russell Group, but to the UK's higher education sector as a whole.
- 2.6 The attractiveness of Russell Group universities and their local areas to major international companies seeking access to cutting-edge research, knowledge networks, and a highly-educated workforce is of great importance to the UK economy.
- (a) Microsoft established its European research centre adjacent to the University of Cambridge and AstraZeneca looked across the whole of Europe before deciding to relocate its Global R&D centre and corporate headquarters to the Cambridge biomedical campus.
  - (b) Boeing is a partner in the University of Sheffield's Advanced Manufacturing Research Centre, which has been in operation for 11 years and forms part of the UK's first Catapult Centre in High Value Manufacturing.
  - (c) TATA and Jaguar Land Rover (JLR) investment with the University of Warwick has created a £92 million National Automotive Innovation Campus, which is now also attracting inward investment from JLR's supply chain partners, including the powertrain division of Germany's ZF.

It is highly unlikely that international companies such as these would choose to locate in the UK if the decision were made to opt out of the free movement of persons within the EU.

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<sup>3</sup> Higher Education Statistics Agency (HESA) data

<sup>4</sup> Ibid, 2011/12

<sup>5</sup> Figures for 2011/12, using multipliers from Universities UK report on the economic impact of universities (2009)

- 2.7 As well as the significant contribution to the UK economy, there are social benefits to the free movement of persons within Member State territories, including cultural exchange and knowledge transfer. Over 4 million people will benefit from EU grants for education and training opportunities abroad from 2014 to 2020 under Erasmus+. Students at Russell Group universities benefit in particular from Erasmus, as they make up 50% of all students from UK HEIs taking part in the programme.<sup>6</sup>
- 2.8 Similarly, the ability of European Research Area researchers to move freely between Member States encourages transnational cooperation to tackle global challenges, with positive impacts on research capabilities and excellence within Europe.

### **3. The impact of provisions for social security coordination between Member States (Question 9)**

- 3.1 As with the free movement of persons, the coordination of social security schemes is a shared competence between the EU and the UK, meaning that the UK cannot act where the EU has already done so. Regulation 883/2004 coordinating social security systems of Member States including cash benefits, such as pensions and sickness pay, and benefits in kind, such as healthcare, is important for UK universities in being able to attract talented staff in particular, and students, from other Member States to the UK.
- 3.2 Changing the EU competence in this area so that Regulation 883/2004 no longer applied could act as a disincentive for EU nationality staff to come to the UK as they could potentially lose out financially compared to the current situation. This would have a disproportionately negative impact for Russell Group universities as they employ a greater proportion of EU nationality staff, as explained above.
- 3.3 However, European Commission proposals on solvency requirements for pension funds could have a negative impact on UK nationality staff at UK HEIs. They would seriously damage the viability of the Universities Superannuation Service (USS) and other defined benefit pensions. The proposal that occupational pension schemes would have to operate to a 'holistic balance sheet', closely based on the insurance industry's Solvency II funding regime, could require a dramatic – and unsustainable – increase in pension scheme funding requirements.<sup>7</sup>
- 3.4 The European Commission has decided to postpone taking a decision on the insolvency issue until more technical evidence has been gathered and we understand that proposals on insolvency will not be included in the revised Institutions for Occupational Retirement Provision Directive to be presented this autumn. However, we would encourage the UK Government to resist the proposals on insolvency as strongly as possible if they re-emerge under the new Commission in 2014.

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<sup>6</sup> British Council data, 2011/12

<sup>7</sup> Research across a sample of National Association of Pension Fund (NAPF) members shows that it would increase the liabilities of defined benefit pension schemes in the UK by 27%. This would equate to a £291 billion increase in scheme funding requirements.