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A photograph of a library interior. A person with a ponytail, wearing a grey sweater and blue jeans, is seen from the back, browsing through books on a white shelf. The shelves are filled with books, some with colorful covers. The floor is made of light-colored wood.

Midlands International Trade SME Placements – Proposal

Funded by



Universities as drivers of trade and investment pilot

Midlands International Trade SME Placements – proposal

1. Summary

- Through their global connections and expertise in supporting businesses through innovation, universities can play a significant role in helping drive international trade and investment in their local and regional economies.
- Together with the Midlands Engine Partnership, the fifteen Midlands Innovation and Midlands Enterprise universities are working on a proof-of-concept pilot and accompanying programme of advocacy and stakeholder engagement. This will provide a tangible demonstration of the impact universities can have when working alongside Government to increasing rates of FDI into Midlands R&D, support local businesses seeking to trade and export and helping wider efforts to level up communities across the region.
- The aim of this proof-of-concept pilot is to increase graduate retention in the local community, raise awareness of the Graduate Route visa, increase SME engagement with our universities through funded student placements, and in turn support those SMEs to increase their capacity to trade.

2. Supporting Government Policy and Overcoming Challenges

International students: evidence

International students bring considerable investment into the UK Higher Education system and to the local economies they reside in. However, the retention of international graduates in local and regional employment, particularly in the Midlands, is low. For example, of the 2610 known outcomes from international students studying postgraduate courses at the University of Nottingham and graduating between 2018 and 2020, only 270 were employed in the UK 15 months after qualifying. Of that 270, 48.6% were in the Midlands (40.8% East, 7.8% West) with a further 18.2% working in London. The other 1910 were working or studying outside of the UK.

Graduate unemployment rates amongst International Postgraduate alumni, when compared to domestic alumni, is high – albeit based on data drawn from a low response rate to the HESA Graduate Outcomes survey (as described in Annex D). Eleven out of eighteen Midlands institutions in the most recent survey results (Class of 2020) saw International Postgraduate Alumni unemployment rates above 8%, with three of those above 14%.

Smaller businesses are yet to fully understand the positive potential of the Graduate Route Visa in the recruitment of overseas students. The HEPI report “‘Not heard of this’: Employers’ perceptions of the UK’s Graduate Route visa¹” published in January 2023 cites that:

- the current migration system is widely disliked by employers for the level of bureaucracy involved in recruiting people from other countries;
- a sizeable minority of employers avoid recruiting people from overseas primarily because of the hassle, cost and time involved; and
- the Graduate Route, which removes the bureaucracy for employers and enables former international students to stay in the UK to work, has not been knowingly used by more than a tiny handful of employers (3%), while a much bigger proportion (27%) say they are not familiar with it and a further 20% say they have not used the route and have no plans to do so.

This was further validated by [recent research undertaken by AGCAS](#). The research, funded by the UPP Foundation, provides additional evidence for the HE sector on the facilitators and barriers to success in the UK jobs market, and assesses the effectiveness of the Graduate route and other post-study visas. There is much work to be done by government, HE institutions and employer representative bodies to education recruiters regarding international candidate employment.

Domestic students: evidence

A piece of [research by Kostas Kollyadas](#) found that there was significant variability across the United Kingdom in the retention and attraction of graduates. As set out in the table below, the East Midlands has the second lowest regional retention rate for both students and new graduate worker employment in the country. The West Midlands fares moderately better, but remains below the national average. Retention is most acute amongst international students, but there is much to be done in improving retention and attraction rates amongst domestic students. Graduate unemployment rates for the Midlands Universities (described in detail in Annex D), vary considerably across universities, but are also notably worse for international students. This remains a consistent trend across three surveyed years (2018, 2019, 2020)

¹ <https://www.hepi.ac.uk/2023/01/05/not-heard-of-this-employers-perceptions-of-the-uks-graduate-route-visa%ef%bf%bc/>

Regional attraction and retention of students and new graduate workers

Region	Total (Thousands)	Students			New graduate worker employment		
		Retention	Attraction	Total (Thousands)	Retention	Attraction	Total (Thousands)
North East (NE)	10	60.0%	53.8%	13	61.5%	20.0%	10
North West (NW)	29	65.5%	38.7%	31	67.7%	26.7%	30
Yorkshire & the Humber (Y&H)	20	60.0%	52.0%	25	56.0%	30.0%	20
East Midlands (EM)	18	44.4%	60.0%	20	45.0%	37.5%	16
West Midlands (WM)	25	56.0%	44.0%	25	56.0%	36.4%	22
East of England (EE)	24	33.3%	46.7%	15	53.3%	67.9%	19
London (LD)	40	55.0%	42.1%	38	73.7%	51.7%	58
South East (SE)	37	45.9%	55.3%	38	44.7%	47.1%	34
South West (SW)	21	47.6%	52.4%	21	52.4%	45.0%	20
Wales	14	64.3%	35.7%	14	64.3%	25.0%	12
Scotland (ST)	22	90.9%	13.0%	23	82.6%	9.5%	21
Northern Ireland (NI)	10	70.0%	0.0%	7	100.0%	12.5%	8
UK	270	56.3% (152)	43.7% (118)	270	61.1% (165)	38.9% (105)	270

Source: Own elaboration using data from HESA (Higher Education Statistics Agency), 2018

Further to this, there has been little in the way of multi-institution collaboration for internships and placements across the Midlands in the last 15 years. The East Midlands have worked on a handful of programmes, as have the West – such as the HEFCE Internship Scheme in 2010 and the European Challenge Investment Fund (ECIF) in 2009 – but nothing has taken place uniting East and West for many years.

Therefore, it is crucial to align universities' knowledge offer with existing skills needs and to identify impediments to graduate retention, especially in sub-regions with skills shortage vacancies. This becomes particularly challenging in light of the existing skills mismatch issue at the national level. Universities have an important role to play in contributing to skills initiatives, regional economic strategies and recovery.

3. Purpose and Aims of the SME Placements programme

The proposed Midlands International Trade SME Placements programme would be a region-wide scheme aimed at leveraging the global expertise, connections and entrepreneurialism of our university's international students and graduates to:

- 1) support SMEs increase and improve their exports;
- 2) provide students and graduates with a high-quality experience that would benefit their professional development and future career;
- 3) to help increase rates of talent attraction and graduate retention into the Midlands economy; and
- 4) through its regional scale represent a much more cost-effective, business-friendly model for government.

The model below proposes the creation of a programme that will provide create between 100 and 300 opportunities for recent graduates and current postgraduate students to undertake a paid work experience opportunity supporting SME export and international trade activity across the region.

The programme will be designed to support the needs of employers by identifying talented students and graduates able to work on time limited projects either alongside their studies or as a full-time internship with support from the business and the HE institution.

In developing the proposal, we have had access to desk-based research and case-study interviews commissioned by UUK International looking at previous similar schemes either undertaken by individual institutions or parts of Government in the past decade. The recently relaunched Northern Ireland 'Graduate to Export' programme have been particularly generous in sharing information.

This programme is an opportunity for Midlands HE institutions to work collaboratively to design and develop a proposal to Government that could be trialled in the Midlands and then scaled-up across the UK. Sources for funding for previous schemes have either been via EU Structural Funds, or from individual institutions and their core funding. There is an opportunity to make the case to Government that this type of programme should be funded in the future, given its clear alignment to their policy goals for both Levelling-Up and Global Britain; to the needs of our regional SME community and to the goal of universities to support both the civic and employability agendas.

This also gives us the opportunity to identify ways in which as a region we can better support SMEs post-Pandemic and post-Brexit, as well as improve access for those size businesses to our students and graduates.

4. Support for developing the proposal

The wider pilot is supported by DLUHC via their funding of the Midlands Engine partnership and is being led by Midlands Innovation and Midlands Enterprise Universities. This draft report has produced by University of Nottingham and Midlands Engine Partnership, in consultation with over 20 university Careers Directors from the Region's universities and representatives of the SME and business sector (CBI, Chambers, IOD, FSB etc).

Proposal details

5. High-level delivery model - options

Model A - 6-month internship/placement

This would be a partially funded graduate working in a business on a project for 6 months. The start dates would be between June and Sept 2024 for undergraduate cohorts and October 2024 for postgraduate cohorts.

Interested companies would advertise their opportunities to all or a selection of participating University partners aiming for start dates in either the undergraduate or postgraduate window. Companies would take on the responsibility of paying the intern themselves, but with a 50% grant from the project to cover costs.

The 6 months in the host company would aim to:

- Deliver a task and finish project.
- Lead to the possibility of retention of that graduate on an extended or permanent basis.

All applicants must have right to live and work in UK and have graduated within past 2 years. These opportunities would be open to domestic and international graduates from the participating University partners.

Model B – short term postgraduate student projects

This would be a 50% funded current postgraduate student working for a business on a consultancy basis for a defined period – but for a minimum of one month, and a maximum of three months. Start dates would be flexible, to accommodate the appropriate period of the students' academic requirements.

Interested companies would advertise their opportunities to all or a selection of participating University partners. Companies would take on the responsibility of paying the student consultant themselves, but with a grant from the project to cover costs.

Depending on the funding model and level, grants could cover 50% of the student cost.

This model would aim to:

- Deliver a short-term consultancy project for the SME.
- Lead to the possibility of retention of that graduate on an extended or permanent basis

These opportunities would be open to domestic and international students from the participating University partners.

Annex A provides an indicative summary of the number of students that could be supported across different resource levels.

6. Delivery & Funding

- *We recommend a minimum fund size of £2m, in terms of direct support for placements. The number of students this supports would depend on the placement options prioritised. For example, £2m could fund nearly 1,700 one-month placements; or, 560 three-month placements; or, 300 six-month placements. These numbers are based on a 50% grant.*
- *We estimate a project administration cost of approximately £190k per year, which includes all delivery, evaluation, administration and marketing costs. We assess three project support roles are required to deliver this pilot.*

Project management will be undertaken through a dedicated Project Lead role, supported by a Project Officer and Project Administrator. All three post holders would be employed by the lead institution for three years (or the duration of the project). The approximate salary for the posts would be Lead £40-45k, Officer £22-25k and Administrator £18-21k.

Institutions that support the programme will receive funding to offset the costs of working on this scheme - the level of funding will align with the number of opportunities that they are able to deliver. This drawn down funding could be used to support business development activity, costs incurred by the students and graduates and CPD for staff and interns. The recommended rate per intervention is 5% of the cost of the internship/placement.

A central budget for marketing, CPD, travel, governance and infrastructure will be held by the lead partner institution who will take on the role of delivering finance to the partner institutions and businesses involved in the programme.

Given that funding for the programme will be drawn from regional or national government sources, it is likely that some degree of external monitoring and evaluation will be required. Therefore, a budget for external consultancy will also be required for the programme too. Evaluation and assessment should consider feedback from SME participants, to identify jobs created and protected, as well as additional sales and revenue gained. It is recommended that a formal summative assessment – to benchmark outcomes by institution and report quickly on the learning gained from the scheme also be funded as part of the programme.

Match funding, from institutions or the private sector, could play an important part in our delivery model as it could (a) reduce the core funding requirement, (b) increase the size, scale and reach of the suggested programme or (c) do a combination of core funding reduction whilst also increasing the scale of the project. As summarised above, we recommend a minimum fund size of £2m - in terms of resource available as matched grants. This fund could be deployed in a number of ways, to provide for a mixture of placement lengths, and across different geographies.

7. Timescale

This project requires funding support from regional or national government, therefore aligning with an appropriate call for proposals is crucial. The first step will be to agree a potential delivery model with interested partners before identifying a funding source.

- Summer 2023 – local delivery partners, Midlands universities, to agree a high-level placement and internship model (or models).
- Summer 2023 – scoping work to identify potential funding routes and agreement for programme support to be sought from relevant local representative groups (Midlands Engine, Chamber of Commerce, IoD, FSB etc).
- At the same time, work to test the business market for the internship proposal to take place – this will be budgeted for by Midlands Engine.
- Late Summer/Autumn 2023 – delivery model proposals finalised and submitted for external funding support.
- Winter 2023 – funding request approved. Marketing and promotional campaign to students, graduates, and businesses in place to generate interest in the programme
- Spring 2024 – Project Team recruited to programme lead
- Summer 2024 – first internships and placements take place
- Run again in 2025 and 2026, with an aim to complete delivery by 31st December 2025

8. Benefits: case study of Productivity Through Innovation – follow-up snapshot from 21 Hosts

A current ERDF backed project between the University of Derby, Nottingham Trent University and the University of Nottingham worth £7.1m aims to deliver 349 postgraduate placements with a focus on productivity. Despite the reported decrease in exports and international trade because of the global pandemic over the last two years, this existing project has seen:

- An Increase in Gross Value Added (in reported turnover) by almost £4m
- 8.2% turnover increase dedicated to R&D activity within participating SMEs
- 19% of SMEs have introduced a new product or service innovation

A key impact of businesses working with PGs is hoped and expected (and in this case evidenced) to be an increase in spend on R&D and increased recruitment and retention of higher-level skills in the region.

The funding model for the Productivity Through Innovation splits the £7.1m such that £3m is used to cover direct placement costs and the balance is for staff infrastructure at each of the partner institutions. Additional private match funding contributions from the host businesses are worth almost £2m, and go directly to covering the placement costs.

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Updated, Duncan Adams, April 2022

Updated, Stuart Marriott, April 2023

Appendix A – Delivery Costs

Model A – 6-month internship/placement (with 50% match funding applied)

Assumptions

- Based on a 37.5 hour working week
- On-costs applied (Employer NI 13.8%, Pension 3%, and Apprenticeship Levy 0.5%)

Cost / Model	£10.50 per hour	£11.50 per hour	£12.50 per hour	£13.50 per hour
Salary equivalent	£20,475	£22,425	£24,375	£26,325
6 Month, with on-costs	£12,009	£13,152	£14,296	£15,440
6 month holiday pay	£1,310	£1,435	£1,560	£1,685
Total max cost	£13,319	£14,587	£15,856	£17,124
Budget				
£0.5m	74	68	62	58
£0.75m	112	102	84	86
£1.0m	150	136	126	58
£1.25m	186	170	154	72
£1.5m	224	204	188	87
£1.75m	262	238	220	102
£2.0m	300	274	256	116

Model B – short term postgraduate student projects

Cost / Model		£10.50 p/h	£11.50 p/h	£12.50 p/h	£13.50 p/h
Salary equivalent		£20,475.00	£22,425.00	£24,375.00	£26,325.00
Hourly, with on-costs		£13.77	£15.08	£16.39	£17.71
Budget & Project Duration					
£0.5m	1 month	419	383	352	326
	2 months	209	191	176	163
	3 months	140	128	117	109
£1.0m	1 month	838	765	704	652
	2 months	419	383	352	326
	3 months	279	255	235	217
£1.5m	1 month	1257	1148	1056	978

	2 months	628	574	528	489
	3 months	419	383	352	326
£2.0m	1 month	1676	1530	1408	1303
	2 months	838	765	704	652
	3 months	559	510	469	434

Appendix C – Infrastructure Costs

Item	2024	2025	2026	Total
Project Staffing	£113,435	£119,106	£125,062	£357,603
Lead	£58,426	£61,348	£64,415	£184,189
Officer	£31,864	£33,458	£35,130	£100,452
Administrator	£23,144	£24,301	£25,516	£72,962
Staffing Non-pay	£12,500	£9,500	£9,500	£31,500
Travel	£5,000	£5,000	£5,000	£15,000
CPD (team)	£3,000	£3,000	£3,000	£9,000
IT equipment	£4,500	£1,500	£1,500	£7,500
Delivery	£22,500	£20,000	£13,000	£55,500
Marketing	£10,000	£7,500	£500	£18,000
Event	£7,500	£7,500	£7,500	£22,500
CPD (project)	£5,000	£5,000	£5,000	£15,000
Governance	£45,000	£45,000	£45,000	£135,000
Steering Group	£5,000	£5,000	£5,000	£15,000
Audit	£3,000	£3,000	£3,000	£9,000
Evaluation	£12,000	£12,000	£12,000	£36,000
Summative Assessment	£25,000	£25,000	£25,000	£75,000
Total	£193,435	£193,606	£192,562	£579,603

Note that these are indicative costs only – for discussion and debate amongst project partners at this point. We have made no attempt to identify possible sources of matched funding from HE institutions or the private sector, but they will could be factored in so that the programme (a) costs less to the public sector (b) delivers more activity or (c) a combination of lower cost and more activity.

Appendix D – the challenge of International Graduate unemployment rates in the Midlands Universities

Average

Unemployment Rate*	Class of 2018	Class of 2019	Class of 2020
All Graduates	4%	6%	6%
UK Undergraduates	5%	7%	5%
Int Undergraduates	9%	10%	10%
<i>Difference</i>	4%	3%	5%
UK Postgraduates	2%	3%	4%
Int Postgraduates	6%	8%	9%
<i>Difference</i>	4%	5%	5%

Range

Unemployment Rate*	Marker	Class of 2018	Class of 2019	Class of 2020
All Graduates	Lowest	1%	2%	3%
	Highest	9%	12%	10%
	<i>Difference</i>	8%	10%	7%
Home Undergraduates	Lowest	1%	2%	2%
	Highest	8%	13%	10%
	<i>Difference</i>	7%	11%	8%
Int Undergraduates	Lowest	0%	3%	5%
	Highest	25%	17%	17%
	<i>Difference</i>	25%	14%	12%
Home Postgraduates	Lowest	0%	1%	1%
	Highest	5%	6%	11%
	<i>Difference</i>	5%	5%	10%
Int Postgraduates	Lowest	0%	3%	4%
	Highest	9%	18%	20%
	<i>Difference</i>	9%	15%	16%

- Data drawn from the HESA Graduate Outcomes Survey (C17071, C18071 and C19071) and based on responses to the MIMPACT field.