

**The Australian Population Research Institute, Research Report,
December 2018**



Australia's higher education overseas student industry revisited

Bob Birrell

Katharine Betts

The Australian Population Research Institute <tapri.org.au>
PO Box 12500
Middle Camberwell
Victoria 3124, Australia

Report authors

Bob Birrell (mobile 0413 021 126) is the Head of the Australian Population Research Institute (TAPRI), an independent, non-profit research organisation. Katharine Betts is deputy head.

The authors would like to thank Bob Kinnaird for editorial suggestions.

Articles published by the Australian Population Research Institute may be republished provided the institute and its writers are appropriately credited, and a link is made to our website <tapri.org.au>.

Any articles reproduced cannot be edited or any material sold separately.

Australia's Higher Education Overseas Student Industry Revisited

Bob Birrell and Katharine Betts

Why revisit the industry following the publication of a lengthy analysis in November 2018?¹ The answer is that since publication the Commonwealth Department of Education has released 2017 student enrolment data. These data show a striking further increase in the share of commencing overseas students to all commencing students.

By 2016 this share already reached the very high level of 26.7 per cent. Surely, you might think, it can't go much higher, since at this level it was way above that in Australia's major competitor countries, the UK and the USA.

However it has. The news is that in 2017 this share increased to 28.9 per cent. In the November report we focussed on the Group of Eight (Go8). This was because in a number of these universities, including the University of Sydney and the University of NSW, this share was almost 40 per cent by 2016. The enrolment data for 2017 shown in Tables 1 and 2 indicates that the Go8 saw much faster increases in overseas student commencements than in the non-Go8 universities. So much so, that by 2017, the share of overseas student commencement to all commencements had reached well over 40 per cent in the University of Sydney, ANU, and the University of NSW.

We do not repeat the reasons why this high reliance on overseas students is a serious source of concern, except to provide a brief summary immediately below. But obviously, if the level of reliance on overseas student enrolments and revenue was an issue with the 2016 enrolments, there are even more grounds for concern given the further sharp increase in 2017.

This report focuses on an issue not explored in the November report. This is the implications of such rapid growth in overseas student commencements for access to higher education on the part of domestic students. The higher education overseas student industry repeatedly claims that there is no conflict between the expansion of overseas student enrolments and domestic opportunity. Yet as we will see, in the case of the Go8, over the five years to 2017, all of the expansion in commencements has gone to overseas students. Domestic enrolments have been static.

This a highly topical matter because in December 2017 the Coalition government announced that it would henceforth cap the level of domestic higher education enrolments. Since that time, Australia's universities, including the Go8, have mounted an offensive against this decision on the grounds that it limits opportunities for domestic students. Yet the enrolment data examined below indicates that, at least since 2012, the Go8 has effectively enforced just such a cap on domestic enrolments.

A summary of the November report's findings

The November report argued that the overseas student industry was in a precarious state because of its increased reliance on overseas student enrolments. The share of overseas commencing students to all commencing students increased from 21.8 per cent in 2012 to 26.7 per cent in 2016.

We concluded that the tail was wagging the dog. That is, such was our universities' reliance on overseas students, that most were prioritising the health of the overseas student industry over the educational needs of domestic students. In the case of research, the universities' focus was primarily on basic research. This is because it is this that is relevant to their aspiration to achieve a place in the

top 100 institutions in the global university ratings systems. As documented in the November report, research of this kind is the most likely to be accepted by the top international journals that drive the ratings system. Research focused on local priorities wouldn't make the cut.

The November report showed that Australia's overseas student industry was split into two distinctive markets. The first included most of the Go8 universities, where overseas students were charged some \$40,000 a year, mainly for courses at the undergraduate and post-graduate-by-coursework level in business and commerce. Most of the students were Chinese. Indeed, between 2012 and 2016, of the total increase in overseas student commencers of 13,738 at Go8 universities, 12,198 were Chinese.

Students' (or parents') willingness to pay for such high priced courses was attributed to the fact that they delivered credentials from a university rated in the international top 100. (This includes almost all of the Go8.) Qualifications from these universities appear to be highly regarded in the Chinese labour market. Relatively few of these Chinese students stay on in Australia after completing their studies.

This outcome helps explain the universities' focus on basic research. In order to maintain enrolments from China, they have to promote such research because it scores best on the metrics used by the international ratings systems.

The second market was composed of almost all the other universities. The number of overseas students enrolling in these universities also increased significantly between 2012 and 2016 (though at a slower rate than occurred in the Go8). However the countries of origin were primarily located in the Indian subcontinent. We showed that most of these students were attracted to Australian universities because of the access their enrolment gave them to the Australian labour market and thus to the potential of a permanent residence visa.

We concluded that the overseas student industry was in a precarious state. In the case of the Go8, enrolments were vulnerable on three points. First is the risk of reputational damage on account of the poor quality of the education overseas students are receiving. Then there is the risk from geopolitical tensions that threatened Chinese enrolments. And finally there is the risk of competition from other countries. For the other universities the main issue was current changes in the rules governing overseas-student access to the Australian labour market and to long-term employment contracts. This means that their chances of obtaining a permanent residence visa are contracting. As a consequence we argued that these changes would diminish the attraction of enrolling for higher education at a non-Go8 Australian university.

Table 1: Per cent share of commencing onshore* overseas students to all onshore commencing students, Go8 universities and all Australian Higher education institutions, 2012, 2016 and 2017

	2012	2016	2017
<i>Group of eight:</i>			
University of Melbourne	27.3	36.2	38.7
University of Sydney	22.8	39.2	42.9
Monash	24.0	36.5	39.8
ANU	28.8	36.5	43.1
University of Queensland	27.4	31.8	37.0
University of NSW	30.2	38.7	42.9
University of Adelaide	28.5	28.3	31.4
University of WA	19.1	20.8	25.1
All Australian higher education institutions	21.8	26.7	28.9

Source: Department of Education and Training, Higher Education Statistics, Table 1.10, Commencing Students by State, Higher Education Provider, Citizenship and Residence Status.

* The term *onshore* is used to distinguish overseas students being educated in Australia from those in Australian campuses set up overseas. The latter are not included in these figures.

Higher Education standards and opportunities for domestic students

It is usually assumed that the purpose of Australia's huge public investment in higher education is to enhance opportunities for domestic students and to preserve the standard of education available to them. We start with the issue of opportunities

Higher education opportunities

Australia's universities repeatedly assure the Australian public that increased enrolments of overseas students are not damaging the prospects of domestic students gaining a university education. Rather, they state that the two sets of enrolments are independent of each other; opportunities for locals are not being crowded out.

How could this be? Well, according to a 2014 policy document from the Go8, international students actually 'directly facilitate domestic participation in higher education'. This is achieved, the document claims, because revenue from overseas student fees contributes to the costs of domestic education. It asserts that international student fees 'subside each domestic student by around \$1,600'.²

This might seem plausible given that domestic enrolments have increased since the removal of enrolment caps for domestic students in 2009. Over the years 2012 to 2017 (years in which overseas enrolments expanded rapidly) the number of commencing domestic students at Australia's universities increased from 370,314 to 416,371.

The result is that a very high share of the cohort of university age are currently enrolled as higher education students. In fact, university competition for potential domestic students is such that some universities have seen a drop in their domestic enrolments over the past couple of years. Concern that this enrolment scramble had gone too far (and was costing the Commonwealth government too much in funding) prompted the Coalition government in December 2017 to announce that it would re-impose enrolment caps in 2018 (caps which Labor promises to withdraw should it win government in 2019).

The universities have responded to these caps by insisting throughout 2018 that they amount to a reduction in opportunities for domestic students. According to Margaret Gardiner, Vice Chancellor at Monash University, the cap acts as a funding freeze which 'will limit the share of highly-skilled well-paid jobs in our economy that can be done by qualified Australians in the decades ahead'.³ Or, in the words of the newly appointed (in June 2018) Chief Executive of *Universities Australia*, the reinstating of caps puts an end to the 'unearthing and unleashing' of talent that has occurred since the caps were removed, starting in 2009.⁴

Claims of this kind are important if universities are to occupy the high moral ground. It is vital that university leaders maintain the public's confidence that no Australian university has been giving a higher priority to overseas student enrolments than to domestic enrolments. If they had, this would imply that their public advocacy for domestic student opportunity was insincere.

In the case of the Go8, as Table 2 and other data cited later indicate, this advocacy is insincere. These universities have been giving priority to overseas students over domestic students for several years.

Table 2: Domestic and overseas student onshore commencements at Go8 universities, 2016 and 2017

	Domestic		Overseas	
	2016	2017	2016	2017
University of Melbourne	15,492	15,419	8,815	9,716
University of Sydney	14,140	14,449	9,132	10,867
Monash	14,003	14,453	8,034	9,584
ANU	5,960	5,659	3,433	4,317
University of Queensland	12,100	11,790	5,648	6,946
University of NSW	12,350	12,896	8,349	9,703
University of Adelaide	6,725	6,457	2,674	2,962
University of WA	6,943	6,777	1,829	2,268
Total Go8	87,713	87,930	47,914	56,363
Other universities*	323,515	328,441	102,259	112,622
Total Australia	411,228	416,371	150,173	168,985

* This group includes all other Australian public universities. It also includes a small number of commencing students attending other higher education providers.

Source: Department of Education and Training, Higher Education Statistics, Table 1.10, Commencing students by state, higher education providers, citizenship and residence status, 2016 and 2017

If expansion of overseas student enrolment was helping to create opportunities to increase domestic enrolments you would expect that more domestic students would be gaining places in Go8 universities. However, as Table 2 shows, though commencing overseas student numbers increased significantly, domestic enrolments in the Go8 group were stable between 2016 and 2017. This is not a new development. Over the entire period 2012 to 2017, when there were no caps on the number of domestic students that any university could enrol, domestic student commencements at Go8 universities barely moved. They were 87,939 in 2012 and 87,930 in 2017. By contrast, over these same years the number of overseas student commencements at the Go8 increased from 30,320 to 56,363.⁵

Given that there were no caps in place, the Go8 could have taken more domestic students over these years. Many more thousands of these students would have jumped at the opportunity to attend a Go8 university. They were precluded from entry by the high ATAR⁶ entry thresholds imposed by Go8 universities. Such is the Go8 universities' prestige that they attract the best domestic performers in secondary school exams. Like the overseas students, domestic students know that a credential from a Go8 university gives them a competitive advantage in the labour market (in this case within Australia).

The stabilisation of domestic enrolments was not because the Go8 lacked the capacity to increase their student load. They did have the capacity, but all of it has been taken up by increased enrolments from overseas students. As Table 2 shows, there seems to be no abatement in this

trend. The Go8 took on 168,985 commencing overseas students in 2017, which represents an 11 per cent increase on the 150,173 enrolled in 2016.

Clearly, the Go8 universities preferred to enrol overseas students. In effect, the benefits of the allegedly superior education that these universities offer went to overseas students rather than to local students. This was not because overseas students had superior potential to take advantage of what the Go8 offers. The contrary is the case. The Go8 do not preference high performing overseas students. There are minimal entry barriers to their enrolment other than the ability to pay the huge fees required.

The standard of higher education

The standard of higher education was a major focus of our November report, so this will not be repeated in this addendum, except to add some comment on the Go8's recent responses to critics who draw attention to the high presence of foreign students on their campuses.

The Go8 universities claim, on the basis of their international ratings, that they are world class universities, not just in the research arena but also in the quality of their educational product. We cited a litany of such claims in the November report. Here's one of them from Universities Australia. 'Quality is our drawcard' according to Belinda Robinson, Chief Executive of Universities Australia. 'We know that international students are attracted to Australia by the excellent quality of the education we provide and the calibre of both teaching and research here'.⁷

Go8 leaders dismiss the apparent domination of Chinese students on some of their campuses. For them this is a good thing, because it exposes domestic students to Australia's economic future, a future that is one of greater engagement with the global economy and with citizens of the winning economies, including the Chinese. From this perspective the high Chinese presence on Go8 campuses enhances the educational experience offered to local students.

There is something to these arguments. But it is mainly spin that obscures other features of Go8 campuses. Teaching is a second order priority. Students hoping to get the benefits of exposure to top researchers find instead that teaching is regarded as a chore or a distraction by the research stars. Most face-to-face teaching is conducted by non-tenured adjuncts. As one anonymous Go8 Vice Chancellor cited in our November Report said: 'The students at research-intensive universities carry the burden of the national research effort'. This VC thought that students would be better off (in terms of their educational experience) at a non-Go8 university.

There is little space in this environment for initiatives in vocational education.

In the business and commerce faculties at the Go8, where Chinese students often constitute the majority, there is a direct cost to the quality of the education offered. We argued that such courses have had to be made less demanding so that the many Chinese students with relatively limited English language skills can cope with their requirements and assessments.

Life on a Go8 campus is not the exciting cosmopolitan experience sometimes portrayed. For many domestic students, the overwhelming priority is the credential. They confront a user-pays environment where they not only have to go into debt to pay the course fees but also pay charges for the services offered, including sports facilities and parking. Large numbers have to do part-time work to pay for these costs and their living expenses.

Study at a Go8 university is no longer about a wide spectrum of social and cultural experiences. It is more akin to distance education. Universities encourage this by requiring staff to provide lectures,

study notes and course material on line. It suits the universities because this mode of teaching is cheaper and also enables them to avoid the overcrowding that would be obvious if most of the increasing number of students they have enrolled were actually present on their campus at any one time.

Most Go8 campuses are in the midst of a building boom. In large part this is financed by the revenue, or the promise of future revenue, from overseas student fees. However, far from enhancing the quality of the domestic student experience this boom is mainly directed at enhancing the status of the campus in the eyes of potential overseas students. The emphasis is on glitzy buildings surrounded by elaborate landscaping, as well as on up-market dormitories catering for affluent overseas students.

Conclusion

Australia's universities, especially the Go8, are caught in a vicious circle as their reliance on overseas student revenue deepens. They are in no position to prioritise teaching which benefits the vocational needs of their domestic students or to focus on research activities relevant to Australian industry or the wellbeing of Australian citizens. They have to focus on research which scores on the international ratings and they have to sustain high enrolments from international students in order to help finance this research.

It is about time that the Australian government recognised this situation. National, rather than university, priorities should guide higher education policy. Successive governments have allowed the universities' success in generating revenue, revenue which is counted as export income, to obscure the wider consequences of this activity.

Notes

¹ Bob Birrell and Katharine Betts, *Australia's higher education overseas student industry: in a precarious state*, The Australian Population Research Institute, November 2018

² Group Eight Australia, Policy Note, *International students in higher education and their role in the Australian economy*, March 2014, p. 5

³ Margaret Gardner, 'Freeing university funding is out of step with the views of most Australians', *The Conversation*, 28 February, 2018

⁴ Catriona Jackson, 12 June, 2018, *Opinion: An uncapped university system means many more opportunities* <<https://www.universitiesaustralia.edu.au/Media-and-Events/media-releases/OPINION-#.XBHrc2cUI9A>>

⁵ Data drawn from Higher Education Statistic releases, various years

⁶ Australian Tertiary Admission Rank

⁷ Bob Birrell and Katharine Betts, *op. cit.*, pp. 12-13