Overseas students are driving Australia’s Net Overseas Migration tide

Bob Birrell
Bob Birrell (mobile 0413 021 126) is the Head of the Australian Population Research Institute (TAPRI), an independent, non-profit research organisation. He would like to thank Katherine Betts, Don and Tricia Edgar and Bob Kinnaird for their editorial suggestions. He would also like to thank Virginia Rapson for editorial assistance and layout of the report. 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.
Overseas students are driving Australia’s Net Overseas Migration tide

Bob Birrell

Executive summary ............................................................................................................................. v

Introduction ......................................................................................................................................... 1

The overseas student contribution to NOM ...................................................................................... 1

  Maybe it’s just a temporary imbalance between arrivals and departures ........................................ 4

  The significance of the official stock figures ................................................................................... 5

The liberalisation of student visa standards ....................................................................................... 6

  Reform backtrack ............................................................................................................................... 7

  The watering down of financial capacity and English language standards .................................... 7

  Access to a permanent residence (PR) visa ..................................................................................... 8

The university and overseas student response to liberalisation ......................................................... 9

  The university response – two distinct markets ............................................................................. 9

How many overseas students get PR? ................................................................................................ 10

Contribution of students to NOM via prolonging their stay in Australia ........................................... 12

  Prolonging the process .................................................................................................................... 13

Implications ......................................................................................................................................... 14

  Australia’s migrant intake is low skilled ....................................................................................... 14

  The urban congestion issue ........................................................................................................... 15

  The rise and fall of the high-rise apartment industry .................................................................. 16

Want should be done? ........................................................................................................................ 18

References .......................................................................................................................................... 20
Overseas students are driving Australia’s Net Overseas Migration tide

Bob Birrell
The Australian Population Research Institute

Executive Summary

There is widespread awareness that overseas students are a large and growing presence in Australia.

But few observers would know that by 2017-18 overseas students were the largest contributor to Australia’s very high level of Net Overseas Migration (NOM). According to Australian Bureau of Statistics (ABS) estimates, overseas students comprised 104,987 of the overall level of NOM of 236,733 in 2017-18 (Table 1). That’s 44 per cent of total NOM.

Overseas students holding higher education visas were the dominant source of this contribution to NOM. (See definition of NOM on pp. 1-2.)

Nor would many observers be aware that, over the six years from 2011-12 to 2017-18, overseas students were by far the largest growth point in Australia’s NOM. Their contribution increased from 25,700 in 2011-12 to 104,987 in 2017-18 (Table 2).

In the absence of the increasing contribution of overseas students, Australia’s NOM would have declined to around 150,000. Reductions in NOM over these years from New Zealanders and those on temporary work visas (among others – see Table 2) were swamped by the rising tide of overseas students.

The student share of NOM in 2017-18 of 104,987 was far greater than that attributable to movements of those holding permanent residence visas – which was 66,548 in 2017-18 (see Table 1).

Yet almost all the recent debate about the size of NOM and the Coalition government’s proposals to deal with the scale of NOM has focussed on the permanent resident component. The Coalition plans to reduce the impact on Sydney and Melbourne by diverting some who obtain permanent visas to regional areas.

The far more important size of the overseas student component has barely rated a mention in this debate, either by the Australian government or commentators on the migration issue. Nor are many commentators aware that overseas students are by far the largest contributors to population growth in inner Sydney and Melbourne (p. 16).

Part of the reason for this neglect is that most observers think that with the permanent entry migration program set at 190,000 over recent years, it must be the main source of the growth in Australia’s migration population. It is not. Near half of those receiving a permanent entry visa in 2016-17 were already residing in Australia when granted the visa. As a consequence they are not included in the count of NOM arrivals who are permanent resident visa holders.

This leads to the central point of this paper. Most people are concerned about the scale of migration. It is not a big issue whether the formal migration program is pushed up or down a bit. NOM is the best indicator of this scare. On this metric, overseas students are far more important contributors to Australia’s population growth than the net inflow of permanent entry visa holders.

This report examines the consequences of growth in the overseas student presence for the labour markets and for the congestion issues now afflicting Sydney and Melbourne. It also has much to say about the decline in teaching standards in Australia’s universities. These universities have had to
accommodate a huge increase in the number of overseas students. Between 2012 and 2017, the share of commencing overseas students of all commencing students in Australia’s universities grew from 21.8 per cent to 28.9 per cent and to around 40 per cent in Group of Eight (Go8) universities.

How did explosion in enrolments come about? It was a direct consequence of Australian government policy.

Over the years 2009-2011, the Labor government tightened the rules on English language and financial requirements as well as access to onshore permanent residence (PR) visas for overseas students. This was in response to a surge in the number of overseas students who were managing to use their student visa as an entry point into Australia’s labour market and for obtaining a permanent entry visa.

As a result of these reforms, the number of higher education overseas student visas issued, which had peaked at 133,859 in 2008-09, dropped to 113,160 in 2011-12.

Following protests from the overseas student industry, the Labor government commissioned an inquiry (the Knight Review) published in 2011. This report recommended the reversal of the 2009-11 reforms.

The Labor government subsequently watered down the rules on English language and financial requirements for overseas students and largely devolved their implementation to the universities themselves (see pp. 6-8). Again, following Knight, the universities were offered further enrolment inducements. The most important was the creation of a new post-study work visa (485). This gave all overseas students who had completed any higher education degree in Australia the right to stay on for at least two years with full work rights.

These measures allowed universities to recruit overseas students with very limited academic preparation and English proficiency and without sufficient funds to finance their living expenses and fees over the duration of their course.

In regard to English language skills the Australian government now permits universities to make their own judgements as to English language requirements. They can set these at below the level needed to cope with university level instruction, if they chose to. Many do, including the regional universities who have set up ‘shop front’ campuses in Sydney and Melbourne. They only require level 6.0 on the IELTS test, which is far short of what is required for university courses (p. 10).

As to the funds situation, many thousands of overseas students are being enrolled who do not hold the funds needed to finance their stay in Australia for more than a short period. They have to rely on obtaining employment here. They have created an underclass of workers with little choice but to accept whatever terms employers are prepared to offer (p.7).

Australia’s universities have ramped up their recruitment efforts. Two distinct markets have emerged. One is the Chinese market, which has been dominated by the Go8 universities. They charge very high fees ($40,000 plus a year). Most of these students return home after completing their courses.

The other main market is that from the Indian subcontinent. Non-Go8 universities are main locus of these students. These universities charge a bit over $20,000 a year. Their main attraction to subcontinent students appears to be the access they gain to the Australian labour market and to the possibility of obtaining a permanent residence visa.

Overseas student enrolments in both markets have grown rapidly since 2012.

The report then traces how this increased overseas student presence has translated into the huge growth in NOM attributable to overseas students described above (pp. 10-13).
This has occurred, in part, as a result of the success of overseas students in obtaining a PR visa while in Australia. As shown in Table 4, some 23,602 managed to do so in 2016-17. This means that around 20 per cent of recent overseas student higher education completions obtained a PR visa in that year.

A more important contribution to this overseas student contribution to NOM is the high propensity of overseas students (especially those from the sub-continent of India) to seek and obtain another temporary visa each year. Table 5 provides an indication of these numbers. The most important of these pathways is the 485 visa. In 2017-18, 46,711 overseas students were granted a 485 visa (Table 5).

An important indicator of the determination of many overseas students to stay on in Australia is their high propensity to appeal any decision by the Department of Immigration to deny them an additional visa. This enables them to stay in Australia while their appeal is heard by the Administrative Appeals Tribunal (p. 14).

Implications

For Australia’s universities, there has been an erosion of teaching standards and a resulting mounting threat to their reputation. This flows from the creation of overseas student enclaves in the fields these students focus on, mostly in business, administration and to a lesser extent information technology. Universities have had to adjust their curriculum and teaching standards to accommodate the limited academic preparation and often poor English skills of the students in question.

For the wider Australian society, the flood of overseas students has had major impacts on the labour market and quality of life in Australia’s major metropolises, particularly Sydney and Melbourne.

As to the labour market, migration advocates like to claim that the influx of migrants is augmenting Australia’s skilled workforce. This is not the case for the overseas student component.

Any link between Australia’s skill needs and the overseas student workforce is fortuitous. There is no skill filter governing the entry and stay of overseas students, except to a limited degree for those who obtain a temporary work visa (6,098 in 2017-18 according to Table 5) or a permanent entry skill visa.

Most of those holding an overseas student visa do not possess professional or trade qualifications accepted in Australia. And, because they hold temporary visas, employers are usually only willing to recruit them on a casual or part-time basis. They enter low-skilled labour markets (notably in hospitality, retail and other service industries). The costs are borne by the many young domestic workers who do not possess post-school qualifications and who are also seeking work in these occupations. These domestic job seekers face ferocious competition from overseas students and other temporary migrants. This has eroded wages and conditions.

Regarding quality of life issues, the main impact is the exacerbation of congestion issues, again, mainly in Sydney and Melbourne. As noted, overseas students are the main source of population growth in inner city Sydney and Melbourne. They are locating in the eye of the storm of these congestion problems. In the absence of overseas students, the need to transform these locations for high-rise apartment blocks, to rebuild inner city infrastructure and incur the massive future public debt resulting, would be far less.

What to do?

The overseas student industry needs another era of reform that will reverse the liberalisation measures implemented since 2011. This may not happen soon because of the iconic status of the overseas student industry, particularly its success as a generator of export income.

However, cracks are appearing in this façade, especially with the growing awareness of the deterioration of the universities’ educational standards.
It is hoped that the information in this paper will contribute to greater public awareness of the need for a review of the overseas student industry. In 2016 the Productivity Commission warned that the indirect costs of the overseas student industry ‘could potentially offset the net benefits to the community’ (p.1). The evidence gathered in this report suggests that this warning is no longer something that could ‘potentially’ happen. It is already evident.

There is an obvious need to reduce the burdens of Australia’s migration influx. Action should start with reforms of the overseas student component – rather than fiddling with the permanent entry visa program.
Overseas students are driving Australia’s Net Overseas Migration tide

Introduction

In 2016 the Productivity Commission warned that the indirect costs of the overseas student industry ‘could potentially offset the net benefits to the community’.¹ This report argues that these indirect costs have increased significantly in recent years, mainly as a result of changes implemented following the 2011 Knight Review of the overseas student industry.²

These changes made it much easier for foreign nationals to obtain a student visa. This is in large part because the Australian government abdicated the vetting of overseas students in terms of academic standards, language ability and financial viability to the universities.

The changes have also made it easier for overseas students to stay and work in Australia after completing their studies.

Overseas students have, since 2011-12, become the largest source of growth of Australia’s Net Overseas Migration (NOM). The consequences include negative impacts on the job market for Australian residents and the well-documented growth in exploitation of overseas students and graduates in the job market.

In addition, overseas students have become the chief source of population growth in inner Sydney and Melbourne and thus major contributors to each city’s congestion crisis.

But that’s not all.

They are affecting the quality of higher education through lower entry standards and poor quality English language levels. In order to attract ever more overseas students, Australia’s universities have had to create learning enclaves, mainly in business and administration courses. In these enclaves the standards for English language skills, academic preparation and learning outcomes have all had to be adjusted downwards in order to attract and cope with overseas students.³

This paper sets out the evidence for these costs to the Australian community and argues that policies implemented by successive governments since the 2011 Knight Review must be reversed.

The paper begins by documenting the scale of the overseas student contribution to NOM and its remarkable increase since 2012.

It then explore the factors that have contributed to this outcome. Chief amongst these have been the deliberate government policy changes since the Knight Review designed to promote the overseas student industry.

The final section of the report elaborates on the indirect costs of the growth in overseas student numbers flagged above.

The overseas student contribution to NOM

Overseas students are currently the main drivers of the migrant component of Australia’s population growth. In 2017-18 Net Overseas Migration (NOM) was 236,733. This is equivalent to 0.9 per cent of Australia’s population. NOM was the main source of Australia’s very high population growth rate in 2017-18 (1.6 per cent). This growth rate is well above that of all other Western countries.

NOM, as defined by the Australian Bureau of Statistics, is the difference between NOM arrivals and NOM departures. All movers, whether migrants or residents are included. To be classified as an arrival a
mover must stay in Australia for at least 12 months of the 16 months after arrival, and to be classified as a departure a person must be outside Australia for at least 12 months of the 16 months following the departure.  

The Australian Bureau of Statistics (ABS) provides estimates for the major visa subclasses making up the total of NOM arrivals and departures. These estimates, detailed in Tables 1 and 2, are based on the visa subclass which the mover holds at the time of arrival or departure. If an arriver changes his/her visa while in Australia, the departure is recorded as the visa when the person leaves, not the visa held when the person arrived. This point must be kept in mind (as we will remind readers) when interpreting the tables.

This procedure will help explain the puzzle that according to Table 1 there was only 87,775 permanent visa holder arrivals in 2017-18. Yet there were 162,417 permanent resident (PR) visas issued under the migration program for 2017-18 and thousands more under the humanitarian program. Why the shortfall? The answer is that around half these visas were issued to migrants already in Australia who were holding a temporary visa and thus are not classified as NOM permanent arrivals. Many of these, as we will see, were holding an overseas student visa.

Here’s the demographic evidence of Australia’s very high NOM and its constituents according to the ABS classification.

Table 1 shows that by 2017-18 overseas students made up 104,987 or 44.3 per cent of Australia’s NOM. The student share was far greater than that attributable to net permanent migration of 66,584 in Table 1.

| Table 1: Net Overseas Migration (NOM), arrivals, departures and net by major visa types, 2017-18 |
|-------------------------------------------|-----------------|-----------------|-----------------|
|                                      | Arrivals | Departures | Net            |
| Temporary visas                       |          |             |                |
| Student visas                         |          |             |                |
| VET* sector                           | 18,503   | 14,659      | 3,844          |
| Higher education sector                | 105,485  | 31,000      | 74,485         |
| Other students                         | 35,448   | 8,790       | 26,658         |
| Student total                          | 159,436  | 54,449      | 104,987        |
| Temporary work skilled                 | 26,541   | 15,200      | 11,341         |
| Visitor                                | 78,020   | 20,628      | 57,392         |
| Working Holiday Maker                  | 49,286   | 22,415      | 26,871         |
| Other temporary visas                  | 14,067   | 28,494      | -14,427        |
| Total temporary visas                  | 327,350  | 141,186     | 186,166        |
| Permanent visas                        |          |             |                |
| Skilled**                              | 43,014   | 8,150       | 34,864         |
| Family                                 | 26,516   | 5,700       | 20,816         |
| Other permanent visas***               | 18,245   | 7,378       | 10,867         |
| Total permanent visas                  | 87,775   | 21,227      | 66,548         |
| Other visas                           |          |             |                |
| New Zealand citizens                   | 30,236   | 23,543      | 6,693          |
| Australian citizens                    | 76,338   | 90,742      | -14,404        |
| Other                                 | 4,000    | 12,269      | -8,269         |
| Total NOM                              | 525,698  | 288,965     | 236,733        |

Source: ABS Australian Demographic Statistics, cat. no. 3101.0, June 2018, p. 21
Note: According to the ABS, any discrepancies between the totals and sum of the components are due to rounding of some components.

*VET stands for Vocational Education and Training **Includes partners, children and dependent relatives ***Includes humanitarian visas.
Yet almost all the recent debate about the size of NOM and how it might be reduced has been on the net permanent migration component.

This leads to the central point of this paper. Most people’s concerns about migration stem from the scale and pace of growth of migration. Given these concerns it is not a big issue whether the formal migration program is pushed up or down a bit. It’s the overall number of migrants that matter. For this, NOM is the best indicator. And, over recent years, the contribution of overseas students to NOM has been much more important than that deriving from permanent migration.

It follows that if there is to be any abatement to Australia’s very large NOM, overseas students have to a major part of the discussion and the solution.

Within the student sector, higher education was the main source. The total student contribution to NOM in 2017-18 was 104,987 and of these, higher education was responsible for 74,485.

Table 2 shows that both the size of the overseas student component and its share of NOM has grown rapidly since 2011-12. The overseas student share of NOM was just 11.1 per cent in 2011-12 (compared with 44.3 per cent in 2017-18).

Again, the higher education sector was the major contributor to the overall growth in student NOM between 2011-12 and 2017-18. It comprised 63,005 out of total overseas student NOM growth of 79,287.

This is why our main focus is on the higher education sector.

<table>
<thead>
<tr>
<th>Table 2: Net Overseas Migration (NOM) by visa category, 2011-12 and 2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2011-12</strong></td>
</tr>
<tr>
<td><strong>Temporary visas</strong></td>
</tr>
<tr>
<td><strong>Student visas</strong></td>
</tr>
<tr>
<td><em><em>VET</em> sector</em>*</td>
</tr>
<tr>
<td><strong>Higher education sector</strong></td>
</tr>
<tr>
<td><strong>Other students</strong></td>
</tr>
<tr>
<td><strong>Student total</strong></td>
</tr>
<tr>
<td><strong>Temporary work skilled</strong></td>
</tr>
<tr>
<td><strong>Visitor</strong></td>
</tr>
<tr>
<td><strong>Working Holiday Maker</strong></td>
</tr>
<tr>
<td><strong>Other temporary</strong></td>
</tr>
<tr>
<td><strong>Total temporary visas</strong></td>
</tr>
<tr>
<td><strong>Permanent visas</strong></td>
</tr>
<tr>
<td><strong>Skilled</strong></td>
</tr>
<tr>
<td><strong>Family</strong></td>
</tr>
<tr>
<td><strong>Other permanent visas</strong>*</td>
</tr>
<tr>
<td><strong>Total permanent visas</strong></td>
</tr>
<tr>
<td><strong>Other visas</strong></td>
</tr>
<tr>
<td><strong>New Zealand citizens</strong></td>
</tr>
<tr>
<td><strong>Australian citizens</strong></td>
</tr>
<tr>
<td><strong>Other</strong></td>
</tr>
<tr>
<td><strong>Total NOM</strong></td>
</tr>
</tbody>
</table>

Source: ABS Migration, Australia, cat. no. 3412.0, 2016-17; ABS Australian Demographic Statistics, cat. no. 3101.0, June 2018, p. 21

Note: According to the ABS, any discrepancies between the totals and sum of the components are due to rounding of some components.

*VET stands for Vocational Education and Training **Includes partners, children and dependent relatives ***Includes humanitarian visas
Table 2 also shows that over the years 2011-12 to 2017-18 there have been substantial drops in NOM deriving from temporary skilled workers and from residents of New Zealand. The former is due to the reset in the temporary 457 work visa introduced in 2017. This, as is detailed later, made access to this visa subclass, and to subsequent permanent residence, much more difficult. The latter reflects better employment prospects in the New Zealand economy.

Without the growth in the overseas student contribution, Australia’s NOM would have fallen to a more manageable level of around 150,000 by 2017-18. Instead, Australia’s high NOM has been sustained by the incoming tide of overseas students.

**Maybe it’s just a temporary imbalance between arrivals and departures**

One response may be that there that there is no reason to panic. In a period when overseas student enrolments have grown rapidly, we would expect a gap to open up between overseas student NOM arrivals and departures. Perhaps the overseas student contribution to NOM will subside should new overseas student enrolments stabilise. If so, the number of departures will gradually catch up and the contribution of overseas students to NOM will fall.

The universities and their industry representatives, imply that this will be case. They argue that overseas students come to Australia to consume Australia’s high quality educational offerings. When they finish they leave. According to the Chief Executive of Universities Australia (UA), Catriona Jackson, more than 85 per cent of international students return home after their studies.\(^5\)

The validity of this 85 per cent estimate is examined shortly. But this is not the main point. UA ignores the increasing tendency for overseas students to stay on in Australia after completing the course in which they first enrolled. Some do manage to obtain a PR visa and some stay on by obtaining another temporary entry visa. When the latter leave Australia they will be counted as NOM departures under the visa subclass they held at the time of departure. In the meantime they accumulate in Australia thus contributing to the gulf in NOM student arrivals and departures shown in Table 1.

The main reason overseas students are extending their stay in Australia is in order to participate in the Australian labour market on a temporary or long term basis (via obtaining another temporary residence visa or a PR visa).

Overseas students can do this because, as noted, since 2012, successive Australian governments have liberalised the rules allowing such extended stays, with the goal of promoting the overseas students industry.

The rule changes resulting have fuelled a remarkable rise in the number of overseas students coming from the Indian subcontinent (India, Nepal, Pakistan and Sri Lanka). The number of offshore student visas issued to such students increased from 14,110 in 2012-13 to 51,305 in 2017-18. Offshore students are those who were granted a visa when applying outside Australia. Onshore students are those who obtained a student visa while in Australia.

Australia is an attractive destination to young people from the Indian subcontinent because it offers the prospect of extended stays with the opportunity to accumulate hard currency. As shown later, they have proved to be tenacious stayers, avidly taking up available opportunities to churn through additional visas and to pursue a permanent residence outcome.
The other major growth source has been from China. The number of offshore student visas issued to Chinese nationals increased from 22,638 in 2012-13 to 47,794 in 2017-18. Most of this enrolment growth has occurred in Go8 universities.

There is a key difference between the Chinese and the Indian subcontinent markets. For reasons explored later, the former have a much lower propensity to stay on in Australia than the latter.

The subsequent focus is on these two distinctive markets. Together, they dominate the higher education sector, constituting around 75 per cent of all higher education overseas student enrolments.

*The significance of the official stock figures*

One more piece of statistical data set out in Table 3 will help set the scene for the analysis.

These are the official stock or snapshot figures for the growth in the number of overseas students actually in Australia over recent years. The Australian government knows how many migrants are in Australia, by visa subclass. It knows this because it holds a unique electronic identifier on all persons entering or leaving Australia. The snapshot figures are not directly comparable with the NOM figures shown in Tables 1 and 2 because, as detailed above, to be defined as a NOM arrival or departure requires a specified length of stay or departure from Australia. By contrast, the stock data by visa subclass refer to those actually in Australia regardless of how long they have been here.

We have included the numbers holding a 485 visa in the table. The right to obtain this visa was greatly extended following the Knight Review. All higher education overseas students who enrolled for their first education visa on or after 5 November 2011 were eligible for a post-study work visa if they completed a qualification at the degree level or above. This post-study work visa allows eligible recipients to stay in Australia for at least two years with full work rights, provided that they apply for the visa within six months of completing their qualification.

So, to appreciate the scale of the overseas student presence in Australia, those holding an overseas student visa and those holding a 485 visa must be included – since the big majority of 485 visa holders are former overseas students who have been granted a post-study work visa.

The sheer scale of these stock figures is arresting. There were 558,091 persons holding an overseas student visa or a 485 visa in Australia as of mid-2018. That’s equivalent to 2.2 per cent of Australia’s population.

Nonetheless, we would expect an approximate match with the NOM data. In Table 1, the net growth in NOM attributable to the difference between NOM student arrivals and departures for 2017-18 was 104,987.

This is higher than the increase of overseas student visa holders and 485 visa holders in Australia between 30 June 2017 and 30 June 2018 shown in Table 3 – which was 60,711.

| Table 3: Snapshot of the number of persons in Australia on a student visa or a 485 visa* |
|-----------------------------------|--------|--------|--------|--------|
| As of 30 June | Student visa holders | 485 visa holders | Total | Increase on previous year |
| 2013 | 304,248 | 36,224 | 340,472 | - |
| 2014 | 339,761 | 25,198 | 364,959 | 24,487 |
| 2015 | 374,564 | 25,079 | 399,643 | 34,684 |
| 2016 | 401,423 | 37,717 | 439,140 | 39,497 |
| 2017 | 443,798 | 53,582 | 497,380 | 58,240 |
Much of the rest of this gap stems from the propensity of overseas students to stay on in Australia by taking out another temporary visa and by their success in obtaining a PR visa. The size of these two streams is explored below.

To understand the scale of these contributions to the gap between overseas student NOM arrivals and departures requires an analysis of the Australian government’s rules on the allocation of overseas student visas and the extent to which these rules allow such students to stay on in Australia by obtaining some other temporary visa, or PR visa.

I start with these rule changes, then explore the propensity of overseas students to take up the opportunities resulting and of Australian universities willingness to recruit more overseas students and to adjust their teaching programs to accommodate these students.

The liberalisation of student visa standards

By the late 2000s, Australia had in place far more generous opportunities for overseas students to stay on than was the case for the main competitor countries, the UK and the USA. These privileges extended to Vocational Education and Technology (VET) studies as well as university level courses.

The outcomes were disastrous.

Through the 2000s these opportunities created a space for entrepreneurial education providers to enter the market. They did so in astounding numbers, particularly at the VET level and particularly in cooking and hairdressing courses. The attraction of these courses was that a level 3 Certificate qualification in the occupations concerned was all that was required for a PR skill visa. By the late 2000s there were more former overseas students gaining PR skilled visas with cooking credentials than for any other occupation. Most of these students came from the Indian subcontinent.

Between 2009 and 2011, as public attention was drawn to the gaming of the system, the Labor government implemented major reforms. From January 2010, prospective students had to demonstrate that they had access to $18,000 a year to fund their living costs while in Australia, up from the previous $12,000 a year. The task of assessing whether the funds were actually available was left with the Department of Immigration.

Another crucial change was that cooking and hairdressing were removed from the list of eligible occupations for a points-tested skill visa. Overseas student enrolments in these courses then plummeted.

The VET sector of the overseas student industry has recovered somewhat but is nowhere near the levels it reached in the 2000s, largely because it no longer functions as an avenue to a PR visa.

The higher education sector initially took a hit as a consequence of these reforms. They included tighter rules on the level of funds which students had to show that they could access in order to finance their studies in Australia. Higher minimum English language standards were also introduced. The minimum English level required for students from the major Asian countries, including India and China, was set at 6.0 on the International English Language Testing System (IELTS). As explained later, this level was not adequate for university level studies. Nonetheless it was soon to be watered down.
Though higher education graduates remained eligible for points-tested skilled visas when they had completed their studies, the range of eligible occupations was restricted to those that the Commonwealth Department of Employment assessed as being in national shortage.

The number of higher education overseas student visas issued, which had peaked at 133,859 in 2008-09, dropped to 113,160 in 2011-12.

**Reform backtrack**

These new, tougher rules did not last long. As a result of university concerns, the Labor government commissioned an inquiry which reported in 2011 (the Knight Review). The review made no bones about its motivation. Its recommendations were explicitly aimed at reviving the higher education overseas student industry.⁷

The Labor government accepted all the recommendations in the Knight Review. Ministers chose to highlight two recommendations in particular: immediately reducing the financial requirements for some student visas ‘...with students now needing around $36 000 less in the bank when applying for a visa’; and the creation of a new two- to four-year post-study work visa.⁸

The latter innovation (the 485 visa discussed above) was particularly important. It was put in place along with an existing Graduate work visa that was far more restrictive. The new post-study work visa gave a juicy inducement to any overseas student contemplating staying on in Australia. It was made available to all higher education overseas students who enrolled from November 2013 and who completed any degree level course (regardless of the field of study). It guaranteed that eligible students could to stay on in Australia for at least two years with full work rights.

As can be seen from Table 3, this visa has proved to be very popular. It gave universities something to sell to prospective students that was far more generous than anything that applied in the UK and the US at the time.

*The watering down of financial capacity and English language standards*

All that is left of the tough pre-Knight ‘financial capacity’ rules is that students must ‘demonstrate or declare that they have sufficient funds to cover the cost of living and to meet their tuition and travel costs while studying in Australia’,⁹ but for generally shorter periods than applied pre-Knight (12-36 months). Applicants from designated low-risk countries generally need only ‘declare’ they have access to the required funds for 12 months while all others need to ‘demonstrate’ this via formal evidence to the education institution or to the Department of Immigration they have access to these funds.

Where documentary evidence of financial capacity is required, the two main options are the ‘12 months fund’ option or the ‘annual income’ option. The first requires that the overseas student can cover tuition fees for a year only, plus living costs of AUD20,290 for the primary student visa holder and additional funds for partner and any child (AUD7,100 and AUD3,040 respectively). The annual income option requires students to provide evidence of personal annual income of at least AUD60,000. For students accompanied by family members the amount is AUD70,000. These requirements are pro-rated for courses of less than a full year.¹⁰

In most cases, the task of assessing a student’s capacity to finance his or her fees and living expenses has been taken from the Department of Immigration and devolved to the universities themselves.

This watering down of the funds required to obtain a student visa means that student visas are now being granted to an underclass of foreign nationals who have to work in Australia just to survive. For example, the 2016 report by the Fair Work Ombudsman (FWO) into the 7-Eleven franchise network
found that ‘notwithstanding a declaration that international students make when entering Australia, our evidence suggests many do need to work to pay for food and accommodation’.

The former Department of Immigration and Border Protection (DIBP, now subsumed into the Department of Home Affairs) website used to stipulate explicitly that international students should not rely on work to pay for their study and living expenses, but that caution has gone by the wayside.

A similar devolution strategy was implemented with English language standards. Under new ‘streamlined assessment procedures’ introduced in 2012 the universities were left to make their own judgement as to the English standards students needed for their proposed course.

The universities were given extraordinary leeway. The previous minimum standard of 6.0 on the IELTS test was abandoned. Universities could approve students who scored a minimum of 5.5 on the IELTS test or 5 on the IELTS test if the student agreed to take a ten-week English Language Intensive Course for Overseas Students (ELICOS) or even 4.5 with an accompanying 20-week ELICOS commitment.

The 5.5 level is way below what is needed for a student to cope with university level instruction and performance standards. Level 7.0 is required for this. This is because it is only when students reach this standard are they are able to think in English – and thus don’t have to translate to and from their first language into English in order to comprehend a lecture or text. That is why most of the professional accrediting agencies, including CPA Australia (one of the agencies responsible for accrediting accounting degrees), currently require a minimum of 7.0 when they determine whether a prospective migrant from a Non-English-Speaking-Background (NESB) country meets the English language standards needed for a points-tested permanent skill visa in their respective occupations.

In practice, most Australian universities, including the Go8, require a minimum IELTS score of 6.5 for undergraduate courses. Though not adequate, as we will see, some Australian universities only require a test score of 6.0. They can do so free from any concern that a government authority will intervene.

These arrangements for universities were restated with minor modifications in 2016. All that the Immigration Department requires before issuing an overseas student visa is that the applicant provides a Confirmation of Enrolment by the university. If this is forthcoming the Department assumes that the applicant has met the financial and English language standards that the provider thinks are appropriate for the proposed course.

This procedure applies for both offshore and onshore student visa applicants. However, in the case of latter, the provider may not have to ask for any evidence regarding English language standards for students from NESB countries. This applies where the applicant has completed two years of study in Australia at the Senior Secondary Certificate level or as part of a post-school qualification while holding a student visa. This means that an overseas student who has struggled to manage such a course on account of low English capacity can transfer on to another university or VET course without any further English language test.

There is a nominal provision that the Department of Education is responsible for ensuring that prospective students’ qualifications and English language skills are appropriate to their course of study. But there is no evidence that the Department actually intervenes to ensure that this is the case.

As to the academic preparedness of overseas students to cope with Australian university standards, there is no government guidance at all. It is left to the providers to make this judgement. All that is required for enrolling in an undergraduate level course (except for those enrolling in medicine) is a senior high school credential (from any country). In the case of enrolling for a Masters by Coursework in the main fields of business and management and IT, all that is required is evidence that the candidate has completed an undergraduate degree (again from any university in any country and in any field).
Access to a permanent residence (PR) visa

The Australian government also weakened the relatively strict requirements that overseas students who had obtained their university credentials in Australia had to meet in order to be eligible for a points-tested PR skill visa. The requirement that these graduates had to have the credentials relevant to occupations in short supply was ditched. As documented elsewhere, this provision has been deemed not to apply for the major fields of study that most overseas students complete at Australian universities, which include accounting, IT and engineering.  

Finally, since 2012 the Australian government has opened up a new pathway to PR by greatly increasing the number of visas allocated for employer sponsorship. Overseas students have been able to access these visas by first obtaining an employer sponsorship to a temporary work (457 visa) then a subsequent permanent entry employer sponsorship visa. The Coalition government’s 457 Reset, initiated in 2017, (discussed later) reversed some of these concessions.

The university and overseas student response to liberalisation

All of these changes put universities in a strong position to recruit more overseas students, should they wish to do so. For students interested in staying on in Australia and ultimately obtaining a PR visa, the Universities were given the opportunity to offer a placement on terms that were highly favourable relative to overseas competitors.

In addition, their main domestic competitor, the VET sector, was in effect scratched. As noted, the right of access to the new two year post-study work visa was limited to those who completed a degree level qualification.

Overseas students could now enrol in business, management and IT courses customised to accommodate those with limited English skills and academic preparation. These courses were structured to provide the minimum course work curriculum needed for employment in the business and IT professions, as least as judged by the respective accrediting authorities.

The university response – two distinct markets

As noted, the demand for university places has focussed around two distinct markets. The first of these was the Chinese market, which constitutes around one third of higher education enrolments.

Though many Chinese students in the 2000s were interested in staying on in Australia, this has been much less the case since 2012. The Chinese market has since been dominated by Go8 universities who charge $40,000 plus a year for business and commerce courses, mostly at the Masters by Coursework level. These students appear to be attracted by the prospect of gaining a prestigious credential from a university that had achieved a place in the top 100 of the world’s research oriented universities. Most Go8 universities have achieved such a ranking.

Graduates could return to China with the expectation that their prestigious credential, along with foreign experience in an English-language country, would provide a pathway to employment with far better prospects than would have been available if they had stayed in Australia. Most have returned, and relatively few have taken up the option of the post-study work visa.

All that was required of the Go8 universities was the creation of courses that accommodated the limited English and academic skills possessed by Chinese students.

Enrolments of Chinese students have increased strongly since 2012, mainly in Go8 universities.
The merit of this study is that it tracked all the possible pathways by which students might have ended

University enrolments from these countries have grown sharply as a result of the recruitment incentives implemented since 2012. As indicated above, the number of offshore higher education student visas issued to Indian subcontinent citizens (from India, Nepal, Sri Lanka and Pakistan) increased from 14,110 in 2012-13 to 51,314 in 2017-18 or by 264 per cent.

Almost all of these students have enrolled in Australia’s non-Go8 universities. These universities charge around half the course fees set by the Go8 for similar business and commerce and IT courses, but provide the same access to a post-study work visa and the potential of obtaining a PR visa.

A telling sign of the keenness of universities in this second market sector to exploit the new enrolment opportunities is the emergence of a new ‘for profit’ private university sector. Growth in this sector is much faster than for the public university sector, though off a low base.15 Another is the re-emergence of Australia’s regional universities as major players via the establishment of shop-front campuses in Sydney and Melbourne, customised for the Indian subcontinent market.

Torrens University, whose main campus is located in Adelaide, is the largest within the ‘for profit’ sector. It has recently been established as a branch of the giant private Laureate International Universities. In just a few years it has reached more than 5,000 overseas student higher education enrolments.

As to the regional universities, the most prominent is Charles Sturt University (CSU). Its main base is in Albury-Wodonga. It has established study centres in Melbourne, Sydney and Brisbane, all located in office blocks within the respective CBDs. The number of commencing overseas students at CSU increased from 1,262 in 2012 to 3,679 in 2016. It is attracting large numbers of Indian students. By 2016 there were more Indian commencements at CSU (1,864) than in any other Australian university.16 Central Queensland University, a big player in the 2000s, is also back in the market. It established a new campus in 2015 in the Melbourne CBD, just opposite the Southern Cross railway station.

The competitive pitch of these universities is not just their relatively low fee structure (around $20,000 a year). All three of those just cited only require a minimum English level of 6.0 on the IELTS system. As noted, English at this level is way below that required for professional level courses. This invites the conclusion that they are primarily selling not education but access to the Australian labour market.

We now turn to examining the demographic implications of these responses to liberalisation. To what extent are overseas students taking up the new opportunities to enrol and subsequently stay on in Australia? Let’s start with the PR outcomes.

**How many overseas students get PR?**

The answer to this question has become a political hot potato. Universities Australia (UA) asserts that most overseas students are attracted to Australian universities because of the quality of the education offered. They profit from this and then return home. Thus the UA claim, noted earlier, that 85 per cent of students leave Australia after completing their courses.

UA sources this claim to the combined Treasury and Department of Home Affairs study released in 2018 entitled *Shaping a Nation: Population growth and immigration over time.*

This report’s findings are based on a Department of Immigration analysis of all those who held a student visa over the years 2000-01 to 2013-14. This analysis concludes that 16 per cent obtained a PR visa.17 The merit of this study is that it tracked all the possible pathways by which students might have ended
up with a PR visa, such as those who moved from a student visa, then to some other temporary visa then to a PR visa.

However, the Treasury report provides no information on the annual share of overseas students who finish their courses in Australia and who subsequently obtain a PR visa while in Australia. To assess this level requires a comparison of the numbers gaining a PR visa as a share of the annual number of overseas student completions — and the data must be limited to those gaining a PR visa while still in Australia. We can throw some light on the matter. At our request, the DIBP interrogated its data to calculate the annual total of the number of those who have at some point held a student visa while in Australia and who succeeded in obtaining a PR visa in each of the years 2011-12 to 2016-17. The outcomes were limited to those who obtained this visa while still in Australia.

The reason for this specification was that we wanted the results to be relevant to understanding the gulf in the number of overseas student NOM arrivals and departures shown in Table 1. Those who receive a PR visa while in Australia, and thus are unlikely to leave Australia on a long term basis, help explain some of this gap.

The results, shown in Table 4, are published here for the first time. The numbers have increased since 2012-13, as might be expected given the growing overseas student presence in Australia and the incentives provided to these students to stay on in Australia. The growth in the stock of 485 visa holders is particularly important in this context become it allows former overseas students more time to accumulate the work experience and English language skills needed for a PR visa.18

We conclude that the numbers gaining PR while in Australia do help explain some of the gulf between overseas student NOM arrivals and NOM departures shown in Table 1, since on average around 20,000 overseas students or former students are gaining a PR visa each year while in Australia.

But what do these numbers tell us about the share of overseas students who complete their courses and then subsequently obtain a PR visa? No precise answer is possible, given the varied pathways and the varied time which overseas students take to achieve this outcome.

However, a rough estimate is possible. For this we need to compare the annual number of higher education student completions to the annual number of PR visas granted to former students. In 2015, there were some 113,486 overseas student higher education completions. This is not the full potential denominator, of course, since there many other overseas students who finished an English language or VET course in 2015. However, few of these, for reasons explained above, would have been eligible for a PR visa.

Assuming that the great majority of these PR recipients were higher education graduates, and that they obtained a PR visa within a year or so of graduation, it appears that in 2016-17 near 20 per cent of the overseas student higher education completers in 2015 (that is, 23,602 of the 113,486 completions in
2015) obtained a PR visa. As acknowledged, this is a tentative judgement, given that the pathways former overseas students have to follow before obtaining a PR visa vary, as does the time they take to achieve this outcome.

Coincidently, a 2014 Go8 report cites a Department of Immigration study (not referenced) to the effect that one in five international students will gain permanent residence each year.\(^{19}\)

The 20 per cent estimate is not much larger than the UA assertion that only 15 per cent stay on in Australia. Does this endorse the UA implication that students come to Australia to study and then, in the great majority of cases, leave?

It does not, because UA ignores the increasing propensity of overseas students to stay on in Australia on another temporary visa.

For some students and former students, an extra few extra years in Australia allows time to accumulate hard currency before returning home. For those attracted to the prospect of obtaining PR, the aspiration to stay on in order to achieve this outcome is not a wild dream. They do not know the precise odds, but with around one in every five amongst those obtaining a degree-level qualification each year obtaining a PR visa, their friends and migration agents can cite plenty of examples of students who have made it.

The problem is that it has recently got a lot harder, because of recent tightening of access to PR visas.

As noted, the Coalition government has reduced the number of permanent entry migration program visas from 190,000 to around 160,000, making competition tougher for applicants whether located offshore or onshore. It has also impeded some of the pathways to obtaining such visas for overseas students in Australia. In particular, the 457 Reset announced in May 2017 sharply reduced the numbers of students who can access a 457/482 visa immediately after graduation and then, after several years of employment, get the employer to initiate a permanent entry Employers Sponsorship visa.\(^{20}\)

These initiatives have made it harder for overseas students to procure a PR visa. They have given the overseas students affected an additional incentive to find other ways of staying on in Australia.

**Contribution of students to NOM via prolonging their stay in Australia**

The number of overseas students who shift to another temporary visa is very large, some 192,905 in 2017-18. These data derive from the destination statistics that the DIBP publishes each year on the number of persons holding a student visa who obtain another visa, by visa subclass. They are shown in Table 5 for 2017-18. (*Destination* here refers to the new visa that a person on an existing student visa obtains.)

<table>
<thead>
<tr>
<th>Destination visa</th>
<th>Overseas students</th>
<th>485 visa holders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas student</td>
<td>73,797</td>
<td>6,661</td>
</tr>
<tr>
<td>485 visa</td>
<td>46,711</td>
<td>-</td>
</tr>
<tr>
<td>Visitor</td>
<td>44,310</td>
<td>1,870</td>
</tr>
<tr>
<td>Family (PR)</td>
<td>6,194</td>
<td>784</td>
</tr>
<tr>
<td>Skill (PR)</td>
<td>7,942</td>
<td>11,513</td>
</tr>
<tr>
<td>Temporary work</td>
<td>6,098</td>
<td>1,359</td>
</tr>
<tr>
<td>Working Holiday Maker and work and holiday</td>
<td>3,081</td>
<td>229</td>
</tr>
</tbody>
</table>
The data has to be used cautiously because it includes visas granted to former students (including spouses and dependents) who were located both offshore and in Australia at the time of the application. Analysis of this split indicates that most of those receiving another student visa were located in Australia at the time of application. However, a large share of those obtaining a visitor visa comprised former overseas students who were located offshore at the time of application.

Table 5 also includes the destination visa for those former students who held a post-study work visa (485) and who were also granted another visa in 2017-18. This is the first year that DIBP has published destination data for the 485 visa sub-class. The data confirm the significance of the 485 visa as a pathway to permanent residence, since 11,513 of those visa holders achieved this outcome in 2017-18. Remarkably, some 6,661 stayed on by procuring another student visa – a theme we now develop.

The table underestimates the destination numbers, because it does not include overseas student visa holders on a bridging visa (granted while the Department of Immigration considers their request for this visa or while they await an AAT appeal if their request has been turned down). The Department was not willing to provide information on the number of overseas students holding bridging visas.

The main pathway for overseas students is to another student visa: 73,797 in 2017-18. Unfortunately, the Department of Immigration only provides limited information on the educational sector that those holding a student visa move to. As you would expect, this shows that many do move to another sector, including 14,798 ELICOS students who moved to a VET course in 2017-18 and another 1,263 to a higher education visa. Some 4,343 moved from a VET visa to a higher education visa.  

But this leaves most of the 73,797 unaccounted for, implying that most of these new student visas were issued to VET visa holders who obtained another VET visa or to higher education visa holders who obtained another higher education visa.

There is no doubt that the pathway from a higher education visa to the 485 visa is very popular and that the numbers taking it are increasing rapidly. As noted, most of those receiving this visa have completed a higher education degree. According to Table 5, 46,711 overseas students received a 485 visa in 2017-18, double the level of just a few years ago.

The propensity of those from the Indian subcontinent to take up this visa option is far greater than that of the Chinese. In 2017-18 some 23,417 students from the subcontinent (India, Nepal, Pakistan and Sri Lanka) received a 485 visa, compared with just 11,987 Chinese, despite a similar number of students in each grouping having completed their higher education course.

This fragmentary information implies that over half of the some 118,014 overseas students who completed a university course in 2017 are likely to have stayed on in Australia. They include the great majority of the 46,711 who got a 485 visa (Table 5). Many more appear to have obtained another higher education student visa. In addition, the Table 5 shows that thousands more got some other temporary work visa. This is on top of the over 20,000 who received a PR visa, most of whom would have held a higher education overseas student visa prior to gaining their PR visa.

The VET sector seems to be playing an increasingly important role in this process. As noted, this sector endured tough times in the aftermath of the 2009-2011 reforms. However, there has since been a revival. The number of student visas granted in the VET sector increased from 60,648 in 2013-14 to 90,689 in 2017-18. Two-thirds of this growth came from visas issued onshore. By 2017-18, there were 27,216 visas for the VET sector issued offshore compared with 63,473 issued onshore.
Prolonging the process

As the rules stand at present, the DIBP can refuse an overseas student application for another visa, including another student visa if the case officer thinks that the applicant is not a bona-fide student. Case officers do sometimes refuse such a visa if they see that the applicant has a record of multiple student visas, including those offering cheap course fees.

At this point the student can utilise Australia’s legal protections to extend their stay. Australia’s migration management system, with its many visa-specific codified requirements and conditions and procedural fairness checks and balances, was not set up to handle the situation where so many are using student visa program as a way of maintaining residence in the country.

By lodging in 2017 or 2018 with the overloaded Administrative Appeal Tribunal (AAT) an application for review of a refusal by the department, a student, who might have already spent up to a decade in the country on several student visas, earns an extra year or eighteen months on a Bridging visa, usually with work rights. Appeals lodged in Melbourne in 2019 for judicial review of decisions by the AAT to affirm the department’s refusal are being listed for hearing in 2021. Appealing adverse decisions thus earns these applicants an extra three and a half years more in the country, with work rights.

Such cases are a major source of the AAT’s increasing caseload. The AAT does not publish data on the visa status of those applying for review. However, the numbers were leaked to *The Australian*. As of May 2018, outstanding student visa refusal cases reached 8,603, an increase of 95 per cent in a little under a year.24

Implications

Few people doubt that the migration influx to Sydney and Melbourne is an important contributor to these cities’ congestion problems. At the time of writing (21 March 2019) the Coalition government had just announced its intention to stabilise the permanent entry migration program at 160,000 — from 190,000 over the past few years — and to divert some of those migrants to regional locations. The stated rationale was that these measures would take some of the heat out of Sydney and Melbourne’s congestion problems.

Yet, as this paper has shown, the main source of the growth of the migrant contribution to Australia’s overall NOM has not come from net permanent migration but from overseas students and other temporary migrants. Moreover, as is documented shortly, these overseas students have concentrated in inner Sydney and Melbourne. They are the eye of the storm of these two cities’ congestion problems.

With one or two exceptions (including *The Australian’s* Judith Sloan) there has been no mention of this situation in the public discussion of the government’s initiatives or in the government’s presentation of its plans. This discussion misses the elephant in the room. Though an overused metaphor, it is appropriate in this case. If Sydney and Melbourne are to deal with the problems of accommodating their burgeoning populations, it will have to involve a reduction in the overseas student contribution. The diversion of a few permanent migrants to the regions will make little difference.

In what follows the focus is on two of the key worries about these problems. One concerns the skill and labour market consequences and the other, the congestion implications.

Australia’s migrant intake is low skilled

Migration advocates like to claim that the immigration program augments the skills needed to build the housing and infrastructure required to provide for rapid population growth. We have shown elsewhere...
that this is not even the case for the permanent entry skilled visa subclasses. Only a tiny number of scarce building tradespersons are selected in this program.\textsuperscript{25}

What about the overseas student contribution to Australia’s skilled workforce? Any link between Australia’s skill needs and the overseas student component of NOM is fortuitous. There is no skill filter governing the entry and stay of overseas students, except to a limited degree for those who obtain a temporary work visa (6,098 in 2017-18 according to Table 5) or a permanent entry skill visa.

Most of those holding an overseas student visa do not possess professional or trade qualifications accepted in Australia. And because they hold temporary visas employers are usually only willing to recruit them on a casual or part-time basis. Most of these students have no choice but to enter low-skilled labour markets.

In the case of the permanent program, there is scope for the public to put their views, including an invitation to lodge submissions prior to the annual announcement of the program. The Department of Homeland Affairs puts the case for its proposed program of skilled migrants by visa subclass to other departments, and to Cabinet, prior to this announcement.

There is not even a façade of such justification for the overseas student component, and no official reporting of its labour force and locational implications. It is as though an electric fence has been erected around any mention of the issue.

Yet for young domestic workers entering the Sydney or Melbourne labour market, the consequences are serious. A majority of these domestic workers do not possess a post-school qualification when they enter the workforce. Most have to begin their working lives in low-skilled, entry-level employment. Here they face direct competition from the huge number of overseas students who are also looking for such work. As noted earlier, many overseas students have to find employment in such work because they do not bring sufficient funds with them to pay for their living expenses while studying in Australia.

All the Coalition government has offered these young domestic workers is its headline electoral promise (made in February 2019) that it will create an additional 1.25 million new jobs over the next five years.\textsuperscript{26} This reaffirms the well-known ‘jobs and growth’ strategy.

Though the Coalition government has not admitted, this goal can only be achieved with a continued high level of net overseas migration. Abul Rizvi, a former senior immigration department official and currently a prolific commentator on immigration policy developments, has provided a detailed analysis documenting this point.\textsuperscript{27}

On the face of it the ‘jobs and growth’ strategy may seem benevolent. The implicit message is that, at a time when there is not much growth in the domestic labour force, residents will be the beneficiaries of the many extra jobs created.

Treasury estimates that over the five years to 2016 around two-thirds of the growth in the net number of new jobs created in Australia went to recent migrants.\textsuperscript{28} This is likely to continue given current immigration settings.

Yes, ABS Labour Force estimates show that job growth in Australia is occurring across a wide spectrum of service occupations (as one would expect given the pace of population growth). This is notable for the Health and Social Assistance sector and the Hospitality sector. So there is some job growth in entry-level jobs for those with no post-school qualifications.

The problem is that competition for these jobs is fierce. Domestic youth will have to endure the low wages and the precarious tenure of work currently afflicting these labour markets.
The urban congestion issue

The Coalition’s immigration policy (like that of the opposition) is in effect saying to the residents of Sydney and Melbourne that you are just going to have to lump the congestion and quality of life consequences. Neither party acknowledges that the reason why population growth is so strong in both cities, especially in inner city areas, is because that is where most of the overseas student influx is locating.

For 2016-17 the ABS has estimated that 73 per cent of the NOM deriving from overseas students located in NSW and Victoria. This means Sydney and Melbourne, since that is where the vast majority of the educational institutions in NSW and Victoria are situated.

The ABS does not publish estimates of the location of overseas students by city or local government area (LGA) within cities. However, beginning in 2016-17, the ABS did begin publishing estimates of the contribution of NOM, along with natural increase and internal migration, for each of Australia’s LGAs.29

These estimates show that NOM is responsible for most of Melbourne’s recent inner city population growth and all of Sydney’s inner city growth. In the case of the City of Sydney LGA, in 2016-17 the City’s population grew by 9,006. Of this, according to the ABS, 94 per cent was attributed to NOM. For the City of Melbourne LGA, whose population grew by 11,983 in 2016-17, some 75 per cent was attributed to NOM.

Who are these migrants? There is plenty of anecdotal evidence that overseas students and other temporary migrants are the main source. Recently published ABS findings provide statistical support for this belief.

The first source derives from information on the occupants of the high rise apartment buildings constructed in the two inner city areas. That is where most of the population growth in the two locations is being accommodated. The scale of growth in the number of these apartments has been enormous.

We know from 2016 Census data that only a tiny share of these high rise apartments (less than five per cent) are occupied by families with children. Rather, they are occupied by singles and couples.30

The second source of data, released by the ABS in February 2019, linked immigration visa status data to the 2016 Census data. This shows that overseas students constitute a major share of the occupants of these apartments. This report indicated that as of late 2016, there were 65,880 persons on overseas student visas who were occupying four-storey plus high-rise apartments in Sydney and 40,327 in Melbourne.31

Of course, the impact of high NOM is not just being experienced in inner city Sydney and Melbourne. In 2016-17 NOM was responsible for 89 per cent of Greater Sydney’s population growth and 63.8 per cent of Greater Melbourne’s growth.

However, the worst of the two cities’ congestion problems is being experienced in their respective inner city areas. That is where the destruction of historic building form to allow the construction of high-rise apartment buildings has been greatest. That is where their most intense congestion problems are occurring. It is also where the respective state governments have belatedly had to focus their massive ‘catch-up’ infrastructure investment.

There is no need to elaborate on the congestion and other quality of life concerns generated by this population growth. They are being aired on a daily basis.
It may be useful, however, to comment on another aspect of the issue, about which there has been little public discussion.

The rise and fall of the high-rise apartment industry

The federal and state governments have had little to say about the overseas student contribution to the economic viability of the high-rise apartment industry.

This is not the case for the housing, property and associated financial interests. They understand that continued population growth, particularly growth deriving from the student influx, is vital if they are to ride out the recent downturn in the high-rise apartment market.

Here are a couple of the multitude of market economists who are anxiously making this point. Paul Bloxham, prominent chief economist with the HSBC bank, when writing about fears about a high rise apartment oversupply, advises his readers not to worry. This is because ‘the likely solution is continued strong population growth’. Robert Gottliebsen, senior business commentator with *The Australian*, has consistently warned the government not to contract the immigration intake, especially that of students. His reason is that: ‘It is vital for inner-city apartments that the Chinese student market continues to boom because students are a huge part of the rental market that enables owners to generate the cash to pay interest’.

Developers have made a huge gamble. It illustrates how ill-advised it was to allow the metropolitan economies to become so dependent on a high-rise apartment boom that was based on a student fuelled population influx.

Yes, the influx of students has provided domestic and overseas investors with some guarantee of rental income. But these inner city high-rise apartments have not attracted many owner occupier buyers.

TAPRI’s work on household projections for the Sydney and Melbourne greater metropolitan areas shows that most of the growth in households in both cities is among couple households on the cusp of starting a family or who already have young children. Their priority is family friendly housing – particularly detached housing but, if not affordable, apartments with two or more bedrooms and access to protected space for children. High rise apartments do not meet these requirements, hence the absence of family occupants noted in the high rise housing stock in inner city Sydney and Melbourne.

We concluded in these studies that the huge growth in high-rise apartment construction in both cities was well beyond what was needed. Demand was being driven mainly by overseas and local investors who were buying ‘off the plan’.

The problem is, that in present circumstances, there are plenty of prospective tenants but relatively few buyers. Resident families have little interest in becoming owner occupiers of these apartments. Investors, both local and overseas, have been avid buyers, in the expectation of reaping capital gains.

The recent downturn in housing and apartment prices in Sydney and Melbourne have deflated this expectation. This has meant that few investors are now willing to buy off-the-plan for developments about to begin construction, and even fewer are willing to buy such apartments from off-the-plan investors or those wanting to sell their completed apartment. So who are the buyers who are going to sustain the market for these apartments?

It won’t be the temporary migrants, including overseas students who are the main tenants, because, not being permanent residents they are only allowed to buy new apartments, and in any case most do not possess the funds needed for such an investment.
The population advocates are probably right that continued immigration will help put a floor under the market for detached houses and family friendly apartments in Sydney and Melbourne. Most migrants are relatively young and will add to the number of domestic households seeking a family friendly dwelling.

But these advocates are wrong to assume the same insurance for inner city high-rise apartments. This situation implies a serious contraction in the high-rise construction industry and severe consequences for investors. There is no parallel insurance or floor that will hold up the value of these apartments. It is an illusion to think that a continued influx of students will solve the problems investors now face in reaping the capital gains they originally expected. They will be able to find tenants, but buyers will be difficult to come by.

**What should be done?**

There is only one clear cut answer. There will have to be a reversal of the watering down of the rules on the recruitment of overseas students instituted in the aftermath of the Knight Review.

There is little possibility of this happening in the immediate future. There is still too little information on the scale of the overseas student influx and its implications for the local labour market and for the congestion crisis afflicting Sydney and Melbourne.

In any case, Australian governments and universities have been successful in propagating the notion that the overseas student industry is one of the few success stories in Australia’s capacity to sell knowledge intensive services to the rest of the world. This being the case, these interests have been able to bat away the odd critic who challenges this ‘success’ story.

Nevertheless, there are some straws in the wind. These largely have to do with increased public awareness of the low education standards within the university faculties customised to provide courses for overseas students.

It is hard to keep these outcomes a secret. Many thousands of local students and other observers have first-hand experience of what is going on in these enclaves. Such has been this publicity that the Victorian State Government has proposed to set up an inquiry into the matter.

The University of NSW must have got quite a shock when it received the results of a national opinion survey it commissioned in February 2019 on public attitudes to Australia’s universities. It no doubt expected the public to endorse the universities’ view of themselves as exemplars of excellence in teaching and research in the nation’s interest. Some of the results did confirm these expectations.

But not when it came to public attitudes towards the enrolments of overseas students. The question asked was as follows:

> Foreign students have for decades been attending Australian universities but have been accommodated so they do not take places from Australian students. Should the Australian Government limit the number of foreign students coming to Australia?

Some 54 per cent of respondents said Yes the number of such enrolments should be limited. This included 61.8 per cent of those age 18-34.³⁶

This is despite the false statement (at least for the Go8) embedded in the question that foreign students do not take the place of Australian students. Over the period 2012 to 2017 commencements of domestic students in the Go8 have been stable – this despite massive interest from local students to gain a place in a Go8 university. During these years, the number of overseas student commencements increased from 30,320 to 56,363.³⁷ The Go8 universities had the capacity to take on more domestic
students. However, they chose not to, in the interests of maximising the influx of high fee paying overseas students.

The bubbling up of such concerns seems to be having an impact on some Go8 universities’ recruitment policies. By 2017 the share of overseas student commencements to total domestic and overseas commencements had reached around 40 per cent in the Go8 (including 42.9 per cent at the UNSW and 43.1 per cent at the Australian National University (ANU)).

The Vice chancellor of the ANU, Professor Brian Schmidt, told the media in early March 2019 that his university was about to put a limit on the number of international students enrolled at ANU.

It is unlikely that these concerns will have much influence on non-Go8 universities. They have much lower shares of overseas students to total students than the Go8 and are under pressure to improve their research performance relative to the Go8. They have found it hard to achieve this outcome, in part because of the decline in government funding (in real terms) for domestic students over recent years. Their only realistic option for finding extra funds is by expanding their intake of overseas students.

The non-Go8 universities are eyeing the Indian subcontinent as the most likely prospect. They will find plenty of prospective students keen to take up the opportunities of coming to Australia via an overseas student visa and of staying on as workers. There is a well-oiled recruitment network of overseas and local agents keen to facilitate such enrolments.

In other words, there does not seem to be any immediate prospect of a slow-down in the growth of overseas student enrolments and of their continuing significant contribution to Australia’s high level of NOM and its concentration in Sydney and Melbourne.

There will be no such slow down without government action. It has happened before as in the aftermath of the explosion of enrolments in the 2000s. It may well happen again with increased public awareness of the indirect costs of the overseas student industry, including the damage the universities are doing to their own reputations.

If or when this happens, there will have to be a reversal of the post-Knight liberalisation of the rules governing the recruitment of overseas students. Here are a few of the actions needed, pending a comprehensive public review of the overseas student industry:

• A limit on the overseas student share of each university commencements – no higher than 30 per cent.
• A requirement that all higher education overseas students demonstrate at the time of their graduation that they possess professional level English, that is, 7.0 on the IELTS test.
• A requirement that overseas students demonstrate when enrolling that they have access to the funds necessary to finance their fees and living expenses while in Australia.
• A requirement that those overseas students whose application for an additional student visa is turned down and wish to appeal must leave Australia while their appeal is waiting to be heard.
• A review of the 485 visa targeted to limiting access to this visa to overseas students where work in Australia as an intern or temporary employee will supplement their university training.

These measures are needed if Australia’s overseas student industry is to avoid further reputational damage. This will only happen if the overseas student industry is restructuring so its focus is on providing a high quality education rather than selling access to the Australian labour market.

The measures are also required if the huge scale of the overseas student contribution to Australia’s NOM is to be reduced. The Coalition government’s proposals on the migration issue have focussed on the permanent resident component.
The far more important contribution of overseas students to Australia’s very high level of NOM has barely rated a mention, either by the Australian government or by commentators on the migration issue.
References


4 Australian Bureau of Statistics, 3412.0.55.004 - Information Paper: Improvements to the Estimation of Net Overseas Migration, March 2018: Under a ‘12/16 month rule’, incoming overseas travellers (who are not currently counted in the population) must be resident in Australia for a total period of 12 months or more, during the 16 month follow-up period to then be included in the estimated resident population. Similarly, those travellers departing Australia (who are currently counted in the population) must be absent from Australia for a total of 12 months or more during the 16 month follow-up period to then be subtracted from the estimated resident population. The 12/16 month rule therefore takes account of those persons who may have left Australia briefly and returned, while still being resident for 12 months out of 16. Similarly, it takes account of Australians who live most of the time overseas but periodically return to Australia for short periods.

5 Catriona Jackson, Letter to the Editor, *The Australian*, 20 February 2019

6 Senator Chris Evans, Minister for Immigration and Citizenship, ‘New visa measures to assist international students’, 9 November 2009


9 Department of Immigration and Border Protection [DIBP], answer to question on notice, 17 July 2015 (received 11 August 2015); Mr David Wilden, Acting Deputy Secretary, DIBP, Committee Hansard, 17 July 2015, p. 46. Senate Education and Employment References Committee, *The impact of Australia’s temporary work visa programs on the Australian labour market and on the temporary work visa holders*.


12 Bob Birrell, ‘Implications of low English standards among overseas students at Australian universities’, *People and Place*, vol. 14, no 4, 2006


14 These points are documented in Birrell and Betts, November 2018, op. cit.

15 Statistics report on TEQSA registered higher education providers, TEQSA [Tertiary Education Quality and Standards Agency], 2018, p. 14

16 Higher Education Statistics, unpublished

17 The Treasury and Department of Home Affairs, *Shaping a Nation: Population growth and immigration over time*, 2018, p. 21

18 They also have time to complete the Professional Year, set up to allow overseas students to improve their job readiness skills. They receive an additional five points on the points-tested skill visas if they do complete this year.


20 The measures which have produced this outcome are detailed in Bob Birrell, *The Coalition’s 457 Visa Reset: Tougher Than You Think*, The Australian Population Research Institute (TAPRI), August 2017

21 Department of Immigration and Border Protection, *BR007 Student and Temporary graduate visa program report 30 June 2018*, Table 7.03

22 There is a small number of recipients who receive a Graduate Work visa (also labelled as a 485 visa) who don’t have to possess a higher education qualification. Their number has fallen to 8,142 in 2017-18.


24 Joe Kelly, ‘Foreign student appeals bog down tribunal’, *The Australian*, 8 August 2018

28 The Treasury and Department of Home Affairs, 2018, op. cit., p. 37
29 ABS, 3218.0 Regional Population Growth, Australia 2016-17
30 Bob Birrell and Ernest Healy, *Immigration and the Housing Affordability Crisis in Sydney and Melbourne*, The Australian Population Research Institute (TAPRI), July 2018
31 ABS 3419.0, *Insights from the Australian Census and Temporary Resident Data set*, 2016, released 14/02/2019
32 Paul Bloxham, ‘Housing to find a floor’, *The Australian*, 18 February, 2019
33 Robert Gottliebsen, ‘Alarm bells ring as apartments fall into negative equity’, *The Australian*, 16 January 2019
35 Ibid.
36 Survey results provided by the UNSW External Communications
37 Bob Birrell and Katharine Betts, *Australia’s higher education overseas student industry revisited*, The Australian Population Research Institute (TAPRI), December 2018, pp. 3-4
38 Ibid., p. 3
39 Robert Bolton, ‘There is a limit’: ANU says international students are near the maximum’, *AFR*, March 3, 2019