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**THE AUSTRALIAN
INTERNATIONAL
EDUCATION
INDUSTRY**



A background paper prepared for *The Services Summit 2009*
by the International Education Association of Australia

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About this background paper

This is a background paper prepared for the Australian Services Roundtable Services Summit 2009 by the International Education Association of Australia (IEAA), Australia's leading international education professional organization.

About IEAA

The International Education Association of Australia (IEAA) is the lead professional organization representing members from the higher education, vocational education and training (VET), English language and schools sectors working in international education. Membership is drawn from Australia and overseas.

Further information: www.ieaa.org.au.

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Australian Services Roundtable Services Summit 2009

The Australian International Education Industry

Executive Summary

Education is Australia's third largest export industry and the largest service export industry, out-performing tourism. It is a major source of jobs within the Australian economy, within and beyond the education sector. This has been achieved largely by education providers themselves with only modest government support. The role of international education in Australian innovation and economic development is only now being fully recognized. The future viability and success of the industry needs to be underpinned by a comprehensive national policy on international education, with a comprehensive set of well funded priority program initiatives. Funding support for the industry should be lifted to levels commensurate with the support already provided by government to Australia's other major export industries.

Introduction

This is a background paper on the international education industry in Australia, prepared for the Australian Services Roundtable *Services Summit 2009* by the International Education Association of Australia (IEAA), Australia's leading international education professional organization.

The Nature of International Education in Australia

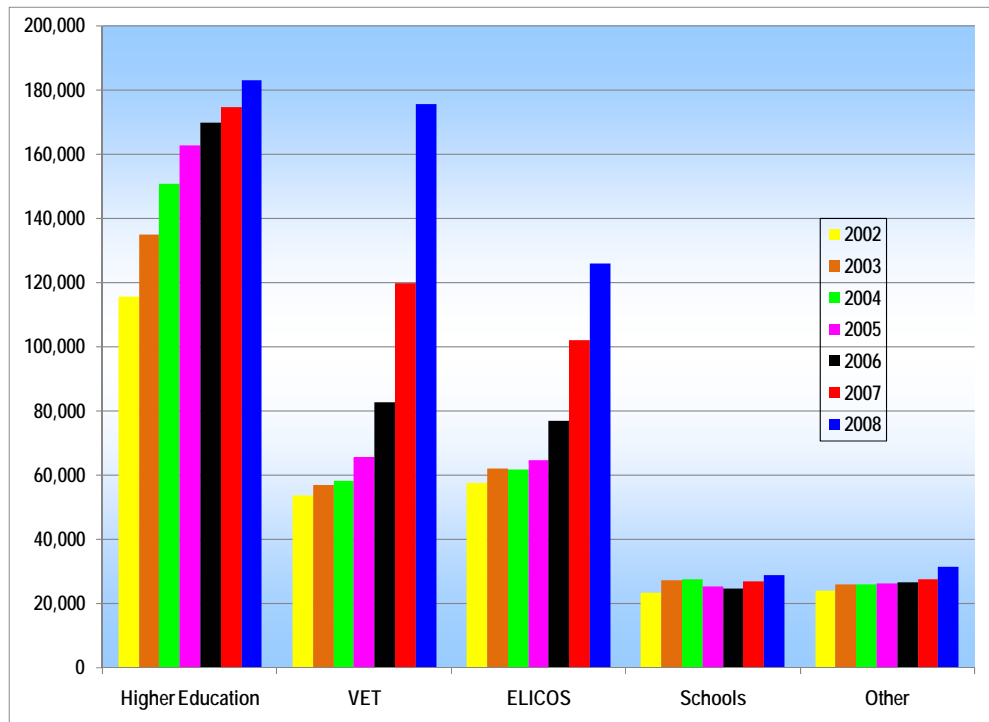
The international student program, with over half a million students from overseas studying in Australia, is the most obvious feature of international education in Australia. While the international student program is the main focus of this background paper, international education is much broader. Australian education sectors and provider institutions also offer internationalized curricula to their students. Universities are internationalizing their research and research collaborations, including linking with overseas industries. Education providers in all sectors, but particularly in higher education, VET and ELT (English Language Teaching), offer many of their courses offshore (transnational education). Universities and VET institutions are increasingly providing professional and skills training to overseas industry. Higher education and VET deliver Australian education as part of Australia's development assistance program in the Asia Pacific region. And universities and VET institutions are increasingly active in sending Australian students abroad for part of their studies.

The international student fee-paying program has been in existence since 1986, following changes by the then Labour government to the student visa rules to require international students to pay a full fee for their studies. At the end of December 2008, there were 544,000 international students in Australia: 183,000 in universities, 175,000 in vocational education in training, 126,000 in English language programs, 29,000 in schools, and 31,000 in pathways and bridging programs or on exchanges.

Growth

The number of international students in Australia grew 21% from 2007 to 2008, dominated by 46% growth in demand for vocational education and training programs, with many of these students seeking a migration outcome. As a leading indicator, numbers of newly commencing students across all sectors grew 25% from 2007 to 2008.

International Student Enrolments by Sector 2002 to 2008



China and India account for 41% of all international students in Australia. South Korea, Thailand and Malaysia are the other three of Australia's top five source countries. Numbers of students from Nepal, Vietnam, Saudi Arabia and Mauritius all grew more than 50% from 2007 to 2008.

On the basis of OECD data, 20% of all undergraduates in Australian universities in 2006 were international students. This is the highest figure in the OECD countries, where the average was 7%. But 20% is consistent with Australia's multiculturalism: 22% of Australian residents in 2006 were born overseas and 22% spoke a language other than English at home.

Still using OECD data, 19% of all students in advanced research programs in Australian universities in 2006 were international students. Australia is by no means the highest in the OECD, but was above the OECD average 16%. International students made up 85% of all growth in research students in Australia from 2004 to 2007, the years of critical skills shortages in Australia when numbers of Australian postgraduate research students remained flat.

From a 2007 industry study, 6% of undergraduates in Australian universities undertake an international study experience before graduating. This 6% in Australia compares with 13% in US, but US is at least 50 years ahead of Australia in development of a culture and tradition of study abroad.

The *Review of Australian Higher Education* (December 2008) concluded:

Australia has been a world leader in international education. It has also been extremely successful in developing education as an important export industry and Australia's universities have been central to the development of this industry.

But the Australian higher education sector will need to build on this success and broaden the focus of its international education activities if it is to remain globally competitive.

The review sought a more diverse international student body and a greater proportion of higher degree research students, focusing more on international research collaborations and effective connections to global innovation and research networks.

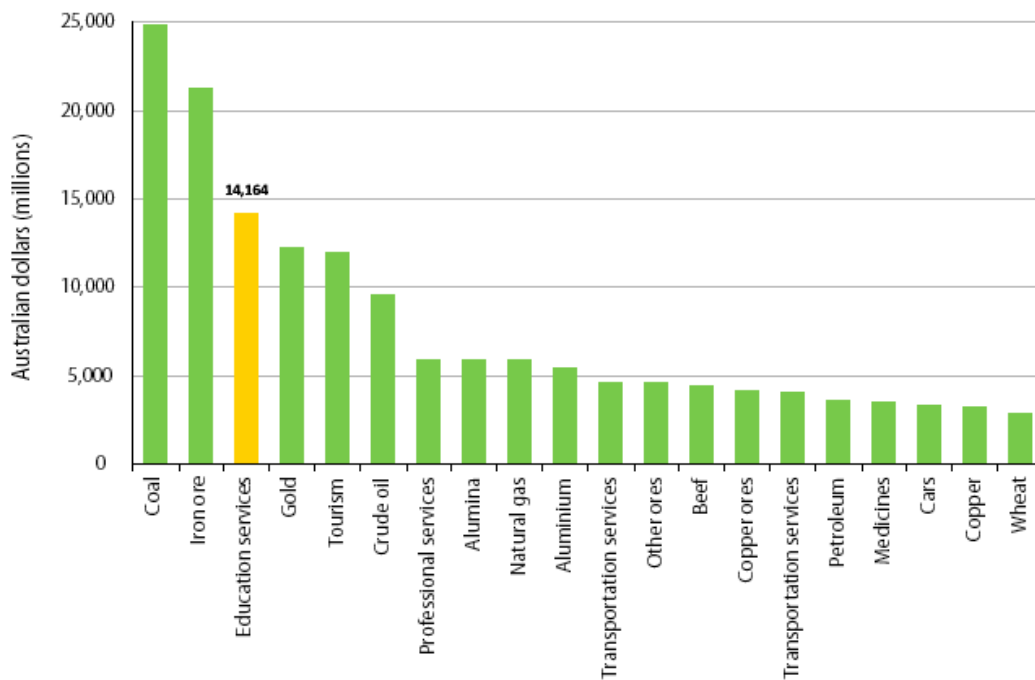
A comprehensive *International Student Survey* (Australian Education International, 2005) found that social integration aspects such as Australian attitudes towards international students, as well as forming close friendships between international and Australian students, were potential areas for improvement.

Benefits to Australia

The benefits to Australia of the international education program are both commercial and non-commercial, the latter involving in terms of enhanced foreign relations and educational interactions and greater intercultural contact and understanding.

Australia's exports of education were worth \$15.5 billion in 2008.

Revenue from Australia's Major Export Industries



Source: DFAT 2008 - ABS trade data on DFAT STATS database and ABS catalogue 5368.0

Note: The income figure of \$14.164 billion refers to a twelve month period straddling 2007/08. The income for the 2008 calendar year reached \$15.5 billion.

Education as an export has displaced tourism as Australia's largest service export. Education is Australia's third largest export, behind only coal and iron ore. With the possible collapse of resource prices as a consequence of the global financial crisis, the relative importance of education as an export could grow.

For Victoria in 2007/08, education was the state's largest export. In NSW, education was second to coal.

Tuition fees account for 39% of international student expenditure in Australia, with the balance representing spending by international students on goods and services, such as food, accommodation, transport and entertainment. Higher education makes the largest contribution to exports of education services, representing around 60% of the value of these. This is closely followed by the value of VET sector exports. The value of the export contributions of the ELICOS and the schools sectors are also substantial in their own right.

Research data on the economic impact of international education on the Australian economy is rudimentary. Kenyon and Kosky (October 2003) estimated that by 2005 revenue from international education would reach \$6.3 billion resulting in an estimated 51,483 Australian jobs directly attributable to the impact of international education. Given the substantial growth of the industry and its economic value since 2005, the jobs impact will now be substantially greater, possibly exceeding 1.0%.

It should be noted that the Kenyon and Kosky study did not include a range of factors that must be taken into account, including for example: the impact of international students on Australia's skilled migration program; the benefits of improved trade flows and investment resulting from the influence of international students; the benefits of increased tourism associated with visits of friends and family of international students; the impact of other sectors such as professional education, trade skills training and capacity building programs in public sector organizations in overseas countries; the research performance impact of international students, and so on.

The international education industry is currently undertaking research from its own resources to better identify and where possible quantify the tangible economic as well as intangible benefits of international education for the Australian economy and Australian society.

There are exceptionally strong links between the international student program and skilled migration. Since 2001, international students completing qualifications in Australia have been permitted to apply for permanent residence in Australia as skilled migrants, without having to leave Australia. Also since 2001, there has been a transparent set of assessment levels and criteria for the granting of student visas.

The Australian migration program is integral to the nation's development. It has contributed much. This is recognised. What is less recognised is that the nation's universities have been the key to building that program in recent decades.

Australia's universities have provided the backbone of Australia's modern migration system. Overseas students or former overseas students have provided over half of the increase in skilled migration over the last decade (Universities Australia, 2008)

Australia's Minister for Immigration and Citizenship in December 2008 affirmed Australian Government policy in this area.

The Government welcomes overseas students and appreciates the contribution they make to academic life and to the communities where they live and study. International students who have studied here are an excellent source of skilled applicants.

One of the most significant recent statements by a senior member of the Australian Government was by Australia's Deputy Prime Minister and Minister for Education, Employment and Workplace Relations. Late last year she remarked on the extraordinary contribution that international education is making to Australia's education system and national prosperity, and on the economic, trade and skilled migration benefits.

International education's significance is much broader than economics. It reaches into every sphere of our lives. And it reflects the intrinsic values of education itself – the spread of knowledge, skills, understanding and cross-cultural dialogue.

It's a central part of our international diplomatic efforts and contributes to the development of good relations with our neighbouring countries.

In the widest sense, it produces global citizens who form networks and collaborations to foster wider international business engagement, achieve diplomatic solutions to world pressure points, develop innovations in science and technology to improve quality of life and environmental sustainability, tackle global challenges like climate change and embrace cultural differences that enrich our social experiences.

There has been increasing recognition by successive Australian governments that the international education industry in Australia is helping to achieve crucial national outcomes, economically and in more subtle ways.

Australian Government support for the industry was late coming but began in the early to mid 1990s. It remains relatively modest. Australian Education International (AEI - a division of the Department of Education, Employment and Workplace Relations) now operates an international office network covering 23 cities in 19 countries. AEI staff work in Australian diplomatic missions to promote the capability of Australian education, research and training. AEI has also provided funding support for some market research and for quality enhancement of aspects of the international program (e.g. transnational education). AEI also collects and disseminates data on enrolment trends, mostly involving the public higher education and VET sectors. All education sectors have welcomed and have greatly appreciated the significant work done by AEI over the past decade to support and strengthen the international education industry.

Policies and practices at the State level vary greatly. The Queensland and South Australia governments have actively supported the international education industry in their States for almost a decade. Victoria, destination for 30% of Australia's international students, has been modestly pro-active. In 2008, Victoria set up an Overseas Student Education Experience Taskforce to address some worrying social inclusion issues involving international students in Melbourne. Victoria is currently developing an international education strategy. NSW is lagging behind, appearing to believe that 40% of Australia's international students will continue to study in that state without the NSW government being proactive.

The Future

The long term, durable character of international education as a contributor to Australia's national interest cannot be overstressed. Internationally comparable data are more readily available for universities than other education sectors. UNESCO estimates that at least 2.5 million tertiary students were studying outside their own countries in 2004, up from 800,000 in 1975. Despite some gaps in data, in this 30 year period there was not a single year with a dip in aggregate numbers. Given that there were a number of events which disturbed the world economy over the period, including an oil price shock (1979), the Black Monday stock market crash (1987), the Asian economic crisis (1998) and the 9/11 terror attacks (2001), the UNESCO data suggest that **international education may be substantially more resilient in recession than many other industries.**

Families in countries such as China and India, lacking sufficient facilities to provide quality education to their most capable young people, do not see education as discretionary spending. There are some early signs that 2009 will be a good year for Australia's international student program. The drop in value of the Australian dollar has helped. But we must be alert to tipping points. Potential dark clouds might be a lack of part time jobs for international students who need to support themselves while in Australia, and a lack of graduate jobs in banking and finance for students completing business degrees.

A Reserve Bank Bulletin in June 2008 described growth in Australia's exports of education

Education exports have sustained a strong pace of growth over an extended period and ranked as Australia's largest services export in 2007. This growth has been supported by demand for higher education services from Asia and the greater export orientation of Australian universities. In particular, not only has rapid growth in China and India been reflected in demand for Australian mineral resources, it has also supported a marked increase in Australia's education exports since the start of the decade.

...Although (there is likely to be) a slowing in growth in Australia's education exports in the medium term, education exports are expected to outpace aggregate export growth such that their share in Australia's exports is likely to continue to increase over coming years.

Growth will not be unlimited. An industry survey of Australia's universities in 2007 found that there are limits, at around one quarter of the total student population, to their capacities for international students. With such supply constraints in the public sector, there are significant opportunities for Australia's private higher education providers.

Public Policy Priorities

The international education industry is helping to meet crucial national objectives across the board. Its growth and success has been driven largely by the four education sectors (higher education, VET, ELT and schools), and their individual institutions through their own entrepreneurship and initiative and by the use largely of their own resources. Outstanding business outcomes have been achieved and major benefits gained for the Australian economy and for Australian society. Knowledge and understanding about international education however remains modest within government and within the Australian community more generally.

Lack of government recognition and support characterized the industry in its first 10 years (1986-mid 1990s). This has been changing. Government has a crucial role to play, to provide a conducive policy and program framework, supported by enhanced budget allocations, to assist the industry to further develop and thrive.

The partnership between industry and government needs to be more effective than it is currently. Industry and government need to cooperate more closely to capitalize on Australia's considerable achievements, experience and strengths in international education and to focus on developing a long-term sustainable strategy for global engagement. A more holistic approach would include:

- Developing a comprehensive national policy on international education and inaugurating a suite of properly funded priority program initiatives to give effect to identified strategic objectives
- Governments entering into more effective engagement with industry to better resource crucial priority industry research and program initiatives at a level commensurate with support given to other major Australian export industries
- Mapping strategic directions and maintaining a sustainable 'trade' agenda to ensure continued targeted growth, with a more diverse international student body, a greater proportion of higher degree research students and an effective balanced growth across the public and private sectors

...cont.

- Improving coordination across government to ensure an alignment of policies and program strategies to support industry development, regulation and skilled migration
- Expanding and supporting priority international research collaboration and industry linkages
- Expanding opportunities for Australian students to study abroad
- Better supporting students (both domestic and international) to improve their intercultural experiences on campus, and to ensure they are “globally literate” and able to participate effectively in an increasingly globalized workforce
- Increasing understanding within the Australian community about the importance of international education

Of course, some of the initiatives above form part of the proposed comprehensive national international education policy.

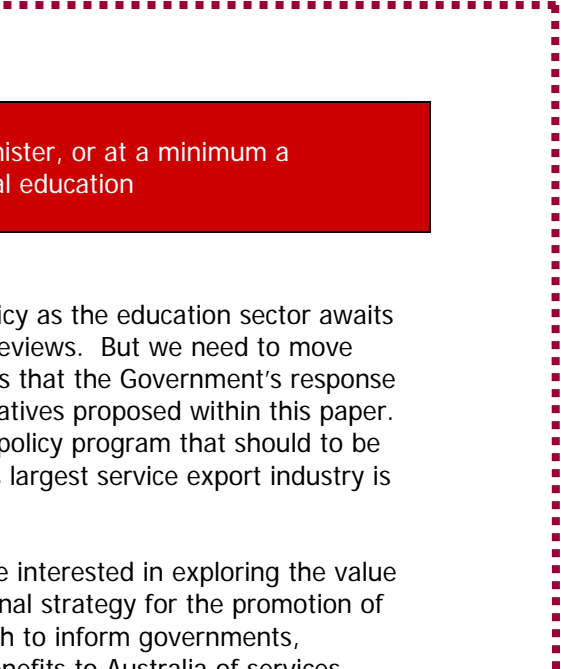
At present, Australian Government responses are awaited to two major review reports impacting on international education, the Cutler *Review on Innovation* and the Bradley *Review of Australia's Higher Education System*. The Review of Higher Education has made a number of recommendations to strengthen Australian international education industry which the industry largely supports.

Two significant recommendations of the *Review of Higher Education* relate to (1) a new independent regulatory body for international education (recommendation 11) and (2) the establishment of a new independent industry development/ marketing body to promote and market Australian international education more effectively (recommendation 12). A number of models are suggested for the second body by the Review including a “British Council” type arrangement.

Further consideration needs to be given to the implications of these two recommendations for the international education industry. The implications cross all sectors of the industry. It will be critical to the success of the proposed approach that all sectors are adequately engaged and consulted in the final design of the two new bodies and ensure a truly whole of government approach involving immigration, trade, foreign affairs, services, tourism, and education, employment and workplace relations.

- The Australian Government should engage and consult all sectors of the international education industry in the final design of the independent regulatory body and the independent industry development body proposed by the *Review of Higher Education*

Finally, international education has established itself as a major export industry for Australia. Its pivotal position warrants a renewed focus at a senior government level. This should take the form of a dedicated Minister, or at a minimum a Parliamentary Secretary, with responsibility for this important segment of education that intersects with other key portfolios of immigration, trade, foreign affairs, services, tourism, and education, employment and workplace relations. It may also be timely to consider establishing a Joint Parliamentary Standing Committee on International education.



The Australian Government should appoint a dedicated Minister, or at a minimum a Parliamentary Secretary, with responsibility for international education

There is something of a short term hiatus within public policy as the education sector awaits the Government's response to the Cutler and the Bradley reviews. But we need to move forward quickly. The international education industry urges that the Government's response to the two reviews be consistent with the public policy initiatives proposed within this paper. Any response must form only part of a much larger public policy program that should to be pursued by industry and government together if Australia's largest service export industry is to be moved to a properly durable and sustainable level.

In the context of the *Services Summit 2009*, IEAA would be interested in exploring the value of an alliance with other service industries on an international strategy for the promotion of Australian services exports, including a program of outreach to inform governments, business, media and communities in Australia about the benefits to Australia of services exports.



The International Education Association of Australia is Australia's leading international education professional organization.

Its mission is to enhance the quality and standing of Australian international education by serving the professional needs and interests of its members and by promoting international education within Australia and internationally.

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