

English Australia submission

Productivity Commission - International Education Services



Sent to: Productivity Commission
via email international.education@pc.gov.au

Section 1) Background

The Productivity Commission has commenced a research project examining selected policy issues affecting Australia's exports of international education services. Its primary focus will be on the policy settings associated with student visas. The project is part of a suite of research papers initiated by the Commission on topics of significant national interest.

The international education services sector makes a significant contribution to the Australian economy. The student visa program is a key policy lever influencing the demand for Australian education services by international students.

The incentives and barriers inherent in the conditions and procedures attached to student visas have the potential to affect not only the volume and type of applicants, but also how international education services are provided. These demand and supply responses have implications for the long term sustainability of the sector.

The research project will analyse the incentives for, and barriers to, Australia's exports of international education services in the higher education and vocational education and training sectors with a specific focus on the student visa program. The project will examine the following issues:

- Design and enforcement of student visa conditions
- Impact of changes to visa conditions and processing
- Degree of policy consistency over time and across different student visa subclasses
- Link between student visa policies and the incentives created for education service providers particularly in relation to quality.

The Commission is seeking both qualitative and quantitative information on topics relevant to the Australian international education services industry. Interested parties are invited to provide written information or comment on any aspect of the project by email to international.education@pc.gov.au by **Thursday 18 December 2014**.

The Commission will consult widely including through visits with stakeholders and a roundtable. The Commission expects to release a research paper in **April 2015**.

Section 2) Context – English Australia & the ELICOS Sector

The international education industry is complex, encompassing a diverse range of sectors, provider types, program types and students with varying motivations for choosing to study overseas. English Australia will focus this submission on the **ELICOS sector perspective** as other submissions will no doubt offer a range of other perspectives.

English Australia, formerly known as the ELICOS Association, is the national peak body and professional association for the **English Language Intensive Courses for Overseas Students (ELICOS)** industry. English Australia was established in the early 1980s and incorporated in 1990.

English Australia represents over 120 member colleges across Australia. More than 80% of all overseas students who study English in Australia do so with an English Australia member college. English Australia has both public sector (eg attached to a university or TAFE) and independent language centres among its membership.

The ELICOS sector has a 100% international focus as it provides courses only to overseas students.

The ELICOS sector provides an essential ‘pathway’ role in assisting many international students to develop the English language skills they require to be successful in further studies.

The ELICOS sector also has an important role in delivering English language courses to students without further study goals, but who see improved English language skills as a key contributor to their future success in a world where English language skills and an overseas cross-cultural learning experience are seen to give competitive advantage in an increasingly globally connected world.

The Australian ELICOS sector operates within a highly competitive global industry. Over 1,557,000 people travelled to an English speaking country to learn English in 2013 – globally the English language travel industry is worth over US\$11.7 billion¹. *Study Travel Magazine* estimated Australia’s global market share in 2013 at 9.5% of English language students and 16.5% of the number of weeks spent studying English. Australia is the 4th most popular destination for English language study after the UK, US and Canada. There is still enormous potential to grow Australia’s share of this important market. International education is more than just higher education.

The ELICOS sector is influenced by two key global trends:

- as recognised by the United Nations World Tourism Council, growing wealth in former developing countries is leading more young people to enjoy the cultural experiences of travel; and
- the desire to become proficient in English for education, business, cultural and leisure purposes will continue to be a priority for young people globally.

¹ Study Travel Magazine (December 2014)

It is important for those setting visa policies within the Department of Immigration & Border Protection (DIBP) to have a genuine understanding of the ELICOS sector and its key role in contributing to the development of ‘global human capital’ and to note the following features of the sector:

- young people are increasingly mobile;
- study, travel and work options are becoming increasingly intertwined as young people are looking to explore different opportunities;
- whilst the youth market makes up a substantial proportion of the ELICOS student cohort, there is a trend to increasing levels of study travel in other stages of life – whilst the ‘gap year’ is used by young people to gain greater experience and maturity between school and university or between university and employment, increasing numbers of people are taking ‘career breaks’ between jobs and using this opportunity to develop new skills (including English language skills) that will help them transition to new careers;
- English language skills are increasingly important to enhance career and employability options;
- English language skills are no longer viewed in isolation from other skills – employers are looking for cross-cultural experience, communication skills, confidence and autonomy – all skills that can be gained from overseas travel;
- it is increasingly hard to profile ‘genuine’ international students (as DIBP tries to do) as motivations are changing constantly;
- English language courses are highly commoditised and students rely heavily on the recommendations of friends and agents in their choice of provider.

The ELICOS sector is a highly competitive sector. The competitiveness within the sector has been recently challenged further by policy initiatives that have divided the sector into different segments with varying levels of competitive advantage, for example by the introduction of Streamlined Visa Processing (SVP) for some ELICOS providers (university based and other nominated pathway providers) but not for others, and by the division of the sector between those regulated by TEQSA and those regulated by ASQA. The Genuine Temporary Entry (GTE) requirement has provided further segmentation that has disadvantaged ELICOS providers delivering primarily stand-alone ELICOS courses.

The Student Visa Program is particularly important to the ELICOS sector. 62% of all ELICOS students in 2013² were student visa holders. Appendix A provides more information regarding the profile of the ELICOS sector. It is important to note that student visa holders provide the core stability for the sector with an average course length of 16.8 weeks compared to only 4.9 weeks for a visitor visa holder. ELICOS providers are highly dependent on student visa holders to stabilise their student profile and minimise student ‘churn’. It is also important to note that whilst 65% of ELICOS student visa holders will pathway through to further study in Australia³, there is another significant proportion (35%) who are learning English for a variety of other reasons. These students add to the significant numbers of English language students who hold other temporary visas such as visitor visas and working holiday visas.

² Survey of Major Regional Markets for ELICOS Institutions 2013 (*English Australia, May 2014*)

³ Study Pathways of International Students in Australia (Number 2013/02) (*Department of Education, May 2014*)

Section 3) English Australia comments

English Australia welcomes the opportunity to provide input to this research project examining selected policy issues affecting Australia's exports of international education services and notes that its primary focus will be on the policy settings associated with student visas.

English Australia notes the diversity of the international education industry, encompassing education providers delivering programs in higher education, vocational education and training, ELICOS, foundation studies and schools.

This submission will reflect an ELICOS sector perspective.

Points relating to the background to the research project

The Productivity Commission has commenced a research project examining selected policy issues affecting Australia's exports of international education services. Its primary focus will be on the policy settings associated with student visas.

Recommendation 1) English Australia recommends that a secondary focus on the role of non-student visas in international education and the ease with which non-student visa holders can transition to a student visa onshore would also be valuable.

- a) Non-student visa holders constituted a significant 38% of all ELICOS student numbers in 2013. In a highly volatile industry such as international education (and particularly the ELICOS sector), diversification is vital to resilience and these non-student visa holders contribute to that diversity.
- b) Significant numbers of short course non-student visa holders transition to further study on student visas onshore.

English Australia has recently prepared a report⁴ analysing this cohort of ELICOS students with the support of the Department of State Development, Business and Innovation (Victoria). This report makes a number of recommendations and is included as Appendix B to this submission.

The international education services sector makes a significant contribution to the Australian economy. The student visa program is a key policy lever influencing the demand for Australian education services by international students.

Recently released research⁵ estimated that international education's contribution to export earnings would double to \$30bn by 2020. As export earnings from tourism are likely to grow at a similar rate if the \$A's fall continues, visa-dependent export earners have the potential to exceed \$50bn in five to six years. This highlights the importance of visa policy settings that will facilitate this growth.

The student visa program is not only a key policy lever influencing demand for international students, it is 'the' key policy lever.

The influence of changes to visa policy settings is clearly reflected in the history of international education this century:

up to 2009: growth, with VET becoming the largest sector driven by pathway to residency options;

⁴ *English language students in Australia in 2013: An analysis of the non-student visa cohort* (English Australia, November 2014)

⁵ Alan Olsen, Australian International Education Conference, October 2014

2009-12: decline, particularly in VET due to the removal of PR plus global financial crisis impact, rising \$A and student safety issues;

2012-2014: return to the highest numbers since peak year of 2009 but with higher education replacing VET as largest sector due to introduction of streamlined visa processing and post study work rights confined to higher education providers and those providing services for students pathwaying to higher education.

Points relating to the objectives of the study

The research project will analyse the incentives for and barriers to Australia's exports of international education services in the higher education and vocation education and training sectors with a specific focus on the student visa program.

Recommendation 2) English Australia recommends that the English Language Intensive Courses for Overseas Students (ELICOS) sector should also be included in the analysis undertaken by this research project because:

- a) The ELICOS sector is significant in its own right, accounting for approximately 15% to 20% of the international education industry (depending on whether the measure is export earnings, student numbers or student weeks).
- b) ELICOS is the only sector which focuses entirely on international education services as ELICOS colleges do not teach any Australian students.
- c) For a significant number of international students English language training is their introduction to Australia and Australian international education services.
- d) Significant numbers of international students 'sample' what Australia has to offer as a study destination by undertaking a low-cost, low-risk ELICOS course before they invest in a longer course of study.

The project will examine the following issues:

- *Design and enforcement of student visa conditions*
- *Impact of changes to visa conditions and processing*
- *Degree of policy consistency over time and across different student visa subclasses*
- *Link between student visa policies and the incentives created for education service providers particularly in relation to quality.*

It is useful to ask some fundamental questions when considering the student visa program:

- what role does the student visa program play?
- what criteria are used to assess the success (or otherwise) of the student visa program in achieving its objectives?
- are these criteria appropriate?

If the student visa program is to effectively support the international education industry then it needs to deliver against a range of criteria.

How easy is it for students/agents/providers to understand the requirements to be granted a visa? How transparent and objective is the process? How effectively does it screen out non-genuine students? How effectively does it incentivise positive behavioural change among student/agents/providers? How effectively does it integrate with other temporary and permanent visa programs to maximise the benefits for Australia?

Managing risk

One other key question for consideration is how effectively the student visa program manages risk while supporting growth and allowing education providers to access opportunity.

Student visa program policy settings are underpinned by DIBP's definition of 'integrity' and their appetite for risk.

The word 'integrity' gets used a lot in relation to the student visa program as well as the word 'genuine' to describe the intention of a student to study and the intention of a student to be a temporary entrant to Australia. The current policy settings are focused on minimising risk but fail to articulate clearly what those risks are.

Recommendation 3) English Australia recommends that a strategic risk assessment be undertaken in relation to the student visa program in order to provide a framework to evaluate current and future policy settings.

A risk management framework would provide the basis for assessing, managing and reporting on risk whilst at the same time provide effective guidance on the strategic aspects of assessing current and potential policy settings. An effective process of risk analysis would provide a good understanding of the level and nature of the risks identified through an understanding of the consequence and likelihood of the risk occurring with the existing policy settings.

The Australian government is committed to supporting growth in the international education industry, however the current risk appetite of DIBP is conservative. Risk is seen in a negative light rather than viewing risk as one side of a two-sided coin, with the other side being opportunity. The key to dealing with this two-sided coin is to understand the negative and positive aspects of each risk and be prepared to understand the opportunity aspect in light of the mitigation strategies that may be implemented to reduce the negative aspects. In this manner, seeing opportunity in every risk would ensure that Australia can be proactive with regard to opportunities and careful in its decision making process regarding these.

The biggest current risk to the integrity of the student visa program is education providers who deliberately recruit non-genuine students (both onshore and offshore) and are selling work opportunities/work visas rather than study opportunities/student visas.

Recommendation 4) English Australia recommends that the framework for managing risk within the student visa program should incorporate a significant focus on the risk profile of individual education providers.

This is why the eight international education peak bodies joined forces to develop a proposal for government consideration of an alternative to Streamlined Visa Processing (SVP) that combines provider risk with student risk.

Streamlined Visa Processing (SVP)

SVP in its current form has created an environment of 'fear' amongst SVP providers who now take a highly risk averse approach to the markets they work in and the partners (agents and other education providers) they choose to work with out of fear that they will lose their SVP status.

Under the current SVP model, agents who want to send student to universities in Australia cannot find a university willing to take them. Australia is turning away potential business partners. Increasing numbers of students are choosing a university course just to get their visa under SVP and then dropping out because it was not really the course of study they wanted to undertake. Students fear they will not get a visa if they do not apply to an SVP provider.

The eight international education peak bodies have recommend that the government consider a proposal for a new International Education Risk Framework (IERF) for the purpose of delivering:

1. an integrated risk framework based on commonly agreed principles, that addresses immigration risk, provider risk and consumer protection of students;
2. visa processing arrangements that allow for efficient assessment and approval of visa applications from high quality, low risk providers.

The primary objective of introducing SVP was to support the sustainable growth of international student numbers through simpler and faster visa processing while maintaining integrity.

There are a number of flaws with the current SVP model:

- it was originally only open to universities, however immediately gave significant unfair advantage to ELICOS colleges associated with universities;
- it has been (slowly) expanded by provider type and course type rather than allowing access to all providers regardless of sector but based on risk;
- it has distorted the market, channelling students into higher education pathways and certain provider types rather than other sectors;
- it has transferred both the workload and the burden of risk from DIBP to the education provider;
- it has made SVP providers highly risk averse, narrowing their choice of education pathway partners, agent partners, and source markets;
- it has made Australia less competitive as agents and student have to now meet the individual application requirements of each SVP provider rather than a single national application process.

The impact has been felt differently across the industry:

- current growth in student visa numbers is being driven by higher education visas;
- universities and university owned or operated ELICOS centres (and a small number of university nominated pathway partners) have experienced strong growth in student numbers;
- other providers have not seen the same level of growth;
- ELICOS providers who do not have the same CRICOS provider code as a university or have not been nominated as an ELICOS pathway partner by a university have been excluded from a whole segment of ELICOS sector provision ie. English for Academic Purposes.

The latter point is a key unintended consequence of the introduction of SVP for universities. SVP as it currently stands does not allow ELICOS providers to apply for SVP status, however by default some have been included because of their relationship with a university. In effect universities have been able to dictate which English language providers get access to SVP – and channel all their packaged students to their own ELICOS centre. Agents and student view SVP as a government ‘stamp of quality’ and can only get an SVP visa if they choose an ELICOS course with an SVP provider.

Recommendation 5) English Australia recommends that the current model for streamlined visa processing be replaced with a model that delivers positive outcomes across all sectors of education.

Enforcement

Current arrangements provide no incentive for providers to support the integrity of the student visa program. Low quality providers fail to report any students for lack of attendance or progress and no-one cares. High quality providers meet their obligations to report students for breaching the attendance and progress requirements and nothing happens in response. Enforcement remains a considerable area of concern. Colleges report persistent lack of enforcement which discourages providers from reporting breaches.

Recommendation 6) English Australia recommends that appropriate resources be applied to a level of enforcement action that will restore confidence to the industry and disincentivise negative behaviour by students, agents and providers.

Study on a visitor visa is limited to a maximum of 13 weeks, whilst study on a working holiday visa is restricted to 17 weeks. Compliant providers turn away visitors who wish to extend their course and pay for a longer period of study because this would be a breach of their visa conditions. Non-compliant providers enrol these students, knowing that it is just not feasible for DIBP to enforce the maximum study period requirement. If the maximum period of study is not realistically enforceable then it would make sense to introduce greater flexibility for providers to enrol such students legally.

Recommendation 7) English Australia recommends that up to 24 weeks study be allowed on a visitor visa and a working holiday visa to allow temporary visitors greater flexibility in accessing study opportunities.

Genuine Temporary Entrant (GTE)

The introduction of the genuine temporary entrant criteria (GTE) was identified by DIBP as an important aspect of the 2012 changes to the student visa program, but was interpreted by many offshore posts in a way that actually discouraged potential students from studying English in Australia.

DIBP has recently put in place systems to address this but it took about two years to convince them there was a problem and then to address it. The fact that this criteria exists demonstrates a lack of understanding of the way that international students engage with the concepts of 'temporary' vs 'permanent' (or not). In a global context where mobility for work and study is increasingly the norm, many students may have never thought about how long they actually want to stay in Australia or where they might end up next. The visa program imposes a conceptual framework that is increasingly irrelevant.

Recommendation 8) English Australia recommends that ongoing work is still needed to educate and train DIBP staff in relation to the GTE criteria.

Visa fees

When it comes to visa fees, Australia is not internationally competitive and is viewed as treating international students as 'cash cows'. English Australia has recently prepared a submission to the *Joint Review of Border Fees, Charges and Taxes* regarding current visa fees and their impact on international education services. This submission is provided at Appendix C.

Recommendation 9) English Australia recommends visa fees be reviewed to ensure they are internationally competitive.

A broader view of international education services

International education is increasingly recognised by institutions and governments around the world as an important export sector. But now, these direct economic impacts are more and more seen as just the tip of the iceberg. For many national governments, trade in education services also represents an important aspect of international relations, trade policy, and a means to address labour market or demographic gaps.

As a result, a related goal in many destination countries now is to increase the 'stay rate' of talented international students: the proportion of them who choose to immigrate to the new country for a longer term, or even permanently, to live and work. Encouraging such immigration is now being viewed as crucial to the development of competitive knowledge economies, as it helps to offset the draining effects of, among other trends, low birth rates and ageing populations in many developed countries.

An ICEF Monitor post⁶ looks at what can be done, both at a national level and an institutional one, to increase the likelihood that skilled international students will decide to stay on in a host country after their studies.

In his speech on immigration reform on 20 November 2014, US President Barack Obama addressed the importance of this issue for the USA:

"Are we a nation that educates the world's best and brightest in our universities, only to send them home to create businesses in countries that compete against us? Or are we a nation that encourages them to stay and create jobs here, create businesses here, create industries right here in America?"

Recommendation 10) English Australia recommends that this research look beyond just the student visa program itself and explores how competitive Australia is in both attracting and retaining 'international talent'.

Further independent scrutiny by the Productivity Commission

The international education industry has experienced a significant period of reform over the last five years as the recommendations of two key reviews, the Baird review⁷ and the Knight review⁸, have been implemented.

Each of these reviews took place within a particular context and whilst the implementation of their recommendations has generally resulted in a number of improvements across the industry, there were also a range of initiatives that delivered some unintended consequences which require further review.

In 2013 DIBP undertook an review of the Assessment Level (AL) Framework and in early 2014 conducted a review of the Genuine Temporary Entrant (GTE) requirement (March 2014). DIBP has also more recently released a discussion paper on future directions for Streamlined Visa Processing (SVP) (November 2014). English Australia has provided submissions to all of these reviews.

In addition the government has recently commissioned a joint review of charges, fees and taxes at the border which will focus on identifying where the border charging arrangements can be improved to better support future border operations and outcomes for industry (September 2014). English Australia has made a submission to this review as well.

⁶ <http://monitor.icef.com/2013/05/increasing-the-stay-rate-of-international-students>

⁷ *Stronger, simpler, smarter ESOS: supporting international students* (February 2010)

⁸ *Strategic Review of the Student Visa Program* (June 2011)

The government has yet to respond to the Chaney review⁹, a report prepared for the government and released in February 2013 by the International Education Advisory Council to provide advice on the challenges and opportunities facing international education; to contribute to the Government's development of a five-year national strategy to support the sustainability and quality of international education; and to provide advice on trends in international education and on current policies affecting the sector.

These reviews have all taken place in relative isolation from each other, with little whole-of-government coordination of policy. A key recommendation of the Chaney review responded to the need to ensure improved coordination of government policy and programs for international education and better consultative mechanisms for stakeholders, in order to optimise government support for the international education sector:

A.1 Establish a Ministerial Coordinating Council on International Education (MCCIE) chaired by the Minister for Tertiary Education, Skills, Science and Research and including Ministers from relevant portfolios, drawing on expertise from across the sector, governments, business and industry to provide a coordinated approach to identifying and addressing key issues in Australia's international education sector.

The MCCIE would provide oversight of a five year strategy.

Two years on from the release of the report and this recommendation has not yet been acted upon.

English Australia would like to see the Productivity Commission continue the process of independent scrutiny of this increasingly important industry.

Recommendation 11) This research project should recommend that the Productivity Commission build on this work with a full scale inquiry into the implementation of the Chaney recommendations as and when the government announces how they intend to respond.

⁹ *Australia – Educating Globally*, Advice from the International Education Advisory Council (February 2013)

Appendices

- Appendix A** English Australia Fact Sheet: *ELICOS Industry Statistics 2013*
- Appendix B** *English language students in Australia in 2013: An analysis of the non-student visa cohort*
(English Australia, November 2014)
- Appendix C** English Australia submission to the *Joint Review of Border Fees, Charges and Taxes*

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