

## Input from the Department of Economic Development, Jobs, Transport & Resources

The Productivity Commission's self-commissioned international education services research project stands to be a welcome contribution to ongoing discussions about the design of visa and national quality arrangements that underpin the future growth of the international education sector. Further to its meeting with the Commission in November 2014, the Department of Economic Development, Jobs, Transport and Resources welcomes the opportunity to make a written contribution to this project.

### International education in Victoria

International education is Victoria's single largest export industry. In 2013-14 the export value of Victoria's international education sector from students studying onshore was more than \$4.7 billion. Over 150,000 international students study with Victorian education providers annually, generating revenue through fees and contributing to the internationalisation of Victorian campuses. Indirect economic benefits of international education are generated through other means such as the accommodation and retail-related spending associated with additional resident population and family and friends of students visiting Australia. International students also contribute to the economy through participation in the labour market while they pursue their education and make a large contribution to the social and cultural life of the state.

The Victorian Government is committed to ensuring international students studying and living in Victoria are supported and enjoy a positive, rewarding and high quality experience. To that end, the department works closely with Victorian education providers to create conditions conducive to a high quality, sustainable growth oriented export industry. This collaboration includes identifying optimal policy and regulatory settings to ensure a sustainable international education industry for Victoria.

The Victorian Government is committed to supporting the international education sector in its ambition towards sustainable growth. As part of its election platform, the Government is committed to:

- prioritising international education as one of six industries, central to Victorian economic growth
- establishing a \$200 million *Future Industries Fund* to support the continuing growth of key sectors such as international education

- working collaboratively with the Commonwealth to take action to improve access to student visas and the timeliness of application processing
- investing \$4 million to provide grants to organisations that support the welfare of international students studying in Victoria.

### Context

The Commonwealth's role in designing and operating the student visa system is a critical determinant to the sustainability of Victoria's international education sector.

In the highly competitive international student market, coordination and collaboration across the Commonwealth and states/territories is more important than ever. In the past few months the sector has contributed to Commonwealth Government reviews including the *Education Services for Overseas Students (ESOS) Reform Framework*, *Review of Border Fees, Charges and Taxes*, the *Future directions for streamlined visa processing discussion paper*, and significant activity in higher education reform. While sector engagement is important, the multitude of consultations, with little coordination across departments, creates additional work and possible confusion for many stakeholders.

With regard to the need for the student visa framework to support the sustainability of the international education sector, these submissions are informed by three key principles. The framework must:

1. facilitate the timely, sustainable and risk managed movement of people
2. support and facilitate the future sustainable growth of an industry of great importance to the Australian economy
3. clearly outline the roles and responsibilities of all relevant stakeholders in a joined up system.

The nature of this Productivity Commission research project, and in turn this submission, highlights the connectedness of the individual elements of policy and regulation that govern the international education sector. Policy changes in one area almost always have, often unforeseen, consequences across the sector more broadly. For example, in 2012 the then Commonwealth Department of Immigration and Citizenship removed requirements that *all* student visa

applicants provide documents demonstrating that they had adequate financial capacity to support their stay here. In subsequent years, this has led to an increasing number of students finding themselves in a parlous financial situation during their period of study. Additionally, in a number of instances where the Commonwealth does require visa applicants to provide evidence of sufficient financial means, rather than the federal department undertaking assessments, education providers without experience and resources to detect document fraud nor authority to engage with offshore financial institutions are often required to evaluate visa applicants' financial standing.

These types of developments underline concerns that decisions made by the Department of Immigration and Border Protection (DIBP) relating to risk reduction and immigration process have had the unintended consequence of affecting student welfare and educational outcomes. As such, any investigation of international education services, and student visa settings more specifically, must not only address the quality of educational delivery, but also the quality of the student experience.

This submission addresses the four key issues outlined by the Commission as being the focus of the research project.

## Design & enforcement of visa conditions

In a clear demonstration of the connectedness of the international education sectors regulatory branches, much of the enforcement of student visa conditions is outlined in the regulatory and study welfare focussed Education Services for Overseas Students (ESOS) Act. The department's submission to the ESOS Review is generally supportive of proposed improvements to the ESOS framework, as outlined in a discussion paper in late 2014<sup>i</sup>. The ESOS framework is an internationally recognised framework for protecting the interests and safety of international students, and was the first of its kind in the global international education sector. It highlighted Australia's position as a high quality and safe destination for international education. There are strong links between the ESOS framework, its enforcement, and the student visa system.

However, the existing ESOS framework has not kept pace with the realities of current and emerging education delivery and must be refreshed to reflect

the diversity in the education export industry, reduce the compliance inefficiencies and afford education providers sufficient flexibility so they can compete globally. The department has expressed its support for reforms to the ESOS framework that ensure it is progressive, efficient and effective.

## Impact of changes to visa conditions & processing

### Streamlined visa processing

Following the 2011 *Strategic Review of the Student Visa Program* (the Knight Review) the Commonwealth introduced a system of streamlined visa processing (SVP) to its student visa program and made this available to universities. The system was then expanded to some other non-university higher education providers and, most recently to some vocational education and training (VET) providers. Since the introduction of SVP in 2012, the sector has seen a return to growth after significant declines in the preceding years. Yet this growth has not come without its challenges. If continued in its current form, SVP will not serve the interests of the whole sector<sup>ii</sup>.

A diverse and sustainable international education sector has been a common goal for the Commonwealth, State and Territory governments. SVP in its current form will not ensure either of these.

There are numerous examples where SVP has created market distortions and driven provider and student choices detrimental to study outcomes and experiences. Based on information gathered from Victorian international education stakeholders, continuation of the SVP in its present form:

- places unreasonable processing burdens and on providers
- risks further entrenching non-SVP providers in their perceived or actual lower status, and effectively stratifies the sector
- distorts students choices and has seen a rise in non-Genuine Temporary Entrant (GTE) students into higher education courses
- disadvantages some longstanding quality providers due to the focus on history of risk. In some cases this has advantaged those in the sector with little or no experience in offshore student recruitment

- has the potential to encourage providers to consolidate their recruitment in a small number of 'safe' markets, an approach in direct opposition to the mantra of diversity.

Any review or change to the current system needs to balance the needs of the sector to attract students into their institutions, with the needs of the Commonwealth to appropriately regulate the type and number of people able to study in Australia.

In particular, it has been suggested that DIBP include a measure of agent conduct in its assessment of immigration risk, given the significant role agents play in shaping student choices. Agents play an important role in the international education system, advising and assisting the majority of students with their applications. It is therefore crucial that appropriate oversight is in place. Any agent risk framework should require some type of registration or minimum standards to be met, and data about student placements and other activities to be maintained and analysed.

#### **Visa fees**

Recent increases to visa fees, and in particular the Subsequent Temporary Application Charge (STAC), may place Australian education institutions at a competitive disadvantage in respect to competitors such as the United States, Canada and New Zealand, which have lower fees. Visa systems and fees are one of the few influences on student decision making about study destinations that are in the full control of government. The Commonwealth should ensure that the competitiveness and efficiency of the Australian student visa framework is maintained relative to other education exporters.

#### **Degree of policy consistency over time and across different student visa subclasses**

Over the past six years there have been a number of changes to student visa policies, often in reaction to a crisis or issue, rather than as a proactive approach to securing the sustainability of international education sector. The Knight Review, and subsequent introduction of SVP in 2012 is a clear example of this. The Knight Review was commissioned at a time of drastically falling student numbers, and followed on from a number of changes to the visa system designed to address perceived and actual problems around the link between student visas and migration.

SVP has highlighted several issues of policy inconsistency. Upon its introduction in 2012, SVP was only made available to all universities (regardless of their individual immigration risk ratings) ahead of any other grouping of education providers. When SVP was extended to the VET sector in 2014, and the entire TAFE systems in New South Wales and South Australia were granted streamlined arrangements, the exclusion of three Victorian TAFEs from SVP stood, and continues to stand as an inconsistent policy outcome. This inconsistency is concerning given the three Victorian institutes are some of the Australia's most experienced publicly-owned international VET providers – a status recognised by the Commonwealth itself given it presented two of the institutes with major awards at both the 2013 and 2014 *Australian Training Awards*.

These irregularities originate from DIBP's institutional risk rating anomalies which, among other inconsistencies, see Victorian institutes being disadvantaged by their devolved governance arrangements compared to centralisation of TAFE NSW and TAFE SA. More broadly, the framing of the risk rating methodology for SVP creates loop holes which risks providers with no offshore student recruitment record being assessed more favourably compared to well-established institutions.

The introduction of post study work rights for some student visa holders (unencumbered by a need to a qualification relating to an occupation on the skilled occupation list) was broadly welcomed. It provides a value proposition to students not available in all competitor countries, and an element of experience valued and desired by a majority of students. However, the impact of this policy change is yet to be understood, as eligible students are only now completing their studies<sup>iii</sup>. The rate of uptake of the visa, and the employment prospects of graduating international students is of great importance to the sector as a whole. Recent research<sup>iv</sup> has demonstrated that employment prospects for international students have the potential to become a serious concern for the international education sector in Australia. If post study work employment prospects fail to meet expectations, or changes are made to the visa settings, it is likely to foster a climate of confusion and disenchantment amongst current and prospective students.

## Link between student visa policies and the incentives created for education service providers particularly in relation to quality

As highlighted earlier in this submission, SVP arrangements have created a number of serious market distortions. Most concerning are those that have the potential to drive student and provider behaviour in a way that considerations of best educational outcomes are secondary to other factors.

Victorian officials have previously cautioned against the further rollout of SVP arrangements to 55 providers delivering Advanced Diplomas. This is because although the Government supports the extension of SVP arrangements to vocational qualifications, in practice Advanced Diplomas attract a relatively modest number of enrolments compared with other VET qualifications delivered to international students. In Victoria in 2013, only 16% of international student enrolments in VET qualifications (Advanced Diploma, Diploma and Certificate) were at the Advanced Diploma level.<sup>v</sup>

There are concerns that expanding SVP to Advanced Diplomas will distort the market by encouraging providers to add Advanced Diplomas to their offering, which may result in enabling those with limited experience in delivering at this level to enter the market. It may also initiate a growth in demand for and provision of Advanced Diplomas for immigration purposes rather than educational outcomes and in situations where a Diploma or Certificate remains the most appropriate educational qualification. While the expansion of SVP into vocational qualifications should be supported, a more appropriate approach may avoid many potential market distortions.

## Quality issues

The department is aware that the Commission has also begun examining the contribution that quality frameworks can make to international education growth.

In addition to the ESOS framework which regulates the provision of student services and welfare arrangements, the key education quality regulatory frameworks for both the VET and higher education are the responsibility the Commonwealth. In recognition of this, in 2013 the department consulted widely with the Victorian international education sector to produce *Quality Transnational Education: a draft departmental*

*action agenda on offshore vocational education and training regulation*<sup>vi</sup>. This contribution was intended to generate dialogue across commonwealth, state and territory governments about how national quality settings can be optimised to support Australian offshore VET activity.

## Conclusion

The international education sector is a complex and multifaceted industry, with a number of intersecting and overlapping policy areas, and the lack of a coordinated approach at a Commonwealth level is of concern. As is demonstrated by this submission, a review or investigation of visa settings inevitably involves an investigation of policy settings across the sector.

At a time when our competitor countries are both embracing the potential contribution of graduates (United States) and spurning them on the moment of graduation (United Kingdom), visa policy settings put in place in Australia will have a significant impact on the sector. But the policies put in place around student support and welfare (ESOS) and quality regulation will also have a significant impact on the sustainable growth of the sector.

The need for a coordinating council to guide the strategic direction of the international education sector is highlighted in many other submissions, and was a key recommendation of the 2013 *Australia – Educating Globally* report, provided to the Commonwealth by its International Education Advisory Council. The department looks forward to the release of the Commonwealth international education strategy in 2015 to provide much needed strategic and policy direction for the sector as a whole.

<sup>i</sup> The departmental submission to the *Reform of the ESOS framework discussion paper* is included as **Appendix 1**.

<sup>ii</sup> The Victorian Government response to the *Future directions for streamlined visa processing* is included as **Appendix 2**.

<sup>iii</sup> As at the end of 2014, DIBP reports that less than 3500 subclass 485 (post-study work) visas have been granted.

<sup>iv</sup> Cate Gribble 2014, *Employment, work placements and work integrated learning of international students in Australia*, International Education Association of Australia, Melbourne, Vic and Blackmore et al 2014 *Australian International Graduates and the Transition to Employment*, accessed 5/1/2015, <http://www.deakin.edu.au/research/src/crefi/documents/international-graduates-employment.pdf>

<sup>v</sup> Austrade Market Intelligence Package

<sup>vi</sup> The departmental paper *Quality Transnational Education: a draft departmental action agenda on offshore vocational education and training regulation* is included as **Appendix 3**.