



AUSTRALIAN UNIVERSITIES, INTERNATIONAL STUDENTS AND CHINA

Taking Stock and Taking the High Road

Asia Taskforce is an initiative of



Knowledge partners





BACKGROUND

This Discussion Paper has been prepared as part of a series of short reports on specific topics identified by the Asia Taskforce (Taskforce) – an initiative of the Business Council of Australia and Asia Society Australia together with knowledge partners PwC Australia and the University of Sydney Business School - to supplement the findings and recommendations contained in the Interim Report and final report (due out in late 2020).

One of the objectives of the Taskforce was to identify issues critical to business success in Asia. Education is Australia's third biggest export category. This Discussion Paper examines the Australian university sector's involvement in international coursework education and, in particular, the sector's educational engagement with China, exclusive of academic research engagement.

Key points:

- While there is a demonstrable downside to the university sector's high exposure to the international market in general and to China in particular, the proposition the Australia's public universities should retreat from the international education market, China included, and focus wholly or largely on servicing the learning needs of domestic students is based on a false binary. In the absence of a major increase in real direct government funding per student, a retreat to educational nationalism would consign the sector to a future of shrinkage, low horizons, reputational decline, infrastructure decay, research mediocrity and minimal services for local students themselves.
- The sector's critics ask the wrong question, fail to apply root cause analysis and proffer solutions that are simplistic and ill-conceived. The key is not whether our public universities should be providers of international education. They should. We must now address how the sector can best reposition itself to improve its international education activities for success, at home and abroad, in a post-COVID world.
- Both the sector and government should embrace the 'high road' and work in partnership to reposition the sector so that, over the course of this decade, our universities can rebuild global brand and reputation, recover their international student numbers, reprofile the international student cohort both to improve the academic merit of students from China and to rebalance the overall load progressively to grow the number of students from target diversity markets.



EXECUTIVE SUMMARY

COVID-19 has propelled Australia's public universities, Australia's third largest export earner, into an existential crisis and highlighted the sector's longstanding strategic and structural weaknesses as an international education provider. This discussion paper examines the Australian university sector's involvement in international coursework education and, in particular, the sector's educational engagement with China, exclusive of academic research engagement.

The paper offers an assessment of the sector's degree of exposure to the international and Chinese markets, weighs up the evidence and arguments against and for a continuation of this engagement and proposes that the question should not be whether this engagement should continue but, rather, how the sector should reposition itself to (i) diversify the international student cohort overall, (ii) capture an academically superior segment of the Chinese market and (iii) capitalise most effectively on trends that are already beginning to reshape the landscape on international education – from the transformation of China's own higher education sector to the rise of digital learning.

The choice now confronting the sector is stark: absent a major change in domestic student per capita funding, it can either fall back on current domestic funding levels and be content to be small, research light and offer limited services to domestic students, or it can seek to take in higher calibre international students at scale and cross subsidise both the domestic student experience and academic research.

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The paper juxtaposes the 'low road' (domestic reversion) and 'high road' (international repositioning) options, puts the case for the latter and offers five key recommendations for 'high road' action by the sector and a further five for action by government.



CHAPTER 1

OVEREXPOSED?

As well as disrupting every aspect of university life, learning and work at virtually every university campus world-wide, the current pandemic has also clearly exposed one of the Australian higher education sector's deepest vulnerabilities: its heavy reliance on fee revenue from international students; a reliance that is more extreme than is the case in any major competitor country in the international education market. That now demands open and honest reflection plus a major policy rethink on the part of the universities themselves and government.

Viral Exposé

COVID-19 has hit Australia's 37 public universities particularly hard. With the inflow of international students cut dramatically, campuses are mothballed, and teaching has switched abruptly to on-line only mode. The business model that has underwritten the sector's expansion for more than two decades – a model that relied increasingly on the inflow of full-fee-paying international coursework students – has been disrupted, perhaps irretrievably, and perhaps entirely appropriately according to some critics within and beyond the sector. The losses incurred this calendar year due to the steep fall in international student numbers is forecast to be in the range of \$3 billion to \$4.6 billion (Horne, 2020), with concerns expressed regarding the financial viability of some institutions.

According to the National Tertiary Education Union, over 12,000 staff, chiefly casual and contract staff, have already lost their jobs (Duffy and Sas, 2020), with predictions of total job losses ranging up to 21,000, including some 7,000 research-related positions alone – or more than 10% of the sector's entire workforce (Horne, 2020). Even the asset-rich Group of Eight institutions have been forced to impose strict austerity measures and institute staff redundancy rounds. So far, government support for the sector has been muted, with no public sector

university qualifying for emergency financial support in the form of the JobKeeper wage subsidy. Government support for the tens of thousands of international students who were onshore at the time of the initial shutdown has been negligible. Rather, the signalling from Canberra in the early months of the pandemic was that those on international student visas were no longer welcome here (Doherty, 2020).

The consequences for students and the sector are dire. Tens of thousands of these students were stranded by the lockdown; those onshore were among the first to lose the casual jobs on which many of them depended to pay their degree fees and cover living costs in the high-cost capitals of Sydney and Melbourne, where the bulk of international students are concentrated. For those caught offshore, government plans to establish safe corridors to enable their re-entry to Australia have so far come to nothing. Reports indicate that international students feel abandoned by the Government, ignored by their universities and ostracised by Australian society (Doherty, 2020; Lehmann, 2020).

On any reasonable estimate, then, the country's university sector is in an unprecedented crisis – and its reputation as a prominent provider of international education is under serious threat. The sector's critics, though, argue that this is a crisis that is self-made and long in the making.



Insider Predictions of a Cataclysm in the Making

Last year, many months prior to COVID-19, two high profile academics with Group of Eight affiliations, Salvatore Babones, a Sydney University sociologist, and Bob Birrell, ex-Monash University social demographer, each sounded the alarm regarding the sector's heavy reliance on foreign students, with both suggesting that the sector would only have itself to blame should the international inflow suddenly fall. While Babones referred in passing to the possible consequences of a global pandemic (Babones, 2019, p.12), neither can be expected to have known in advance that it would be COVID-19 that would precipitate the sector's current crisis. Nonetheless, their predictions of the possible consequences of the sector's heavy reliance on international students have seemingly come to pass and their documentation and analyses of the underlying vulnerabilities warrant acknowledgement and attention. What is open to questions are their attributions of responsibility and their implications regarding appropriate solutions. Arguably, these critics err in attributing blame solely to the sector itself and neither offers viable or practical solutions to the problem identified.

Both prominent pre-COVID critics argue that the high international intake over the past two decades has been accompanied by an erosion of admission standards, teaching quality and the overall student and staff experience. Babones (2019) places the blame squarely at the feet of the sector's leadership, and particularly the Group of Eight.

These elite institutions, he suggests, have pursued revenue from international students in order to fund expenditure on research, lavish buildings, IT infrastructure and executive salaries, primarily to underwrite the sector's continued success in the global rankings arms race.

Babones expresses concern about the financial vulnerability and moral hazard arising from the high Chinese student presence. Birrell (2019) mounts an equally passionate if somewhat more measured critique. He avoids singling out the Chinese presence for special mention and seeks to locate his observations in a wider policy context, contending that liberal immigration policies and reductions in real funding by governments are also partly responsible for the sector's reliance on international fee income. Birrell's *bête noire* is what he comes close to characterising as the foreign student immigration racket. The 'slippery slope', he argues, began in 2002 when the Howard Government, aided and abetted by the universities, first allowed overseas students to apply for permanent residence on completion of their studies.

According to Birrell, the stream became a torrent with the advent of the post study work visa (485 visa) in line with the recommendations made in 2011 by the Student Visa Program Review (the Knight Review) commissioned by the Gillard Government. To facilitate the flow, says Birrell, the universities abrogated their newly conferred responsibilities for managing the international student presence by reducing admission standards and admitting students with insufficient English

language capability and insufficient savings to succeed as permanent residents. Revealingly, though, Birrell also predicts that, despite their historically lower load of onshore internationals, for non-Group of Eight campuses 'the decline in government funding (in real terms) for domestic students over recent years' would put pressure on these institutions to expand their international intake (2019, p.21).

While no thorough consideration of the sector's post-pandemic prospects and options can afford to ignore these seemingly prophetic observations, it does not necessarily follow that the sector should seek to permanently downscale or abandon its involvement in international education. To do so would be to embrace a false dichotomy. What the sector does now have to do is to review, reposition, upgrade and diversify this involvement.



The International Student Presence

There is no doubt that the sector has, especially over the past 15 years, developed something of an addiction to international fee revenue. As shown in the following table data, in the decade to 2017, total university revenue from overseas students rose from \$2.9 billion (or 15.5% of total revenue) to \$7.5 billion (or 23.3% of total revenue).

After plateauing between 2011 and 2013, revenue from this source surged between 2014 and 2019. Income from international onshore student revenue averaged 26.2% of all university revenue in 2018, with some universities deriving up to 40% of their income from international students (Horne, 2020).

Table 1 Australian University Revenue from Fee Paying Overseas Students, 2008–2017

	Total revenue from all operations (\$'000)	Change from previous year	Revenue from fee paying overseas students (\$'000)	Change from previous year	Percentage of revenue from fee paying OS students
2008	\$18,955,909		\$2,946,127		15.5%
2009	\$20,468,862	8.0%	\$3,414,687	15.9%	16.7%
2010	\$22,158,466	8.3%	\$3,881,656	13.7%	17.5%
2011	\$23,658,742	6.8%	\$4,124,064	6.2%	17.4%
2012	\$25,210,033	6.6%	\$4,134,768	0.3%	16.4%
2013	\$26,332,964	4.5%	\$4,290,808	3.8%	16.3%
2014	\$27,751,858	5.4%	\$4,741,973	10.5%	17.1%
2015	\$28,609,979	3.1%	\$5,349,879	12.8%	18.7%
2016	\$30,147,079	5.4%	\$6,249,049	16.8%	20.7%
2017	\$32,028,091	6.2%	\$7,457,002	19.3%	23.3%

Source: Ferguson and Sherrell (2019)



The decade to 2018 witnessed a doubling in the number of international students enrolled at Australian universities – from 200,000 to 430,000 – with around one in three foreign students being Chinese nationals (Maslen, 2019). As indicated in Table 2 below, these aggregates mask significant variation across

the sector. In 2018, the ratio of onshore international students to total students at public universities ranged from a low of 4.2% at the University of New England to highs of 44.7% at Torrens University and 42.4% at Federation University, with privately-owned Bond University having the sector’s highest

proportion – 48.1% – and with the sector-wide average being 21.9%. The University of Sydney had the highest level amongst the Group of Eight (38.2%) followed closely by ANU (37.0%) (Department of Education, 2019a).

Table 2 Onshore International Students as a Proportion of All Students, by University, 2018

University	State	Onshore International	Domestic	Total	% Onshore International
Bond University	QLD	3,038	2,966	6,312	48.10%
Torrens University Australia	SA	5,983	7,297	13,377	44.70%
Federation University	VIC	7,458	8,653	17,593	42.40%
University of Sydney	NSW	25,532	40,797	66,839	38.20%
Australian National University	ACT	9,782	15,852	26,448	37.00%
University of Queensland	QLD	17,865	35,622	53,696	33.30%
University of Melbourne	VIC	21,858	41,568	68,174	32.10%
Monash University	VIC	25,690	45,224	83,560	30.70%
CQUniversity	QLD	7,483	17,554	25,059	29.90%
University of Technology Sydney	NSW	13,672	30,763	46,036	29.70%
University of Adelaide	SA	7,587	19,114	26,954	28.10%
University of New South Wales	NSW	15,741	39,359	62,507	25.20%
RMIT University	VIC	16,667	37,751	69,282	24.10%
Deakin University	VIC	13,044	45,134	59,460	21.90%
University of Wollongong	NSW	7,411	19,237	34,333	21.60%
Macquarie University	NSW	9,414	32,815	44,545	21.10%
La Trobe University	VIC	8,160	29,397	39,231	20.80%
Charles Sturt University	NSW	8,920	32,588	43,388	20.60%
University of the Sunshine Coast	QLD	3,620	13,562	17,603	20.60%
Southern Cross University	NSW	3,818	13,683	18,614	20.50%
Victoria University	VIC	5,324	16,145	27,204	19.60%
Edith Cowan University	WA	5,176	23,843	29,853	17.30%



University	State	Onshore International	Domestic	Total	% Onshore International
Queensland U of Technology	QLD	8,594	41,845	50,790	16.90%
University of South Australia	SA	5,440	27,236	32,955	16.50%
University of Tasmania	TAS	5,963	28,872	36,194	16.50%
Charles Darwin University	NT	1,876	9,417	11,389	16.50%
University of Western Australia	WA	3,953	19,071	24,469	16.20%
University of Canberra	ACT	2,601	13,143	16,528	15.70%
James Cook University	QLD	3,125	14,624	20,728	15.10%
Swinburne U of Technology	VIC	5,740	31,923	42,354	13.60%
Griffith University	QLD	6,336	39,437	47,987	13.20%
University of Newcastle	NSW	4,450	29,028	34,853	12.80%
Australian Catholic University	Multi-State	4,172	29,581	34,031	12.30%
Flinders University	SA	3,150	20,491	25,802	12.20%
Western Sydney University	NSW	5,608	41,256	48,415	11.60%
Curtin University	WA	5,443	35,496	48,659	11.20%
Murdoch University	WA	2,216	15,013	24,094	9.20%
University of Southern Queensland	QLD	2,268	22,754	25,600	8.90%
University of Divinity	VIC	133	1,448	1,599	8.30%
University of New England	NSW	989	21,915	23,387	4.20%
University of Notre Dame Australia	WA	222	11,474	11,712	1.90%
2018 Total		315,522	1,022,948	1,441,614	21.90%

Source: Department of Education (2019a)

These onshore figures need to be set against the fact that a number of universities also operate offshore campuses, including one Group of Eight institution (Monash) and six non-Group of Eights (Curtin, James Cook, Newcastle, Wollongong, RMIT and Swinburne). These satellites are located primarily in South East

Asia (most notably Singapore) and the UAE and serve either as stand-alone operations, feeders for the Australian parent, or both. Taking these offshore campuses into account, the institutions with the highest overall proportions of international students are RMIT, Wollongong, and Monash (each with over 40% international),

followed by Victoria University (with around 33%) (Babones, 2018). As such, international market exposure offshore is also a risk for a number of non-Group of Eight institutions (although it is instructive the Babones prefers to emphasise that these operations serve to mitigate the China risk, per se).



A further salient aspect of the sector's international student profile is the cohort's remarkably varied gender distribution by country of origin. Using data for 2016, Larkins (2018) reports that the gender balance amongst domestic students favoured women (58%) over men, whereas among onshore internationals

the balance was marginally male-skewed (51.7%). These data are reproduced in Table 3, below. The countries with the most pronounced male bias were those from the Middle East and the Indian subcontinent. Those with the most marked female bias were The Philippines, the United States, Taiwan, Thailand,

South Africa, Vietnam and China. While Larkins (2018) attributes this skewing to cultural factors, it is possible that there are other drivers that warrant further investigation regarding future diversification possibilities and marketing strategies.

Table 3 Gender Distribution for Nationalities with more than 2000 Students in Australian

Nationality of Birth 2016	Males	Females	Total	% Females
Pakistan	7,757	862	8,619	10.0%
Saudi Arabia	3,517	971	4,488	21.6%
Bangladesh	3,566	1,234	4,800	25.7%
India	27,878	13,669	41,547	32.9%
Sri Lanka	4,503	2,854	7,357	38.8%
Nepal	8,234	5,530	13,764	40.2%
Iran	1,304	1,033	2,337	44.2%
Hong Kong	6,462	5,221	11,683	44.7%
Korea, Republic of (South)	2,884	2,661	5,545	48.0%
Indonesia	5,908	5,834	11,742	49.7%
Brazil	1,104	1,098	2,202	49.9%
Malaysia	14,761	15,234	29,995	50.8%
Mauritius	1,145	1,236	2,381	51.9%
Germany	1,278	1,404	2,682	52.3%
Japan	1,017	1,134	2,151	52.7%
Canada	1,351	1,565	2,916	53.7%
Singapore	11,492	13,792	25,284	54.5%
China	55,407	67,996	123,403	55.1%
Vietnam	8,702	10,784	19,486	55.3%
South Africa	1,023	1,278	2,301	55.5%
Thailand	1,103	1,497	2,600	57.6%
Taiwan	1,049	1,454	2,503	58.1%
United States of America	2,549	4,177	6,726	62.1%
Philippines	1,438	3,064	4,502	68.1%
Total 24 Countries	175,432	165,582	341,014	48.6%

Source: Larkins (2018), pp.8-9.



The International Fee Revenue Imperative

There are two critical questions in all of this: first why has this reliance on international students, particularly those from China, occurred?; and second what, if anything, can and should now be done to remedy the situation?

Babones (2019) senses two deadly institutional sins at work: greed and pride. The sector, he argues, pursued international fee income to fund rankings-relevant research prowess and opulent buildings to attract still more Chinese fee-payers. Birrell's (2019) central allegation has a somewhat different focus. According to him, the university sector – and, again, the Group of Eight in particular – consciously excluded Commonwealth-supported domestic students during the demand-driven era (2012-17) in order to reap the higher returns afforded by international full fee-payers.

As noted above, Birrell also alleges that the sector has been complicit in promoting degree studies as an avenue to permanent residency, something which he argues has profoundly negative consequences – from bias (presumably both occupational and racial bias) in the migrant intake, urban congestion and sprawl and skyrocketing rental and housing costs, to labour market overcrowding and the crowding out of locals from both professional and low-skilled jobs.

Unsurprisingly, the sector's leaders and its peak body, Universities Australia, have begged to differ.

Universities Australia has argued that the growing reliance on international student fees is a direct consequence of constraints on government funding for the sector since the 1990s (Universities Australia, 2017). Sector spokespersons have observed that since the Dawkins reforms of the late 1980s, the proportion of university income coming directly from government has been in decline – from around 80% to less than 40% (Horne, 2020). According to Horne (2020): 'international student fees have become an unofficial part of the funding policy of consecutive federal governments'. The sector peak body notes that real growth in government funding per student grew by less than 1% each year between 2009 and 2015 (Universities Australia, 2017), and has effectively flatlined since 2018. Government capital grants to universities were cut by more than a billion dollars between 2009 and 2017 (Universities Australia, 2017).

Research funding has also atrophied – at least until now. OECD data suggests that in the two decades from 1995 Australia slipped from sixth place to second-last amongst the 25 OECD countries in terms of public investment in higher education as a share of GDP – from 1.2% to just 0.74% (PwC, 2016). While the recently announced \$1 billion in research support under the delayed 2020-21 federal budget has been welcomed by sector leaders, it must still be set against the backdrop of the decade-long slide in tied research and infrastructure funding.

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Rather less prominent in the sector leadership narrative is the cycle of payroll cost increases arising from the sector's still highly unionised industrial relations system. The institutionalisation of pattern-bargained annual pay increases under triennial enterprise bargaining rounds and the generous provisions for paid leave and employer superannuation contributions (17.5%), have amplified the pressure to grow revenue from full-fee payers, including international undergraduates and both international and domestic postgraduates, to cover payroll costs, operating costs and capital expenditure as well as to compensate for the flatlining of real direct government funding.



This spiral of escalating costs and the quest for international fee revenue has taken on a life of its own, with the Group of Eight institutions, in particular, seeking to outbid each other in spending on campus infrastructure to further increase their appeal to the international student market.

This dynamic has also served to create a public university sector that is neither fish nor fowl. Our universities are publicly owned and regulated but reliant increasingly on private fee income generation and aggressive marketing to cover the long-term decline in direct government funding. As noted above, in terms of the proportion of public spending on tertiary education, the OECD ranks Australia at the lower end of global scale and 40% below the OECD average.

Sharrock (2018) disputes this, contending that, rather than declining in aggregate terms, government funding has switched from direct grants to indirect funding via support for domestic students in the form of Commonwealth Supported Places and the Higher Education Loan Program, such that the level of total funding by government has substantially outstripped that in other OECD countries over the last decade. However, such a contention underplays the fact that fee support for domestic students is loan-based, cost-recoverable and essentially a private benefit. A dollar of taxpayer funds outlaid in this way cannot be deemed equivalent to a dollar of direct taxpayer subsidisation of public university operating and capital expenses.

Further, since government funding falls well short of the real cost of course delivery, in the absence of significant income from international students, the net effect of a permanent fall in international fee revenue would be long-term impoverishment of our public universities. Any rebalancing of numbers in favour of local students must involve a reconsideration of per student Commonwealth funding and not simply a redistribution of funding between degrees or an overall increase in the number of Commonwealth Supported Places. As Birrell (2019) is at least prepared to acknowledge, the underlying fact is that in the face of near-zero growth in real direct public funding, Australia's public universities have had little choice but to rely increasingly on private revenue generation from international fee-payers.

Other considerations have also been in play here. While fees for domestic students are closely regulated, with undergraduate domestic numbers also capped for most of the past two decades (except 2012-17), universities are free to set fees for all internationals (and most domestic postgraduates) at whatever level they believe the market will bear.

The fee levels set by Australian universities for international students are among the highest in the OECD, with only the US, Canada and possibly the UK (which does not report fee data to the OECD) charging more (Department of Education (2019c)).

The undoubted price leaders in the Australian sector are the Group of Eight and these institutions have embraced a fee-setting regime to match the high demand from China; a demand that is demonstrably price inelastic and which, whether rightly or wrongly, interprets premium pricing as a signal of provider quality. It is especially noteworthy that the heaviest concentrations of Chinese students are in the Group of Eight institutions (Babones, 2019; Maslen, 2019). In short, as Babones suggests, the China exposure is a problem that is most pronounced at the sector's top-end.



CHAPTER 2

INTERNATIONAL STUDENTS: WEIGHING RISKS AND RETURNS

Babones (2019) and Birrell (2019; Maslen, 2019) appear to be suggesting that the sector – and particularly the Group of Eight – has a twofold international student ‘problem’: first, too many international students in general; second, too many international students who happen to be from China. It is worth pausing briefly to sift through these contentions – and the solutions offered – or at least implied – by those who put them forward – in order to distinguish more clearly between the positive and normative aspects and to compare the way they frame the ‘problem’ with the way in which they proffer solutions.

An Excess of International Students?

The first proposition is informed by an ethic that sees the role of the tax-payer funded university as being, first and foremost, to educate domestic students and develop human and social capital to benefit the nation’s economy and society. The logical corollary is that the international proportion of the student cohort should be much lower than the domestic proportion – and certainly far lower than is currently the case in the Group of Eight and some other institutions (see Table 2 above). Those international students who are admitted to the learning community, so the argument goes, should be afforded an opportunity to immerse themselves in Australian culture and society as evidently embodied by their domestic peers.

On one reading, though, such prescriptions both border on the xenophobic, overlook the fact that both Australian society and the domestic student cohort are now anything but monocultural, and ignore the fact that, even allowing for the provision of indirect funding, the bulk of direct university funding no longer comes from the tax-payer.

Babones (2019, p.18) asserts that universities should reduce the proportion of international students generally, and Chinese students specifically, to ‘a manageable level’. But what does this mean? What is the inflection point for manageability – 5%, 10%, 20%, 30% international? Taking his marker from the University of Illinois, which has reportedly insured itself against a slump in Chinese numbers, Babones (2019, p.19) recommends that our universities should limit the revenue they draw from any one country to less than 5% and insure themselves against ‘any foreign country revenue concentrations above 2.5%’. Based on Babones’ own contention that countries in the region other than China are too poor to provide alternative flows of students, such a recommendation must lead inevitably to institutional and sectoral shrinkage.

Moreover, those proposing a reversion to a domestic focus have little to say about the question of appropriate sectoral scale and scope. Should the sector seek to compensate for the loss of international fee revenue by taking in more domestic students, or should it simply contract? If the former, where is the vast untapped reserve of amply qualified local students? Should domestic admission standards be reduced to generate additional demand?



There are some early indications that the current crisis may result in an uptick in domestic student demand for degree studies. But experience of other recent global crises (2000-2 and 2008-11) also tells us that this is likely to be no more than a temporary recession-induced blip. Likewise, if sectoral shrinkage is to occur, which universities/faculties/disciplines should stay, which should go? If, as seems to be the case under the current 'Job Ready Graduates' legislation, Canberra wishes to direct domestic students into STEM and Health and Medical bachelor's programs does this mean that universities should drop offerings in the humanities, business and law – or does it mean that domestic numbers in these now high fee fields should somehow be increased (e.g. by reducing ATAR requirements) to cross-subsidise the low fee programs that the government wishes to see prioritised? Either way, absent wider changes to funding arrangements in the sector, any significant decline in international revenue will inevitably impact the sector's size, shape and capacity to service domestic demand.

An Excess of Chinese Students?

The second proposition, which is routinely conflated with the first, is arguably of greater moment in that such a heavy reliance on one country as the main source of international students does involve financial, cultural and reputational dangers.

To Babones (2019), the core problem has been clear and present on his own campus – an excess of students from one country: China. He suggests that the high exposure of Group of Eight institutions – and their business schools in particular – to the Chinese student market poses a serious and unsustainable risk. In the context of wider concerns regarding the potential military and security implications of research collaboration between Australian and Chinese academics, the claim that our universities are over-exposed to China certainly gives pause for thought.

That our leading universities have come to rely heavily on fee income from students from China is beyond dispute. In 2019, there were 442,000 international student enrolments in Australia's higher education sector (predominantly in public universities), including approximately 160,000 (36.2%) from China (Department of Education, Skills and Employment, 2020a; Hinton, 2020).¹ The sector has a higher proportion of international students than counterparts in any other country, with international students last year comprising almost a third of all higher education students.

Chinese students constitute by far the largest share of these students, with China last year contributing 37.3% of international higher education enrolments, followed by India which contributed 20.5% (Department of Education, Skills and Employment, 2020a). Of the Group of Eight universities, seven reportedly have international cohorts in which Chinese students comprise at least 50% of the total, with proportions in business/management faculties typically being higher still. Babones (2019) notes that at the University of Sydney, Chinese coursework students alone generated revenue exceeding \$500 million in 2017.

Australia, of course, is not alone in hosting a large number of Chinese students. In 2017, over 600,000 students departed China to undertake education at various levels, with over 1.5 million Chinese students undertaking higher education abroad at any one time, and Anglophone countries – the US, UK, Canada, Australian and New Zealand – being their preferred destination (Sinorbis, 2017). The higher education sectors in all these countries are heavily reliant on demand from China. In New Zealand in 2017, just under 50% of all international students (including both university and non-university students) were Chinese, in Canada 42%, in Australia just under 35%, in the USA 32% and in the UK (favoured by EU students) 19% (Sinorbis, 2018).



Focusing on the proportions in Australia's public universities, Babones (2018, p.9) remarks that seven of the Group of Eight institutions 'appear to be more dependent on fee-paying Chinese students than just about any other universities in the English-speaking world'. The business faculties in these institutions have an exceptionally high level of internationals (upwards of two-thirds in the case of Melbourne and Sydney) and an extremely high concentration of students from China, particularly at postgraduate level.

The Australian sector's heavy dependence on Chinese students makes it vulnerable to a combination of exogenous influences, some of which are immediate in nature while others are likely to impact the sector over the longer term. As to immediate risks, in addition to the rapidly growing risks of conflict in the South China Sea, a tit-for-tat Cold War 2.0 over trade and national security (with Beijing now having targeted Australian exports of barley, wine, coal and, most recently, cotton), and Beijing's penchant for currency manipulation, we can now add the profound disruption to daily life, campus life and global travel caused by the current pandemic. It is also the case that Beijing could, at any time, sever the flow of students and funds for fee payment to any country that has fallen from favour simply by withholding exit permits or by tightening currency controls.

Arguably, though, the more compelling reasons for rethinking the sector's over-exposure to the Chinese market are those relating to long term trends. While these will be considered in more detail below, the critical considerations here are twofold: first, population ageing in China and the relative decline in the proportion of its population of university age; and, second, the fact that China is currently undergoing a process of systematic 'import replacement' in higher education driven by a remarkable expansion of domestic university capacity and Beijing's growing aversion to western cultural influence in the education of its citizenry.

Turning to problems of a pedagogical nature, as Borbones and Birrell both imply, the heavy presence of Chinese students in business and engineering faculties has placed enormous strain on educators. There is also anecdotal evidence that this over-concentration on China has caused a flight of domestic students.

Far from serving to diversify the student cohort, the dependence on Chinese students has instituted a form of classroom monoculturalism in which encouraging students to embrace the values of academic integrity and free debate, and facilitating the development of core capabilities in critical thinking, effective English communication and cross-cultural competence, have become increasingly difficult.

None of this is to suggest that we should abandon our educational engagement with China; nor that students from China are somehow less worthy academically than those from other backgrounds. What it does suggest is that the sector – and particularly the Group of Eight – has a pressing need to revise and revitalise this engagement.

Also, rather than simply lamenting the sector's reliance on international/Chinese students and falling back on naïve and highly normative binary logic ('domestic good; international bad') we need to consider constructive policy solutions that will enable the sector to recalibrate its international focus without losing sight of the benefits that accrue to the sector, domestic students, Australian society and local and national economies from having universities that are genuinely global in reputation and reach. At the same time, as international students themselves have consistently indicated (Lehmann, 2020; Lawson, 2012), there is clearly considerable scope for universities themselves to improve the international student experience both within and beyond the learning space.



Benefits of the International/Chinese Student Presence

On the flip side, there are enormous benefits arising from the sector's longstanding involvement in international education. The economic benefits are well documented (e.g. Deloitte Access Economics, 2015). In 2019, the export income from international education activity in Australia was over \$37.6 billion, including some \$31 billion from higher education (Department of Education, 2019b). Education is Australia's largest service-based export and the country's third largest export earner overall (Deloitte Access Economics, 2015; PwC, 2016).

The university sector generates over 160,000 fulltime equivalent jobs, with many of these dependent on the international student presence (Deloitte Access Economics, 2015; Chevrolle, 2020). Demand from China has been the main engine of growth here at least in the research-intensive institutions. Sinorbis (2018) estimates that of the \$32 billion generated for the Australian economy in 2018, around \$10 billion came from students from China. While Babones (2019) disputes the legitimacy of including students' onshore non-fee expenditure in these estimates of export contribution, it is undeniably the case that international students make a major economic contribution at local level via their expenditure on accommodation, food, leisure and entertainment.

Most take up the opportunity, permitted under student visa provisions, to combine study and paid employment and while there is, unfortunately, considerable evidence of exploitation by unscrupulous employers (Karp, 2016), as workers international students are an important source of linguistically and technically skilled labour, something enlightened employers, both local and multinational, have come to realise in their graduate hiring programs. And, of course, these students also make rich contribution to campus life.

What is often overlooked by critics of the international student presence are the cultural benefits that this confers. Notwithstanding the occasional outbursts of anti-Asian racism, most Australians appear to welcome and appreciate the international student presence. They widen our cultural horizons and our culinary tastes, affirm the values of multiculturalism and enrich campus life. Nor should we forget the cultural benefits to domestic students of the international student presence, particularly given that Asia has been, and will continue to be, a major work destination for many local graduates. At the same time, it is the case that our universities can do much more within and beyond the classroom to encourage domestic students to capitalise on this opportunity to deepen their cultural competence.

Then there are the many benefits that flow from the fact that Australian universities have hundreds of thousands of alumni worldwide, including some 200,000 in China alone.

They are our offshore ambassadors and advocates. Many have a deep

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They are our offshore ambassadors and advocates. Many have a deep loyalty to their university and take pride in their association with their adopted country – Australia. Those in senior roles – of whom there are now many – are willing to provide in-program placement opportunities for current students and job opportunities for new graduates, as well as supporting our student recruitment and corporate engagement activities.”

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As emphasised in the Asia Taskforce Discussion Paper No. 03 [A Forgotten Advantage: Enabling Australia's Asian Australian and Diaspora Communities](#), the global alumni network is both a powerful and, arguably, an underutilised resource for both the sector and the country. And these positives apply no less to our Chinese students and alumni than to those from elsewhere. Indeed, our Chinese alumni are particularly well organised and active ([ACAA website](#)).

With Australia set to experience its first year of negative net migration since World War Two, it is also timely to reflect on the contribution that both our universities and our international graduates have made to Australia's migration program over many years. Over the past 20 years, 44% of Australia's migrants have begun their journey as international students. A significant minority of our universities' young overseas graduates – approximately 20% in recent years – have successfully made the transition from foreign student to permanent resident. Along the way, they have formed households, bolstered demand for goods and services, become active in community life, and built successful careers and businesses.

Birrell (2019) takes a very different view here. While noting that for much of the last decade overseas students have been the single largest growth point in net overseas migration to Australia, Birrell sees this in starkly negative terms. The 'rising tide of overseas students', he contends, has been to the detriment of prospective permanent entry visa applicants, local students and Australian workers.

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He contests the Universities Australian claim that only around 15% of foreign students choose to remain in Australian after studies, but his own data shows that the proportions taking up permanent residency in recent years was only marginally higher than this: 21.2% in 2016-17 and 17.9% in 2017-18.² Taking these figures at face value, though, it is stretching credibility to claim that this constitutes a 'major component' (Birrell, 2019, p.v) of the total cohort. Further, to suggest, as Birrell does (2019, p.vi), that those taking this route to citizenship are suited only to 'low-skilled' jobs is demonstrably inaccurate.³

The current crisis affords us all an opportunity to transcend this dualistic thinking. With net migration now in negative territory the question to be asked is how universities and government can best support the nation's need for graduate talent and skilled immigrants in a post-COVID world – and there is every reason to propose solutions that involve a healthy mix of graduates from both local and international backgrounds.

Asking the Right Question; Solving the Right Problem

While there is an undoubted downside to the sector's high exposure to the international market in general and to China in particular, the prospect of retreating to 'fortress Australia' is unrealistic, unappealing and a denial of the very real economic, social, cultural and strategic benefits arising from the sector's long involvement and experience in international education. The critics ask the wrong question. The key is not whether our public universities should be providers of international education. They should. We must now address how the sector can best reposition itself to improve its international education activities for success, at home and abroad, in a post-COVID world.

It is vital that Australian legislators and regulators do more to support the sector to capitalise on the changes and emerging opportunities in international education. The proposition that a post-COVID surge in domestic demand will save the sector from atrophy is simply a chimera. The Government must either dramatically increase the level of recurrent funding to our universities or provide strong support to the sector's drive to recover and diversify its international student body – so that the sector can continue to cross-subsidise degree studies by domestic students, including those on Commonwealth Supported Places and those paying full (but still concessional) fees at postgraduate level.



CHAPTER 3

CHINA TRANSFORMED

History tells us that moments of global crisis also tend to be times of accelerated change. Any reconsideration of the sector's relationship with China, and with the greater Asia region, has to be framed not only in terms of the deteriorating political relationship between Australia and China but also by an understanding that China's own university sector is itself in a state of dramatic transformation.

It is now becoming clear that the high Chinese demand the sector has experienced over the past 15 years reflected a particular historical juncture and it would be wrong to assume that China will continue to be a viable long-term source of demand. Equally, it could be argued that it was appropriate for the sector's leadership to capitalise on this moment in time to rebuild campus infrastructure and to do so in the knowledge that, like all booms, the China boom would pass. The sector will thus have to adjust to the seismic changes underway in China itself and change the manner of its engagement with China. COVID-19 has simply increased the urgency of this need for adjustment.

The Rise and Rise of China's Universities

Beijing has made no secret of its wish to develop China's top universities to be amongst the world's best in terms of academic prowess and research quality, and this project is already well underway. Funded generously by government, China's C9s and other Project 211 universities have had considerable success in recruiting and repatriating Chinese nationals who have completed doctoral degrees in western research-intensive universities.

Chinese academics are now amongst the most prominent co-authors of scholarly articles published in top-tier western academic journals.

Beijing has recently introduced a Double First Class University Plan aimed at propelling the top 42 Chinese universities to global prominence. Two decades ago, no Chinese university was ranked amongst the world's top 100 institutions. Now, it has six amongst the top 100 in the Times Higher Education World University Rankings index – the same number as Australia (Times Higher Education World University Rankings website).

China now invests over half a trillion dollars annually in research and according to the Australia-China Relations Institute has now overtaken the US as the chief partner in Australian-led scientific publications (Baker, 2020). While the benefits of research collaboration and vast funding along these lines do need to be weighed up against the possible risks to national security (Ross, 2020), these developments attest to the rising prestige and influence of China's own research-intensive universities.



From Consumer to Competitor

At the same time, China can no longer be seen simply as a student quarry. Beijing is involved in an active process of import replacement (Babones, 2019; Varghese, 2018). It is taking steps to increase the capacity of the country's some 3,000 colleges and universities to take in a still greater proportion of local students (now numbering in excess of 20 million). It has successfully promoted China as an international education provider, with the aim of attracting 500,000 international students by 2020 and making China the single largest study destination in Asia for international students (Department of Education and Training, 2015). By 2018, China had already become the fourth-ranked international study destination, hosting 450,000 inbound international students (Sinorbis, 2018).

In the context of the current political tensions with Canberra, China's Education Bureau has also ramped up negative signals regarding study in Australia, including the possibility of further 'racist incidents' (Lehmann, 2020) and this message appears to be resonating amongst both those planning to study abroad but who have yet to do so, and also amongst those who were undertaking study in Australia but had been precluded from resuming their campus based study due to the travel ban (Zhang, 2020).

Even though China's growing middle class will continue to generate demand for international education, there were already indications last year – prior to COVID – that the volume of visas issued to Chinese students for study in Australia was beginning to soften (Babones, 2019; Maslen, 2019). Due in large part to the legacy of the recently abandoned One Child Policy, China's population growth is slowing and its citizenry ageing, with the bachelor's degree age group forecast to decline from mid-decade on.

For such reasons, the time has come for Australian universities and policy-makers to cease seeing China primarily as an inexhaustible source of students and to regard China's best universities more in the same vein as we do the UK, Canada and the USA; that is, as peers and competitors in the international education market and as prospective collaborators in (strategically non-sensitive) research, in bilateral student mobility, in dual degree partnership, pathway articulation and cross-credit, executive education and micro-credentialling.

While China is likely to remain a major source of international students for much of this decade, the remarkable advances in China's own university system – advances that have been underwritten by a vast injection of government funding – make it imperative that the Australian higher education sector changes the way it engages with China and risk-manages its over-dependence on the Chinese market far more effectively – not by retreating, but by repositioning.

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CHAPTER 4

DEGREES OF DISRUPTION

A further consideration of fundamental importance to the sector's prospects at home and abroad is that the traditional model of front-end-loaded, degree-focussed and on-campus education is under serious challenge technologically and demographically (Cawood et al, 2018).

While the rush of enthusiasm 5-10 years ago for MOOCS (Massive Open access On-line Courses) and for 'flipped' classrooms was, arguably, overly optimistic, the sudden pivot to wholly-digital delivery necessitated by pandemic-induced border closure and campus shutdown has disrupted fundamentally – and, in all probability, permanently – the old campus-based model, whether onshore or in the satellite campuses run by some of our institutions. As such, it is doubtful that the foundations on which the sector's past involvement in international education was based will be appropriate for the 2020s and beyond.

Capitalising on Digital and Blended Learning

Digital content design and delivery is here to stay and there is unlikely to be a 'snap-back' to campus-based learning once the current crisis has subsided. Digital disruption is simultaneously mitigating the 'tyranny of distance', dampening the appeal of physical mobility and direct cross-cultural immersion and opening new avenues for engaging with prospective international students – and with off-shore institutions (Cawood et al, 2018). At the same time, the rise of digital content design and delivery is dismantling the barriers to entry that have previously sheltered the sector for direct foreign competition and dramatically widened the scope for entry by non-university providers (PwC, 2016).

Our universities will have to revise both their mode of learning content design and delivery and their 'value proposition' to students if they are to remain competitive internationally. In essence, the sector will have to rethink the terms of its claim as a provider of educational excellence.

The 'sandstone' allure has had its day. Indeed, some non-Group of Eight institutions, for example Western Sydney University, have already made the shift, leaving the Group of Eight to play catch-up. However, the time has also come for the whole sector to leverage more effectively the possibilities opened up by digital learning and to embrace a fresh approach that 'blends' on-line and on-campus learning in ways that appeal to both domestic and international students. Policymakers and regulators will also have to rethink their insistence on international students having to be campus-based for the entirety of their studies. One option would be for universities to offer international students the opportunity to commence their studies at home and then to choose between having an immersive learning experience in Australia or continuing to study online.



Life-long and Non-Award Learning

There are clear indications also that the model of fulltime postgraduate degree studies – a model on which the sector has been heavily reliant for almost two decades for recruiting international students – is in a state of flux (Cawood et al 2018). Some suggest that the front-end loaded master’s degree is in terminal decline, with post-bachelor’s learners moving increasingly to life-long learning and intensive non-award courses, including those traditionally defined as ‘executive education’, as a means of staying ahead of the curve of change in technology and know-how.

Legislators have highlighted these developments as a means by which Australian universities can better address the learning needs of domestic students. However, the claim that full-time and part-time master’s degrees are becoming obsolete is undoubtedly an overstatement. After all, the full-time pre-experience master’s degree has become the mainstay of international student demand in many Australian university faculties, particularly in business and engineering, over the last decade.

Equally, it would be wrong to assume that this will remain the case indefinitely and unwise not to engage with the emerging opportunities for non-award education both onshore and offshore. Indeed, anecdotal evidence suggests that there is a high level of interest across greater Asia in Australian providers offering much more in the way of intensive non-award courses to post-experience learners than is currently the case. One obvious market would be the tens of thousands of Australian university alumni across the region – from India to China and throughout South East Asia. Another promising prospect would be providing in-house courses to public sector agencies, businesses and not-for-profit organisations across the region and doing so either solo, in consortia with other Australian universities or in partnership with offshore universities.



CHAPTER 5

PROGNOSIS

Australia's universities find themselves at a decisive historical juncture, with the sector caught in what might best be characterised as a long-term policy paradox. The decline in direct government funding for education and research has impelled public universities to find alternative sources of revenue to rebuild campus infrastructure and underwrite research.

They have done this out of sheer necessity; not simple greed. And just as government funding has diminished, so the volume of regulatory red tape has risen dramatically, along with the associated compliance costs. In effect, for better or worse, the public university has been transformed into a quasi-commercial entity and no amount of wishful or nostalgic thinking is going to restore the sector to an imagined halcyon past.

The sector is at an inflection point of unprecedented importance. Both the sector and policy-makers now face a stark choice regarding the size, scale and student profile of our public universities. In the post-pandemic world, our universities can take either the 'low road' or the 'high road'.

The Low Road

If the sector takes the low road, pulling back to a largely or even wholly domestic focus, the consequences would very likely be sector-wide decline, a marked shrinkage in university numbers and size, a deterioration in campus facilities, a lowering of horizons and a reversion to a pre-1990s focus domestic student education. In one sense, this would amount to a form of 'educational nationalism' and isolationism. This may satisfy some domestic political agendas, but it would also be accompanied by a singular loss of global reputation and international opportunity.

According to one estimate (Duffy and Sas, 2020), retreat to the domestic sphere may provoke still more intense internal competition – a form of 'hunger games' in which the more powerful and stealthy poach load from weaker players. In this game, regional universities would be at particular risk despite overtures from

Canberra of targeted support for country campuses. While this dystopian scenario may be a little overblown, the opportunity costs (let alone the economic costs) of retreating to a domestic bunker would be enormous.⁴



The High Road

Alternatively, the sector could choose the 'high road'. It could work in concert to reposition itself as a high-quality provider of new forms of learning for international and domestic students; degree students and non-award learners. This would be the hard option, requiring a proactive (not defensive) mindset, a transformed value proposition for both international and domestic students and an all-round shift in perceptions of Australia, Australians and our universities. But it may well set the sector on a new path for success in the decades ahead.

Above all else, the sector and government must create the conditions that will allow our universities to transcend the pre-COVID focus on declining standards, diminished funding and internal grievances and rivalries. There is scope to do this without the need to call on a deficit-saddled government for major increases in direct funding. Decisive steps would also have to be taken to diversify the sector's international focus, recalibrate how it engages with China, and encourage and incentivise a more even distribution of the international student load across the sector, particularly towards non-metropolitan and regional campuses.

The sector's better-managed non-metropolitan campuses already have much to offer both domestic and international students, but they will also need to lift their aspirations above the local and engage more actively in international outreach. Likewise, the Group of Eight may now have to become more grounded in terms of their own institutional self-image. Their fate is coupled intimately to that of the whole sector – and more so now than at any time in the past half century. Indeed, there is real potential for city and country institutions to forge strategic alliances to further shared objectives in education and research both onshore and offshore. However, such an approach would require a profound attitudinal shift across the sector. It would also require government, regulators and instrumentalities such as Austrade to be more forthcoming with tactical support for the sector in repositioning itself internationally.

CHAPTER 6

RECOMMENDATIONS FOR POST-PANDEMIC PRACTICE AND POLICY

The points made above carry implications for all stakeholders in the Australian higher education sector and suggest several headline recommendations for action by the sector itself and by government. The recommendations that follow are informed by a preference for the ‘high road’ option described above.

They also harmonise with the principles and proposals on tripartite international educational partnership recently put forward in the Varghese/DFAT report on ways to strengthen economic ties between Australia and India (Varghese, 2018, ch3). They are meant to be indicative rather than comprehensive. In the interests of brevity, we have chosen to focus on ten key recommendations – five for the sector at large, and five for government.

Precepts and Principles

Note that none of these recommendations are informed by a wish to roll back the decades to the 1970s when university education was heavily state-subsidised and the international student presence was – at around 10% – far lower than in recent years; a romanticised past to which commentators of both the ideological left and right seem strangely enamoured.

Rather, the recommendations below assume (i) that the sector should continue to generate a significant proportion of its income from servicing the international education market rather than from the taxpayer, and (ii) that government and business have a legitimate and necessary role to play in supporting the sector’s global brand and engagement and in welcoming and nurturing the international student presence.

While the focus of these recommendations is on the sector’s engagement with international students, alumni and institutions, there is also a pressing need for universities and government to build substantially on the intentions of the New Colombo Plan by making it possible for far more domestic students to deepen their global-mindedness and cultural competence

via in-program immersive experiences in the countries and cultures of the greater Asia region. Specific recommendations in this regard warrant much closer consideration than is possible here.

Recommendations for Action by the Sector



1. Diversity the international student profile

While some of the most internationally engaged universities have, for some time, been endeavouring to diversify their international student profiles, there is now a pressing need for the sector to redouble efforts to reduce overreliance on one source country. For the Group of Eight, this means China; for some others, it means India. As the evidence marshalled by Varghese (2018) demonstrates, India does have enormous long-term potential. India, with the world’s largest tertiary-age population and most rapidly emerging middle class, is an appealing market prospect. By 2030, India aims to lift the higher education participation rate of those aged 18-22 from the current 27% to 50% and since achieving this wholly domestically would require an additional 700 universities, the international spill-over potential would be enormous (Varghese, 2018).



However, true cohort diversity cannot be achieved merely by substituting one dominant source country for another.

There are at least half a dozen other rapidly developing countries in our region with solid potential for growth in student recruitment. Prior to COVID-19, western universities had considerable success in attracting students from across the Subcontinent, South East Asia and Latin America. The suggestion (Babones, 2019) that there is insufficient compensatory demand from countries other than China is not born out by recent experience. To assert that ‘The countries of South and Southeast Asia are either too small or too poor to contribute the desired numbers of fee-paying students’ (Babones, 2019, p.17), is a arguably a misreading of the longer-term socio-economic trends both within and beyond these regions. There is no reason to suppose that interest from these alternative markets will not recover once the pandemic has subsided. Other countries in the Asia-Pacific region also have solid potential here: from Thailand, Malaysia, Vietnam, Indonesia, Taiwan and Philippines to Colombia, Peru and Chile. Students from these countries do already have a significant minority presence at Australian universities (Department of Education, Skills and Employment, 2020; Ferguson and Sherrell, 2019). There are also longer-term prospects in Africa and the Middle East, with some Australian providers already having a well-established offshore presence in the UAE.

In pursuing these prospects for cohort diversification by country of origin, consideration should also be given to how best to respond to the existing gender skews in cohorts from many of the sector’s largest recruitment channels, including the Middle East and Indian subcontinent (male skew) and South-East Asia (female skew). In some cases, it may be advantageous to seek to redress the imbalance; in others, the priority should perhaps be on embracing it. As Larkin (2018) notes, the trend in South East Asia pre-COVID was towards greater female participation in higher education. As such, an appropriate diversification tactic post-COVID may to incorporate gender awareness into marketing and recruitment activities in diversity market outreach.

COVID-19 has certainly inflicted damage on Asia’s middle classes but there is no reason to assume that the prior growth in demand for education from these sources will be permanently reversed. Indeed, along with low interest rates, the upswing in government spending in many countries sets the scene for a resurgence in the demand for higher education. Still, to compete effectively for market share in diversity markets, the Group of Eight will have to modify their China-focussed pricing policies and develop effective ways to accommodate the greater price and cost sensitivity in these markets. This might involve differential pricing, targeted bursaries, support for pre-entry English-language development, student loans and the like.

While the demand from China has had a strongly metropolitan focus, the regional universities are particularly well placed to benefit over time from a cohort diversification agenda – and they are also well placed to offer internationals a rich diversity of learning and life experiences. The sector’s network of international recruitment agents should also be incentivised to lift the flow of applicants and acceptances from diversity markets.

The time may also have come for the sector to rethink the way it sets fees for international and domestic fee payers in postgraduate programs and modify the significant price differential that applies at undergraduate level between Commonwealth Supported domestic students and internationals. There is still an argument for cross-subsidising domestic students at both degree levels but the old mode of charging all internationals what the Chinese market has historically been willing to pay has had its day. Rather, pricing decisions should now focus on what students from particular countries should expect to pay for an Australian learning experience and degree.

The Morrison Government’s recently legislated domestic fee recalibrations for bachelor’s degrees are an added complication here, as is the promise of thousands of additional Commonwealth Supported undergraduate places, but these appear to leave untouched the pre-existing settings at postgraduate level and it is perhaps here that the scope for innovative pricing strategies supportive of international cohort diversification are greatest.



2. Sharpen the focus on the all-round quality (quality in, quality through and quality out) of the Chinese student cohort

There is some truth to claim that admission standards for students from China are too soft and lax (Babones, 2018; Birrell, 2019) and that the learning outcomes and job-readiness of a significant number of our Chinese graduates are substandard. These shortcomings do demand immediate and ongoing attention.

Regarding entry point quality, the sector should tighten academic and English language standards for Chinese students. This is particularly so of direct entry to Australian bachelor's programs via the national matriculation exam, the Gao Kao. More emphasis should also be placed on recruiting students to bachelor's programs who achieve high scores in the International Baccalaureate. Likewise, there is scope to recruit a higher proportion of students to master's programs from graduates from the top echelon of Chinese universities – the C9, in particular, but also other 985 and 211 institutions. Doing so will require a new value proposition to these prospective students, possibly including an innovative combination of on-line and on-campus learning, stronger emphasis on in-program work-integrated learning and graduate placement support.

The use of artificial intelligence platforms and randomised interview questions to auto-assess self-managed online selection interviews by degree applicants is now within reach as an additional means of entry-point quality control. Given the prominence of

third party recruitment agents in the China market, the sector should also recalibrate agent commissions and scholarship arrangements to better incentivise recruitment of high calibre students one level below that dominated by the C9s, the UK Russell Group and the US Ivy League. The 'Trump effect' is also widening the scope for attracting a larger share of the demand from high quality students who would otherwise choose to study in the US, particularly in STEM fields but also in business and the humanities (Sinorbis, 2018).

A further consideration relevant to both intake quality and demand diversification is the changing nature of Chinese students' degree preferences. The rapid maturation of China's economy and professional labour market has widened the fields of study being sought by Chinese students beyond the previous narrow focus on accounting and engineering. We should welcome the fact that some of the best of these students are now looking to a wider range of fields of study – from media, journalism, literature, sociology, social work and psychology to data analytics, logistics and supply chain management, international business, marketing and the like. The wider point here is that 'high road' action directed consciously towards enhancing their learning readiness, learning experience and sense of belonging is an eminently more sensible and strategic option than simply imposing quotas or arbitrary limits on their presence.

There are some stellar examples across the sector of initiatives designed to enrich both the learning experience and the job-readiness of students from China and elsewhere.

For instance, the University of Sydney Business School's award-winning JobSmart program, launched in 2015 to deepen the co-curricular work- and social-immersion opportunities for Chinese and other international postgraduate students, is now being mainstreamed through the School's pre-experience master's programs. Student at Sydney University, and at other campuses, have benefited from active involvement in a wide range of work-integrated learning initiatives, peer and alumni mentoring programs and peer-assisted study sessions. However, such initiatives remain the exception rather than the rule across the sector and there is a pressing need for the introduction of innovative in-curriculum and co-curricular initiatives along these lines across the sector to improve graduate quality and outcomes. The evidence indicates that there is also considerable scope for curriculum reform to strengthen students' post-entry English language and communication proficiency. Much has been done here; but much more still needs to be done.



3. Increase strategic partnerships with international institutions

While some Australian universities already have strong offshore partnership portfolios, the sector overall has been far less effective than those in the UK, EU, Canada, the UK, China and elsewhere in optimising the strategic advantages of formal cross-border partnership. While our universities have previously been inclined to partner mainly with Anglosphere and northern hemisphere institutions, the opportunities



for partnership within our own hemisphere are becoming increasingly strong, particularly given the rapidly growing number of universities across Asia whose faculty are fluent in English and who deliver a high proportion of their classes in English. Varghese (2018) notes that partnership with India's Institutes of Technology and Management holds promise. In Vietnam, the VNU network also has strong appeal. In China, too, the opportunities for low-risk partnership with the C9s remain considerable, notwithstanding the recent introduction by Canberra of mandatory vetting of proposed partnerships on national security grounds. Well-designed and well-maintained, these partnerships offer a range of advantages, including:

- Leveraging the expertise and resources of international partners for mutual benefit;
- Providing an additional channel of high-quality international students that, over time, is likely to be less volatile and more reliable than open market sourcing of students;
- Serving as a hedge against the maturation of higher education in China and a consequent shift in Chinese student study preferences towards local institutions and away from full degree study abroad;
- Enhancing the quality and diversity of our international student cohort, including exchange students;
- Enriching global mobility/immersion learning for our own students via exchange agreements and degree articulations;

- Expanding opportunities for our staff to share knowledge and expertise with staff from partner universities;
- Creating opportunities for our educators to undertake international cross-institutional collaborations in coursework education and higher degree research supervision; and
- Widening avenues for international research collaboration, including short-term exchange programs for staff and research students.



4. Leverage alumni networks.

Despite the sector's large alumni diaspora, many of whom now occupy positions of influence in business and public administration in China and elsewhere, Australian universities still tend to favour the 'FIFO' and fund-raising approach to alumni engagement; an approach that is more self-referential than aligned with alumni needs and expectations. What our alumni are looking for is connection that is constant, continuous and better tailored to their needs and capabilities. As indicated in DFAT's 2016-20 global alumni engagement strategy (Department of Foreign Affairs and Trade, 2016), there are myriad ways by which this powerfully positive resource can be mobilised to mutual benefit.

Our alumni understand that their learning needs did not cease at the moment of graduation. They look to us to provide them with further learning opportunities – and the digital revolution now enables us to do so with ease. They should be front-of-mind candidates for non-award intensives, executive education and micro-credentialling.

They are also excellent ambassadors for the sector. They are proud of their association with us and are more than willing to promote not just their alma mater but also the sector and the country. Their involvement in recruitment activities is invariably positive. They are also well placed to provide both in-program and graduate placement opportunities.

The Chinese alumni are well-organised and active, with the Australia China Alumni Association (est. 2007) reportedly having over 26,000 members across China (ACAA website). While it enjoys welcome support from partner universities and DFAT staff, the sector's approach here remains too fragmented, uncoordinated and nonstrategic. What is needed is a concerted approach, one that would see our universities transcending their preoccupation with internal competition, pooling their expertise to offer alumni further leading opportunities at scale and scope, and mobilising our alumni networks to promote the sector as a whole and strengthen its engagement with local employers and policy-makers, including those in China.



5. Accentuate the place of intensive courses in the sector's international offerings.

To date the sector has marketed itself almost exclusively as a provider of campus-based degree studies – but this must now change. While degrees are likely to remain core business for the foreseeable future, the rise of life-long learning and digital content delivery affords the sector an exciting opportunity to diversify its product mix to upscale non-award and pre-award course offerings to



international markets. This could include everything from taster classes to 1-2 day online or on-site executive education intensives for practitioners on a wide range of cutting-edge topics and multi-week on-line courses co-delivered by multiple institutions.

Recommendations for Action by Government



1. Sponsor tripartite trade and education missions to target countries.

While some State governments, along with Commonwealth bodies like Austrade/DFAT, have been quite supportive of the sector's outreach to markets in China, India, Indonesia and Latin America, if the sector is to recover and diversify its international student intake, it will need tactical and moral support from both government and business. Key competitor nations have been doing this for much of the last two decades. For instance, the British Council, the public face of UK universities in their international dealings, organises regular international information and recruitment events. Having similar pro-active sponsorship for 'Brand Australia' missions to target diversity markets would assist the sector to improve recognition and market share, more so if such missions included representatives from government, business and the university sector. As well as targeting under-exploited student recruitment channels such as international schools, students undertaking the International Baccalaureate Diploma, and networks of local school careers advisors (e.g. India's IC3 network), tripartite missions could also meet with local employers to

raise the profile of our graduates and strengthen their placement opportunities. With careful planning and targeting, trade missions along these lines could also assist the sector to compete more effectively for high quality students from China. While none of these suggestions are new or novel, in combination they would be a powerful means of promoting a refreshed Australian educational brand.



2. Expand special programs to support intensive inbound student study visits.

Two areas where government financial aid could be used more effectively to promote recruitment of high-quality students from the Asia-Pacific region are the Australia Awards program and short-term study tours. The Australia Awards program has been very successful in subsidising recruitment of modest numbers of outstanding students from the region, particularly at doctoral level, and has provided the sector with superb alumni ambassadors, and the country with significant 'soft power' influence. However, a more ambitious and expansive approach to this form of merit-based foreign aid and social inclusion would allow both the sector and the country to increase Australia's educational profile across the entire southern hemisphere.

While the New Colombo Plan has been somewhat effective in providing domestic students with valuable immersive experiences in countries in our region, more should be done both to increase outbound mobility by domestic students and also to encourage and support intensive inbound study and placement

visits by student groups from selected secondary schools and international partner universities. Anecdotal evidence indicates that affording high school and bachelor's students from other countries an opportunity to undertake a study tour and business practicum can be an effective means of future international student recruitment.

As such, there is merit in government and the sector co-sponsoring a New Colombo Plan in reverse – to encourage inbound mobility by select groups of students from Africa, the Indian Sub-Continent, the Asia Pacific, China and Latin America. This was precisely the remit of the original Colombo Plan launched in 1951. It is also a key element of the Australian Awards program. So, the precedent is there; it should now be built upon.



3. Host sector-wide events for international alumni.

As noted above, the sector needs to be more effective in the way it engages with Australia's global alumni, because when effectively mobilised, these networks represent a powerful means of graduate placement, corporate engagement and student recruitment. There is much more that government can do to help the sector to leverage international alumni for these purposes. Working in tandem, government, sector peak bodies such as Universities Australia, and local alumni associations could coordinate and co-host regular offshore and online events, including guest speakers, master classes, alumni award competitions, and the like.



Alumni could also be offered free or low-cost online refresher courses delivered by faculty and promoted by Austrade.



4 Actively encourage employers to provide in-program placement opportunities and on-shore post-study work opportunities for new international graduates.

Two of Australia's traditional rivals in international education, the UK and Canada, have post-study work visa programs similar to our own and criticism of our 485 visa scheme is misdirected. The principle is laudable. It is the practice that has been suboptimal. Rather than being abandoned, this scheme should be promoted more aggressively both abroad and at home. Australia's record of providing international students with work placements both in-program and at graduation has been mediocre, with many businesses and some public sector agencies reluctant to take on students other than domestics.

In part, this reluctance is the educational counterpart to Australia's historically low level of research collaboration between business and academia relative to other OECD countries (McDonald, 2017). This structural divide is arguably detrimental to both parties and to the country. One important remedial step would be for government and business peak bodies, such as the Business Council of Australia, to work with the university sector to encourage local employers, particularly those with operations in countries of student origin, to provide placement opportunities, including credit-bearing industry

placements and employment opportunities under the post-study work visa scheme.

There is promise in encouraging multinational firms to provide two years of Australian-based employment to graduates prior to their redeployment either to their home country or to a third country in which the firm has a footprint. One of the weaknesses in Birrell's critique of the post-study work visa program is the evident assumption that the program appeals only to employers whose operations are wholly domestic and who might otherwise hire a domestic applicant. On the contrary, one of the real (if underutilised) strengths of the program lies in its potential to connect our international graduates with multinational businesses looking to hire graduates with technical, cultural and language skills suitable for eventual international deployment.



5 Sponsor offshore initiatives to assist new graduates to secure quality jobs in their home country.

While the employment outcomes of our international graduates are better than critics imply (Department of Education, Skills and Employment, 2020b), there is certainly scope for further improvement in the employment outcomes of international students returning to their home country (Matthews et al, 2019). To their credit, some universities have been very active in recent years in enhancing graduates' job-readiness and developing their job search and interview skills. However, more needs to be done here.

Government could and should do more to support graduates to find suitable employment and facilitate entrepreneurial activities for new graduates in their home countries. Again, this could be done most effectively via partnership between the sector and Canberra. Third party providers, perhaps including some of the most reputable student recruitment agencies (e.g. IDP), could be commissioned to provide on-the-ground facilitation of job search. For their part, universities should also do more to sharpen graduates' job-readiness and ability to present their capabilities effectively both on paper and at job interviews and other selection events.



CHAPTER 7

CONCLUSION

This discussion paper challenges the proposition the Australia’s public universities should step back 50 years in time, retreat from the international education market, China included, and focus wholly or largely on servicing the learning needs of domestic students.

A reversion to educational nationalism would be a retrograde step economically, culturally and diplomatically. It would diminish both the country and its global standing.

The paper also challenges the assertion that the balance between domestic and international education is – or should be – a zero sum game. Rather, the paper proposes that both the sector and government should embrace the ‘high road’ and work in partnership to reposition the sector so that, over the course of this decade, our universities can rebuild global brand and reputation, recover their international student numbers, reprofile the international student cohort both to improve the academic merit of students from China and to rebalance the overall load progressively to grow the number of students from target diversity markets.

The paper recommends ten key actions that the sector and government can take to achieve these ends. An under-utilised resource with enormous potential to support this ‘high road’ agenda are the hundreds of thousands of Australian university alumni around the world; alumni who are both proud of their association with the sector and immensely keen to assist. To not enlist their energy and support, and to not reposition the sector to survive and succeed in the post-COVID world, would be to squander a rare opportunity to guarantee the future success those institutions that, since 1850s, have come to symbolise the spirit and substance Australia’s liberal democracy and the country’s longstanding and positive role in the international economy and world affairs.

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NOTES

- 1 The higher education sector contributed 46.2% of total international student enrolments in 2019 (N=956,773). The VET sector contributed 283,893, ELICOS 156,880, schools 25,564 and non-award 48,217. Students with Chinese nationality comprised 27.3% of aggregate international student enrolments (Department of Education, Skills and Employment, 2020a)
- 2 Departmental data (reported in Ferguson and Sherrell, 2019) indicates that the number of permanent residency visas granted to former international students (excluding those who transitioned to another temporary visa first) fell from a peak of 30,170 in 2012-13 to 13,138 in 2017-18. Conversely, the number on temporary graduate visas (including 485 visas) rose from 21,147 in 2014 to 54,932 in 2018, including 46,478 485 visa holders. Combining the figures for those who took up permanency in that year and those who were granted a 485 or another temporary graduate visa, gives a total of 68,070 who remained in the country. In the same year, onshore international university students totalled 315, 522 current students which (setting aside lag effects and the fact not all ex-students granted permanent residency or temporary visas came from the university channel) suggests that the proportion of international graduates remaining on was only around one in five.
- 3 While is the case that, during their university studies, international students tend to take work in low-skilled casual jobs in services and hospitality (where the evidence does unfortunately suggest that are vulnerable to exploitation), as Matthews et al (2019) demonstrate, it is not accurate to imply that, at the point of graduation, our international graduates are bereft of professional qualifications and unable to find suitable positions. For instance, if their studies are in professionally accredited degrees in, say, engineering, accounting, teaching, health sciences, medicine or dentistry, they do indeed graduate with a professional qualification – and they are certainly not looking to compete with unqualified or trade-qualified locals. The key counterpoint to Birrell’s zero sum interpretation is that migration by young, competent, knowledgeable and ambitious graduates on the cusp of building careers, families and businesses and contributing to the nation’s tax base has a well-established multiplier effect on economic activity (Migration Council of Australia, 2015; Department of Education, Skills and Employment, 2020b).
- 4 It may be the case that with 37 public universities, the country simply has too many universities to service domestic needs. Some campuses have remained far more reliant on the public purse than other and some of these appear to have been operating uncomfortably close to the margin of financial viability even prior to the current crisis. Conversely, it is also plausible to suggest that some institutions have been unnecessarily provincial in focus and that they may benefit from embracing a vision that is more expansive in terms of student profile and load. There is thus an argument to suggest that a root and branch review and rationalisation may be in order. However, this matter is beyond the scope of this paper.

In October 2019, the Business Council of Australia and Asia Society Australia together with knowledge partners PwC Australia and the University of Sydney Business School formed the Asia Taskforce of senior leaders from the business, education and government sectors to examine how Australian companies and organisations can increase their presence and position in Asia to ensure our continued prosperity and deliver progress for future generations.

While the Taskforce International Education advisors named below have provide input into the discussion paper, the views expressed do not necessarily reflect the views of any individual or the organisations they represent.

This report refers to Asia as the countries of South East Asia, South Asia and North East Asia.

This Discussion Paper and other publications by the Taskforce can be found at <https://asiasociety.org/australia/asia-business-taskforce>

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