

Draft International Education and Skills Strategic Framework: Consultation

University of Tasmania Submission | June 2024

The University of Tasmania strongly supports the Australian Government's objective of creating a Migration System that is effective in achieving a manageable migration rate, while supporting Australia's economic growth and maintaining our global competitiveness. International education is a significant economic contributor to Australia, and we need a migration system that positions Australia as a quality destination for education and provides a pathway for top talent to contribute to our nation in areas of skills, workforce and population need.

As the state's only university, we play a vital role in supporting the population and economic growth of Tasmania and we welcome the opportunity to contribute policy suggestions that help achieve positive outcomes for regional settings such as Tasmania.

The current state of Australia's international higher education market is a serious national policy issue and is negatively impacting on regional Australia.

In December 2023 the Minister for Home Affairs, Clare O'Neill, announced a new Migration Strategy for Australia aimed at addressing major challenges in Australia's migration system and strategies to reduce temporary migration levels. This review included changes to the student visa program and temporary migration for education purposes, which has led to an increase in visa rejections for international students. In addition, universities with higher risk ratings experienced slower visa processing for all countries which encourages applicants from low risk countries to apply to low risk universities creating a virtuous circle.

The outcome of these recent policy changes means universities with high volumes of low-risk students have been able to admit more international students more quickly, gaining a sustained competitive advantage and resulting in a small number of universities dominating the market for high quality international students. In 2022, the six universities with the largest international student cohorts had on average 29,300 international students - compared to the next 33 universities that had on average 6,200.

This current state of the international education market is resulting in a poor experience for applicants from higher risk countries, serious financial damage to the sector, reputational harm to our international education brand and radical resource asymmetries between Australian universities, which are undermining the policy directions of the government.

To address these challenges and rebalance the international student market in Australia, we strongly support a managed market approach as proposed in the draft International Education and Skills Strategic Framework. Similar approaches have been successful elsewhere, and this approach will protect the quality and integrity of Australia's Migration System, while ensuring international education is maintained at sustainable levels both for universities and for the communities they are based in. Implementing a strategic, managed market approach is the most powerful lever the Australian Government has to address this national problem, and would restore alignment between national education, economic interest, and student migration.

It will be very important that a managed market approach for Australia calculates international student places or targets in a way that will sensibly manage growth without worsening the impacts on non-metropolitan settings. Visa processing reforms should also be considered, to better enable the targets to be achieved in a timely and student-centric way. The implementation timeline for the Framework will be important to manage a significant period of change in international education policy without further detriment to universities who are already experiencing challenges in maintaining international student numbers.

A managed approach to international student allocations will need a considered methodology built on economic and skills needs, national education needs and institutional needs.

The draft Framework outlines the Government's intention to set international student limits for individual universities, to determine how many students can be enrolled. We support this type of managed approach, which needs careful consideration on a methodology to achieve managed migration in an equitable way that meet the economic and skills needs of the nation, states, and regions.

To develop a methodology for allocating international student enrolments, it is important to first consider the benefits of international students for the nation and particularly for our regions, and from there carefully consider the appropriate allocation of student places and the subsequent economic and social benefits that flow from these to the Australian community.

International students studying in Australia are a significant source of export income, with university-level international education worth approximately \$65,000 per student per year on average. While there is clearly a direct benefit through the fees paid to the teaching institution from these students, the majority of the income benefit flows to other parts of the economy through the consumption of international students (accommodation, tourism and travel, retail etc), with the ACCI estimating that every \$1 in tuition fees produces \$2 in broader economic value. The benefit to the broader economy is even greater where international graduates remain in Australia, boosting the pool of skilled, tertiary-qualified workers in the broader economy who on average contribute 32% more to GSP per capita than non-tertiary qualified workers. Further, tertiary education has long term effects on productivity, with every 1% increase in the proportion of workers with a university degree raising long run productivity by 0.2–0.5%.

While international students clearly generate significant short and long term economic and social benefits for the nation, this benefit is not distributed equitably across the nation, with high numbers of international students concentrated within our major metropolises. There is an opportunity for the managed system to better serve the national interest by recognising the significant benefits that would come from increasing the proportion of international students and the associated benefits that they can bring to lesser populated and regional areas.

Strong regions are critical for national food security and the success of our primary industries, as well as being the primary locations for our future clean energy industry. However, our smaller cities and regions suffer from significant skill shortages (for example in our education and health systems) and on average have lower levels of higher education qualified professionals. Increasing the number of international students in these areas will contribute to addressing these shortages, particularly as the evidence shows that students that are trained in regional areas are much more likely to remain and practice in those areas upon graduation. Securing international students and graduates in a diversity of offerings at universities can contribute to the breath and strength of regional services (health professionals for hospitals, teachers for schools), industries (engineers and technology professionals for manufacturing and agriculture, technology) and culture (artists etc), making these areas more attractive for people to locate to the regions.

Introducing a managed system of allocating international student places would enable the economic and skill-related benefits from international students to be more equitably distributed across our cities and regions to Australian citizens, regardless of their jurisdiction, and bolster the strength of our regions. Pursuing an equity-based distribution across the States and Territories would align with the approach taken by the Commonwealth Government and supported by all States and Territories in pursuing horizontal fiscal equalisation as the principle for equitably allocating GST and other Commonwealth general purpose payments to the States and Territories.

Based on this principle, we propose an allocation methodology that would deliver an equitable allocation of international students across the country so that the resulting economic benefits are also distributed equitably across the country. This proposed allocation methodology starts with a global per capita allocation at State or Territory level first, followed by allocations for individual institutions within each jurisdiction considering elements including the balance between international and domestic student numbers, specific skill needs within a location and the availability of local infrastructure (such as student housing).

Achieving an equitable allocation for each jurisdiction

The proposed approach to global allocation at State or Territory level involves identifying the current allocation of international students compared to the per capita share at a State level for the current year, indicating the change in student allocation that would be needed to equalise these numbers nationally in the following year. Depending on the size of the change needed to equalise student places, caps and floors should be introduced to smooth changes over time and manage implications for individual institutions. This approach is broadly the same as the methodology that has been introduced in Canada to allocate places to its provinces as part of its introduction of a managed system for international education. A State-level allocation would also be consistent with the principle of horizontal fiscal equalisation, which also operates at the State level.

To illustrate this approach, Tasmania has 2.2% of the population of Australia, but currently only receives 0.9% of the national number of international students. Addressing this disparity would see the allocation of international student places increase to 2.2% of the total over time. Further details on the methodology and the shifts in student numbers that this would produce can be provided to the Department on request.

Providing allocations for each institution within each jurisdiction

Following the State level allocation, places can then be allocated to each individual institution within each jurisdiction (including campuses of an institution that might be head-quartered in another State), taking into account the individual circumstances of each institution and its location.

It is proposed that an initial allocation be calculated based on the proportion of domestic students currently taught by each institution in the State. This approach reflects the focus in the draft Framework on ensuring that institutions which provide education to international students also provide education to domestic students. Such an allocation methodology would see all institutions move toward the State average ratio of international to domestic students, moving away from the situation of a small number of institutions having very high ratios and providing the basis for more balanced cohorts of international and domestic students across Australian university campuses.

A portfolio of local circumstances can then be considered to make adjustments to this initial allocation, using a pool of places that have been set aside for this purpose, on the following basis:

1. Individual institutions would propose adjustments to the allocation in response to areas of particular skill needs in their location (to meet a clear industry need or identified skill shortage)
2. Institutions would also propose an adjusted allocation to reflect the university's capacity to deliver in specific areas of national need (demonstrated through an institution's specific national expertise). Each of these adjustments would need to include a consistent approach to identify skills needs at State or location level, ideally using a nationally comparable reference such as the Skills Priority List from Jobs and Skills Australia.

3. Any upward adjustment would need to consider the capacity of an institution to house and support international students. Adjustments could be linked to the ratio of international students to student accommodation (ie beds per student), where institutions with an above average ratio (either through existing capacity or the construction of additional purpose-built student accommodation) would be able to justify a higher allocation of international students. Any such adjustment methodology does need to consider the reality of how international students utilise student accommodation, including variations between nationalities tendencies to live in student accommodation or elsewhere, and the genuine needs of students. For example, purpose-built student accommodation is suited for individual living, so international students with partners or families are more likely to seek accommodation in the private market. This is why it is important that private provider accommodation is also considered in meeting the accommodation needs of international students.

Initial analysis in relation to these institutional-level allocation methodologies can be provided to the Department in confidence for reference, to illustrate potentially how these could work and the implications of each.

Total student visa numbers to achieve the Government's overall migration targets

While the proposed allocation methodologies outlined above would produce a more balanced allocation of international students across the country and across institutions, clearly the proposed reduction in the total national number of arrival visas that are granted will have a significant impact on the sector.

The Government's proposed approach to migration would reverse the recent growth in net overseas migration (NOM) and see this number drop by approximately 56% from FY2022 actuals to return to pre-COVID average levels, with the Opposition proposing an even greater reduction of 70%. This recent increase seen in NOM has been driven by both an increase in arrivals (particularly temporary arrivals with student visas being the largest category) and a reduction in departures, potentially from students as many post-COVID arrivals have not yet graduated and left the country.

In seeking a return to the longer-term, pre-COVID, average NOM it is expected that departures will return to the longer-term trend which will reduce NOM, with the remainder of the reduction to come through reduced arrivals. Within these arrivals, we would strongly advocate that higher education visas are not unfairly targeted and the reduction in higher education temporary student visas be no more than the proportional reduction required for all temporary visa classes to meet a lower total arrivals number. This would still see a significant 30% reduction in the number of higher education temporary student visa arrivals compared to 2023.

In considering the total number of higher education student visas, it is also important to recognise that maintaining a base level of international student numbers and revenue is essential for the financial sustainability of universities across the sector. If the total number of international student visas were to be reduced to the extent that the average ratio of international to domestic students drops too low, the ongoing viability of many institutions is likely to be significantly challenged. Initial modelling suggests that under a methodology that rebalances the ratio of international to domestic students across institutions, a minimum of around 120,000 higher education student visas is needed each year to enable each institution to achieve a baseline international student ratio of 20%. Accordingly, it is strongly recommended that the framework considers the inclusion of such a minimum threshold for the number of total international student visas issued each year in higher education. Such a minimum level is achievable through the allocation of higher education student visas within the Government's Net Overseas Migration target of around 235,000 as outlined above.

In addition, while the proposed allocation methodology would determine specific institutional allocations, it is important to note that exactly achieving and enforcing these targets with significant penalties for any exceedance as anticipated in the draft legislation will create unintended consequences. The nature of student behaviour in relation to accepting, enrolling and withdrawing is variable which makes it extremely difficult for any institution to exactly achieve an enrolment target. If there are extreme penalties for exceeding an allocation, universities are likely to end up under-enrolling (to minimise the risk of significant penalties) which would see a net loss of students and economic benefits for the institution, state, and nation. Accordingly, it is recommended that the enforcement of allocations includes some margin (such as a +5% threshold) to allow for this variability while also assisting universities to maximise enrolments within their allocations.

Alongside a managed market approach, visa processing reforms are needed to enable the allocated targets to be achieved in a timely and student-centric way.

To support the intention of a managed market approach, reforms to the visa processing approach will be needed to move from the current process-based input model to a high-quality output model. This will not only enable the managed approach but also mitigate barriers in visa processes which are currently acting as a deterrent for international students considering study in Australia.

Australia's Student Visa System operates under the Simplified Student Visa Framework (SSVF), which was introduced in 2016 to streamline the visa process for genuine students. The SSVF uses an immigration risk framework to determine the level of evidence required for visa applications, and risk ratings are assigned to education providers based on factors like the rate of visa cancellations, fraud rates, and the nationality of students they enrol.

While the SSVF was fit for purpose pre-pandemic, under the new Australian visa settings the Australian institutions with large volumes of 'low risk' students can chase further growth in higher risk markets without risk of reducing their tier and therefore prioritisation of their visa processing. Many of these institutions have become more efficient at identifying trends in visa approvals, enabling them to increase the proportion of their students receiving visa approvals. This, combined with the recent talent acquisition policy in China, is forcing many Australian universities to increase recruitment in more complex, migration focussed markets where quality is more varied and there is less sectoral experience. These markets are price sensitive, have lower margins, higher visa rejection rates, slower visa processing times and higher administration costs. While SSVF was designed to streamline the process, it is evident based on the number of international students who 'jumped' in recent years that the ability to predict genuineness of students is difficult at a student level and national level.

The alignment in objectives between the Department of Home Affairs and the Department of Education are the outcomes of international education in terms of student success, retention, graduation, and employment. The Department of Home Affairs states 'All applicants for a student visa must be a genuine applicant for entry. They must stay as a student and be able to show an understanding that studying in Australia is the primary reason of their student visa. The GS requirement is intended to include students who, after studying in Australia, develop skills Australia needs and who then go on to apply for permanent residence'. The Department of Education monitor completion rates of all cohorts and also measure quality indicators of learning and teaching through 'The Student Experience Survey (SES), The Graduate Outcomes Survey (GOS), The Graduate Outcomes Survey – Longitudinal (GOS-L) and The Employer Satisfaction Survey (ESS)'.

The current categories like fraud must continue to be critical factors of the application process, however in a capped environment, where growth is managed, the need to monitor and control inputs is significantly reduced. As a result, the SSVF can prioritise quality and genuineness over speed and simplification.

The output measures the Department of Education monitor are all key measures of identifying genuine students and institutions and can be used to manage the broader systems in the long-term.

In the proposed output model countries and institutions should be rated on applicant quality and genuine student rates. Applicant quality should be assessed on the rate of visa cancellations, refusals due to fraud, student visa holders becoming unlawful non-citizens, and subsequent protection visa applications. Genuine student rates should be assessed on retention, completion rate, graduate outcomes, and employer satisfaction rates.

A sliding scale by country tier should be introduced where either processing times or caps are reduced each year when an institution is not meeting an acceptable rate. As an example, historical completion rates for international students at universities has ranged from 70-80% since 2005. Accordingly, Level 1 would be set at 75%, level 2 at 70-75% and level 3 at below 70%.

To provide for appropriate diversity of student cohorts within institutions, there should also be limits on the number of international students from different country levels that link to the quality thresholds, as outlined in the table below. A level 1 institution, with a cap of 1,000 international students would have flexibility (within their 1,000-student cap) to recruit up to 500 students from any tier of country. If that institution was to drop to level 2 they would be restricted in their ability to recruit from higher risk countries but would still be able to achieve their overall cap. If the institution dropped to level 3, they would only be able to recruit 100 students from level 3 countries.

	Institution level 1	Level 2	Level 3
Country level 1	Max 50% of cap	Max 50% of cap	Max 50% of cap
Level 2	Max 50% of cap	Max 25% of cap	Max 25% of cap
Level 3	Max 50% of cap	Max 25% of cap	Max 10% of cap

Alternatively, if the current input-based decision making continues, the introduction of a central clearing house should be considered, to improve quality, consistency, and efficiency. The creation of a processing centre similar to Tertiary Admissions Centres where applications from international students are screened and processed for genuineness will ensure data is shared, students are treated fairly, and institutions are not all processing the same students' application multiple times to end up with a visa refusal. This central clearing house could be funded by a per application fee and would reduce administration and cost for government and institutions, as well as giving early clarity to students about their option for study in Australia.

In either model, visa processing can also be used to support institutional allocation management on an operational basis. When institutions exceed their allocation, the processing times should reduce and slow their ability to exceed their country level or overall cap for extended periods of time.

As a managed approach to international education is implemented there needs to be consideration for other factors that limit the policy objectives, and for the unintended consequences of a new dynamic.

Attracting students to regional areas

The success of the managed system in capping student numbers in some locations will be enhanced by ensuring there are complementary migration incentives for students to seek out additional places in regional areas. Tasmania's experience in the period from 2014 to 2019 (prior to COVID impacts), where international student numbers increased by 76% compared to the national average increase of 36%, clearly demonstrates that students can be attracted in significant numbers to a regional area when the migration settings are well targeted and visa processing is efficient.

Employers

While the framework will help distribute international students towards regional areas, it is recognised that employers in regions are not as experienced or willing to take international graduates on as their metropolitan equivalents. This is evidenced by the challenges Northern Territory and Tasmania face getting international graduates employed into Skill Level 1 jobs. Overcoming the regional employer challenges and competition from other countries will require State Government support for programs that aim to prepare international students for employment in Australia and provide employers, especially small business, with a supported entry in employing international students. This could include guaranteed paid placements for students as part of their studies or tax breaks for employers in regional areas to incentives engagement with the global talent market.

Agents

Educational agents will need to adjust their business model from a high volume, low margin, commission-based model to an integral part of a managed system. Ensuring a balance between controlling the flow of students and incentivising behaviours will be important to avoid students choosing other destination countries or being 'forced' to study at an institution not fit for their needs or desired outcomes.

- *Address the switching behaviour of International Students:* One active disincentive for switching would be to require international students to pay their first year up-front prior to commencing study. This money could serve as "bond" and would allow providers to have some level of revenue security for the work in attracting the student to Australia.
- *Incentivise the agent network to build quality:* if students switch, agents stand to gain additional commissions. The current structure of commissions incentivises agents to build volume over quality, rewarding them for volume rather than metrics such as student progression and graduation rates. Consider alternate commission systems to incentives attraction and retention of quality students. For example, commissions could be paid across the course of a degree to ensure students are progressing. Similarly, completion payments could be offered to agents for every student who successfully complete their degree.

Competition and price

The other factor influencing effectiveness will be the reactions of global competitors to the new dynamic. Existing competitors like the UK, USA and Canada may become second choice options over regional Australia especially in ranking sensitive markets if top rank Australian universities are full. In addition, new competition from Germany, France, Malaysia and Singapore are already fighting for the price sensitive student cohorts with aggressive pricing or even free education. This global context being different to the domestic managed system or cap, in that Australian students have little choice (or history) of changing country for study. The historical commercial drivers of incentives in international education will reduce, with private providers who currently compete on price in major metropolitan cities for high volume no longer as profitable. This creates the opportunity for regional destinations to compete on price but may create a 'race to the bottom' with global competition for low or free education as seen in Europe.

Administration

A system that sets national, local, institutional and course level caps could create a highly resource intensive process including the need to reassess skills and accommodation regularly. In addition, new courses requiring two years of domestic teaching first will create a long runway before institutions can apply for an international quota and only then start the student recruitment process which can take 6-18months. Grouped quotas that allow a level of flexibility within a threshold will support the management of the process.

Summary

A managed market approach to international students can deliver on the government's aims of achieving a manageable migration rate, while supporting a more equally distributed cohort of international students across the nation for maximum economic benefit. Careful consideration of the methodology for calculating and allocating targets is needed to achieve these outcomes and ensure a positive experience for international applicants and students.

The methodology proposed in this submission achieves these outcomes, by first applying a global per capital allocation at State or Territory level, followed by allocations for individual institutions taking into account balance between international and domestic students, location skills need, and infrastructure availability including student housing. This approach also considers the nature of student behaviour and recommends the inclusion of a margin or threshold to allow for variability in student acceptance, enrolment and withdrawal behaviour.

It will be important that visa reforms are also considered alongside the implementation of a managed market approach, to mitigate barriers in visa processing and ensure that individual institutions are able to attract the needed number of international students to meet their assigned target. An output model for visa processing should be introduced, which assigns ratings to countries and institutions based on applicant quality and genuine student rates and applies a sliding scale for institutions that are not meeting acceptable ratings.

Other factors which must be considered in implementing a managed market approach for international students include strategies to attract students to regional locations, support for employers to employ international graduates (particularly within regional settings), adjustment of the International Agent business model, global competition and price, and administrative resources. In considering these factors, and addressing them adequately, these will all work to support a managed market approach to international education in Australia which meets Government objectives of manageable migration, while positioning Australia as a desirable and high-quality education destination globally.

We would welcome the opportunity for a further discussion on the detail provided within this submission.