

Chapter 15

Education as an Export

INTRODUCTION

The benefits of developing and maintaining an educated workforce have been widely noted by a number of international economic institutions. For example, the OECD and IMF have noted that increasing human capital through education and training is a critical component of growth in both advanced and developing economies.¹

Australia has a comparative advantage, viz the English language and high education standard that allow it to excel in selling educational services.

BACKGROUND

Exports of Australian services have increased rapidly since barriers to trade were lowered. The Australian education sector has been a beneficiary of the greater global interconnection of services.

Australia's educational sector has experienced a number of changes over the past decade including:

- the emergence of Australia as one of the top five providers of international education services, behind the US, the UK, Germany and France;
- the establishment of important markets for Australian education, notably in the Asia-Pacific region: Singapore, Hong Kong, Malaysia, Indonesia, China, Korea, India, Japan, Thailand and Taiwan;
- Australia's ongoing entry into new markets;
- a gradual diversification in Australia's international education export base, with the top ten markets now accounting for 74.7 per cent of all enrolments, down from 82 per cent in 1996; and
- the growing importance of offshore enrolments in educational services with distance and commercial presence programs now accounting for 21 per cent of all enrolments.²

International student fees now account for a large proportion of university revenue, with strong growth rates expected to continue. However, some slowing in demand

for Australian universities has been registered. Given the relatively short history of international education, it is difficult to predict which universities will maintain their reputations in the long run.

A number of reasons have been raised as to what is driving the internationalisation of education. Some of these reasons include the Australian emphasis on freer trade and the commoditisation of education as a private good. Also, Australian universities are increasingly being asked to fund a higher proportion of expenditure and so seek out profit making opportunities. Increased demand for education worldwide and associated lack of domestic capacity³ contribute to this trend.

CONSIDERATION OF ISSUES

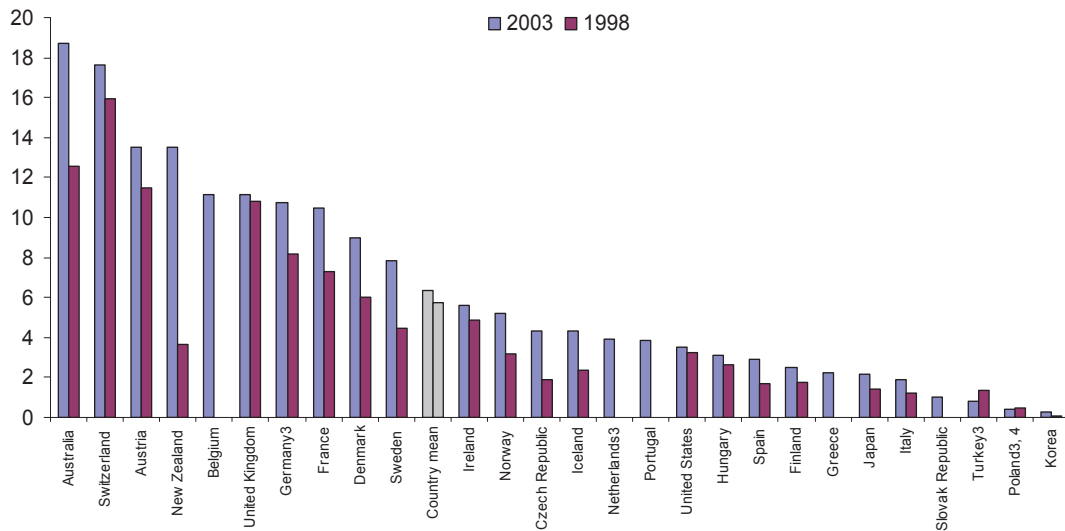
Australia maintains a strong domestic industry for providing educational services to overseas students (see Figure 15.1). These students provide a major source of income for domestic educational institutions and as more domestically trained foreign students remain in Australia after studies, they add to Australia's capital stock.

As skill shortages in Australia's labour market remains critical we continue to train large amounts of international students in areas of high demand. This represents not only a potential source for increasing Australia's human capital but provides employers with suitably-trained employees (see Figure 15.2).

However, in 2005, higher education enrolments in Australia grew by 8.3%. This continues the trend of softening in growth since 2002. Six of Australia's top-ten markets experienced a decline in enrolment numbers between 2004 and 2005. The associated slowing in higher education commencements (0.8% for all markets) suggests that enrolments may have declined further in 2006,⁴ (see Figure 15.3)

It is important to note that universities are not the only exporters of educational services as many secondary schools and Registered Training Organisations (RTOs) are now offering their own products. The export success in these sectors does not match those of universities and the Government should consider ways to further export expansion in these areas.

Figure 15.1
Foreign Students from Throughout the World as a Percentage of All Tertiary Students
(Foreign and Domestic Students)



Source: OECD, Table C3.1, Education at a Glance, 2005.

Quality Issues

Exports of educational products by Australian educational institutions should enhance the integrity and reputation of Australia’s educational sector. Australia is well regarded for providing high quality degrees and for graduating skilled employees and pre-tertiary students. This reputation must be maintained both onshore and offshore, where Australian universities, TAFES and secondary schools are delivering educational services.

As the proportion of international full fee paying students increases it becomes an increasingly important source of revenue for educational institutions. Australia must not jeopardise this income by providing substandard qualifications and courses. Quality assurance is important as Australian educational institutions increasingly take advantage of partnership arrangements for Australian courses delivered offshore.

While quality issues need to be monitored ACCI is not currently aware of any systemic problems arising from the exporting of educational services.

Australia already has a code of conduct on the provision of education to international students entitled *Provision of Education to International Students – Code of Practice and Guidelines for Australian Universities*. ACCI supports initiatives that maintain quality assurance in the delivery of educational services.

One area of concern raised by employers relates to RTOs.

It is common practice amongst some RTOs to deliver courses fully off the job with little or no Australian workplace experience. For foreign students this may create problems in two ways.

Firstly, foreign students graduating from certain courses and who proceed to work in that industry, quickly discover the lack of skills compared to students who have significant on the job training in Australian workplaces.

Secondly, students graduating from courses who do not proceed to work in that industry may use their qualifications to gain immigration points for entry into Australia. On the surface, foreign students studying in areas of skill shortage who then remain in Australia could be part of a strategic approach to curb skill shortage problems. However, when these students leave the industry for which they were trained and move into another industry, the training obtained has not had the desired strategic impact.

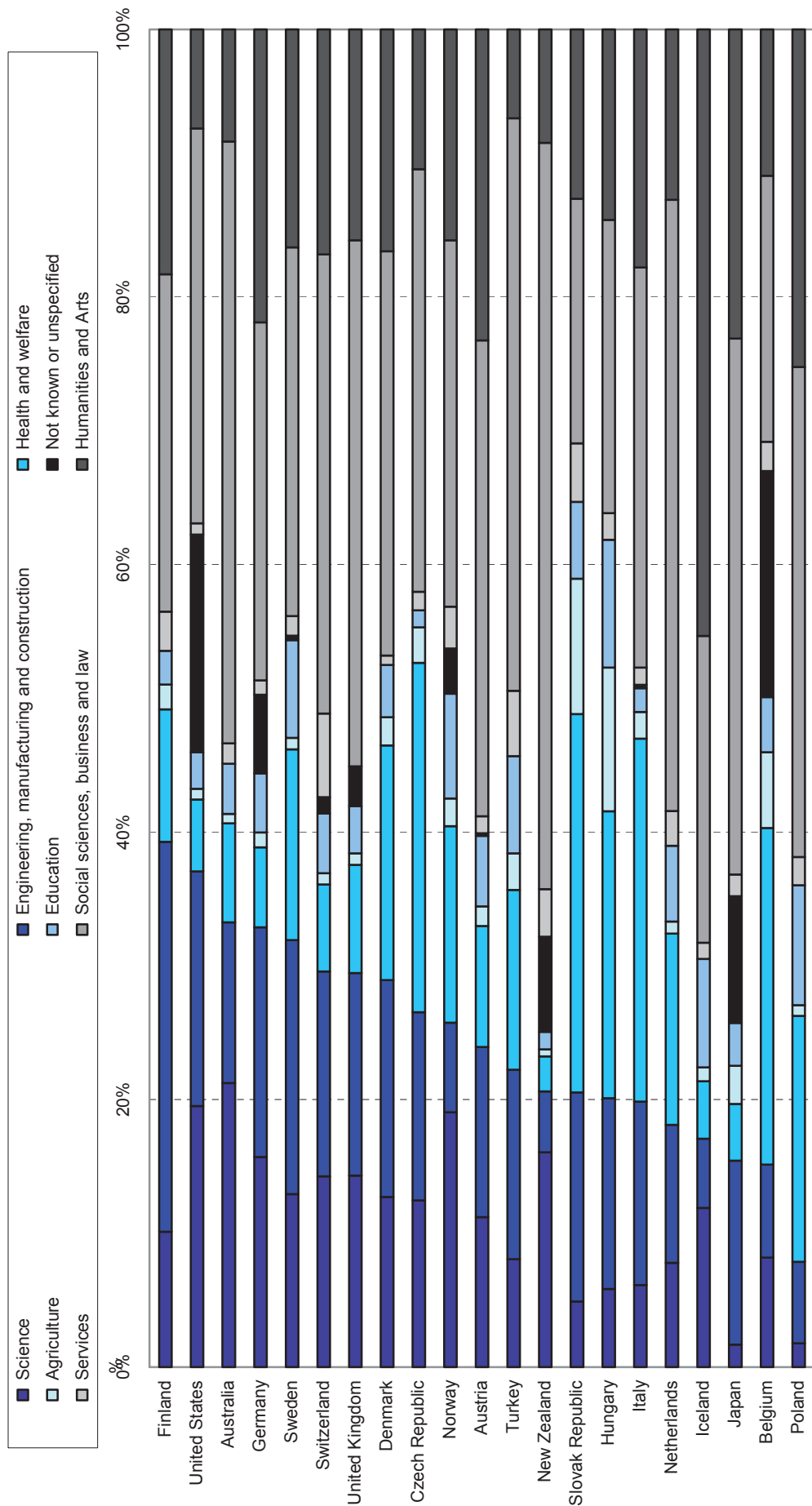
The first problem can be addressed through the implementation of outcomes based assessment of RTOs.

The second matter is an immigration policy issue. ACCI welcomes initiatives designed to address these problems and will be closely following the outcomes to ensure that the intended skills are delivered to Australian industry.

Australian Education International

ACCI supports the role of Australian Education International (AEI). *AEI is part of the Australian Department*

Figure 15.2
Distribution of Foreign Students by Field of Education (2003)



Percentage of foreign tertiary students who are enrolled in different fields of education.

Source: OECD, Table C3.5, See Annex 3 for notes (www.oecd.org/edu/cag2005).

Note: Countries are ranked in descending order of the proportion of foreign students enrolled in sciences, engineering, manufacturing and construction.

Figure 15.3
International Students Enrolled in Higher Education in 2005

Nationally	Annual Enrolments			Annual Commencements			
	Growth on 2002	Growth on 2003	2005 Data	Growth on 2002	Growth on 2003	2005 Data	Growth on 2004
China	38.60%	33.90%	40,054	15.80%	33.10%	18,623	22.90%
India	38.60%	45.20%	22,279	62.40%	41.50%	9,514	-5.80%
Malaysia	13.70%	3.00%	15,375	0.20%	-9.60%	5,388	-8.80%
Hong Kong	21.40%	8.00%	10,703	5.70%	-10.50%	3,285	-11.10%
Indonesia	-0.50%	-7.40%	9,543	-10.40%	-10.80%	3,226	-13.80%
Singapore	-2.40%	-9.40%	8,349	-19.40%	-14.10%	2,925	-8.60%
South Korea	21.90%	11.10%	5,380	15.10%	2.80%	2,183	1.80%
Thailand	14.40%	0.90%	5,252	5.80%	-7.80%	2,134	-16.50%
Taiwan	5.70%	1.50%	3,964	1.80%	-0.50%	1,575	-10.70%
Bangladesh	35.60%	21.70%	3,657	37.10%	9.70%	1,340	-13.60%
Sub-Total	18.60%	14.00%	124,556	9.70%	10.40%	50,193	0.80%
Other	12.00%	4.70%	39,374	0.00%	-1.40%	16,167	0.90%
Total	16.70%	11.50%	163,930	7.00%	7.20%	66,360	0.80%

Source: Australian Education International, International Student Enrolments in Higher Education in 2005, Research Snapshot, Australian Government, Number 8, April, 2006.

of Education, Science and Training (DEST). AEI uniquely integrates the development of international government relations with support for the commercial activities of Australia's education community. To do this, AEI liaises with all sectors of the education and training industry and all levels of government.⁵

ACCI believes there is a role for Government in the provision of marketing services for Australian universities and non-university institutions.

Regional

There is some support from institutions to receive a regional supplementation for funding regional activity. There are obvious difficulties in defining what regions are when linked to funding allocations. Incentives could be provided to institutions to specialise rather than compete in all areas.

It is better to provide incentives to offer specific courses, particularly as they relate to labour market needs, rather than developing intricate planning processes for course provision. This would often require substantial government intervention with elaborately developed, but highly flexible, funding agreements between government and providers. The extent of course rationalisation needs to be balanced against informed student centred funding. However, offerings requiring substantial infrastructure must be limited.

The extent of collaboration between all post-compulsory providers (Year 11 and 12 schools, VET providers and higher education institutions) provides the opportunity for significant cost efficiencies.

Increased specialisation at the regional level could lead to improved opportunities to promote centres of excellence and highlight the desirability of Australia as a study destination.

CONCLUSION

Past reforms of the education sector have allowed university and non-university institutions to compete successfully with international educational institutions for foreign students. ACCI is a strong supporter of these developments and believes the Government has a role to play to ensure that the recent setback in University export performance is reversed, and that a suitable level of resources be given to promoting the export potential of Australia's VET and schools sectors.

However, issues of quality are an area where government policy can have a significant impact on levels of demand by overseas students for Australian education and training services and products.

ACCI PROPOSALS

ACCI proposes that:

- governments support for the drive of Universities in attracting foreign students and in expanding their services offshore;
- the Australian Government make provision for additional resources to Australian Education International to promote Australia's education offshore;
- state and territory governments support as much as possible the expansion of the export potential of the VET and school sectors;
- consideration be given to fostering and developing a centre of excellence approach within regions; and
- the effects of recent changes to immigration policy be monitored to ensure they deliver the skilled workers needed in the areas experiencing shortages.

¹ OECD (1994), *The OECD Jobs Study — Facts, Analysis, Strategies*, Paris. OECD (1999a), *Implementing the OECD Jobs Strategy — Assessing Performance and Policy*, Paris. OECD (2001), *The New Economy: Beyond the Hype*, Paris

² Australian Education International (2003), *The Economic Benefits to Australia from International Education* (Final Report – October 2003), Australia Government.

³ Philip G. Altbach and Jane Knight (2006), *The Internationalisation of Higher Education: Motivations and Realities*, The NEA Almanac for Higher Education.

⁴ Australian Education International (2006), *International Student Enrolments in Higher Education in 2005*, Research Snapshot, Australian Government, Number 8, April.

⁵ Australian Government, Australian Educational International website, Overview.

