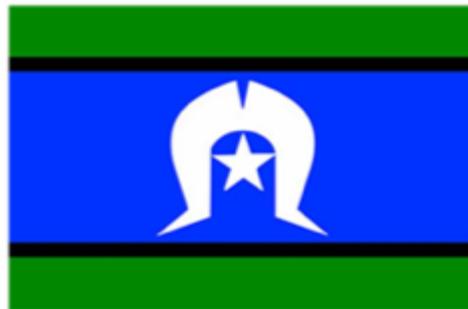




International students: The migration nexus

AUGUST 2024

Acknowledgement of Country



The Mitchell Institute at Victoria University acknowledges, recognises and respects the Ancestors, Elders and families of the Bunurong/Boonwurrung, Wadawurrung and Wurundjeri/Woiwurrung of the Kulin who are the traditional owners of University land in Victoria, the Gadigal and Guring-gai of the Eora Nation who are the traditional owners of University land in Sydney, and the Yulara/YUgarapul people and Turrbal people living in Meanjin (Brisbane).

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About the Mitchell Institute

The Mitchell Institute at Victoria University is one of Australia's leading policy research think tanks and trusted thought leaders.

We are informed, independent and influential, with a proven ability to identify current and emerging issues and find achievable solutions.

With a particular focus on improving the educational opportunities of all Australians, we monitor the performance of our education system to develop and advocate for policies that reduce inequality and support a fairer and more productive society.

Our mission is to develop and advocate for improved evidence-based policy that addresses the barriers of disadvantage and increases access to opportunity for all.

WHAT WE DO

To inform and influence public policy, we:

- **Analyse evidence and data** to understand how our policies and systems are performing, who they are supporting well and who they are failing, and the extent to which international evidence and experience can contribute to how we can improve the current system.
- **Stimulate public discussion and debate** to increase policymakers' and the public's understanding of the key challenges we face, the benefits to society of fairer and more responsive policies and systems, and how these policies and systems can be improved through evidence-based approaches.
- **Assist and advise policymakers** in designing and implementing reform by translating complex data into clear policy ideas and by engaging directly with decision-makers, service providers, and service users to provide deep and well-rounded perspectives on the systems-level challenges that Australia is working to overcome.

WHO WE ARE

Established in Melbourne in 2013, the Mitchell Institute is part of Victoria University (VU), one of Australia's six dual-sector universities that offer university degrees as well as vocational education and training. Our close links with academics and institutes from across VU allow us to draw on cutting-edge research to inform our work.

The Mitchell Institute is also home to, and works collaboratively with, the world leading Centre for International Research on Education Systems (CIRES), and the impactful place-based Pathways in Place program.

Our influential work is supported by generous contributions from the Harold Mitchell Foundation, Victoria University, our project partners, funders, and commissioners.

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Introduction

International students are important to Australia's society. There are more international students in Australia than there are people living in Canberra. This brings enormous economic and social benefits.

But this needs to be managed – for everyone's sake.

Current and former international students living in Australia number over 850,000 and are at record levels.

This is part of the reason why the Australian government has floated introducing limits on international student numbers. It is unclear how this will happen.

In this report, we highlight the complexity of Australia's international education sector. We argue that creating a healthy and sustainable international education sector will mean innovating across education and migration policy areas.

Getting these settings right would protect international students. It would also ensure the health of Australia's education institutions while maintaining the integrity of Australia's migration program.

There is an online interactive version of this report that you can access by visiting the Mitchell Institute website.

The Education / Migration Nexus

Migration and international education are intertwined. Tertiary education has always been associated with people moving to study, like when young people leave home to attend university.

Because international education usually involves movement across borders, there are increasingly complex links with migration policy.

In fact, most international students are already counted as migrants. The Australian government counts any incoming international traveller who stays in Australia for 12 months or more within a 16 month period as a temporary migrant.

Migration policy takes many different forms and is not restricted to permanent migration.

A recent government review found that Australia is at risk of creating a ‘permanently temporary underclass’. This is when non-citizens are in Australia for extended periods of time without the protection afforded by being a permanent resident.

The number of temporary migrants in Australia has ballooned, and it is Australia’s international students who have contributed most to this growth.

Current and former international students have driven the growth of international students

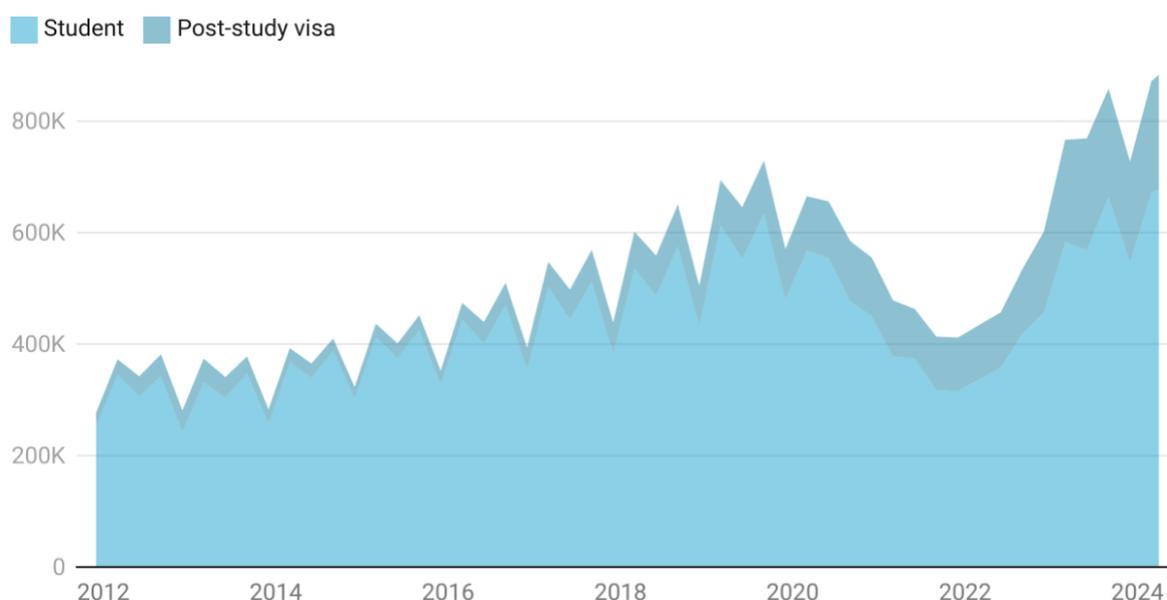


Figure 1: Temporary visa holders in Australia by visa type. Source: [Department of Home Affairs](#).

[ACCESS AN INTERACTIVE VERSION OF FIGURE 1 HERE](#)

In 2011, there were about 270,000 international students in Australia. This grew steadily until the pandemic hit. The opening of international borders meant that international students returned – quickly. And on current trends, international students will continue to grow to record levels. Enrolled international students are just one group of temporary migrants. Many international students are eligible for post-study work visas of two to three years when they finish their course.

Current and former international students are now the largest group of temporary migrants living in Australia. This brings lots of benefits. But it is also a program that has been uncapped.

[ACCESS AND INTERACTIVE GRAPH EXPLORING DATA ON THE DIFFERENT TYPES OF TEMPORARY MIGRANTS, INCLUDING INTERNATIONAL STUDENTS. HERE](#)

The courses that some international students choose can be linked to options following their course. As a recent Australian government [review](#) found, "migration system settings have a material effect on the international education market".

In the [skilled migration program](#), which leads to permanent residency, applicants must nominate an occupation. Courses aligned to occupations with migration pathways are the most in demand, especially in the vocational sector. Enrolments in certain courses help highlight this.

Migration prospects can drive student choice

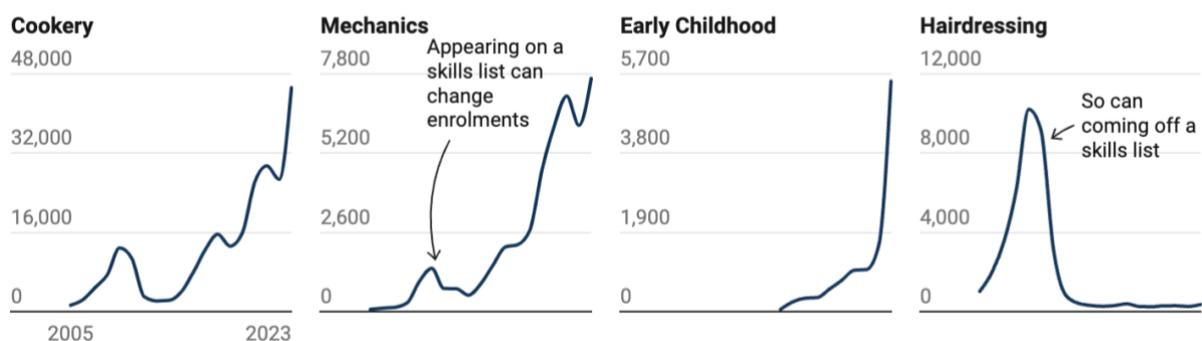


Figure 2: International student enrolments in vocation courses in select areas of study. Source: Mitchell Institute analysis of [ATIC](#) data.

[ACCESS AN INTERACTIVE VERSION OF FIGURE 2 HERE](#)

Before 2009, finishing a course on a migration skills list meant students were eligible to apply for permanent migration. Courses like those in [hairdressing and cookery](#) – which were on skilled shortage list – boomed.

In 2009, this permanent migration link was 'de-coupled'. Finishing a course no longer entitled

a student to gain permanent residency. Instead, new requirements were needed, like employment or sponsorship. This is called [‘two-step’ migration](#). The first step means finishing a course, and the second step usually involves finding a job or a sponsor.

But the fall was temporary. Pathways re-emerged and occupations like cooks, motor mechanics and childcare workers, returned to skilled migration lists. Cookery is now the most popular course for international students. While two-step migration made pathways to migration more uncertain, greater prospects post-study, such as employment, continues to drive some student choice.

[ACCESS AN INTERACTIVE GRAPH EXPLORING THE DATA FOR DIFFERENT COURSES HERE](#)

The breadth of the international education sector means there are big differences in how parts of the international education market interact with migration policy.

The most popular courses in higher education are in business and management, and these courses are not clearly linked to occupations on skills lists. [Some reports](#) suggest only 16 per cent of international students go on to become permanent residents.

The role of migration policy in student choice is complicated. Australia competes with other countries in the international education market and can use different levers to make Australia more attractive relative to other countries. An [example](#) is post-study work rights, where certain international students get access to a temporary visa after they finish their course, which countries like the United Kingdom [have also introduced](#).

Migration policy imperatives are a major factor in the proposal to limit the number of international students. Australia currently has record levels of net overseas migration - the change in the population caused by temporary and permanent migration - and international students have been a big part of this growth.

Net overseas migration was greater than the government forecast

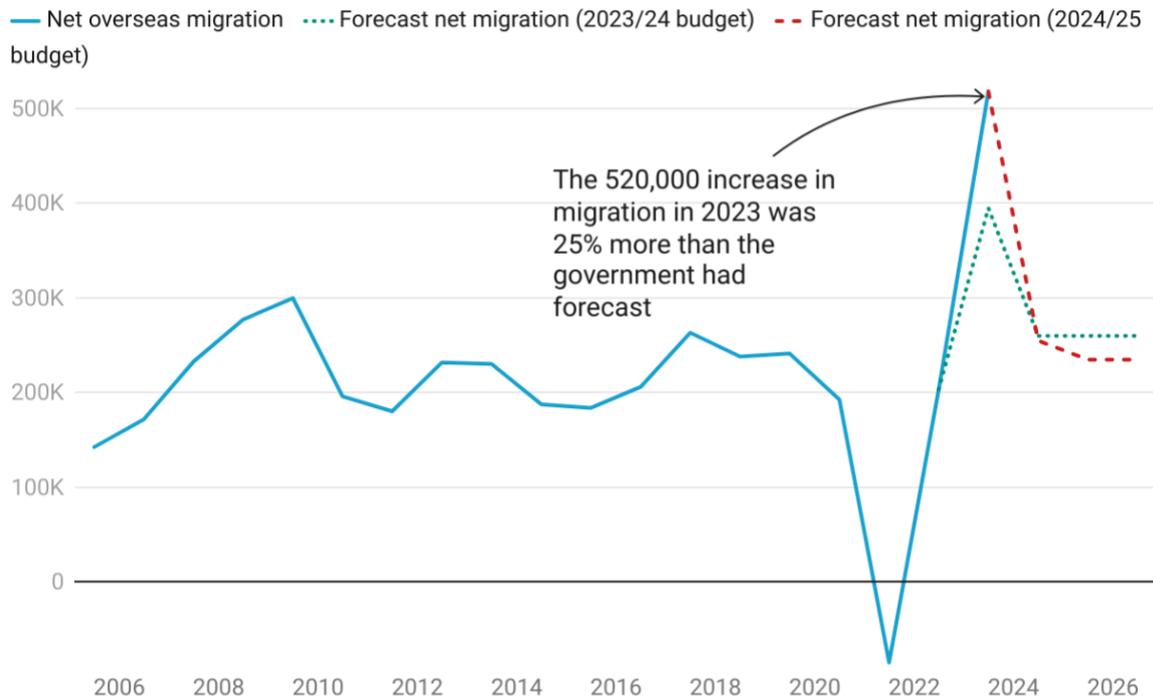


Figure 3: Net overseas migration, actual and forecast. Source: [ABS](#) and [Australian Government Budget Papers](#).

[ACCESS AN INTERACTIVE VERSION OF FIGURE 3 HERE](#)

The complex links between education and migration mean it can be difficult to disentangle migration decisions from education decisions.

It also means that ensuring the health of Australia's international education and migration system means considering the two together.

Gatekeepers and Beneficiaries

At the centre of Australia's education / migration nexus are education institutions. They are beneficiaries and gatekeepers.

The role that institutions play in the migration process is often misunderstood. In this section, we explore the complex way education institutions benefit from, and interact with, the migration system.

Beneficiaries

International education is a A\$48 billion export industry. And it is not universities that are the biggest beneficiaries. About A\$30 billion - or 63 per cent - is spent in the broader economy.

Universities do receive substantial revenue from international students. It is part of the reason why they are so concerned about the government's proposed introduction of student caps. Universities usually receive about two to three times as much for an international student compared to a domestic student.

We estimate about 75 per cent of all tuition fees paid by international students end up in universities, even though universities make up only 43 per cent of all international student enrolments.

The reason is because universities generally charge much more than other types of institutions, like private vocational colleges. The graph below shows the course fees by each of the international education sectors. It shows the cumulative percentage of course fees by how many cost less than the tuition fees listed on the horizontal axis.

The average course fees in the university sector are about A\$41,000 per year. For private vocational colleges, average course fees are A\$13,000 per year.

Universities charge higher tuition fees

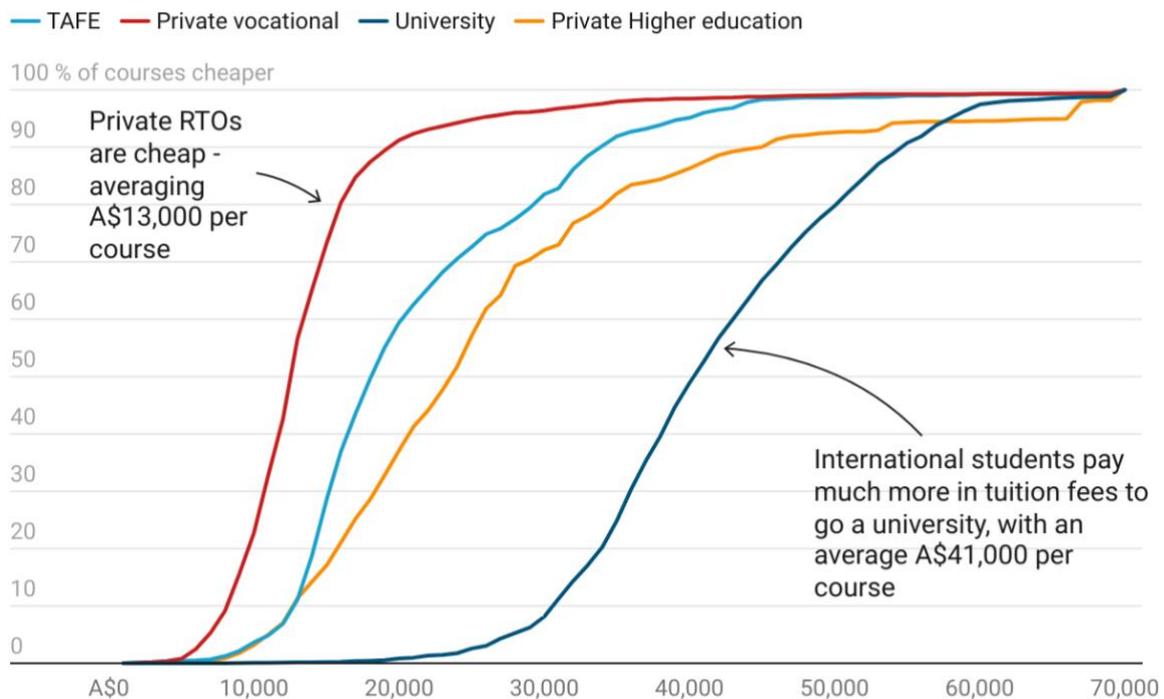


Figure 4: Annual tuition fees for international student courses by cumulative percentage. Source: Mitchell Institute analysis of CRICOS data.

[ACCESS AN INTERACTIVE VERSION OF FIGURE 4 HERE](#)

Within universities, there are also important differences. A lot of the benefits of international education are concentrated in the larger, more prestigious universities known as the Group of Eight. These universities have more international students, and have higher fees.

Because international students are so vital to the financial health of institutions, it means that some universities, especially universities in regional areas, can miss out on the benefits that international education brings.

The benefits to a university can be huge. International students now make up a significant proportion of student revenue and student numbers at some of Australia's largest universities.

This is not out of the ordinary for universities globally. The more prestigious universities often have a large international student cohort. For instance, in the United Kingdom the institutions with the greatest proportion of international students are also the more prestigious. The combination of university reputation and a location in a global city can drive enrolment choice, especially in the higher education sector.

Where there is a significant difference is in the vocational sector. Vocational colleges make up about 33 per cent of all international student enrolments. But the largest providers cater almost exclusively to international students.

The figure below shows the proportion of domestic students at universities and vocational education institutions by the proportion of the student cohort that are international students. It shows that almost all domestic students are studying at institutions that have less than 50 per cent international students. For vocational education students, 94 per cent of students study at institutions where less than 10 per cent of the cohort are international students.

Most domestic students study at institutions with less than 50 per cent international students

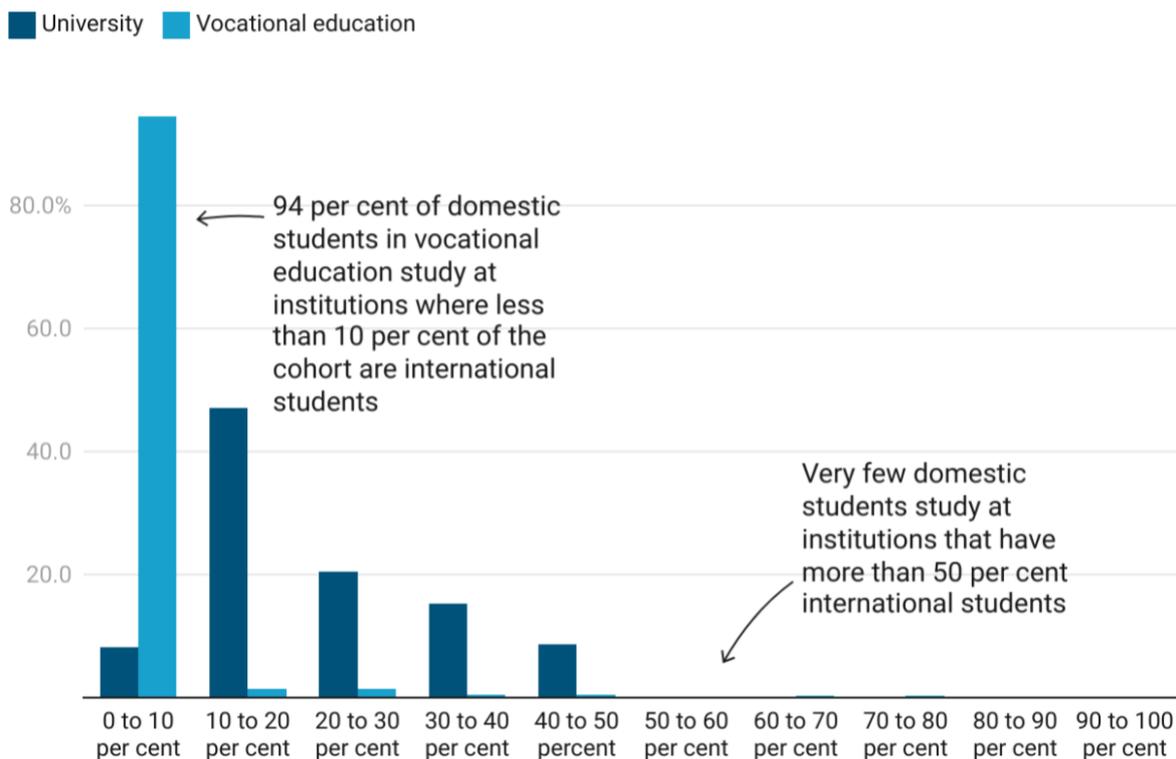


Figure 5: Proportion of domestic students at universities and vocational education institutions by the proportion of the cohort that are international students. Source: Mitchell Institute analysis of student data.

[ACCESS AN INTERACTIVE VERSION OF FIGURE 5 HERE](#)

The vocational sector also differs from the higher education sector in its volatility. While the larger, more prestigious universities have consistently enrolled the most students, the largest vocational providers are constantly in a state of flux. Of the top ten vocational providers in 2021, only three were in the top ten in 2017, and only one was in the top ten in 2018.

The vocational sector is very volatile

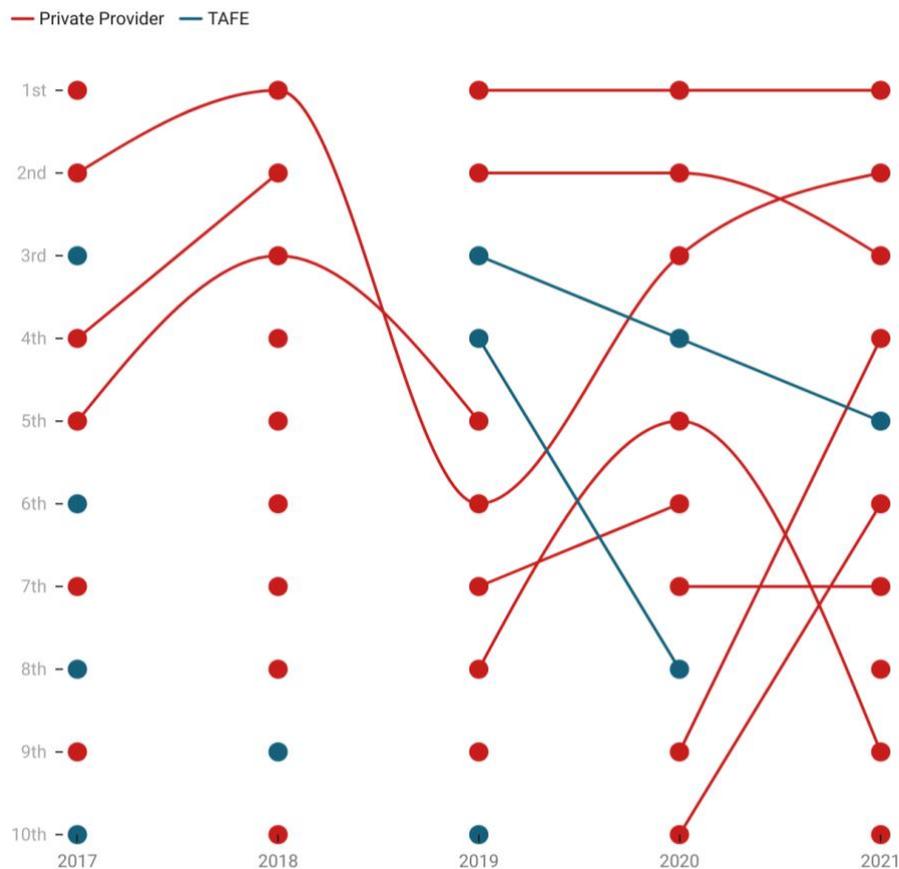


Figure 6: Ranking of top ten international student providers in the vocation sector from 2017 to 2021. Source: Mitchell Institute analysis of AVETMISS data.

[ACCESS AN INTERACTIVE VERSION OF FIGURE 6 HERE](#)

The distribution of benefits, and the types of institutions operating in the sector, has implications for how the government should act when it looks to introduce international student caps.

Universities are right - international students are important to the health of the sector. International student revenue helps subsidise research, and enables greater investment in teaching and infrastructure that domestic students benefit from.

But that is not always the case for the vocational sector. These students pay less and enrol at colleges where few local students attend. TAFEs notably miss out on the benefits international education can bring, and are only 1 per cent of all enrolments.

As the government looks to introduce a 'managed' model, it should aim to focus on the parts of the international education sector that bring the most value, not just to the economy, but also to domestic students.

Gatekeepers

The Australian government is the ultimate gatekeeper when issuing visas, but education institutions play an important role in the decision-making process.

Our research shows there is a three-pointed arrangement between the Australian government, education institutions, and prospective students.

International students need a visa from the Australian Department of Home Affairs to enter and stay in the country. Before the Department of Home Affairs will issue this visa, one of the requirements is that students have confirmation of their enrolment from institutions.

Institutions play an important sorting and selection role. Institutions not only select whether a student meets admissions requirements for a course, they must also verify that a student is 'genuine'. Institutions also become responsible for the 'immigration outcomes' once a student is onshore.

Institutions help mediate a relationship between the Australian government and international students

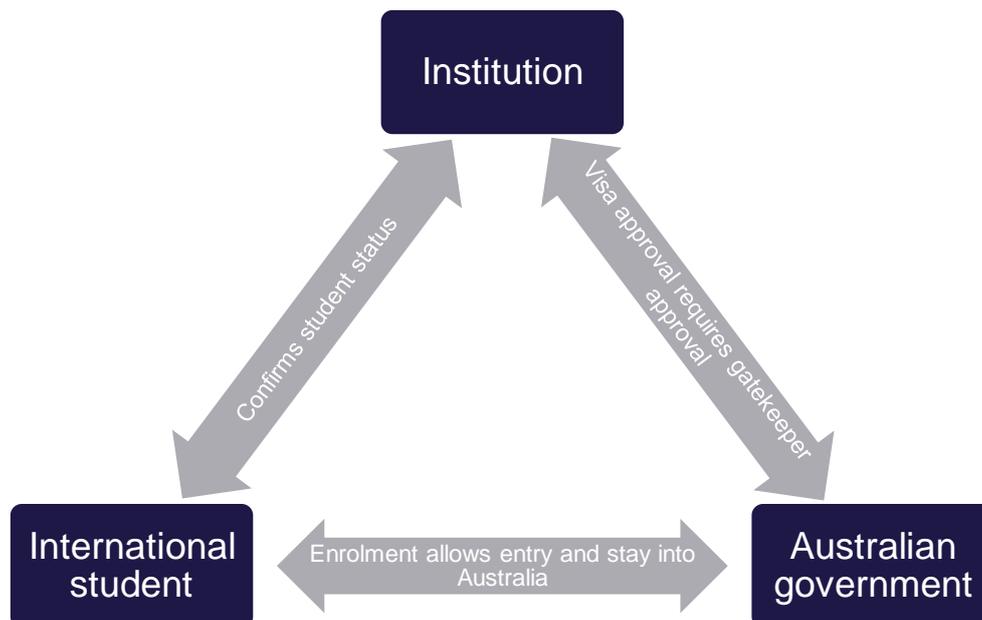


Figure 7: Relationship between the Australian government, international students and institutions.

Institutions are rated by government as low, medium, and high risk. This risk profile is calculated based on a range of factors such as whether students with similar backgrounds have overstayed their visa, or whether an institution is enrolling a lot of students from higher risk countries.

For many institutions, ensuring they have a low risk profile is very important. It means it is

easier for them to recruit students and for students enrolled at their institution to gain a student visa.

But the formula used to determine an institution's and a student's risk profile is not made public. Institutions must guess. Our research shows that institutions want much greater clarity about their role as gatekeepers. They view the current guidelines as opaque and difficult for them to administer.

The ultimate gatekeeper for visas is the Australian government. But the centrality of institutions in the visa decision-making process means they can receive a premium for enabling an international student to enrol. This means that, in many ways, an international student is purchasing a multi-year visa just as they are purchasing a course.

This is not normally a problem as migration and international education are closely intertwined. But issues arise when institutions act more as pathways to visas rather than education experiences.

And as [government reports](#) have noted, the current approach is demand-driven and largely uncapped. To put a curb on total international student numbers, visa refusals are at record levels.

A [critique](#) of the current situation is the Australian government is using an integrity framework to throttle total numbers, which is not what the system was designed to do.

It means there is a need to reset the current approach and find a better way to manage the international education system, and the role of education institutions play within the broader migration regime.

Policy Responses

Australia's international education sector is at a crossroads. It has recovered from the pandemic much quicker than expected. Faced with a blow-out in net overseas migration, the Australian government has indicated it will introduce a 'managed' system.

This likely means caps on the total number of international students. Such a move follows other countries, like Canada, who have also attempted to rein in the number of international students in their country.

The Federal Treasurer announced the caps in the 2024-25 Budget speech:

“Australia's international education sector is a national asset.

But for too long, enrolments have grown without being matched by an increase in student housing supply.

This puts pressure on prices and rents, especially in our cities and suburbs.

It makes finding housing harder for everyone.

We have a more substantial, more sustainable approach.

If universities want to take more international students, they must build more student accommodation.

We will limit how many international students can be enrolled by each university based on a formula, including how much housing they build.”

The Hon Dr Jim Chalmers MP, Treasurer
14 May 2024

Principles for student caps

While limits have been foreshadowed, the formula used to calculate them remains unknown.

Because of the size and importance of the international education sector, the final formula could have a massive impact on resourcing in Australia's tertiary education sector. It will also have flow-on effects to other sectors such as tourism, housing and hospitality, along with the industries that rely on employing international students, such as aged care.

It is important to note that the introduction of caps does not automatically mean a cut to the number of international students. There are currently about 620,000 enrolled international students (excluding their partners and families). The proposed formula is not necessarily designed to make this smaller, but to keep it at the same level or reduce the rate of growth in total international students.

We believe a formula should have the following characteristics.

It should **protect the overall value of the international education market**. This means

focusing on the parts of the sector that bring the most benefits to Australia's economy, education institutions, and broader prosperity.

It should **protect international students** by minimising their exposure to policy changes and encouraging enrolments at institutions who have the means to provide international students with the most support.

It should **prioritise institutions with significant domestic student enrolments** to ensure that Australia's tertiary education system is receiving the most value from international education.

We analysed student data from a variety of sources to model what a formula might look like, along with its impact. This analysis is an estimate - we do not have the most recent data for 2023 and we do not have all the information needed to produce exact results. Determining the final formula is technical work. Best practice would involve modelling several scenarios and would include features such as tolerances that account for the dynamic nature of how international student enrolments vary over a period of time.

But the principle should remain the same even if there is further work required to finalise details.

Based on our analysis, we believe the Australian government should introduce a formula with three characteristics that we describe as base + ratio + growth. At the centre of the proposed formula is the relative ratio of international students to domestic students at an institution.

The base amount is the number of international students that an institution could enrol up to, regardless of its domestic student profile. About 800 higher education and vocational education institutions enrol international students in Australia. Of these, about 150 have more than 500 full-time equivalent international students. This means, that with a base allowance of 500 full-time equivalent students, at least 80 per cent of current providers would not be impacted by the introduction of a formula.

The ratio aspect of the formula refers to the number of domestic students relative to international students above the base amount. This ratio could be 2:1 (for every two domestic students, the institution can enrol one international student), 5:2 (for every five domestic students, up to two international students) or 1:1 (one international student for every one domestic student). Most universities would fall below these ratios, and all would fall below the 1:1 ratio. The ratio should not be a hard cap. Instead, institutions should be able to enrol above their base + ratio amount, subject to agreement and based on other criteria. This could include demonstrating that they have sufficient student accommodation, which the Treasurer announced was a key requirement of any formula.

Growth refers to the allowances for increases in current enrolments of international students. With the right formula, the A\$48 billion value of international education will continue to grow. There are two main reasons some institutions could grow international student numbers even though limits are introduced. First, caps are not a cut to overall student numbers. Even

within the current net overseas migration targets, there is still room for small growth in overall international students. Second, some institutions - mostly private vocational colleges - would need to reduce international student numbers as they have virtually no domestic students and would exceed their base + ratio allocation. This will free up enrolments for other institutions to grow, for instance at 5 to 10 per cent per year.

The graph below highlights the potential impact of the proposed formula. It displays institutions that have over 500 full-time equivalent international students. In this figure, institutions are shown according to the estimated percentage of their student cohort who are international students (horizontal axis) and according to the estimated average annual fee per student at an institution (vertical axis). The line across the middle at A\$28,000 is the average annual tuition fee for an approved course. The size of the circle is relative to total student load - the bigger the circle the greater the number of international students.

Encouraging growth and universities and TAFEs would maximise the value of international education

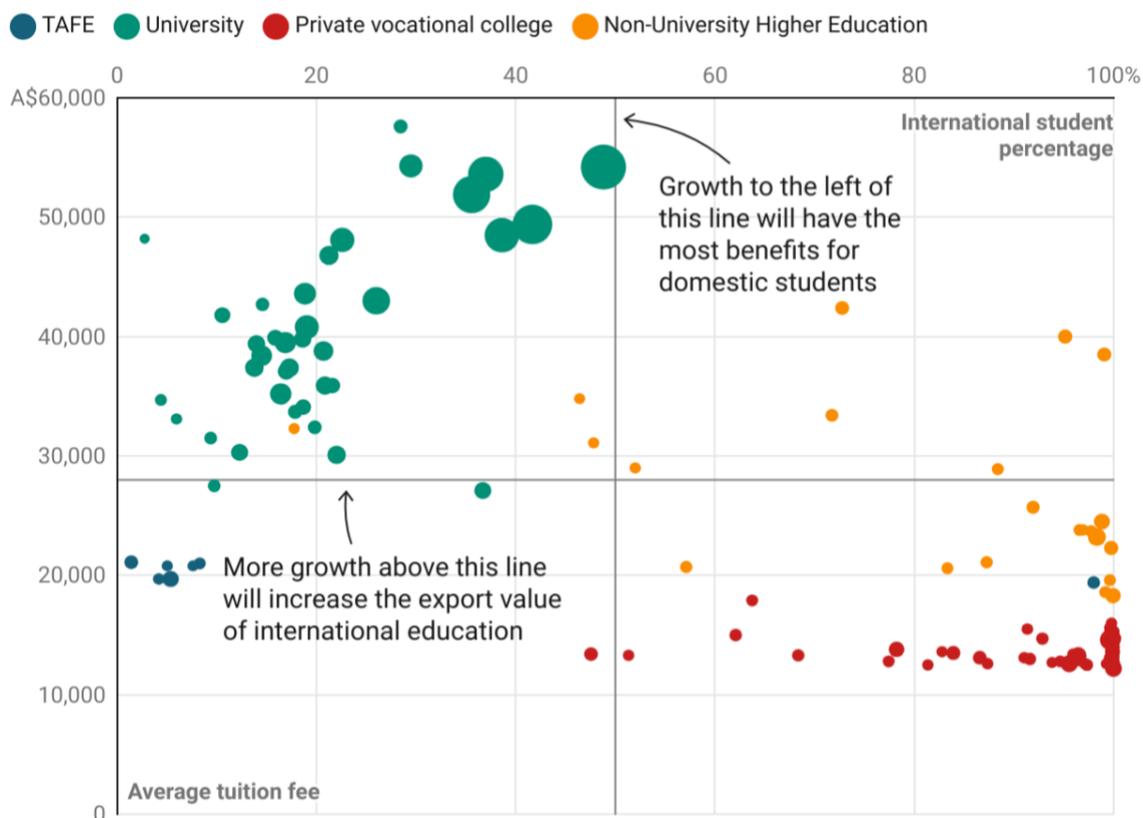


Figure 8: Estimated average annual course fees by percentage of enrolments that international students. Source: Mitchell Institute analysis of student data.

[ACCESS AN INTERACTIVE VERSION OF FIGURE 8 HERE](#)

Encouraging growth at institutions above the horizontal line would increase the overall value of Australia's international education industry. This is because these students pay above the average for a course.

Encouraging growth in institutions towards the left of the vertical line would benefit domestic students. This is because the institutions to the left of the graph have more domestic students enrolled in them.

It is institutions in the bottom right quadrant of the above graph that would be most affected by our proposed formula. These are predominantly the private VET colleges. We estimate that the formula would mean at least 60,000 fewer international students at private vocational colleges. This should be allocated to institutions who have a higher proportion of domestic students.

The private vocational market is volatile. As others have [noted](#), it is a risk that caps could result in these private colleges closing, even if they were to receive a base allocation. There are legislative provisions to ensure that the impact of sudden closures of vocational colleges are minimised. But the Australian government should provide some funding so that other vocational colleges, like TAFEs, are able to enrol any international student who might be caught out by colleges that suddenly cease operations.

Access to work rights

There are parts of the international education sector that have been [associated](#) with visa fraud and abuse.

Successive governments and regulators have been struggling to control this problem.

Protecting students and the integrity of Australia's migration system means removing the incentive for international education to be used as a cheap way to access the Australian labour market. It would help regulators do their job.

Governments can help achieve this by aligning labour market access to enrolment at institutions that meet certain requirements, such as the proven ability to provide student support and wraparound services. This approach also gives the Australian government an important lever to cap the number of international students who have access to the labour market if needed.

Australia wouldn't be alone in such a move. While most countries have similar rules to Australia, all countries have different requirements for international students accessing the labour market.

In the United States, first-year international students are only able to work [on campus](#), and in limited situations in the second and subsequent years of study. In Sweden, only university

students have work rights and students at vocational colleges cannot work while studying.

Such a change would leave most, if not all, international students with access to the Australian labour market. But it would create an important lever for the Australian government to use if it needed to cap the number of students in labour market, or minimise the likelihood of visa abuse.

Post-study pathways

A recent government report found that Australia needs better ways to select international students after their course for migration pathways.

Using lists of occupations and approved qualifications has not been effective in finding high-quality applicants. It also creates an essentially uncapped pathway to temporary migration visas, fuelling the 'permanently temporary class'.

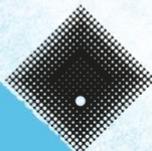
One way to complement current selection mechanisms would be to ask institutions to nominate high-performing students. This would build upon education institutions current role as gatekeepers.

Universities do this type of thing all the time. Ranking, sorting and selecting students is a daily activity. Universities are in a very good position to identify which students have the potential to succeed post-study. Establishing clear guidelines and regulatory processes would ensure that the integrity of such a regime.

There has been a lot of great proposals about improving international students transitions to permanent migration. But our research shows that responses need to consider impacts 'upstream', such as the huge importance of international education to the health of our education sector. Without a more coordinated response, Australia risks not managing its international education sector properly, and this will have huge impacts for millions of people.



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