

Stuck in transit: International student update

Mitchell Institute Policy Brief

April 2021

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About us

The Mitchell Institute for Education and Health Policy at Victoria University is one of the country's leading education and health policy think tanks and trusted thought leaders. Our focus is on improving our education and health systems so more Australians can engage with and benefit from these services, supporting a healthier, fairer and more productive society.

Acknowledgements

The author wishes to acknowledge Sergio Macklin and Krista Eleftheriou for their helpful advice and feedback during the development of the document.

The author also wishes to acknowledge the various government departments who have released information on international students since the start of the pandemic. This information is vital to understanding the issues confronting the international education sector.

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Suggested citation

Hurley, P., 2021. Stuck in transit: International student update. Mitchell Institute, Victoria University. Melbourne.

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What would be the impact of a third year without international students?

The pandemic has hit the international education sector hard. Over 100,000 international students were stuck overseas when Australia's borders first closed in February 2020. New international students are unable to enter the country.

Despite numerous proposals, almost all efforts to bring back international students have been unsuccessful.

The stalled vaccination rollout is prompting questions about the potential impact on the international education sector of the border remaining closed for a third year.

This policy brief examines these issues using data from the Department of Education, Skills and Employment (DESE), the Department of Home Affairs (DHA), and the Australian Bureau of Statistics (ABS).

For the first time, this research considers the impact of online enrolments.

The findings show that while online enrolments helped stem the losses felt across the sector in 2020, this is unlikely to continue.

From the beginning of 2020 to the end of 2021, the sector is on track to shrink by \$13.5 billion, even including the additional value of online enrolments. If the border remains closed, the Mitchell Institute forecasts that the sector will have halved in value by the end of 2022, shrinking by \$19.8 billion since the beginning of the pandemic.

Ultimately, reversing the decline will depend on the rate international students can enter Australia. While some students entering the country would be welcome, they will need to return in sufficient quantities to arrest the decline in the stock of currently enrolled students.

Key points

- A third academic year without new international students is on track to reduce the size of Australia's international education sector by \$19.8 billion, from \$40.3 billion in 2019 to \$20.5 billion in 2022.
- The value of offshore international students studying online increased from \$9 million in 2019 to \$3.3 billion in 2020. However, the bulk of this increase has come from currently enrolled students displaced by the coronavirus, not new students.
- In November 2020, only 16,916 new students had enrolled while outside Australia, 3.4% of all enrolments. This suggests international students are not enrolling online in sufficient quantities to arrest the decline in overall international student enrolments.
- The fate of Australia's international education sector rests on Australia's border policy. What will be most important to any recovery is the rate at which international students can enter the country.

What is the outlook for enrolments in Australia's international education sector?

To understand the outlook concerning international student enrolments in Australia, the concepts of stock and flow are important.

The stock refers to the current number of international students. These are students enrolled in an Australian institution or who hold an international student visa.

The flow refers to the number of new international students who are commencing courses.

The stock of currently enrolled students is constantly changing as students finish their courses. There is a need for the flow of new students to be in sufficient quantities to replace those that are finishing their courses.

Without a sufficient flow of new students, the stock of international students will decline.

Before the pandemic, on November 15th 2019, there were 586,724 international students enrolled in Australian institutions. By mid-November 2020, this had fallen to 502,202, a reduction of 14% (DESE, 2021a).

The Australian government has released two sets of data that provide information about the state of international enrolments.

One dataset includes enrolment information about the current stock of international students.

Table 1 uses this Australian government data to show the scheduled end date for enrolled students as of November 15th 2020.

Table 1: Scheduled course end date for international students enrolled on November 15th 2020 by quarter

| Scheduled end date of enrolment | Number of international student enrolments |
|--|--|
| 2020 Q4 | 103,220 |
| 2021 Q1 | 60,758 |
| 2021 Q2 | 77,677 |
| 2021 Q3 | 55,014 |
| 2021 Q4 | 80,852 |
| After 2021 | 124,681 |
| Total enrolled (on November 15th 2020) | 502,202 |

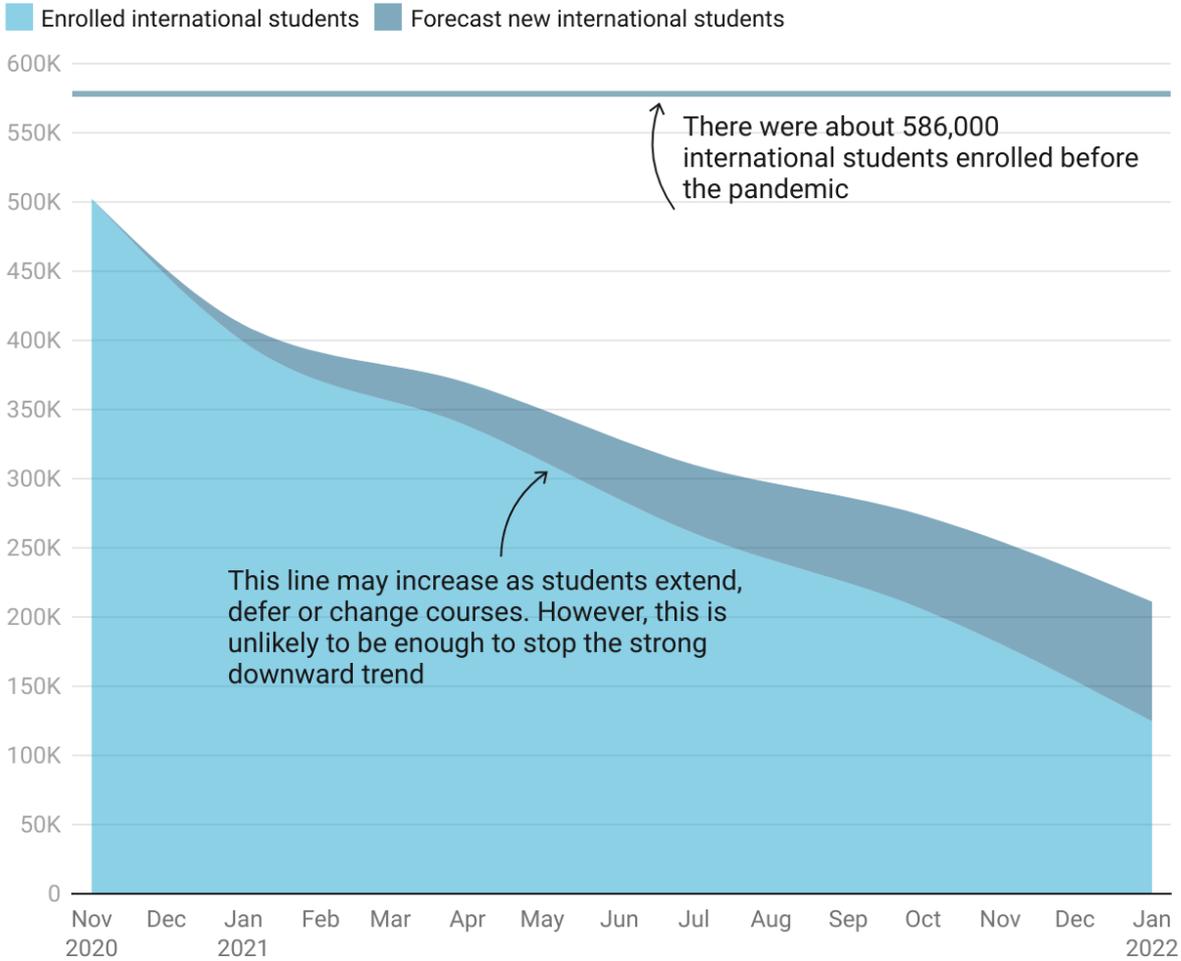
Source: DESE (2021a)

This table shows that of the 502,202 international students enrolled on November 15th 2020, only 124,681 were expected to be enrolled beyond the end of 2021.

The other dataset helps understand the flow of new students commencing courses. New students are those who do not have any previous enrolment record in Australia. This data

shows that 30,890 new students commenced courses in the five months from July 2020 to November 2020, approximately 6,000 per month (DESE, 2021b). Figure 1 below combines these two sets of data to estimate the likely impact of continued border closures on international student enrolments.

Figure 1: Currently enrolled international students by course end date and forecast new students



Source: Mitchell Institute analysis of DESE (2021a, 2021b) data

This figure suggests that international student enrolments will continue to decline as currently enrolled students finish their courses. While some new students are enrolling online, they are not in sufficient quantities to replace those finishing their courses.

There are important caveats on this data. Many currently enrolled students may change their course end date. This is because many students will extend their course or enrol in a new course.

However, such changes to the enrolment end dates is unlikely to be enough to stop the strong downward trend. This is because there are not enough new students enrolling online to replace those finishing their courses, even with some existing students deciding to extend their studies or begin a new course. For instance, there has been a 73% reduction in the number of new students in July – November 2020 compared to July – November 2019 (DESE, 2021b).

Other data shows that the number new enrolments online is quite low. Data published by DESE includes the subset *Outside Australia – No Movement*. Students in this category have student visas granted while they were outside Australia and have not yet used those visas to travel to Australia. Students in this category are a useful proxy to consider the size of new online enrolments since the pandemic began.

Data for November 15th 2020 shows that only 16,916 international student visa holders enrolled in a course overseas and have not used their student visa to enter Australia. This is 3.4% of total enrolments (DESE, 2021a).

This suggests that the stock of currently enrolled students will continue to decline as the pandemic continues to restrict the flow of new students.

How will the pandemic affect the value of Australia's international education sector in 2021 and beyond?

ABS data shows the value of Australia's onshore international education sector before the pandemic was \$40.3 billion. By the end of 2020, this had fallen by \$8.6 billion, or 21%, to \$31.7 billion.

The ABS publishes this data as part of the 'education-related personal travel' series in figures relating to international trade in goods and services. This series is the standard used when calculating the economic value of Australia's international education sector.

However, the 'education-related personal travel' series does not include the economic value attributable to students studying online while living overseas. The ABS does capture the economic value of international students studying online while living overseas in its series relating to 'correspondence courses'.

This set of ABS data shows the economic value of international students studying online increased from \$9 million in 2019 to \$3.3 billion in 2020.

Table 2 shows the value of the service credits, which is used as a proxy to quantify the contribution the economy, for both onshore international students and those studying online. The table also shows an annualised total of these two amounts, which is the total for the 12 months preceding each quarter.

Table 2: Value of Australia's international education sector by quarter

| Quarter | Trade credits for onshore international students (\$ millions) | Trade credits for offshore international students studying online (\$ millions) | Annualised total (\$ millions) |
|----------|--|---|--------------------------------|
| Dec-2018 | 9,103 | 2 | 35,243 |
| Mar-2019 | 10,540 | 2 | 36,549 |
| Jun-2019 | 9,076 | 2 | 37,832 |
| Sep-2019 | 10,317 | 3 | 39,045 |
| Dec-2019 | 10,403 | 2 | 40,345 |
| Mar-2020 | 9,051 | 722 | 39,576 |
| Jun-2020 | 7,567 | 722 | 38,787 |
| Sep-2020 | 7,214 | 945 | 36,626 |
| Dec-2020 | 7,856 | 945 | 35,022 |

Source: ABS (2021)

This table shows that the value Australia's international education sector fell from a peak of \$40.3 billion in 2019 to \$35 billion in 2020, a reduction of \$5.3 billion or 13%.

It also suggests the contribution of students studying online has helped to reduce the losses education institutions have experienced.

Using data from Table 2 it is possible to forecast the decline in the value of Australia's international education sector.

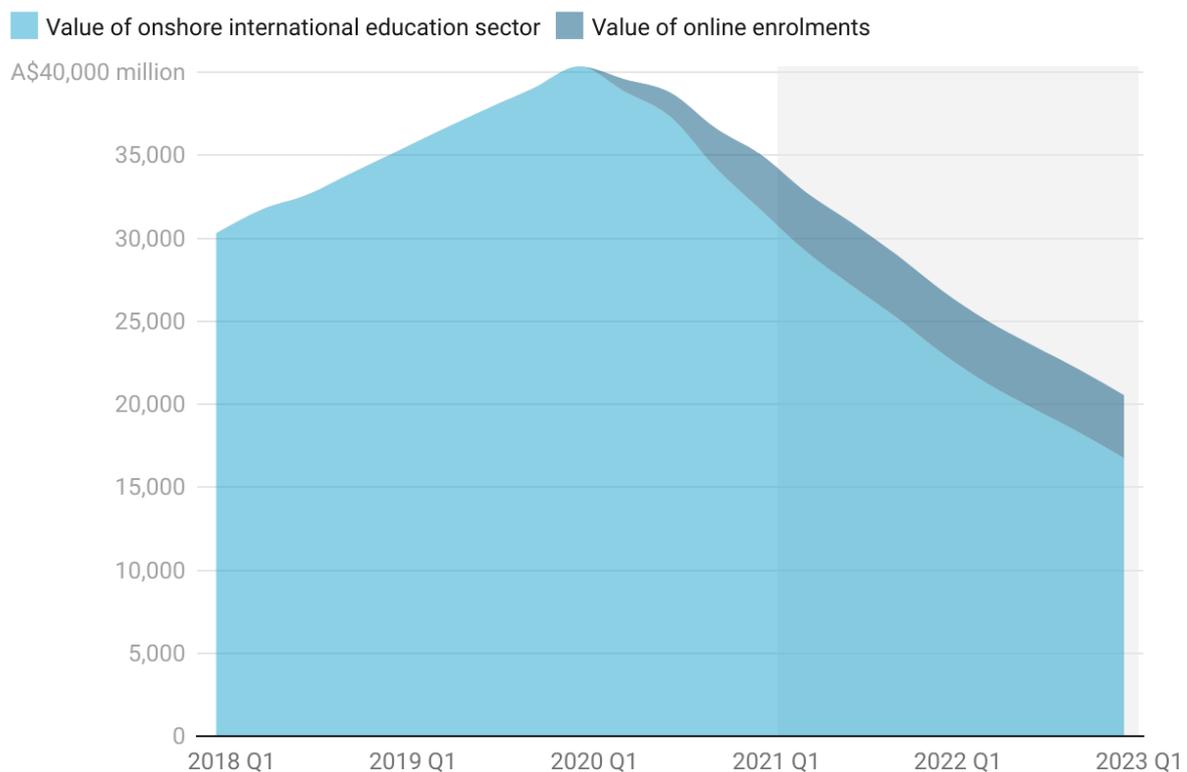
This forecast has two elements. The first is the value of onshore international students. To forecast this amount, the average quarterly rate of decline experienced between July and December 2020 compared to the same time in 2019 is calculated (a decline of 27%) and applied to future quarters.

The second element refers to the value of online enrolments for offshore students. While there is considerable uncertainty whether offshore students studying online will continue to grow, there is evidence to suggest that it will largely remain static in the short-term.

ABS data shows that the value of online enrolments has been steady at \$945 million for both the September and December quarters of 2020. Enrolment data shows that about 17,000 new students have enrolled online while overseas to November 2020. This is likely not enough to increase the value of offshore enrolments significantly, but may also provide some protection against sharp falls in the value of offshore students studying online. Consequently, for the purposes of this forecast, the assumption is that the economic value of online enrolments continues to be the same as reported in the second half of 2020.

The result of the forecast is shown in Figure 2.

Figure 2: Annualised value of Australia's international education sector (actual and forecast)



Source: Mitchell Institute analysis of ABS (2021) data. Forecast amounts are highlighted in grey.

This figure shows that the international education sector is on track to shrink by \$13.5 billion by the end of 2021. If borders continue to remain closed, this will blow out to \$19.8 billion by the end of 2022.

Policy implications: It is all about the rate of return

Allowing some international students into the country will not be enough to arrest the continued decline in enrolments.

What will be most important is the rate that new international students can return.

Between March 2020 and March 2021, there was a reduction of 140,000 international student visa holders. This suggests that every six months, about 70,000 new international students need to enter Australia simply to stop enrolments declining further.

It is far from clear such a scenario will occur. For instance, in February 2021, the limit on international arrivals into Australia was approximately 6,300 per week (Hitch, 2021).

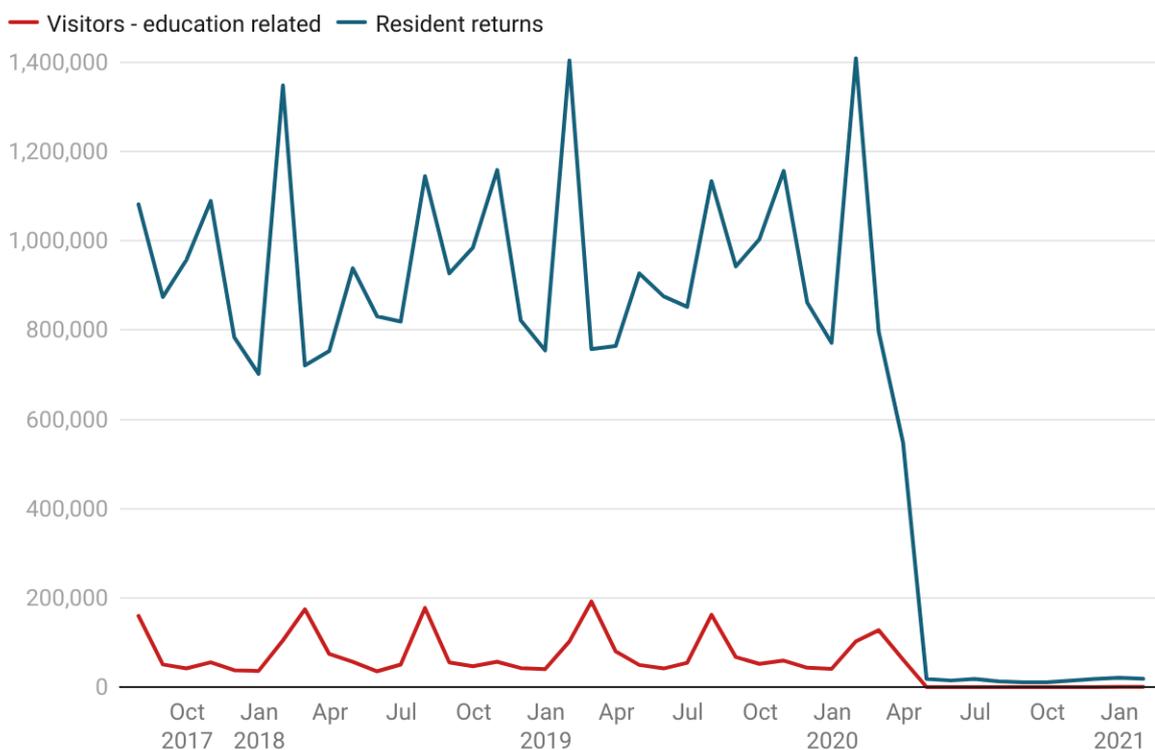
Data for April 2021 from DESE shows there are 150,000 international student visa holders outside Australia. It would take about six months using Australia's entire hotel quarantine capacity simply to process the backlog of 150,000 international student visa holders.

That is before dealing with the challenge of enabling new students to enter Australia.

Ultimately, the fate of Australia's international education industry lies in whatever occurs with Australia's border policy.

To illustrate this, Figure 3 shows the monthly number of arrivals in Australia since July 2017. There are two groups shown. The first are Australian residents returning from long-term periods overseas and from short-term trips such as holidays. The second are visitors whose main reason for travel to Australia is education related.

Figure 3: Monthly arrivals of residents, and visitors on education related travel



Source: DHA (2021)

The figure shows there is a strong seasonal element to international arrivals for both residents and non-residents, with peaks coinciding with school and university holidays.

It also shows the dramatic impact on the number of people passing through Australia's borders since the pandemic. Arrivals by both residents and international students have fallen by over 99%.

It helps demonstrate that the same border policy that enables Australians to enter the country is also affecting international students.

Indeed, any part of society or the economy that relies on the movement of people across borders will be affected by Australia's border policy. This includes international tourism, skilled migrants, and the aviation sector.

If Australia can find a safe way for international students to enter the country, the rest of Australia might also be able to come and go in greater numbers.

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