

**Submission
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**INQUIRY INTO FUTURE DEVELOPMENT OF THE NSW
TERTIARY EDUCATION SECTOR**

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Planning for the Post-Pandemic Return of Foreign Students

Submission to the *Inquiry into the Future development of the NSW tertiary education sector*

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At the end of 2019, Australian universities led the world in numbers of international students, and New South Wales led Australia. This is especially true when it comes to the recruitment of students from the People's Republic of China. According to data from the United Nations Educational, Scientific and Cultural Organisation (UNESCO), Australia was the second largest destination country for outbound Chinese tertiary students, lagging only the United States, a country thirteen times its population. Only ten universities in the entire world outside China enroll more than 5000 Chinese students, and seven of them are in Australia. Three of them are in New South Wales alone.

Table 1. Top ten universities outside China, by number of Chinese students

University	Country	PRC students	Percent	Notes	Source
University of Sydney	Australia	21,000	31%	Estimate	The Australian newspaper (1)
Monash University	Australia	19,000	23%	Estimate	The Australian newspaper (1)
University of Melbourne	Australia	15,000	22%	Estimate	The Australian newspaper (1)
University of New South Wales	Australia	15,000	24%	Estimate	The Australian newspaper (1)
University of Toronto	Canada	12,571	14%	2018-2019	University's website (2)
University of Queensland	Australia	11,000	20%	Estimate	The Australian newspaper (1)
University of Technology Sydney	Australia	8,000	17%	Estimate	The Australian newspaper (1)
MIT University	Australia	8,000	12%	Estimate	The Australian newspaper (1)
University of British Columbia	Canada	6,257	9%	2018-2019	University's website (3)
University of Illinois	United States	5,738	11%	2019-2020	University's website (4)

Notes:

(1) <https://www.theaustralian.com.au/higher-education/top-universities-face-12bn-coronavirus-hit/news-story/424ba001f0228f9733dd5f7b6c396209>

(2) <https://www.utoronto.ca/about-u-of-t/quick-facts>

(3) <https://academic.ubc.ca/academic-community/news-announcements/news/read-201819-annual-report-enrolment>

(4) <https://iss.illinois.edu/about/statistics.html>

In fact, there are more Chinese students at the three central Sydney universities (Sydney, UNSW, UTS) than in all 33 of California's public universities combined. Among international peers, only one Canadian public university (Toronto) and no American, British, or New Zealand university comes close to the levels of dependence on international students seen in New South Wales. The raw numeric comparisons presented in Table 1 don't even take account of the fact that a high proportion of the Chinese students at North American universities are there on Ph.D. scholarships, and thus are funded by the universities, not contributing revenues to them.

In an August, 2019 paper for the Centre for Independent Studies, *The China Student Boom and the Risks It Poses to Australian Universities*, I warned that:

When it comes to paying the costs of education in Australia, relying on international students may someday mean relying on Australia's taxpayers. The figures presented in this report suggest that the day of reckoning may not be far off. Australia's taxpayers would be well-advised to take note now, and force a change of course before it is too late.

That day of reckoning has now arrived. Pressed to offer scenarios under which Australia might face a catastrophic decline in international (and specifically Chinese) student numbers, I suggested that there was a dangerously high probability that China might suffer a currency collapse, which might make it impossible for Chinese students to pursue overseas degrees. I did not envisage a pandemic. But a risky strategy is risky no matter what the precipitating factor turns out to be. The coronavirus pandemic has, as everyone is now aware, caused severe financial hardship at several New South Wales universities. Although the specific cause of that hardship may not have been foreseen, the risk of such a reversal was foreseen, widely debated in the public square, and either dismissed or ignored by many of Australia's vice chancellors, industry lobbyists, and government regulators.

Many of these same figures spun (and continue to spin) the counter-narrative that Australian universities were forced to turn to Chinese students for funding by a stingy government that refused to provide adequate financial support to the university sector. The complexity of the routes through which the Australian government subsidizes universities has made it difficult to refute this argument. But with a slight rephrasing of the question, it becomes possible to definitively resolve this debate using data from the Department of Education, Skills and Employment. The proper question is not "were universities forced to turn overseas by a lack of government funding?" but "were universities forced to turn overseas by a lack of *other* revenues?" -- that is, revenues other than from international students. This refined formulation throws both government support and domestic student fee revenue into the domestic side of the equation. As the data presented in Table 2 demonstrate, New South Wales universities actually experienced rising domestic revenues per domestic Equivalent Full Time Student Load (EFTSL) over the period 2008-2018, even as they accommodated rising numbers of domestic students.

Table 2. University domestic revenue trends per EFTSL, 2008-2018

Location / Group	Gross domestic revenue (CAGR)	Dom. revenue per dom. student (CAGR)	Domestic student enrollment (CAGR)	Int'l student enrollment (CAGR)
Australian Capital Territory	2.12%	-1.15%	3.30%	8.70%
New South Wales	2.82%	0.39%	2.42%	6.54%
Northern Territory	-0.76%	-3.23%	2.56%	15.82%
South Australia	0.96%	-1.39%	2.39%	-0.77%
Tasmania	2.06%	-1.37%	3.47%	5.19%
Victoria	2.29%	-1.07%	3.40%	5.56%
Western Australia	1.38%	-1.56%	2.99%	0.54%
Group of Eight	1.62%	-0.04%	1.66%	7.96%
Australia	2.34%	-0.63%	2.99%	4.55%

Australian universities, and particularly Group of Eight universities, turned to international students because they wanted to, not because they had to. Why did they want to? Certainly there were infrastructure needs and other core administrative functions that could benefit from additional university revenue (and the high margins that universities seem to extract from international students). But the difference between the Group of Eight CAGR in

international student EFTSL (7.96%) and that for all other universities (2.78%; not shown in Table 2) reveals the true driver of the push overseas: **funding for research**.

This has been made clear in the wake of the coronavirus crisis by the frequent pleas from the university sector for emergency government support for research, on the fear that Australia faces a research funding crisis as a result of the withdrawal of international students. Yet one might question whether a country of 25 million needs (or can sustainably support) as many as **seven universities in the global Top 100**, trailing only the United States (population 328 million) and the United Kingdom (population 67 million). Given that Australian vice chancellor pay is often linked to rankings success, it should perhaps come as no surprise that university leaders have pursued a high-risk revenue strategy to raise the funds needed to compete with established leaders in the US and UK. But it is doubtful that Australia or Australians benefit much from the recycling of international student revenues into hiring large numbers of research-only staff who rarely if ever interact with coursework students.

The entire rationale for the research university is that, at the university level, students benefit from being taught by teachers who are at the cutting edges of their fields. At the levels of primary and secondary schools, it is accepted that the most important quality in a teacher is expertise in teaching itself, which is why primary and secondary school teachers receive special training in dedicated teaching degree programs. At the tertiary level, teaching is considered to be so specialized that subject matter expertise is more important than teaching skill. That is why university teachers are generally required to hold the Ph.D. (rather than a teaching certification) and to be active in research. And thus, historically, most university academics have been employed on research-and-teaching contracts that (nominally) assign them to split their time 40-40-20 among teaching, research, and service.

The extraordinary growth in international student revenues since the turn of the millennium has allowed many Australian universities to break the link between teaching and research by giving them the resources to fund strategic research initiatives out of their general revenues. The University of Sydney has 10 "Multidisciplinary Initiatives"; UNSW has 13 "Network Labs"; etc. These and similar programs no doubt produce large volumes of world-class research. But the public has a right to ask: **why should such research be conducted by universities?** The implicit compact between universities and the societies that host (and largely fund) them is that society funds university research so that, at the highest levels of education, its children can be taught by expert scholars. Yet these research institutes collectively employ tens of thousands of non-teaching academics on 100% research-only contracts. If the public is to be asked to fund research simply for the sake of knowledge (and academic paper) production, it has a right to question whether or not universities are the best venue for that -- or to refuse entirely to fund research merely for the self-indulgent pursuit of research excellence.

It will be (and has been) claimed that Australian research can help find cures for cancer, develop coronavirus vaccines, etc. No doubt much research contributes to the public good. But an obvious retort to such reasoning is that a cure for cancer would be equally efficacious if it came from Europe or the United States, and in any case there is little reason to believe that universities are any better at curing cancer than are (say) independent institutes. If the Australian public wants to fund research into cures for cancer, it is certainly entitled to do so. But it is (to say the least) somewhat strange to argue that Australian universities should enroll world-leading numbers of international students in order to ensure that a certain proportion of the world's cancer research is done onshore in Australia by researchers based at (but rarely teaching at) Australian public universities.

The imperative to enrol ever-greater numbers of international students has inevitably put downward pressure on **educational standards**. Here we leave the realm of data and enter the realms of anecdote, investigative reporting, and common sense. Australian media have routinely reported accounts of students who barely speak English, teachers who have been pressured to find ways to pass students who are unable to meet academic standards, and rampant contract cheating driven by student incapacity. Domestic students routinely complain of being forced to act as informal tutors for group work assignments. Even Chinese students themselves have expressed disappointment about traveling overseas to study in a foreign country and improve their English, only to find that there are so many other Chinese students in their classes that they rarely have the opportunity to form real friendships with native English-speaking domestic Australian students.

The negative effects of high international student numbers on the classroom experience are exacerbated by high concentrations of international students in a single language group (Chinese) and relatively **low English-language skills** on admission. In recent years, Australian universities have come under pressure to increase their English proficiency requirements for admission, as reflected in minimum scores on the International English Language Testing System (IELTS). The IELTS organization itself recommends a minimum score of 7.0 (on a 9-point scale) for admission to academic courses, rising to 7.5 for "linguistically demanding academic courses" -- i.e., those in which students are expected to write papers and participate in class. It seems that no Australian university meets these recommendations, although some come within half a point of meeting them, at least when it comes to **direct admission** to degree programs.

But an unknown and presumably large number of Chinese and other international students enter Australian universities through their **foundations programs**. These typically require very low IELTS scores for admission: at the University of Sydney and UNSW, the minimum score is 5.0. After completing a year or more of study, students able to progress to university courses subject only to internal success in the program -- i.e., **without having to retake the IELTS**. Obviously, such programs are **ripe for abuse**. They represent self-dealing on the part of universities, which reap confidential revenues from teaching confidential numbers of students who gain admission to university courses with English language skills that are shielded from external scrutiny. It must be admitted that there is no positive evidence that foundation programs are being abused as an admissions rort, but this may be only because universities ensure that there is virtually no evidence at all about them in the public domain.

In order to ensure high academic standards at New South Wales universities, the Government of New South Wales should:

- (1) Require NSW universities to publish comprehensive international student data by course country
- (2) Set maximum international student and specific country of origin percentages for NSW universities at the full university and specific course levels
- (3) Require NSW universities to operate in such a manner that all academic staff participate in teaching
- (4) Require NSW universities to implement a minimum actually-tested IELTS standard of 7.0 for admission to all courses (rising to 7.5 for language-intensive courses)
- (5) Prohibit NSW universities from self-dealing through the operation of foundations programs

END OF SUBMISSION