

Australian Higher Education: The Perfect Storm?

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Australia is known for its extreme weather events and climate-related catastrophes, from long periods of drought to raging bush fires, cyclones, and flooding. Like the rest of the world, it has been coping with the COVID-19 pandemic but, along with New Zealand, it has largely been able to secure its international borders and limit the importation of the virus from elsewhere. This has, however, prevented a significant number of international students from entering the country to commence or continue their studies at Australian universities, leading to a substantial reduction in income for some of these institutions and precipitating a financial crisis that few have experienced in their recent history. In combination with an apparently unsympathetic federal government and very cautious state governments, this appears to have created a “perfect storm” for Australian universities and a real disruption to their operations. Some have the resources and expertise to adopt a longer-term, strategic response to this crisis, while others appear to be struggling to survive. However, several leading universities have posted large losses in 2020 and a major rating agency has revised its outlook to negative, due to the sector’s heavy reliance on international student enrollments.

Dependence on International Students

As a highly marketized higher education system, along with the US and UK systems, Australian universities have energetically expanded international student enrollments since 2002 and particularly during the last few years, since domestic student numbers were capped in 2017. The number of overseas higher education students grew from 125,000 in 2002 to 440,000 in 2019, and by 45 percent in the last three years of this period, with

Abstract

The heavy reliance of Australian universities on international student tuition has been exposed by the pandemic and, in particular, the federal government’s closure of international borders. This has prevented a significant number of students from entering the country to commence or continue their studies at Australian universities, leading to a reduction in income and precipitating a financial crisis. Some universities have adopted a longer-term, strategic response to this crisis, while others are struggling to survive.

the vast majority coming from China (38.4 percent of international students in Australia in 2019) and India (19 percent). This represented about 8 percent of the total international student population worldwide, in third place just behind the United Kingdom. The largest category by far were master's degree coursework students, studying full-time and on campus, in management & commerce and science & technology disciplines, with information technology, engineering, and related technologies most vulnerable to the sudden reduction in numbers. Universities with the highest proportion of international students included several of the Group of Eight research-intensive universities, with the University of Sydney (38.2 percent of all students) and the smaller Australian National University (37 percent) at the top of the list.

Since Australia closed its borders to travellers from China in February 2020, and to all international travellers except residents of Australia in March of that year, there has been a 23 percent drop in international commencements, including a fall of more than 80 percent among new students from India. While continuing students “soften the blow,” once they complete their studies, whether online or in-country, the reduction in replacements will begin to bite, especially if restrictions on international travel persist into 2022. At the time of writing, there are more than 100,000 international student visa holders stranded outside Australia trying to complete their courses online. According to Australian diplomats based in Beijing, many Chinese students with Australian visas are considering switching to countries where they can study in person. The slow roll-out of the vaccination program in Australia, especially compared with its prime competitors in international higher education, the United States and the United Kingdom, does not bode well.

Broad Impact

In 2019, educational services were Australia's third largest export, and overseas student fees accounted for AUD 10 billion (or 27 percent) of universities' income. It has been estimated that without successful strategies to mitigate the impacts, the total losses from this revenue by 2024 could be in the range of AUD 11 billion to AUD 18 billion. The expected growth in domestic demand in the next few years will not be sufficient to offset predicted losses, because of fewer on-campus enrollments and government policy that will have the effect of reducing domestic fee income. The nature of the risks to individual universities depends on their relative reliance on international fee revenue, the underlying financial resilience of the institution, and the strategic decisions now being made. In addition to reduced fee income, universities have faced losses on their investments due to the impact of the pandemic on international financial markets, and additional expenditure caused by the substantial shift to online and hybrid forms of teaching and learning, together with student financial and welfare support.

In 2018, Australian universities spent AUD 12 billion on research (37 percent of total expenditure), of which approximately AUD 6 billion was from institutions' own discretionary income rather than external sources. International student fees contributed around 50 percent of this discretionary income and so, with the reduction in this income, universities' research expenditure is estimated to decrease by between AUD 6 billion and AUD 7 billion between 2020 and 2024. This could lead to a reduction of between 5,000 and 6,000 research students and staff, which is equivalent to 11 percent of the current research workforce. A one-off federal government injection of AUD 1 billion from the Research Support Program in 2020 is unlikely to have much of a mitigating effect.

Overall, it is estimated that universities have already shed around 17,300 staff (13 percent of 130,000) as a result of the pandemic, with casual and fixed-term academics and junior professional staff most vulnerable to redundancy. This has almost certainly resulted in increased workloads for all remaining academics and professionals, especially those involved in teaching. As well as accelerating the declining proportion of academics who are on teaching and research contracts, many of these may be becoming *de facto* “teaching-only,” or at least “teaching-intensive.”

Before the pandemic, international education contributed over AUD 40 billion annually to the Australian economy, of which 57 percent, or AUD 22.8 billion, was in the form of goods and services spent in the wider economy, for example in retail and on accommodation. It has been estimated that if borders remained closed, by mid-2021, there

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would be a 50 percent reduction in the number of international student visa holders inside Australia. This would equate to an annual reduction of approximately AUD 11 billion in spending in the broader economy, which makes the federal government's unsympathetic attitude to the university sector difficult to comprehend.

A Hostile Government and Policy Environment

When borders were first closed, the Australian prime minister, Scott Morrison, suggested that international students who were facing economic hardship because of the pandemic should "just go home." This was the first of a series of unsympathetic, unhelpful, or even hostile moves toward higher education by the federal government during the pandemic. First, universities were excluded from the "Job Keeper" scheme, a subsidy for businesses significantly affected by the pandemic—thus exacerbating job losses. Second, the introduction of a "Job-ready Graduates" policy had the effect of reducing higher education institutions' income from teaching domestic students. Third, a number of initiatives have been designed to challenge universities' autonomy in collaborating internationally, including the Foreign Relations Act 2020 and an Extension of the Security of Critical Infrastructure Act to the higher education and research sectors. Higher education is also at risk of being caught up in the trade war between Australia and China, which has already resulted in the introduction of tariffs on some goods and the suspension of particular exports. Perhaps educational services will be next? ▲

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