A return to growth: recent trends in higher education student visa numbers.

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Introduction

International students play an important role in Australian higher education and make a significant contribution to the Australian economy. The substantial proportion of international students in the Australian system set it apart from almost every other system in the world, and this internationalisation of higher education also brings Australia closer to the rest of the world – particularly Asia. Yet the Australian dependence on international students in the higher education system has been under pressure. This Joining the Dots Research Briefing examines international student numbers in Australian higher education over the past seven years, based on various data sources. As described by Michael Knight in his Strategic Review of the Student Visa Program (2011) this is a time during which the international student market has been at the centre of a ‘perfect storm’.

The analyses in this briefing focus on changes in international student numbers in the past seven years, a time during which a number of issues have had an impact on the market. These included changes in Australian immigration policy, the strengthening of the Australian dollar, negative publicity surrounding the safety of international students and the closure of some tertiary providers (mainly in the VET area) that primarily enrolled international students.

This briefing draws on new data from the Australian Department of Immigration and Citizenship (DIAC), supplemented by statistics collected from Australian Education International (AEI), and the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE). It also uses data from the United States of America, the United Kingdom, New Zealand and Canada for comparative purposes. Drawing on these varied sources, a more complete picture of forces influencing the international student market is established. The various factors influencing change over the past seven years are examined in the final sections of the briefing.
Key findings in this briefing include:

- All key Australian data sources point to a downturn in international student numbers in Australian higher education since 2009, following years of very strong growth.

- Success rates of applicants for higher education student visas declined notably in the 2011/12 financial year.

- Absolute numbers of visas granted to Indian students have declined dramatically since 2008. Other key countries supplying international students such as China and Malaysia have experienced a far smaller decline than that recorded for India.

- Visa application success rates among Indian offshore applicants were only 50 per cent in 2011/12, down from 96 per cent in 2006/07.

- While Australia’s international student numbers are declining, key competitors in this market, such as the USA, UK, New Zealand and Canada, have all experienced growth since 2009, suggesting there may be factors specific to Australia influencing this decline.
Monitoring trends in international student numbers

There are a number of Australian government bodies that collect data relating to international student numbers. For a complete picture, this briefing begins by comparing data from the three key sources, DIISRTE, AEI and DIAC. DIISRTE collects commencement numbers from higher education providers, and here onshore international students are shown. AEI records international student numbers based on records from the Provider Registration and International Students Management System, and here year to date commencements to December each year are shown. DIAC record data on the number of student visas applied for and granted, and here financial year figures for higher education student visas (573) are shown. While absolute numbers between these sources differ, a congruent trend in international student numbers appears in all three collections, as displayed in Figure 1.

Growth in international student numbers in Australian higher education peaked in 2009. Enrolment growth over the years preceding 2009 was strong and relatively consistent. In particular, the three years leading up to 2009 saw large gains – the AEI data record a 36 per cent growth, the DIISRTE a 47 per cent growth and the DIAC a 42 per cent increase in international student numbers.

In the years following 2009, all three sources of data show a decline in international student commencements. The DIISRTE data suggest a decline in commencements of 9 per cent and the AEI data a decline of 6 per cent in the two years following 2009. The DIAC data show a 16 per cent decline in the number of international student visas granted between 2009 and 2011, with a slight rise into 2012.

Each of these three data sources provides a unique perspective on the international student cohort and trends over the past few years. Together, they show a consistent pattern that reflects the rise and fall of international student numbers in higher education in recent years. While each of these three sources provides interesting data, the remainder of this briefing concentrates on the DIAC data, because they are the most up-to-date of the three sources, and provide a new perspective on recent trends. The DIAC data provide detailed insights about the number of visas being granted (supply of international higher education students) as well as visa applications (demand for higher education in Australia). The demand side of this equation is unique to the DIAC data and of notable interest to international higher education.

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**Figure 1**

International student numbers in Australian higher education - perspectives from three data sources, 2002 to 2012

The Australian migration policy distinguishes a number of student visas, among which is the specific higher education visa (573). This visa is aimed only at higher education students, so that data from DIAC enable us to chart the visa application and granting process for international students in this particular sector. Data is presented by financial year up to the end of the last financial year (June 2012).

**Figure 2** shows the total number of higher education visa applications, the number of visas granted, and the success rates of applicants, over the past seven financial years. The application and grant numbers share a similar pattern of rises from 2005/06 to 2008/09, then a decline in the following two years, indicating grant rates have remained relatively stable over this period. In 2011/12 the number of applicants for higher education visas began to increase (with a 3 per cent growth on the previous year). At the same time, the number of visas granted rose, but only slightly (by less than one per cent). As the dotted line in the chart shows, this is due to a decline in the proportion of visa applicants who were successful in obtaining a visa in the 2011/12 financial year. In this past year, 91.6 per cent of applicants were successful. This was a notable decline on the previous year (95.2 per cent) and is well below the series high of 96.9 per cent in 2006/07.

**Figure 3** provides another perspective on the visa grant numbers for higher education in Australia. It shows the difference between visas granted onshore (by prospective students already in Australia on other visas) and offshore (by new prospective migrants). The trend clearly shows that the decline in student numbers began to increase (with a 3 per cent growth on the previous year). At the same time, the number of visas granted rose, but only slightly (by less than one per cent). As the dotted line in the chart shows, this is due to a decline in the proportion of visa applicants who were successful in obtaining a visa in the 2011/12 financial year. In this past year, 91.6 per cent of applicants were successful. This was a notable decline on the previous year (95.2 per cent) and is well below the series high of 96.9 per cent in 2006/07.

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This difference is important considering the recent growth suggested by the aggregate figures. Offshore applicants are much more likely to be students new to Australia, whereas onshore applicants are likely to be moving from one visa to another. Among the onshore applicants there is a substantial amount of visa ‘churn’. Data published by Birrell and Healy (2012) show that between one third and a half of all persons finishing a student visa in 2010/11 and 2011/12 re-applied and successfully gained another visa – of these, nearly 30 per cent received another student visa. In essence, a notable number of onshore visas being granted are not to students new to Australia.

Therefore, in monitoring the overall growth and recovery of the higher education market for international students, the trend in offshore visas is arguably most important. In this regard, the offshore visa numbers show that the decline in numbers stalled in 2011/12. While the figures for this group continued to decline in 2011/12, this decline was very slight compared to the previous two years.

The DIAC data also allow for an examination of visas granted by country of origin. In **Figure 4**, the numbers of higher education visas granted onshore and offshore are shown over a seven year period to the middle of 2012 for the five countries from which the most visa holders in Australian higher education originate. The figure reveals quite a dramatic pattern. It shows the substantial role that a downturn in Indian student visas has had on the overall numbers of international students in Australia over the past years.

The number of visas granted to Indian students between 2005/06 and 2007/08 increased markedly, with India overtaking China as the country with the most higher education visa holders. However, in 2008/09 the number of visas granted to Indian students experienced a 19 per cent decline, and in the 2009/10 financial year a further 60 per cent decline in visa numbers was recorded. Following a further decline in 2010/11 of 21 per cent, the last financial year data showed a recovery in the Indian market. Overall, however, the number of higher education visas granted decreased from 34,200 in 2007/08 to just 9,750 in 2011/12 – a 71 per cent fall in the space of 5 years.

What is perhaps more remarkable about this is that the trends for other countries that contribute large numbers of international students do not show anywhere near the dramatic pattern revealed in the Indian visa numbers. China, the only other market in the same order of magnitude as India in 2007/08, experienced overall growth during the following five years, albeit at a slower pace and with some decline experienced in 2010/11. Despite the decline in the most recent financial year, the number of visas granted
Figure 2
Visas lodged, visas granted and application success rates, higher education student visa (573), Australia 2005/06 to 2011/12

Figure 3
Visas granted by origin of application, higher education student visa (573), Australia 2005/06 to 2011/12

Figure 4
Visas granted for higher education students by country of origin, Australia 2005/06 to 2011/12
to Chinese students increased 18 per cent overall between 2007/08 and 2011/12. Among the other main source nations, Saudi Arabian visas increased over this time, while Malaysia and Vietnam experienced slight declines in numbers over the past few years, although comparatively small relative to the Indian decline.

International demand for Australian higher education, as measured by student visa applications lodged, reveals a pattern (as shown in Figure 5) of lodgements by country very similar to that of visas granted, with a significant downturn in demand from Indian citizens. Importantly, the latest figures show an increase in demand from prospective Indian students, with a rise in demand of 21 per cent recorded in the 2011/12 financial year. Notably, there was a substantial increase in offshore application numbers from India – from 4,026 in 2010/11 to 7,716 in 2011/12 – suggesting a renewed demand for Australian higher education from this market.

This increase in application numbers has been somewhat diminished by a notable downturn in the success rate among Indian visa applicants. The success rate of visa applications by offshore applicants is shown by country in Figure 6. These data show that among the five largest source countries for international students in Australia, India has experienced by far the most substantial decline in grant rates. In the financial year just past, only just over 50 per cent of Indians who applied for a higher education visa offshore were successful, down from 96 per cent in 2006/07. By contrast, the Chinese grant rate has remained relatively stable and in 2011/12 was 97 per cent. From these data, it appears that an increased scrutiny of student visa applications by DIAC over the past few years (discussed in detail later) has had a significant impact on the Indian student market, and much more than on other key markets.

1 The majority of higher education student visas lodged by Indian citizens in 2011/12 were lodged offshore (57 per cent). This figure has declined from 87 per cent in 2006/07.
Grant rates for higher education visa applicants from offshore applicants, Australia, 2005/06 to 2011/12

Source: DIAC unpublished, customised student visa data.

Figure 6

Grant rates for higher education visa applicants from offshore applicants, Australia, 2005/06 to 2011/12

Source: DIAC unpublished, customised student visa data.

Figure 5

Visas lodged for higher education student visas by country of origin, Australia 2005/06 to 2011/12

Source: DIAC unpublished, customised student visa data.
Trends in international student numbers in competitor countries

Australia’s largest competitors for international students are the USA, the UK, Canada and New Zealand. Statistics for these countries are compared with Australian figures in the discussion below to provide an international picture of education markets over the past seven years. To consider the relative change in international student numbers, an index has been created based on the student numbers in 2005/06.\(^2\)

An index of change in international student numbers for these key competitor countries is shown in Figure 7. The figure shows that of these five countries, Australian enrolments of international students grew at a faster pace between 2005/06 and 2008/09 compared to its competitors, but by 2011/12 the rate of change was well below that recorded in the competitor nations, which all recorded a steady growth from 2007/08. Importantly, while Australian international student numbers have been declining, the numbers in our competitors have been increasing. New Zealand, which experienced a decline in numbers between 2005/06 and 2007/08 (while Australian numbers were still growing) recovered over the following three financial years.

Given the significant downturn in Indian student numbers in Australian higher education over the past four years, an index has also been created to compare the relative change in the international enrolment of Indian students since 2005/06 in five nations.\(^3\) Figure 8 shows that while Indian student numbers of have halved in Australia, they have more than quadrupled over the same period in Canada\(^4\) and have doubled in the UK and New Zealand (although there was a decline between 2009/10 and 2010/11), while growing modestly in the USA.

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2 Data on international student numbers used here for 2005/06 are based on 564,766 international students in the USA, 330,080 in the UK, 29,637 in Canada, 25,850 in New Zealand and 94,042 in Australia. Further data on relative enrolment numbers can be found in JTD Briefing Vol 1, No 8 (Edwards, 2011).

3 Data on Indian international student numbers used here for 2005/06 are based on 76,503 Indian students in the USA, 19,205 in the UK, 2,684 in Canada, 699 in New Zealand and 17,030 in Australia.

4 Canadian data here includes international students from all sectors (school, university and other post secondary education). The absolute numbers are not impacted due to the indexation of the data. While it is unlikely, it is possible that the growth here may not be representative of what has occurred in universities only.
A return to growth?

Figure 7
Change in international student numbers in higher education in selected countries, indexed at 2005/06 levels

Figure 8
Change in Indian student numbers in higher education in selected countries, indexed at 2005/06 levels

Explaining the downturn

The recent challenges for the Australian international student market are widely known. A combination of factors help to explain the downturn indicated in Figure 1, and they have been examined elsewhere, most notably in the Knight Review. This discussion does not aim to explore all the challenges in detail, but to highlight some key factors that may have influenced the decline in enrolments from international students.

Migration policy changes

In 2009 and 2010, key changes were made to Australian migration policy, essentially weakening ‘the connection between studying in Australia and gaining permanent residency’ (Knight, 2011, p. 12). The rationale for this was that student visas were being used by some people with no intention of studying, or remaining temporarily in Australia, but rather as a pathway to permanent residency.

In 2009, efforts were made to increase scrutiny of student visa applications, with particular focus on markets where it was perceived that misuse of the system was substantial. In 2010 the Migration Occupations in Demand List (MODL) was abolished by the Australian Government, removing the link between certain occupations (and courses) and permanent residency. Together, these changes re-oriented the student visa program and responded to concerns that there was widespread abuse of the system by some ‘unscrupulous’ education migration agents and ‘nefarious operators’ (Knight, 2011, p. 15).

In 2011, following the Knight Review, a further re-positioning of the student visa program was enacted. Based on the recommendations of the review, the student visa application and assessment process was focused on identifying individuals who were genuine students and genuine temporary entrants.

Particular markets were identified and were under increased scrutiny, leading to a small overall decline in the rate of higher education visas granted (as outlined in Figure 3). However, as shown in Figure 6, the decline in grant rates has varied substantially by country, with offshore Indian higher education applicants experiencing a major decline in success rates over the past five years. These changes to the migration program were designed to target groups of visa applicants more likely to use the student visa program as an avenue to permanent residency. Given the data shown above by country of origin, it seems likely that these changes had a more profound impact on Indian visa applicants than on any of the other large source countries.

Strong Australian dollar

As a result of a range of factors, including the Global Financial Crisis, the Australian dollar increased in value by 47 per cent in relation to the US dollar between January 2009 (when it was 68 cents to the US$) and January 2011 (when parity was reached). This is shown in Figure 9, alongside relative exchange rates with the UK and Canada to illustrate that the increase in value of the Australian currency has also been occurring against other key currencies.

The consequence of this strengthening of the Australian dollar is that Australian higher education has become comparatively more expensive for international students than higher education in other countries. For example, in January 2009, 3 million Indian rupees would have converted to $90,500 Australian dollars, or $61,200 US dollars. By June 2012 the same amount of rupees equated to $53,700 Australian dollars, roughly the same amount as one could buy in US dollars ($53,600). Essentially the competitive advantage Australia gained through exchange rates has disappeared – even perhaps reversed.

In terms of purchasing power, the cost of living on average in the USA is substantially lower than in Australia – another factor in reducing the attractiveness of Australia as a destination for study. According to the OECD’s monthly comparative price levels data, which maps international prices of basic consumer goods and services, Australian prices were 64 per cent higher than those in the USA in September 2012.5

Figure 9
Australian dollar exchange rate with selected currencies, 2009 to 2012

Violence against international students

Between late 2008 and early 2010, concern for the safety of international students in Australia came to prominence as a result of highly publicised incidents involving violent assaults on international students. Perhaps the most publicised of these incidents was the murder in early January 2010 of Nitin Garg, an Indian accounting graduate. As a result of these assaults, the Indian Government released a travel warning for students in Australia. While these incidents were isolated, they were prominent in the media at the time both in Australia and overseas, and were seen as cause for concern.

Subsequently, research by the Australian Institute of Criminology in 2011 found that, ‘in essence, Indian and other international students are no more likely than Australian reference populations to be the victim of assault or other theft … However, international students were found to be more likely to be the victim of personal robbery’ (Joudo Larsen, Payne, & Tominson, 2011). Without disregarding the seriousness of the incidents that have occurred, this research provides some perspective on the issue.

Despite this perspective given by the research, the incidents of violence towards students and the media attention that they received has undoubtedly reflected negatively on Australia as a destination for international students.

Closure of providers

In his review, Michael Knight highlights the sudden closure of a number of providers of post secondary education as further damaging the reputation of Australia’s education system. In 2009 and 2010 a total of 49 providers closed, displacing more than 11,000 international students (Knight, 2011). These closures occurred for a number of reasons. Most of these institutions were identified as focused on quantity of international students rather than quality of educational provision. While these unscrupulous providers were primarily in the VET sector, there was an inevitable flow-on effect on the reputations of other sectors such as higher education.

Growing competition for students

The international student market can be lucrative, and while Australia has been at the forefront of provision over the past two decades, other developed and developing countries are increasing their presence in the market. A previous JTD Research Briefing (Edwards, 2011) highlighted that more than 100 countries are now enrolling international students in tertiary education, with many in the Asian region developing their capabilities in this regard over the past 5 years or so. In addition to this, higher education institutions in the USA have increased their intake of international students in recent years. Canada has increased its international recruitment activity and has eased visa requirements for international students in recent years - an outcome reflected in the data discussed earlier (Figure 7).
Conclusions

Given that these elements all converged over a similar time span, it is impossible to isolate the individual impact of each on the international student market in Australian higher education. However, as the data in the briefing highlight, these changes have clearly had much more of an impact on potential students from India than on students from Australia’s other major source countries. Important in this regard is the notable decline in visa success rates in the Indian market - a result of recent migration policy changes - and the relatively smaller decline in this rate observed in other key source countries. In addition to this, the reports of violence against international students in 2009 in particular highlighted problems experienced by students from the Indian subcontinent and were widely reported throughout the Indian media. This suggests that safety concerns may have been more salient to potential applicants from India than for students from other key source countries.

The most recent data does suggest that there is a return to growth in international student numbers in Australia. However, there are important factors to consider before assuming that past growth rates will resume. First, the fact that visas for offshore higher education applicants have not yet begun to increase is a clear reason for caution – overall visa numbers are slowly increasing, but this is the result of increases in onshore visas being granted, many of which are likely to be visa ‘churn’ among existing visa holders rather than students new to Australia. Second, the major role of Indian students in the growth of international students in higher education over the past decade must not be underestimated. The fact that this cohort declined by more than two thirds in the space of three years highlights the vulnerability of a system that relies so heavily on one or two major markets.

References


The authors acknowledge the input of Professor Vin Massaro, Dr Bob Birrell, Dr Phil McKenzie and Ms Ali Radloff to earlier drafts of the paper.

Special thanks also to the New Zealand Ministry of Education and the Australian Department of Immigration and Citizenship for providing customised data for this briefing.

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