Education Services Workshop

Managed by the Australian Services Roundtable

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The workshop was designed to respond to the OECD Study findings on the education, training and R&D services. It referred to the experience of the both the tertiary sector and the VET sector in the provision of services in international markets for education.

A theme of the discussion of the tertiary sector was the emergence of new competitors for Australia's international education services sector. While the advantages of traditional competitors, such as the US and the UK, might be declining, the important change was the emergence of new competitors in the region, including those from source countries of the current inbound student body.   China is a good example of this situation it was noted. The pressure on Australian providers to respond was becoming more intense. Their ability to do so would depend significantly, but not only, on the local regulatory environment.

In this onshore (or mode 2) form of delivery, the OECD report reviews various regulatory and policy issues that will be important to tackle in order to maintain competitiveness, including the visa framework and access to student benefits. Participants in the workshop added to this list the specification and implementation of regulation in Australia of the design of awards and the processes of delivery of education. Measures for quality control to build confidence among students about the quality of the education that they were receiving are important. But it remains important to test whether these processes of domestic regulation are the least cost method of resolving the market failure issue. International benchmarking of Australian policy is of interest in this context.

The OECD report pays attention to matters related to post-study employment. Participants observed that attention would also have to be given not just to access to work after study but to work experiences during study, especially given the apparent shift towards higher proportions of students returning home after study. This work experience during study can also help tackle some of the issues associated with the current provision of services to international students, such as those related to success in securing employment for those who do wish to stay in Australia.   Improved performance in this respect will contribute to the competitiveness of the provision of the services from an Australian base, but doing so

will also require cooperation of the education and business sectors and compliance with various elements of the domestic regulation of unpaid work.

Participants in the workshop also made the point that a national conversation about the goals of international education and a vision for its purpose would be valuable. The sector currently makes a series of contributions from an Australian point of view, including through resourcing providers, migration, research capacity (financial and in terms of people), and long run relationships via alumni. A discussion on the relative importance of these purposes and the tools for promoting them would be useful.   The question is whether there is an appropriate alignment of targets and instruments in this context.

Participants argued that there are however both social and market factors (related for example to the capacity of host cities and the quality of the experience that is offered) that will limit growth in the onshore market.   Yet, given funding models including for research, strong interest will remain in Australian Universities in providing services to full-fee paying international students. In this situation, attention is likely to shift to other modes of delivery, including options to earn income from delivery offshore (by either building campuses or collaborating on access to infrastructure) and delivery online.

The former will raise the profile of a number of regulatory policies in host economies related to establishment and operations.   The OECD report reviews a number of these, including caps on ownership and the lack of consistency of quality control measures in home and offshore markets. This situation indicates the value of a discussion with partners about the basis of equivalence of regulatory systems. The risks associated with the application of these policies and the constraints they imply will figure heavily in the decision-making by the governing bodies of Australia universities and will likely constrain many from a significant investment in 'bricks and mortar' offshore.

Efforts to diversify the provision of services will include increasing the extent of online offerings. Austrade in its *Australian International Education 2025 Market Development Roadmap* also stresses this option. This strategy generates a new set of regulatory and business issues. Regulatory issues are noted by the OECD, including the caps on access to online courses mixed with other modes of delivery. Recognition of the qualifications in home countries of the students may be another issue. New providers, including education specialists, will also be drawn this mode of delivery, other than traditional Universities, which will then also challenge the domestic regulatory processes related to quality control. There is also the matter of the disruptive effects on traditional modes of delivery of that investment. The new modes of delivery run significant risks of cannibalising existing markets.

Many participants argued that a situation in which providing services to international students was seen primarily as a form of funding other activities in Australian universities, such as research, was not the basis of a sustainable strategy for that segment of the market. Home countries retain the capacity to restrict access by their own citizens to services provided from Australia, including through the various measures that the OECD reviews. The Australian based provisions of services is at risk of a rise in the degree of restrictiveness.

A more explicit approach to partnerships of mutual benefit, especially with reference to building human capital that is valuable for the home economy of the students, would more likely also sustain the business in Australia of international education, participants observed. Identifying common interests with other origin-economies in the region, leading to the co-design of programs, for example, or the coordinated mixing of modes of delivery, was advocated as a means of managing emerging risks in this context.

The VET sector experience highlights another consideration that increasingly the tertiary sector will also have to grapple with, that is, the relevance of the qualification is being offered. Competitiveness will depend on offering programs which resonate with students, families and employers in each market.   In the case of the VET sector, to illustrate, this means working with local industry to identify the skills required, given the technologies in place, and designing programs that are relevant to those skills.   VET programs it was noted are very specific to their context and Australian providers may or may have the capacity to offer relevant programs. But without attention to these matters, Australian providers risk being marginalised. This risk applies perhaps less to tertiary provides but it remains an important consideration.   'Off-the-shelf' Australian education packages are likely to lose competitiveness. Responding to the specificity in each market also adds to the set up costs of establishing an international business in this area, a key element of which is likely to involve the mobility of staff involved in the design work. Barriers to the movement of people become a significant issue in this context.

Participants pointed to the interest in partnerships of education providers with other services providers. The workshop heard the example of construction companies who are building facilities for hospitality or retail services offshore who also offer training programs for the people who are eventually employed in those facilities. They provide access to the complementary services that helps make the business case for the investment in the infrastructure.   Other examples noted were the bundling of health and education services or technology and education services. A 'joined-up approach' across the services sector is valuable, participants observed.

All modes of delivery of international education will be affected by the measures adopted in Australia and in the partner economies on the management and processing of data. Already, participation of international students in Australian institutions triggers risks associated with the expectations of the home countries of the students about the treatment of the data which is generated.   An example is the application of the new EU's General Data Protection Regulation (GDPR). The delivery of the service accumulates a large amount of personal information on every student, including their education history, other personal details, financial matters, academic performance and information related to their activities in Australia, including grievances and complaints.   In online modes of delivery, there will be the expectation of data flows across borders, both student related data and also materials relevant to the delivery of the services.   Inconsistencies between countries with respect to data management and to the protection of intellectual property at best add to the costs of delivery of the service or at worst close off the scope for cooperation.   This is an important

cross-cutting issue in the services sector, however, and a common framework and approach may be an efficient response.

In summary,

- The international education sector is facing increasing competition for its traditional onshore market, as well as local constraints on the capacity of that strategy to continue to deliver growth in that segment.
- The sector will therefore likely diversify, with greater use of more of the modes of supply, greater interest in mixing of modes of supply, new packages of services and a wider variety of providers.
- The provision of the service already involves the movement of people, investment in and outbound, flows of data and movements of students. But providers will be looking for policy environments which do not constrain their designs of the portfolio of these modes of supply and delivery across borders.
- This situation increases the complexity of the design of strategy in policy design and international cooperation, including through trade agreements.
- These shifts will also draw attention in particular to both domestic and international regulation, both its design and its implementation.
    - Attention will be drawn to questions of the efficiency of domestic regulation of the sector, including more interest in the benchmarking of Australian practice.
    - In the context of international cooperation in delivery, there will be interest in the the alignment of regulation across borders or least consideration of how to reach understandings about equivalent.
    - Cooperation with like-minded trading partners in the development of 'education services knowledge platforms' is relevant in this context, which might be done by building on APEC experience in this respect.
    - Extension of the OECD STRI to cover education would also contribute to the depth and impact of this work.
- Cooperation across the services sector in Australia will be valuable in areas of common interests, such as data management, and in cooperation to provide bundles of services relevant to offshore markets
- There is value in national dialogue about the business purposes and social mission of the international education sector and about the alignment of targets and instruments applied in this sector. This will also likely prompt questions about related issues, such as the funding of research in Australia.