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Briefing to the Incoming Minister

Education New Zealand

ThinkNew

NEW ZEALAND EDUCATION

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Introduction

International education is New Zealand's fifth largest export. In 2013, nearly 98,000 international students* studied with New Zealand education providers, and New Zealand based businesses and education providers sold more than $104 million worth of products and services overseas. In total, the industry added more than $2.6 billion** to our economy.

The industry is made up of six sectors:

1. Schools
2. English language providers
3. Private training establishments
4. Institutes of technology
5. Universities
6. Offshore education services

Education New Zealand (ENZ) is charged with leading the education industry in New Zealand to achieve the goals set out in the Leadership Statement for International Education, including doubling the industry's value to $5 billion by 2025. We focus on growing our international markets, strengthening the capabilities of the industry, and ensuring we deliver high quality, high value education products and services. We contribute to the shared education outcome that 'the education system is a major contributor to economic prosperity and growth', and work closely with other government agencies to promote New Zealand as an international education destination.

International education is a core element to helping achieve the Business Growth Agenda's export markets goal.

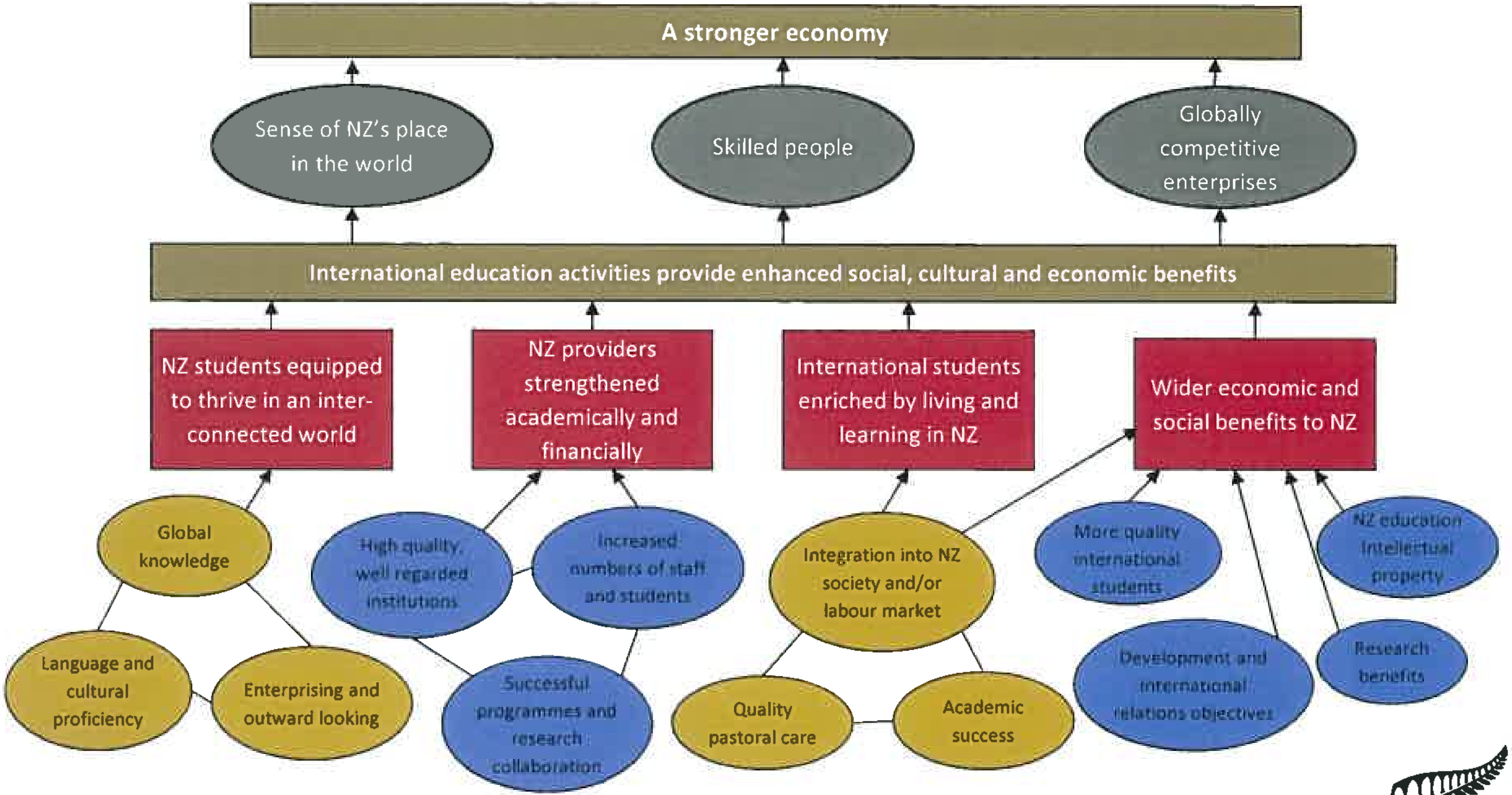
Current indicators for the industry are positive however there is potential to better focus our efforts and improve our performance. We welcome the opportunity to work with you on growing this valuable part of our economy, but also on realising the many social and cultural benefits to New Zealand of a strong and vibrant international education industry.

* International students are non-residents of New Zealand who have entered into New Zealand expressly with the intention to study, or have enrolled in a New Zealand provider offshore.
** Source: The Economic Impact of International Education 2012/13, Infometrics.

Why international education?

- Encourages the acceptance of other cultures
- Increases the links between New Zealanders and international communities
- Brings economic growth to every community in New Zealand
- Supports 28,000 jobs
- Helps attract highly skilled migrants
- Delivering education services offshore generates over $100m
- Nearly 98,000 international students enrolled with New Zealand providers in 2013
- Education providers received over $770m in fees last year

The social, cultural and economic benefits of international education



The International Education Senior Officials Group

Education and immigration policies and settings have a major influence on New Zealand's attractiveness as a study destination. The International Education Senior Officials Group (IESOG) is a cross-agency working group (it has been managed by the Ministry of Business, Innovation and Employment) which is progressing a joint international education work programme. IESOG provides joined-up advice to Ministers about policies and work that will affect the international education industry.

The future work programme has been developed to reflect:

- specific actions identified by the industry as supporting their growth and requiring a response by government
- cross-agency issues that affect the industry as they arise.

How advice is developed through the IESOG process

An agency develops its thinking about an activity or issue → That agency develops a proposal for approval → Discuss the proposal among IESOG agencies → IESOG Chief Executives consider the proposed advice → IESOG Ministers consider the final proposal

Ministerial participation in IESOG highlights the importance of international education to New Zealand and provides mana to its endeavours. In the past IESOG reported to the Minister for Tertiary Education, Skills and Employment (who had responsibility for international education) and the Minister of Immigration.

You may wish to consider whether any additional Ministers should be involved in IESOG due to the linkages international education has with a number of Ministerial portfolios.

Bilateral relationships with other governments

Strong government-to-government education relationships are at the heart of New Zealand's future prosperity as they can:

- encourage academic linkages between countries
- recognise New Zealand's qualifications
- select New Zealand to be a destination for government scholarship programmes, such as the King Abdullah Scholarships Programme in Saudi Arabia and the Science without Borders scholarship programme in Brazil.

New Zealand has more than 20 education agreements/arrangements as part of its broader engagement with other countries. These are intended to build the exchange of education policies and information and encourage student and academic exchanges. Some include the promotion of language learning and/or joint research programmes. In practice many of these are not proactively managed to strengthen government-to-government or academic relationships and deliver mutual benefits. We believe there is potential to grow these relationships in a way that would better support New Zealand's international education objectives.

Our involvement in addressing this

We lead New Zealand's bilateral education relationships and represent the New Zealand Government on a range of diplomatic matters relating to education diplomacy. These include bilateral joint work programmes to develop mutual economic, educational and development gains. The Ministry of Education leads New Zealand's multilateral education relationships.

Over the next few years we will work to improve the quality of New Zealand's bilateral exchanges. For example, New Zealand's arrangement with India resulted in the launch of the Prime Ministers' Education Initiative between New Zealand and India in 2011, which focuses on growing bilateral collaboration in the higher education, and skills and vocational sectors. The Initiative's activities include funding joint academic research and scholarships, encouraging faculty exchange, and education policy and information exchange.

Education joint working groups will be held with China, India and Malaysia will be held by the end of 2014 and by 30 June 2015 education joint working groups are scheduled with Indonesia, Thailand and Viet Nam.

Ministerial visits boost New Zealand's international profile and its bilateral relationships

Visits by New Zealand Ministers to other countries:

- build and strengthen government-to-government education relationships
- create positive media attention about New Zealand education in other countries
- show the government supports education providers' and businesses' efforts in other countries
- promote education products and services in-market to education agents and prospective students
- recognise the importance of New Zealanders studying offshore to increase their skills and knowledge of how to operate effectively across other cultures.

ENZ believes Ministerial visits to these markets early in the new term could provide significant international education opportunities

Country/region	Reason
India	Further develop and deepen our education relationship with India through participation in the annual India New Zealand Education Council (supports the Prime Ministers' Education Initiative) due to be held in India in 2014.
Chile	Further cement our education relationship with Chile by meeting the new Chilean Government's Ministers of Education, Economy and Labour, and promote the work rights policy.
Colombia	Underscore the importance New Zealand places on the expanding bilateral education relationship, pitch a secondary school scholarship programme for Colombian students and promote the work rights policy.
Brazil	Further cement our education relationship with Brazil by meeting with the Brazilian Government's Ministers of Education, Economy and Labour, pitch a 'penguins' programme and promote the new work rights policy.
Middle East	A Gulf Cooperation Council Free Trade Agreement may be signed by the latter part of 2014, making a Ministerial visit appropriate for promoting educational ties.

New Zealand's international education industry

New Zealand's international education industry

Sector	Capability
Schools	Over 85 percent of international students in the school sector study at secondary schools. High decile schools are most likely to attract international students, and enrolments in these schools have rebounded since 2006 when enrolments were at their lowest. There are large disparities of business capability and experience, internal competitive behaviours, many working in isolation and increasing international competition. There is also variable international understanding of NCEA and relatively low transition rates to tertiary education for international students. ENZ has provided tools such as marketing plans and website development tools for use by this sector.
English language providers	They are often small to medium sized businesses, but also include subsidiary providers, branches of international franchises and language institutes attached to a university or institute of technology. Since 2007 the number of providers has declined by 35 percent. The sector reported that the greatest barrier to increasing student numbers has been the high New Zealand dollar/exchange rate. The sector seeks support from ENZ in the removal of immigration and other regulatory barriers.
Private training establishments	International student enrolments at individual providers range from 0 to 1,226 equivalent full-time students (EFTS). Two thirds of the sector enrolled fewer than 50 EFTS in 2012. The sector principally operates in the student attraction space with many providers closely aligning their offerings with contemporary regulations, leaving them vulnerable to any changes in immigration and policy settings. Providers are interested in diversifying their business model beyond a focus on recruitment. They are nimble, responsive and innovative as a sector but can lack the scale and capability required to succeed with offshore business development ventures.

New Zealand's international education industry

Sector	Capability
Institutes of technology	There is large distribution of enrolments with 3 of the 18 providers accounting for 45 percent of international students in the sector. Providers are diverse in terms of their size of operation, location and the breadth of their educational expertise. The largest providers, mostly based in the larger metropolitan centres, have significant international operations to rival those of New Zealand universities. The providers are nimble, responsive and innovative as a sector and can lead the industry in provision of offshore education delivery but lack business development expertise. They, along with the wider training and vocational education and training sector, operate in a highly competitive international environment and need to consider the best market-facing model to take advantage of business development opportunities.
Universities	The sector comprises the eight New Zealand universities, all of whom actively recruit international students. Overall about 16 percent of the university student body are international fee paying students, and by headcount, the university sector is responsible for 20 percent of New Zealand's international education. In 2011, the main barriers to universities achieving their priorities were identified as resourcing and funding priorities, travel/ distance from market, language barriers and developing a local presence and local relationships.
Education products and services	This is the most diverse sector ranging from education publishers to education technology companies to curriculum developers and government agencies. Providers frequently participate as niche suppliers in international value chains e.g. providing content to a multinational publisher.

Opportunities to grow the industry's value

Standing still is not an option for the industry or ENZ. Changes to the way education is delivered around the world, and students' expectations both during and after study, mean that making no changes will result in the industry losing value in the long term.

There are three key issues facing the industry, ENZ and the government:

How does the industry maintain its value?

→

How do we grow and take advantage of emerging opportunities?

→

How do we best support all our sectors, some of whom are well-positioned to take advantage of opportunities, some of whom need more assistance?

Growing the value of the industry

In 2013/14 the New Zealand international education industry identified its growth goals to 2025 and developed strategic roadmaps to drive that growth.

The industry believes it can achieve economic value of $4.8-6.2 billion a year by 2025, following little growth in economic value between 2008 and 2013 which reflected decreases in both the number of international students studying in New Zealand and the value of offshore education services.

The impact of the 2008 global financial crisis and the Canterbury earthquakes started to lessen in 2013. We expect to see growth in the industry's value in 2014 due to increasing numbers of international students studying in New Zealand.

The industry's value needs to grow by at least 5 percent a year to achieve its 2025 target.

Growth scenarios provided by the industry

	CURRENT	2025 SCENARIO 1	SCENARIO 2
Number of international education providers	928	1,037	1,120
International students	97,283	143,182	182,758
Average students per provider	108	138	163
Tuition fee income	$0.8 b	$1.5 b	$1.9 b
Tuition fees per international student	$8,258	$10,316	$10,238
Value of education products and services	$104 m	$502 m	$742 m
Industry's economic value	$2.6 b	$4.8 b	$6.2 b

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The economic value of education products and services delivered offshore has the potential to grow

The value of education products and services delivered offshore has fallen from $107 million in 2008 to $104 million in 2012. One problem has been identifying the businesses who provide education products and services offshore, as they may see themselves more as technology companies or publishers rather than as part of the international education industry.

Revenue by type of activity ($ million)

Activity	2012	2008
Education and teaching services	67.7	
Distance education	1.8	
Training	0.5	
Educational consulting	8.4	
Professional services	78.4	89.7
Royalties and license fees	3.6	3.3
Other (software, recruitment)	0.8	
Books and publishing	21.1	14.0*
Total	**103.9**	**106.9**

* Included software in 2008.

To grow this sector, there are a number of issues that may need to be addressed, including:

- access to funding for expansion and start-up costs
- education businesses being at varying stages of development e.g. ENZ has identified nearly 100 education technology businesses and organisations, but not all are exporting with many either in start-up mode or small businesses
- business capability for promotion and marketing
- the ability to commercialise the government's education intellectual property (IP), including the qualifications framework.

Our involvement in addressing this

ENZ currently provides support to address some of these issues through the International Education Growth Fund and other mechanisms. ENZ is also working with the New Zealand Qualifications Authority and New Zealand Trade and Enterprise on the commercialisation of the government's education IP to benefit New Zealand.

Diversifying New Zealand's markets

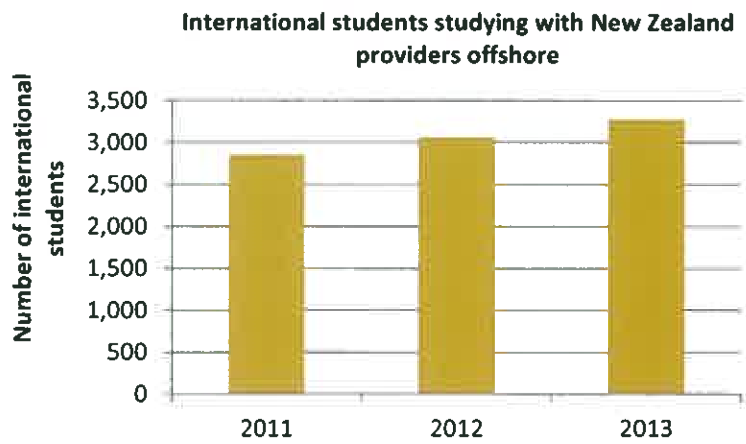
The industry needs to reduce its reliance on particular student attraction markets

China and India are the source of nearly 40 percent of New Zealand's international students. At present, changes in the number of students coming from China and India can significantly affect the success of the industry or a particular sector.

It is also important that international students are exposed to a diverse range of students and experiences to ensure they remain satisfied with their overall experience in New Zealand. This, in turn, creates a pool of influencers of prospective students who can showcase a high quality student experience New Zealand offers. While still aiming to increase the number of international students coming to New Zealand from China and India, a wider market base would help ensure international students remain satisfied with their experience of studying in New Zealand.

Diversifying where international students study

In the last two years, the number of international students studying with New Zealand providers offshore has grown 7 percent a year. Of the total number of international students studying with New Zealand providers, only a small proportion are studying offshore compared to those studying with Australian, UK and USA providers. There are opportunities globally that New Zealand providers could take better advantage of.

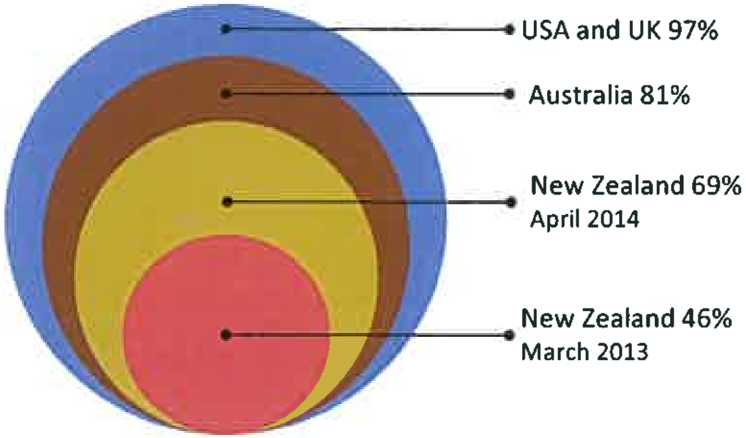


We need to raise awareness of New Zealand education

Compared to New Zealand's traditional English-speaking competitors*, awareness of New Zealand as a study destination is low. If people thinking about studying overseas are not aware of New Zealand, they cannot choose to study here.

Since being established, ENZ has undertaken a variety of activities to raise awareness of New Zealand as a study destination - increasing it from 46 percent in March 2013 to 69 percent in June 2014. But awareness is still low. New Zealand needs a higher level of awareness before marketing New Zealand as a study destination will be effective in increasing the proportion of people considering studying here.

Education brand awareness



New Zealand is more reliant on education agents than its competitors

Due to awareness being low, New Zealand is more reliant on education agents to steer prospective international students to New Zealand than competitor countries.

The International Graduate Insight Group's International Student Barometer survey showed that of international students studying in New Zealand:

- 56 percent of those studying with New Zealand English language providers used an agent, compared to 64 percent for private providers globally
- 43 percent of those at New Zealand institutes of technology used an agent, compared to 19 percent for polytechnics globally
- 22 percent of those at New Zealand universities used an agent, compared to 13 percent for universities globally.

* Competitors are the Australia, Canada, the United Kingdom and the United States.

There is an opportunity to better promote the benefits of international education to New Zealanders

ENZ aims to raise awareness of the many benefits of international education to the New Zealand public.

When international education is mentioned, often the focus is on economic value – the fees paid by international students to New Zealand providers and the money they spend while living in New Zealand. However, the benefits are much wider. International education creates person-to-person links that can last a lifetime e.g. the Colombo Plan scholarships that brought international students to New Zealand in the second half of the 20th century. While in New Zealand, these alumni made friends and created connections between our countries that are still important today. It also creates an understanding and appreciation of New Zealand's culture and identity beyond the most commonly promoted aspects of our way of life, and promotes the quality of services available in New Zealand.

Low public awareness of the many and varied benefits of international education potentially discourages some education providers, particularly in the school sector, from more actively seeking international students. While international students generally rate their study experience in New Zealand highly, improved public awareness of the benefits could further improve international students' experiences of New Zealand.

Our involvement in addressing this

We see New Zealand as a priority country for our activities because we recognise the long-term sustainability of the industry relies on strong public understanding of the value of international education to New Zealand, and it is vital to ensure international students continue to have a great time while they are in the country.

Looking to the future – mega trends

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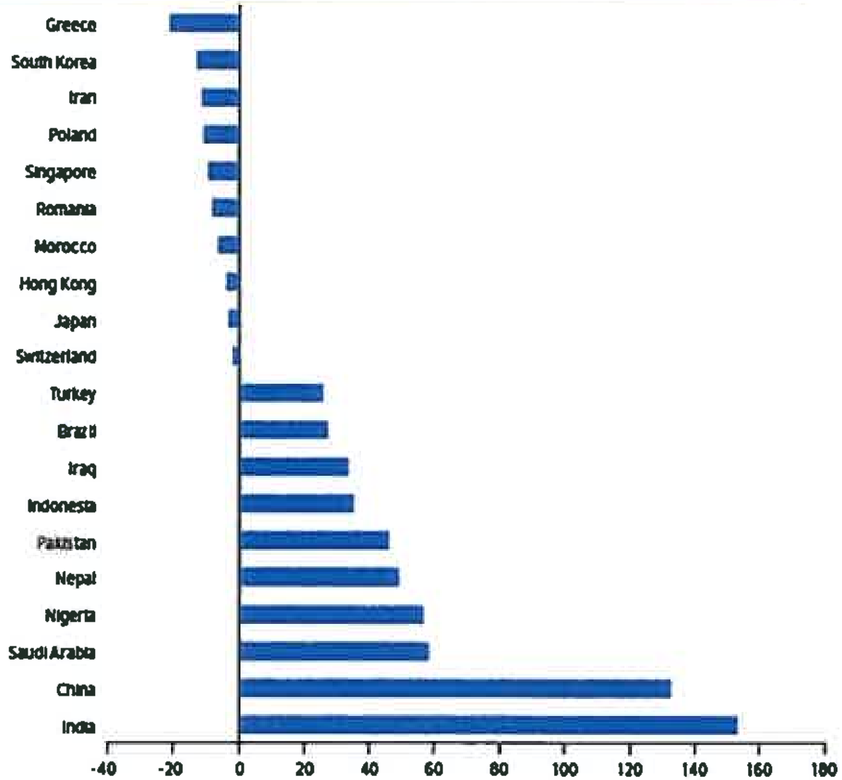
More international students from more countries

Growing youth population

By 2024 India, China, Indonesia and the United States will have over 50 percent of the world's 18-22 year old population. This is despite the Chinese tertiary aged population being projected to fall by about 40 million. Outside these countries, the largest growth is expected in the African continent including Nigeria, Ethiopia, Egypt, Kenya and South Africa.

In 2020 there will be 204 million tertiary educated 25-34 year olds across the OECD and G20 countries, up from 129 million in 2010. Forty percent of these graduates will come from India and China while the United States and European Union countries will account for just over a quarter.



Change in outbound mobile higher education students (000s) 2011-2024

Source: Oxford Economics

Growing economies

Growth in the gross domestic product (GDP) of Colombia, Indonesia, Viet Nam, Egypt, Turkey and South Africa (CIVETS) is forecast to become increasingly important globally beyond 2014. Historically the forecast level of growth has resulted in steep rises in tertiary education enrolments, providing opportunities for international education.

Impact on international student numbers

There will be more than 3 million additional international students by 2025. India and China will continue to grow their numbers of outbound students. Some countries are emerging as source countries for international students such as Nigeria, Iraq, Nepal and Indonesia. Africa is likely to become more important.

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The reasons for studying overseas will change

The current push and pull factors (shown below) for studying overseas will change:

Push factors	Pull factors
Increased global demand for higher education	Scholarships programmes that attract students e.g. China, Germany and Malaysia
Increased global demand for skills training	Bilateral and multi-lateral partnerships
Economic volatility and political disruptions	Traditional or historical ties and links e.g. Morocco and France
New emerging economies (CIVETS)	Increased online and more convenient learning opportunities
Scholarship or study abroad programmes from countries such as Brazil, Chile, Indonesia, Saudi Arabia, Iraq, Libya and Kuwait	Increasingly sophisticated marketing and recruitment strategies, including using education agents
Joint and dual degrees and pathways between institutions, countries and learning	
Increasing importance of competence in English for business success	Increasing number of degrees offered in English in non-English speaking countries

Over the next ten years the reasons for studying overseas will change as:

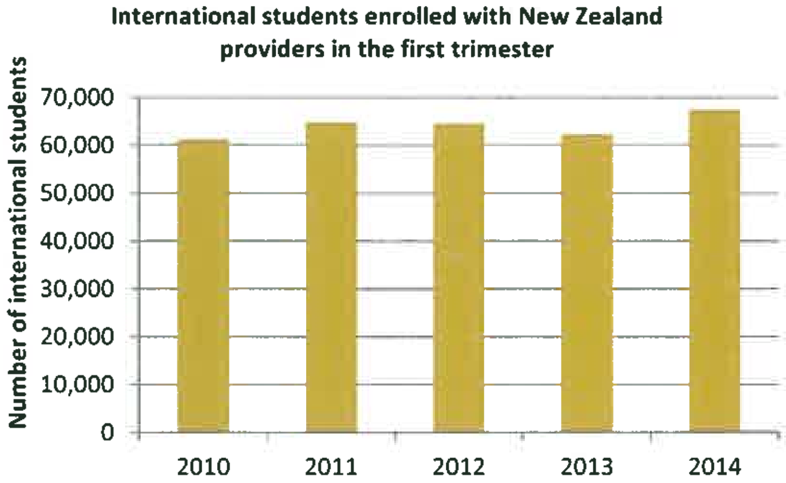
- skills are the global currency and will become more important, with strong global demand for skilled employees in knowledge economy fields expected to continue growing between 2014 and 2020
- studying an English language programme is already more important than studying in an English speaking country and this will continue to grow in importance.

A key skill will be the ability to operate across different cultures.

The number of international students in New Zealand has started to increase again

The first academic trimester of 2014 has seen an 8 percent increase in international student numbers compared to the same period in 2013 – this was the strongest first trimester growth on record.

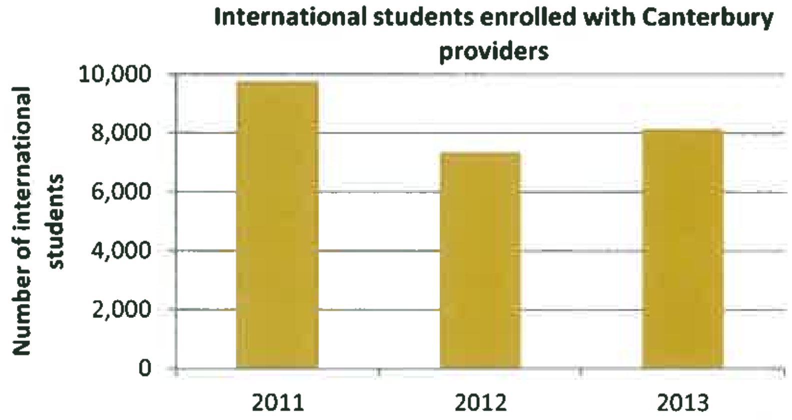
76 percent of international students study in Auckland, but the social, cultural and economic benefits of more international students in other regions could be significant. We are working with regional groups and agencies to help them increase the number of international students attracted to their region.



Canterbury

Prior to the Canterbury earthquakes, the Canterbury region received the second highest number of international students, behind only Auckland.

Canterbury's international education industry began to show signs of growth in 2013 after international student numbers decreased from 9,746 in 2011 to a low of 7,330 in 2012.



Our involvement in addressing this

We are transitioning our work in Canterbury from helping the industry rebuild itself through targeted promotions, scholarships and support to help it achieve sustainable growth.

Education delivery will continue to change

Today's students are more connected, through their devices, to the world around them, and more flexible education models have appeared:

- Globally there are over 2.9 million users of massive open online courses (MOOCs), highlighting that students want to study when and where it is convenient to them.
- E-books, badges to accredit learning and personalised inquiry learning have been identified by the British Council as just as revolutionary as MOOCs.
- In 2013 the China Ministry of Education approved 209 joint programmes with United Kingdom institutions alone.
- Apps already have a supplementary role in education.

Unbundling – de-linking teaching from gaining qualifications – is also a consequence of technology.

Greater flexibility, different modes of learning and a greater focus on blended learning (combining face-to-face and online) will have a profound impact, and are likely to become the standard way of offering education. These changes will affect both international and domestic students.

For example, Australian higher-education providers offer a wide range of internationally recognised courses and various formal arrangements, including branch campuses, franchise arrangements, joint degree programmes, double/dual degree programmes, twinning programmes and distance delivery, to make Australia the third most popular destination and provider of transnational education. A significant proportion of international students enrolled with Australian institutions never set foot in Australia, instead undertaking their study in their home country.

Over the next ten years the impact of these changes, and others yet to come, will continue, and growth will depend on how well the industry adapts to these changes.

Issues for Ministerial consideration

Issues for Ministerial consideration

Pursuing policy changes for international education

Government policy settings are critical to ensuring we can achieve our goals. While changes have been made in recent years, for example changes to work rights for international students, there is more that could be done. Below are s9(2)(g)(i) changes we believe would have a significant impact on the industry.

Withheld under s9(2)(g)(i) of the Official Information Act 1982

Issues for Ministerial consideration

Impact of technology changes on education – changing foundations

Increasingly, education can be delivered through many channels in addition to 'bricks and mortar' institutions. The question to ask is what will a 10 year old today expect when they study with a tertiary education provider? There is a significant opportunity for New Zealand providers to offer a blended approach, to learn through branch campuses offshore, online learning, a mix of online and face-to-face learning and offshore campuses. Exploring these opportunities should be a priority for the industry.

New Zealand's style of learning is still quite traditional. Education providers need to consider their infrastructure investment and delivery models in light of the impact technology is having on how and where students learn. Strategic investment in technology will drive international education growth. The priority given to this investment may determine provider, sector or even industry success.

Access to capital for expansion

The education products and services sector has high potential to grow however many providers are small operators, sometimes only one or two people. Motivating offshore education product and service providers to work for wider economic benefits may require government support and incentives. A critical consideration is how we can enable better access to capital for activities that can grow the industry. In-market delivery of New Zealand-based education products and services may require new collaborative delivery models to ensure wide-ranging economic benefits, which may in turn rely on new funding models.

Tertiary education providers are more likely than schools to establish an offshore campus and delivery education products and services in-market. New Zealand's competitors are larger and better resourced to undertake such initiatives, and some are also less constrained by funding policy settings. Risk factors for providers and for the government are key considerations in these settings however the industry has a clear mandate to double the economic value of international education by 2025. The funding policy settings for New Zealand tertiary providers are a significant factor in successfully aligning our economic goals with the industry's ability to deliver, and enabling the tertiary sector to grow.

Risks and opportunities facing the industry

Risks
New Zealand's international education industry is dependent on two key markets (China and India) for nearly 40 percent of New Zealand's international students.
New Zealand is vulnerable to market driven changes such as the recent growth in private training establishment enrolments.
Low quality pastoral care reduces international students' satisfaction with the overall experience of studying in New Zealand.
In some markets, New Zealand's international education industry relies on scholarship programmes sponsored by other governments, leaving the industry vulnerable to changes in the programmes' policy settings.
New Zealand needs to retain or improve its international education rankings for its school system (through PISA) and universities to maintain New Zealand's attractiveness as a study destination.
The industry is vulnerable to other governments regulatory changes, such as the current ban on excursions for school students by the Korean government.

Opportunities
A lot of work has been done to gain recognition of New Zealand qualifications in key international education markets, but there is still more to do. We will continue to work closely with the New Zealand Qualifications Authority to gain international recognition of New Zealand's qualifications.
New Zealand Qualifications Authority's work to monitor, and if necessary close down, poorly performing education providers to improve the overall quality of New Zealand education, should be a higher priority.
Establish dedicated pathways for international students to move through New Zealand's education system or gain residency post-study.
Immigration New Zealand could offer multi-course student visas where an international student accepts multiple study offers for consecutive study courses e.g. when an international students accepts offers to undertake an English language course and a degree course.

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