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## INTERNATIONAL STUDENTS IN VICTORIAN UNIVERSITIES

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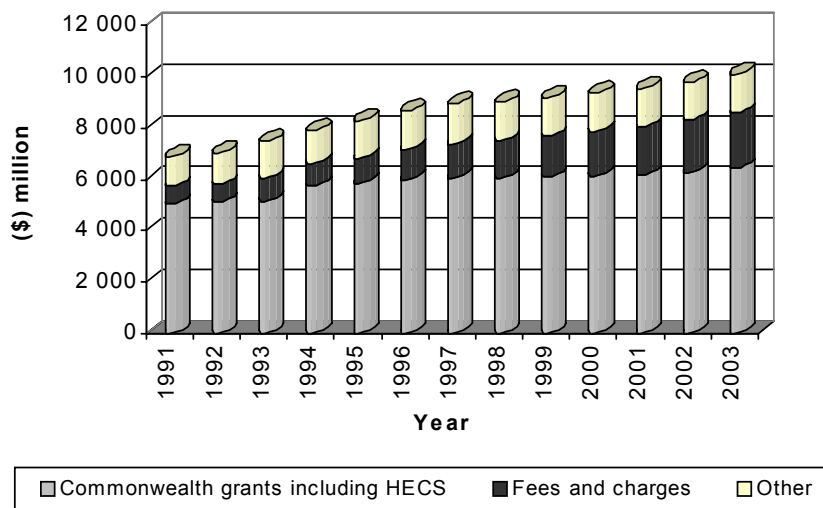
*There has been a rapid increase in the number of overseas full-fee students attending Australian universities. This article examines the enrolment patterns in Victoria's universities by course type, the financial outcomes for these universities and the implications for local students in Victoria.*

### INTRODUCTION

Since 1988 the Commonwealth Government has encouraged Australia's higher education system to be more commercially-oriented (see Figure 1). The Higher Education Contribution Scheme (HECS) was introduced in 1989 for domestic undergraduate places, and universities were no longer penalised financially for raising private income. Universities were also permitted to set fees for international students at cost or above, and were not constrained in the number of international fee-paying students they could admit.

Table 1 illustrates how sources of revenue for universities have changed over the longer term. It can be seen that since the 1950s, State government funding for higher education had been declining significantly as a proportion of total public funding for universities, and now constitutes between one and two per cent of university budgets. Conversely, Commonwealth funding increased considerably as a proportion of total funding from the 1940s until the late 1980s after which it too declined. Finally, student contributions have fallen as Commonwealth

**Figure 1: Higher education revenue, Australia, 1991 to 2003 (1991 to 1999 actual, 2000 to 2003 estimated)<sup>(a)</sup>**



<sup>1</sup> Fees and charges do not include estimates for the new Postgraduate Education Loans Scheme that will be implemented in 2002. HECS stands for Higher Education Contribution Scheme.

For comparison purposes all amounts have been expressed in estimated 2001 prices.

Source: Department of Education, Science and Training, 2001

**Table 1: University income by source, Australia, 1939 to 1999, per cent**

Source of income	1939	1951	1961	1971	1981	1987	1994	1999 <sup>(a)</sup>
State Government	44.9	43.7	36.3	35.7	0.8	1.0	1.9	1.1
Commonwealth Government	-	20.5	43.9	43.0	89.3	82.9	60.0	46.9
Student contributions	31.7	16.7	8.6	10.4	0.0	2.3	12.7	19.0
Investments, endowments and donations	16.1	8.5	6.2	5.5	4.4	5.4	2.6	5.0
Other income <sup>(b)</sup>	7.2	10.5	5.0	5.3	5.5	8.3	22.8	28.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>(a)</sup> 1999 data is approximate

<sup>(b)</sup> includes fee-for-service activities such as commercial research and consultancy work

Source: M. Baker, J. Creedy, and D. Johnson, *Financing and Effects of Internationalisation in Higher Education: An Australian Country Study*, AGPS, Canberra, 1996; 1999 data is from Australian Council of Deans of Education, 2001.

Note: Totals may not always add to 100.0 per cent because of rounding

expenditures have increased, and risen as Commonwealth funding has declined.

In 1999, revenue from international students accounted for \$805 million, or nine per cent of Australian universities' income, a three-fold increase in 10 years.

#### WHAT DID THE AUDIT EXAMINE?

This audit assessed whether international student programs in Victorian universities have:

- impacted on access to university for Victorian students;
- impacted on the academic standards of universities;
- been of financial benefit to universities and the Victorian economy; and
- been adequately regulated and monitored.

Three universities were selected for detailed examination: Monash University, Royal Melbourne Institute of Technology (RMIT) University, and The University of Melbourne. Together, these universities accounted for 75 per cent of all full fee-paying international students in Victorian universities in 2000.

The audit's methodology included: interviews with a range of key stakeholders; an examination of management data held by the three universities; an internet based survey of 711 university academics (50 per cent responded); cost-

benefit analysis; and the analysis of secondary data held by the Commonwealth Department of Education, Science and Training<sup>1</sup> and the Australian Vice-Chancellors' Committee.<sup>2</sup>

For this paper the main focus is on the first of the audit tasks listed above, that is the impact on access to university for Victorian students.

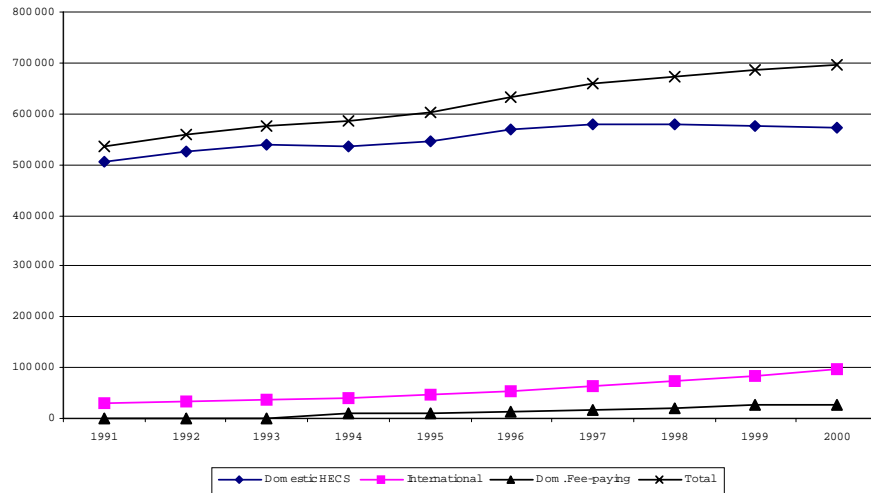
#### KEY AUDIT CONCLUSIONS

##### Student access

Victorian students access university through Commonwealth-funded HECS places and, in more recent times, fee-paying places. Direct displacement of domestic HECS students by fee-paying domestic or international students is both protected against, and regulated by, the Commonwealth's higher education policies.

However, over the past 15 years, changes to Commonwealth educational policy and funding arrangements have altered the financial incentives faced by universities, such that the relative proportion of marginally-funded domestic HECS students has reduced and the proportion of full fee-paying domestic and international students has increased (see Figure 2). Victorian universities have been particularly responsive to these new arrangements.

**Figure 2: Total students, Australia, 1991 to 2000, enrolments**



Source: Department of Education, Science and Training, 2001

Around 19,000 eligible domestic university applicants in Victoria could not be offered a university HECS place in each of the two years 2000 and 2001. This gap was substantially larger in Victoria than in any other State. Although it is argued that marginal funding by the Commonwealth for over-enrolments of domestic undergraduate HECS students allowed for growth in these places, there is a greater financial incentive for universities to enrol full fee-paying domestic students or international students, rather than marginally-funded HECS students.

### Language

The capacity of international students to succeed in their courses is affected by their English language proficiency. Our survey results show that a significant proportion of university teaching staff have concerns regarding the English language proficiency of both domestic and international students. More specifically, only 30 per cent of academics considered that international students in their classes had

adequate English language proficiency, compared with 75 per cent for domestic HECS students.

Frequently mentioned comments from respondents included:

- international students have highly variable levels of English proficiency;
- if an international student does experience language problems, it is most likely to be in the first one to two years of their course, particularly with their written work;
- the written skills of domestic HECS students are also often underdeveloped; and
- universities need to ensure that they provide adequate support services to students experiencing language and cultural adjustment problems.

The findings from the survey of academics are difficult to reconcile with the results of widely accepted tests of English proficiency. Possible explanations could lie in the administration of the tests in foreign countries, or perhaps the students experiencing English language problems

entered the university from a pathway that bypassed the testing requirement.

At a very broad level, criteria for university entry are the same for both domestic and international undergraduate students, that is, past academic performance and the capacity to succeed. The selection processes for international and domestic students against these criteria, however, are different. Domestic students are selected on a competitive basis judged on their individual ENTER scores, and university first round offers are administered by the Victorian Tertiary Admissions Centre (VTAC). International students, on the other hand, are assessed directly by university Admission Offices with assistance from faculties and selected on the basis of published minimum entry requirements.

We support the research being done by Monash University to track the relationship between entry pathways and subsequent academic outcomes, to better support future admission decisions. We **recommend** that this research be undertaken by all universities.

Academic standards are affected by a range of factors including student entry criteria, course curriculum, student-to-staff ratios and assessment practices. Student-to-staff ratios and the workloads of academic staff have increased in most university courses due to cost pressures and efficiency imperatives.

University assessment practices are changing in all faculties, irrespective of whether they have high or low numbers of international students. Our audit evidence suggests that:

- while it is common for academics to be lobbied by students seeking a higher grade, where 'soft marking' exists, it is an isolated and occasional incident within universities; and
- there is no evidence to suggest that

systematic institutionalised 'soft marking' occurs in any of the three universities examined. On the occasions when preferential assessment does occur, it arises most commonly where an academic gives a student with under-developed English skills the 'benefit of the doubt' on the student's written work.

Student surveys are used to assess the quality of university teaching and the overall satisfaction of students with their course. These surveys show that, over a period of significant international student growth in Victoria, overall student satisfaction with university courses has remained at a high level.

Academic staff have expressed concern regarding their increased workloads, stress levels, low morale and a perceived decline in academic standards. However, academic staff generally perceive international students as having a positive impact on universities.

### **Trends in student numbers**

Table 2 shows changes in the number of Commonwealth-funded domestic HECS student places in each State since 1996. It can be seen that the number of places in Victoria has fallen by 5.6 per cent between 1996 and 2000, more than for any other State.

Figure 3 shows that, since 1996, HECS student numbers have fallen and full fee-paying students loads have increased at the three universities.

The extent of these changes is further detailed in Table 3. It can be seen that the growth in international students and the decline in domestic HECS students is not evenly distributed across the three universities.<sup>3</sup>

Similarly, patterns of growth and decline are not evenly distributed across different faculties within individual

**Table 2: Commonwealth fully-funded student places,1996 to 2000 <sup>(a)</sup>**

	Commonwealth fully-funded student places					Change 1996-2000		Per cent Share by State	
	1996	1997	1998	1999	2000	No.	Per cent	1996	2000
	NSW	128, 590	128, 815	125, 845	125, 295	124, 230	-4, 360	-3.4	30.8
<b>Vic</b>	<b>110, 410</b>	<b>109, 730</b>	<b>106, 570</b>	<b>105, 510</b>	<b>104, 224</b>	<b>-6, 186</b>	<b>-5.6</b>	<b>26.5</b>	<b>25.3</b>
Qld	73, 075	75, 665	76, 750	79, 105	79, 775	6, 700	9.2	17.5	19.4
WA	39, 525	39, 865	39, 460	39, 840	40, 065	540	1.4	9.5	9.7
SA	33, 330	33, 095	32, 140	31, 820	31, 495	-1, 835	-5.5	8	7.7
Tas	9, 205	9, 185	9, 525	9, 440	9, 360	155	1.7	2.2	2.3
NT	2, 795	2, 795	3, 215	3, 185	3, 160	365	13.1	0.7	0.8
ACT	12, 795	12, 750	12, 405	12, 295	12, 170	-625	-4.9	3.1	3
<b>Total</b>	<b>409, 725</b>	<b>411, 900</b>	<b>405, 910</b>	<b>406, 490</b>	<b>404, 479</b>	<b>-5</b>	<b>-1.5</b>	<b>100</b>	<b>100</b>

<sup>(a)</sup> These figures are for fully funded HECS student places counted in equivalent full-time student units (EFTSUs).

Source: Higher Education Funding Reports.

universities. Both domestic and international students are increasingly attracted to the business and information technology faculties. See Table 4.

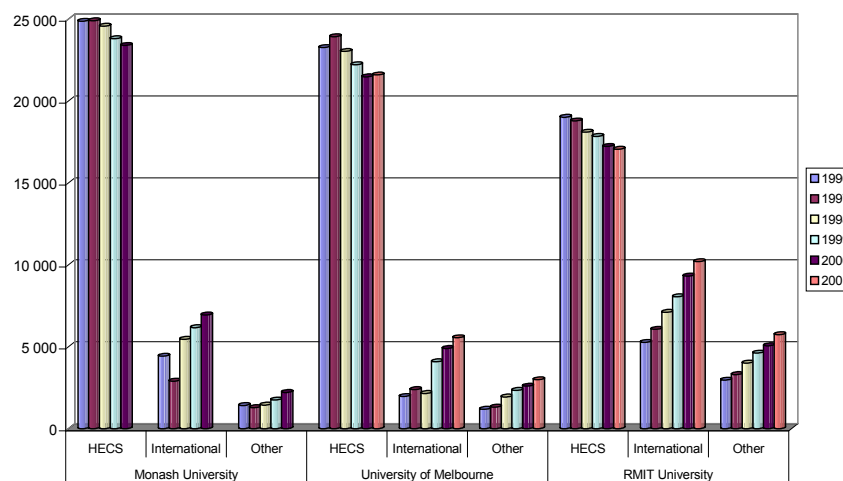
Table 4 shows that:

- 56 per cent of RMIT’s international students were enrolled in the faculties

of Business, Administration and Economics;

- 57 per cent of The University of Melbourne’s international students were enrolled in the faculties of Economics and Commerce, Engineering and Science; and

**Figure 3: Students, Monash, Melbourne, and RMIT universities, 1996 to 2001, EFTSU**



Note: ‘Other’ refers to Australian full fee-paying undergraduate and postgraduate students

Source: The University of Melbourne, Monash and RMIT universities, 2001

**Table 3: Change in student numbers, Monash,<sup>(a)</sup> Melbourne and RMIT universities, 1996 to 2000, (EFTSU)**

		1996	2001	Change	Per cent
RMIT University	- HECS	19,007	17,056	-1,951	-10.2
	- International	5,055	10,197	5,142	101.7
Monash University	- HECS	24,868	23,393	-1,485	-5.97
	- International	4,420	6,936	2,516	56.9
The University of Melbourne	- HECS	23,264	21,588	-1,667	-7.2
	- International	1,963	5,550	2,969	151.2

<sup>(a)</sup> Monash University data for 1996 and 2000  
Source: University Statistics, 2001

- 72 per cent of Monash University's international students are enrolled in two of the 10 faculties, namely, the faculties of Information Technology, and Business and Economics.

#### **FUNDED HECS PLACES AND ACTUAL HECS STUDENTS**

Over-enrolments occur when universities accept a greater number of students than the domestic HECS student quotas set by the Commonwealth. Figure 4 shows a trend towards an increasing number of over-enrolments by Australian universities reaching a peak of 26,304 in 1999, before beginning to decline in 2000.

In 1996-97 the Commonwealth Government announced a funding arrangement whereby universities could receive additional funding at the marginal rate of approximately \$2,500 for enrolments above agreed HECS student loads, compared with a fully-funded rate of \$9,000. Universities with under-enrolments (universities below their agreed student targets) are required to repay the Commonwealth for each funded place left unfilled. They were also required to repay the Commonwealth for any fully-funded HECS places occupied by fee-paying undergraduate or postgraduate places.

Since 1998, universities have been permitted to enrol fee-paying domestic students up to a maximum of 25 per cent of the total number of domestic under-

graduate student places in a particular award. Although it is argued that marginal funding for over-enrolments allows for growth in domestic HECS student places, there is a greater financial incentive for universities to enrol full fee-paying domestic or international students rather than marginally-funded HECS students.

Figure 5 illustrates the trends in HECS over-enrolments from 1996 to 2001 at three universities. It can be seen that an initial trend towards an increasing number of domestic HECS over-enrolments was reversed in 1998-1999. This reversal coincides with the introduction of Australian fee-paying undergraduate students in 1998. This suggests that universities now have a financial incentive to accept fee-paying domestic undergraduate students rather than to over-enrol domestic HECS students.

#### **Unmet demand**

Figure 6 shows that, nationally, there has been a reduction in the number of domestic students applying for university entrance over the period 1997 to 2001. This fall has been attributed to an increase in HECS fee levels since 1997.<sup>4</sup> The gap between applications and enrolments narrowed in the early 1990s and appears to be again narrowing in the early 2000s.

As shown in Table 5, around 19,000 eligible domestic university applicants

**Table 4: International students per faculty, 2000**

Faculty	RMIT University		Monash University		The University of Melbourne	
	EFTSU	%	EFTSU	%	EFTSU	%
Business, Administration, Economics	4,228	56	-	-	-	-
Business and Economics	-	-	3,156	45	-	-
Economics and Commerce	-	-	-	-	1,244	25
Information Technology	-	-	1,850	27	-	-
Engineering	927	12	562	8	716	15
Arts, Humanities and Social Sciences	913	12	-	-	-	-
Art and Design	-	-	400	6	-	-
Science	753	10	352	5	657	14
Medicine	-	-	321	5	-	-
Medicine, Dentistry and Health Science	-	-	-	-	651	13
Arts	-	-	85	1	546	11
Architecture, Building	663	9	-	-	-	-
Architecture, Building and Planning	-	-	-	-	328	7
Health, Community Services	112	1	-	-	-	-
Pharmacy	-	-	77	1	-	-
Law	1	-	69	1	198	4
Education	17	-	57	1	207	4
Melbourne Business School	-	-	-	-	94	2
Victoria College of the Arts	-	-	-	-	86	2
Music	-	-	-	-	73	1
Land and Food Resources	-	-	-	-	49	1
Veterinary Science	-	-	-	-	35	1
Other/unallocated	59	-	6	-	35	-
<b>Total</b>	<b>7,673</b>	<b>100</b>	<b>6,936</b>	<b>100</b>	<b>4,919</b>	<b>100</b>

Source: University Statistics 2001

could not be offered a university HECS place in the two years 2000 and 2001.

This was a substantially larger gap in Victoria than in any other State and reflects the limited number of HECS-based student places funded by the Commonwealth.

A 2001 study commissioned by the Department of Education Training and Youth Affairs showed that unmet demand was increasing most rapidly for information technology and telecommunications (IT&T) courses in Victoria. In 1998, for example, 1,432 eligible applicants could not be enrolled in Computer Science/Information Systems courses in Victorian universities. Moreover, between 1997 and 1999 both Monash University and The University of Melbourne reduced the number of

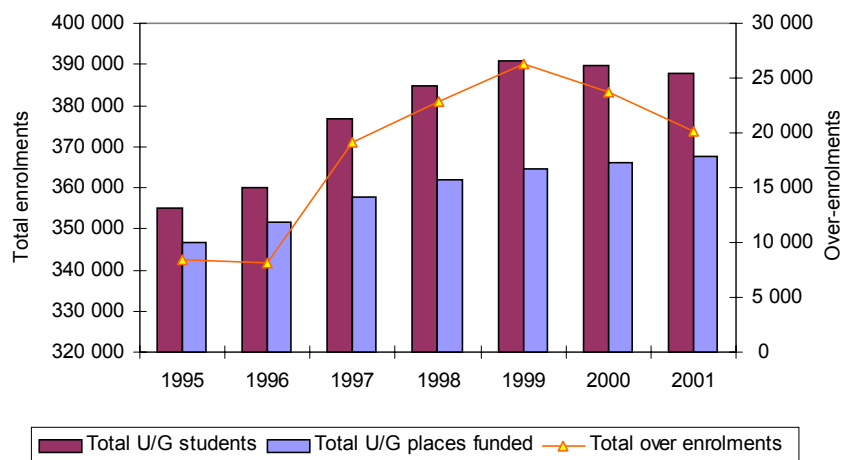
offers in IT&T courses by 200 (4.1 per cent) and 11 (1.2 per cent), respectively.<sup>5</sup> RMIT University increased the number of IT&T course offers over the same period by 52 (3.8 per cent).

Although unmet demand in Victorian is lower for Business Studies than it is for Computer Science, the demand for courses still outstripped supply in 1998 with 3,746 eligible applicants for Business Studies who could not be enrolled in Victorian universities.<sup>6</sup>

Growth in the numbers of full fee-paying international students in Victorian universities has been particularly significant for some faculties. Figure 7 indicates that The University of Melbourne

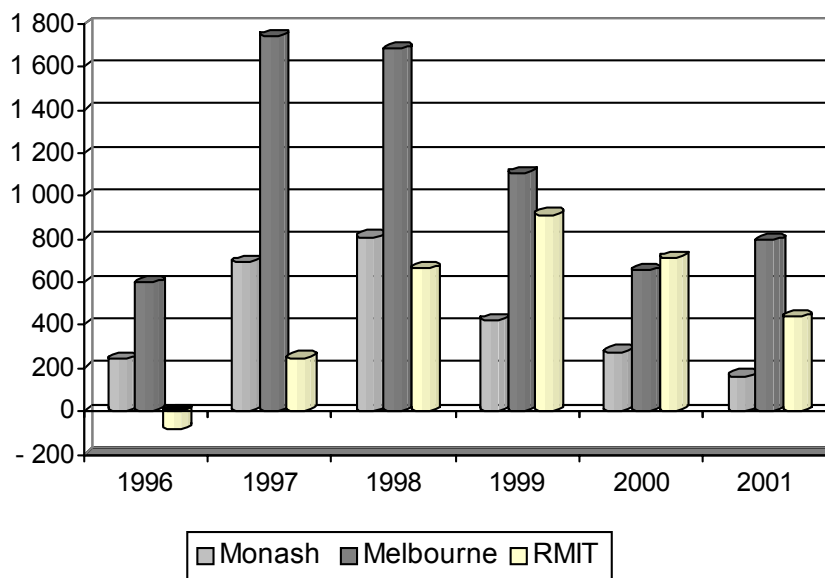


**Figure 4: Domestic undergraduate enrolments, Australia, 1995 to 2001,<sup>(a)</sup> EFTSU**



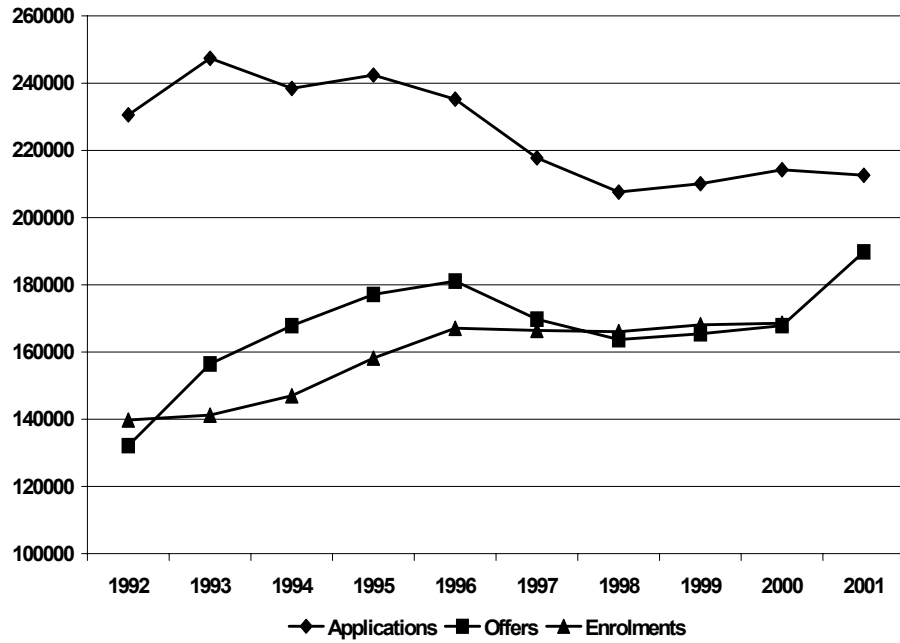
<sup>(a)</sup> Data for 2001 is an estimate for comparison purposes.  
 Source: Department of Education, Science and Training, Higher Statistics Collection

**Figure 5: Over-enrolments of domestic HECS students, Monash, Melbourne and RMIT universities, 1996 to 2001**



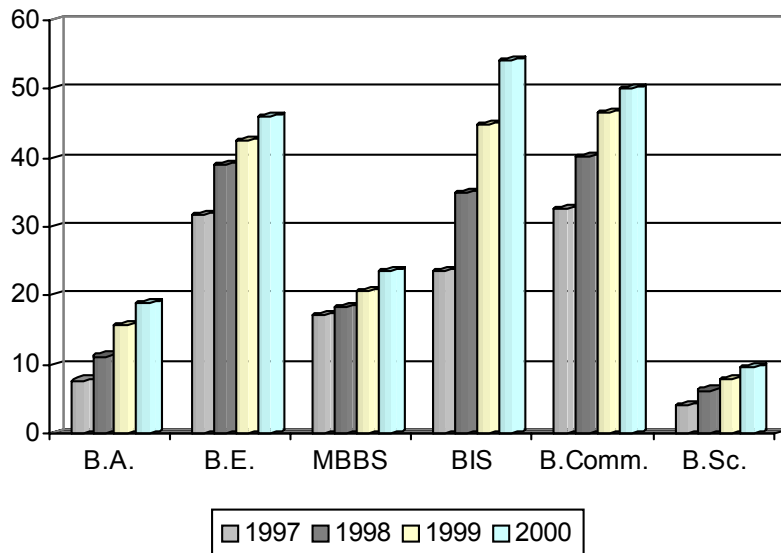
Source: University Statistics, 2001

Figure 6: Domestic undergraduate university applications, offers and enrolments, Australia, 1992 to 2001



Source: AVCC Data, 2002

Figure 7: International students as a percentage of total domestic students by course, the University of Melbourne, 1997 to 2000, per cent



Source: The University of Melbourne, Statistics, 2001

**Table 5: Number of eligible university applicants not receiving an offer, 2000-2001**

State	Total eligible applicants				Eligible applicants not receiving offers			
	2000	2001	'000s	(%)	2000	2001	'000s	(%)
NSW/ACT	63,698	64,595	897	1.4	9,555	10,189	634	6.6
<b>Victoria</b>	<b>59,096</b>	<b>58,288</b>	<b>(808)</b>	<b>-1.4</b>	<b>19,439</b>	<b>18,464</b>	<b>(975)</b>	<b>-5</b>
Qld.	54,484	53,907	(577)	-1.1	12,202	11,030	(1,172)	-9.6
S.A.	14,621	15,008	387	2.6	1,907	1,666	(241)	-12.6
WA..	16,161	16,293	132	0.8	2,439	2,251	(188)	-7.7
Tas.	6,172	5,962	(210)	-3.4	828	826	(2)	-0.2
<b>Total</b>	<b>214,232</b>	<b>214,053</b>	<b>(179)</b>	<b>-0.1</b>	<b>46,370</b>	<b>44,426</b>	<b>(1,944)</b>	<b>-4.2</b>

Source: AVCC Survey of Applicants for Higher Education Places, 2001

has seen growth in international students undertaking Bachelor degrees in Arts, Engineering, Medicine, Information Systems, Commerce and Science. There are now more international full fee-paying students than HECS-based students undertaking some courses towards the Bachelor of Information Systems and the Bachelor of Commerce degrees at The University of Melbourne.

At all three universities, targets for student numbers within particular faculties are driven by university-determined revenue targets, rather than demand in the community for particular course places.

#### CONCLUSIONS AND RECOMMENDATIONS

The Commonwealth Government funds the number of domestic HECS places in Victoria's universities. The number of these places funded by the Commonwealth has fallen despite a significant level of unmet local demand. The size of the Commonwealth's reduction in domestic HECS places has been more severe in Victoria than in other States. Consequently, the level of unmet demand for domestic HECS places is greater in Victoria than in other States.

Direct displacement of domestic HECS students by fee-paying domestic or international students is both protected against and regulated by the

Commonwealth's higher education policies. However, over the past 15 years, changes to Commonwealth educational policy and funding arrangements have altered the financial incentives faced by universities. Universities have responded to these new incentives by reducing the relative proportion of over-enrolled (marginally-funded) domestic HECS students and increasing the proportion of fee-paying domestic and international students. Victorian universities have been particularly responsive to these new arrangements.

A larger proportion of international undergraduate students enrol in the fields of Business and Information Technology. Increased student numbers are likely to place additional pressure on university infrastructure for these courses, at least in the short-term. Universities need to monitor this situation to ensure that academic staff and teaching resources do not become over-burdened.

The Commonwealth Government has a key funding and regulatory role in higher education. Given the level of unmet demand for domestic HECS places in Victoria, the Victorian Government should ensure that current funding mechanisms for higher education are understood and debated by the Victorian Parliament and the community.

**Note:**

This report was tabled in the Victorian Parliament on April 18, 2001. A copy of the full report can be downloaded from the Auditors-General's web site, <http://www.audit.vic.gov.au>

**References**

- <sup>1</sup> <http://www.detya.gov.au>
- <sup>2</sup> [http://www.avcc.edu.au/policies\\_activities/resource\\_analysis/key\\_stats/index.htm](http://www.avcc.edu.au/policies_activities/resource_analysis/key_stats/index.htm)
- <sup>3</sup> The total number of international students each year includes both onshore and offshore students for RMIT and Monash Universities.
- <sup>4</sup> See Australian Council of Deans of Education, *New Learning: A Charter for Australian Education*, October, 2001, p. 135.
- <sup>5</sup> Department of Education, Science and Training, 'Unmet demand for Information Technology and Telecommunications Courses', South Australian Centre for Economic Studies, January 2001, p. 82
- <sup>6</sup> *ibid*, p. 84