

Education New Zealand Briefing

Title:	Education New Zealand's advice on the proposed changes to post-study work rights		
Date:	16 May 2018	Priority:	Low
Security level:	In Confidence	ENZ ID no:	1718-129

Action sought

Addressee:	Action sought:	Deadline:
Minister of Education	<p>Note that ENZ expects that the direct impacts of the proposed changes to post-study work rights will reduce the number of international students in the private training establishment and institutes of technology and polytechnics sectors, potentially affecting up to 17,000 students who would be subject to new work right rules.</p> <p>Note that, if the proposed changes to post-study work rights are confirmed later in the year, ENZ will offer its support to help with the Ministry of Business, Innovation and Employment's in-market communications and will ensure that ENZ's in-market communications are focused on mitigating the risks of a reduction in New Zealand's attractiveness as an international study destination.</p> <p>Agree that the proactive release of this briefing is deferred until the policy review is completed and any changes are announced by the Minister of Immigration.</p>	

Contact for telephone discussion (if required)

Name:	Position:	Telephone:	Cell phone:	1 st contact
Grant McPherson	Chief Executive	[REDACTED]		x
Andy McPhee	Intelligence Manager	[REDACTED]	Withheld under s9(2)(a)	

The following departments/agencies have seen this report

<input type="checkbox"/> ERO	<input checked="" type="checkbox"/> MBIE	<input type="checkbox"/> MFaT	<input checked="" type="checkbox"/> MoE	<input type="checkbox"/> MoH	<input type="checkbox"/> MSD
<input type="checkbox"/> NZQA	<input type="checkbox"/> NZTE	<input type="checkbox"/> TEC	<input type="checkbox"/> TPK	<input type="checkbox"/> Treasury	<input type="checkbox"/>

Minister's office to complete

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined	<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by events	<input type="checkbox"/> See Minister's notes	<input type="checkbox"/> Withdrawn

Comments:

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Recommendations

Education New Zealand recommends that you

- a. **note** that ENZ expects that the direct impacts of the proposed changes to post-study work rights will reduce the number of international students in the private training establishment and institutes of technology and polytechnics sectors, potentially affecting up to 17,000 students who would be subject to new work right rules

Noted

- b. **note** that, if the proposed changes to post-study work rights are confirmed later in the year, ENZ will offer its support to help with the Ministry of Business, Innovation and Employment's in-market communications and will ensure that ENZ's in-market communications are focused on mitigating the risks of a reduction in New Zealand's attractiveness as an international study destination

Noted

- c. **agree** that the proactive release of this briefing is deferred until the policy review is completed and any changes are announced by the Minister of Immigration

Agree / Disagree



Grant McPherson
Chief Executive
Education New Zealand



Hon Chris Hipkins
Minister of Education

24 / 6 / 18.

I'm concerned about the significant variation in ENZ/MBIE modelling. Why hasn't ENZ made any allowance for behavioural change? I'm also concerned this modelling relies a lot on untested and unproven assumptions.

Purpose

1. This paper provides you with the advice that Education New Zealand (ENZ) provided to the Ministry of Business, Innovation and Employment (MBIE) to use in developing a draft Cabinet paper on post-study work rights for international students.

Background

2. International Education Ministers discussed MBIE's advice on post-study work rights for international students at their meeting on Monday 9 April 2018. At the meeting MBIE, ENZ and the Ministry of Education agreed to work together to identify available data and analysis on the impact of options, especially on general and specialised labour markets, international student numbers and education providers.
3. ENZ has analysed the potential impacts of the proposed options for post-study work rights (MBIE 2464 17-18) on international student numbers and the economic value of the international education sector. This information was provided to MBIE to consider alongside other impacts in developing a draft Cabinet paper on post-study work rights. The Minister of Immigration will consult you and his other Cabinet colleagues on the draft paper.

Importance of work rights for international students

4. Globally mobile international students choose an education destination based on a range of factors, the first and foremost of which is education quality, followed by affordability, safety, graduate employment opportunities, and visa requirements.
5. When compared with its Anglo speaking competitor countries such as Australia, Canada, the United Kingdom (UK) and the United States, New Zealand is perceived by prospective international students to outperform its competitors regarding safety, to be reasonably competitive for affordability, but is significantly less competitive in terms of perceptions of education quality and graduate employment opportunities.
6. Research also tells us that the ability to gain international work experience is a key part of the international education 'value proposition' for international students and an important aspect in gaining post-study employment in the competitive home employment markets of countries such as China.
7. In terms of deriving an estimate of the impact of currently proposed changes to post-study work rights for international students, ENZ looked to the impact of the removal of post-study work rights in the higher education sector in the UK and its possible implications for New Zealand.
8. Until 2011, the number of international students going to the UK had been growing by 3-4% annually, but subsequently the rate of growth has been flat or declining, against a backdrop of strong global growth. This is widely attributed to changes introduced in 2012 that significantly tightened the rules on foreign students staying on in the UK once they had completed their study and largely removed in-study work rights for non-university study.
9. While the impact on the growth rate of international students in the UK may seem relatively modest, it should be viewed in the context of it being second most popular global education destination and where the prestige of UK institutions is extremely

strong, counter-balancing concerns about visas, opportunities to stay and work post-study, and expecting to feel unwelcome in their host country.

10. New Zealand, which is globally ranked as the 10th most popular global education destination, does not have high perceived education quality (relative to its competitors) or institutional prestige on our side.
11. In that environment, further restrictions to post-study work rights for international students in New Zealand, are expected to have a significant negative impact on the desirability of New Zealand, and on international student enrolment volumes.
12. These negative impacts are likely to extend beyond just tertiary education and also wider than those international students choosing New Zealand explicitly because of post-study work opportunities. ENZ believes that an example of such wider contagion effects can already be seen in the decline in first-time student visas issued to Chinese students which were 9% lower in 2017 than 2016 (and continue to decline in 2018), affecting all subsectors, including schools.
13. While we are still working to understand the causes of declining demand from China for New Zealand education, we believe the most likely cause is uncertainty around New Zealand immigration policy as it relates to international students stemming back to changes made prior to May 2017. ENZ is analysing the decrease in Chinese first-time student visas and will report our findings to you.

Potential impact

14. In deriving the potential impact of the proposed changes to post-study work rights, ENZ has taken an optimistic approach that takes no account of potential contagion effects beyond subsectors where post-study work rights are directly relevant, and where it pertains to sub-degree level study only. It also does not take into account the cumulative impact of changes to policies affecting international education, such as the strengthened English language requirements and changes to the Skilled Migrant Category salary thresholds.
15. On this basis ENZ's analysis shows that the direct impacts will affect the private training establishment (PTE) and institutes of technology and polytechnics (ITP) sectors in particular, where we estimate that the number of international students enrolled may decrease by around 17,000, with a value of \$486 million in export earnings per annum at risk. Some PTEs are currently experiencing a decrease in Chinese enrolments, driven by the decrease in Chinese first-time student visas.

Sector	Number of international students (2017)	Sector value ¹ (\$m)	% who take up post-study work rights	% enrolled at sub-degree level	Number of international students potentially affected	Likely impact ² (\$m)
Primary schools	3,653	\$211	n/a	n/a	-	-
Secondary schools	16,689	\$652	n/a	n/a	-	-
ITP	19,076	\$639	52%	50%	4,960	\$166

¹ 2017 estimate based on 2016 international student numbers and expenditure data.

² This is calculated by multiplying the total sector value by the percentage of international students who take up post-study work rights and by the percentage of international students enrolled at sub-degree level.

Sector	Number of international students (2017)	Sector value ¹ (\$m)	% who take up post-study work rights	% enrolled at sub-degree level	Number of international students potentially affected	Likely impact ² (\$m)
University	29,392	\$1,307	23%	10% ³	-	-
English language	24,635 ⁴	\$643	n/a	n/a	-	-
PTE	32,975 ⁴	\$847	42%	90%	12,465	\$320
Offshore	2,706	\$242	n/a	n/a	-	-
Total	124,647⁴	\$4,541			17,424	\$486

16. In 2016 and 2017 the number of international students enrolled at PTEs and ITPs decreased due to the 2015 tightening of Rule 18 (English language requirements) and changes to the Skilled Migrant Category that decreased export earnings by \$315 million per annum. Additional changes to the Skilled Migrant Category are expected to slightly reduce numbers further. The 17,000 students potentially in range of the proposed work right rules – who study at ITPs and PTEs at sub-degree level – when combined with reductions already seen, represent a market value of up to \$900 million in export earnings, including \$240 million in tuition fee revenue. While the last economic valuation assessed the number of jobs supported by international education at 33,000, we have not calculated what the impact on jobs may be. It is not possible, however, to predict changes in behavior. Some students in the affected range could, for instance, decide to choose higher level qualifications. Any reductions will, over time, be offset by increases in areas of targeted value, but this will take time.

Conclusion

17. While ENZ and MBIE used different models to estimate the potential impacts of the proposed policy change, the results are largely consistent.

- Both models identify that PTEs and ITPs are expected to be affected by the proposed policy change while neither model expects the university and school sectors to be affected.
- ENZ estimates that up to 17,000 international students may be affected while MBIE estimate that 12,000 - 16,000 may be affected, while we both note it is not possible to predict changes in behavior.

18. ENZ fully supports the Government's goals to reduce international student exploitation and to focus on recruiting international students motivated by education quality. We are examining how to mitigate the likely negative impacts of proposed changes to post-study work rights on the value of international education sector export earnings. It is likely to require additional targeted activities and investments to maintain sustainable value for the sector.

19. ENZ will be running its annual Connect series in mid-June 2018, where we engage with the international education sector at various locations throughout New Zealand. We will invite MBIE to attend the series, and this may provide an opportunity to discuss the proposed changes to post-study work rights with the international education sector.

³ The majority of these international students go on to further study at Bachelors Level or above.

⁴ Estimate based on preliminary 2017 full year international student enrolment data while the enrolment data for the other sectors has been finalised.

20. Depending on the outcome of sector consultation discussions and final Cabinet decisions about changes to post-study work rights, ENZ believes that strong in-market communications will be needed when the final policy decision is announced later this year. ENZ will offer its support to MBIE to help with MBIE's in-market communications and will ensure that ENZ's marketing communications are focused on mitigating the risks of a reduction in New Zealand's attractiveness as an international study destination. This would help prospective international students to understand the post-study work right implications of their study options and enable agents promoting New Zealand to understand the post-study work options for each level of study.

Proactive release

21. ENZ proposes to defer the proactive release of this briefing until the policy review is completed and any changes are announced by the Minister of Immigration. This is because ENZ's input forms part of the policy development process which is currently underway.

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