

## Education Report: Building a sustainable and resilient future for international education

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	9 May 2020	<b>Priority:</b>	High
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1227399
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<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	No

### Purpose of Report

1. This paper seeks your direction on key areas of work to be progressed over the next six months to inform the development of a strategic recovery plan for the international education sector.
2. This follows initial advice you received on the potential impact of COVID-19 on the sector [METIS 1226485 refers] and should be read in conjunction with separate advice you are receiving from Education New Zealand on a potential Budget Bid. This work can inform your upcoming strategy session on the recovery of the international education sector.

### Summary

3. COVID-19 is a major disrupter for international education, creating an opportunity to re-shape international education and accelerate progress towards the vision you set in the International Education Strategy 2018-2030 (the IES) of a thriving and globally connected New Zealand through world-class education.
4. However, without targeted intervention there is significant risk that providers will turn to a 'volume' focused approach to quickly regain lost revenue. Full impacts of COVID-19 on international education are unknown, but will be significant [METIS 1226485 refers].
5. The current situation also re-highlights vulnerabilities and weaknesses in the industry and the current policy settings that shape the international education system and its ability to respond to significant shocks. A key factor is New Zealand's high level of exposure and reliance on high risk markets, with the Crown carrying a significant proportion of the risk.
6. Recovery will take time but there is significant potential to strengthen the sector to ensure it is more sustainable, resilient and diverse; to unlock key areas of underinvestment; and to better manage the level of risk exposure for the Crown. Policy choices and trade-offs, and resulting changes to quality assurance regulatory and immigration settings, are significant change levers that the recovery plan can accelerate to drive enduring whole-of-system changes.
7. Recovery work can be seen as two overlapping phases. With immediate impact this would involve implementing short term actions and investment/ reprioritisation decisions to help stabilise the sector. This includes work underway to support students in hardship; funding for the Export Education Levy; retargeted marketing and promotion, s 9(2)(f)(iv)
8. With medium-term impact, there are options to strengthen the international education system to ensure the sector is more sustainable, diverse and resilient.

9. This approach could slow down the recovery from a student volume and financial revenue perspective, but maximise other types of public value (such as contribution to important research agendas and the strengthening of strategic international relationships). These would also point the recovery of the sector in a more sustainable direction that more effectively balances benefits, costs, and risks from a public value perspective.

## Recommended Actions

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The Ministry of Education recommends you:

- a. **agree** that the International Education Strategy 2018 – 2030 continues to set the long term vision for the international education sector encompassing broad public value, sustainability, diversification, and resilience which remain core to our objectives for international education.

**Agree / Disagree**

- b. **agree** that the strategic recovery plan will take a two phased approach from now to October to include focus on a package of short-term 'stabilise' actions (phase one), and a series of policy changes to ensure the sector is more sustainable and resilient over a medium to longer term (phase two).

**Agree / Disagree**

- c. **agree** to direct officials to progress the following areas below, and **indicate in the table in Appendix One any priority areas**:

- i. Workstream One: Overarching macro policy settings to guide the recovery and shape the future of international education in New Zealand

**Agree / Disagree**

- ii. Workstream Two: Regulation of education quality

**Agree / Disagree**

- iii. Workstream Three: Immigration settings (noting that this would require agreement with the Minister for Immigration)

**Agree / Disagree**

- iv. Workstream Four: Crown risk exposure and sector resilience

**Agree / Disagree**

- d. **note** that progressing this approach would require further discussion across agencies to assess feasibility and effectiveness of the proposed measures, and agreement from international education Ministers.

**Noted**

- e. **note** that this approach may slow down short-term financial revenue, but it aims to rebuild and strengthen in order to be more sustainable and balances benefits, costs, and risks from an overall public value perspective.

**Noted**

- f. **agree** that officials will prepare material to support the public announcement of a high level recovery plan for the international education sector in June 2020.

**Agree / Disagree**

- g. **agree** that the Ministry will provide you with a monthly update on the progress of the recovery work and key decisions to be taken.

**Agree / Disagree**

- h. **agree** to forward a copy of this report to international education Ministers.

**Agree / Disagree**

- i. **proactively release** this education report, with any information that may need to be withheld or redacted in line with the provisions of the Official Information Act 1982.

**Release / Not release**

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**Graduate Achievement, Vocations and Careers**  
**Ministry of Education**

Hon Chris Hipkins  
**Minister of Education**

09/05/2020

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## International education and the disruption of COVID-19

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1. Prior to COVID-19 the implementation of the International Education Strategy 2018-2030 (the IES) was starting to have a positive impact with, for example, the removal of some poor quality private training establishments (PTEs) from the sector and a greater focus on student wellbeing.
2. COVID-19 has now changed the context significantly for our education system, and is a major disrupter for the international education sector. Strict border controls and the international market response to COVID-19 have effectively resulted in the collapse of the industry globally.
3. The full impact COVID-19 will have on the international education sector is not yet known, but it does include a significant reduction in the volume of students and the revenue generated from student fees. Preliminary modelling suggests that revenue loss in 2020 alone will be around \$600 million and this will have a range of implications across international education provider sub-sectors, as well as implications for the domestic education system. English language schools and other PTEs in particular, will be more impacted and are less resilient than other sub-sectors [METIS 1226485 refers].
4. A considerable benefit for New Zealand's recovery effort is the strength of our reputation as a result of our response and management of COVID-19. However, there is uncertainty about how international markets will respond as travel becomes possible again; what the strategic recovery approaches of 'competitor' countries will include and how they will influence the New Zealand market; and the implications relating to the loss of provider capability and capacity that is likely to result from the closure of some providers and the retrenchment of funded providers.
5. You have signalled work to develop a strategic recovery plan for the sector. As the fifth largest export industry for New Zealand, contributing \$4.94 billion a year to the economy and supporting over 45,000 jobs, it is important that the sector is stabilised and rebuilt following COVID-19.

## Priorities and approach for recovery

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*International education has a strong value proposition for New Zealand and there are new opportunities, but there are also key risks that need to be managed as part of the recovery*

6. While the context has shifted significantly as a result of COVID-19, the long-term strategic vision and objectives of the IES remain relevant and provide a strategic platform for recovery work. Focus is on building a more sustainable and resilient sector that supports innovation, global leadership, prosperity, and regional development and that strengthens research capability and partnerships. Economic outcomes remain important, but there is opportunity to better position and leverage the sector by ensuring the recovery plan directs effort and any public investment to where it will generate greater public value for New Zealanders.
7. The current situation has however re-highlighted some vulnerabilities and weaknesses in the industry and current policy settings that shape the international education system and its ability to respond to significant shocks. A key risk is that without deliberate government intervention the sector could now drive a return to a focus on volume of students to regain lost revenue, once border restrictions ease.
8. At the same time there is also opportunity to ensure the sector is rebuilt and strengthened in a way that better aligns with the IES than the previous 'status quo' and there are new opportunities that can be leveraged. For example:

- s 9(2)(f)(iv)
  - New Zealand's COVID-19 response is receiving international acclaim that could translate into a new competitive advantage in a globally competitive market; and
  - there has been significant and rapid investment in digital capabilities and resources across the education sector to manage the period of lockdown and uncertainty. New Zealand's international education offering can now capitalise on this, which may have taken years to build otherwise.
9. New Zealand could also more urgently consider an industry less reliant on student mobility due to the environmental strain caused by global movement, and place more focus on maximising the uptake of online delivery for students offshore<sup>1</sup> going forward.
  10. International education is predominantly delivered by public institutions, and government could also choose to be more directive about their efforts to shape the speed and nature of recovery and future growth and investments.
  11. s 9(2)(f)(iv)
- The establishment of the New Zealand Institute of Skills and Technology (NZIST) can also be a key feature by ensuring a focus on high-value, regionally-distributed student population and investing in diverse education products within the NZIST network.

*A phased and targeted approach to recovery that focusses on broad public value and long-term sector sustainability*

12. Recovery will take time and a phased approach that is aligned with broader recovery efforts and plans for New Zealand is recommended.
13. Over the next four to eight weeks, the first phase of work can include short-term actions to help stabilise the sector and address some of the immediate impacts of COVID-19. Improving support for international students in hardship, reducing pressure on the Export Education Levy, and developing options to manage and respond to the full or partial reopening of borders are key actions that are already being developed and progressed.
14. The second phase of work can take place over the next six months and focus on strengthening the foundations of the international education system to ensure key strategic drivers of increased sustainability, resilience, and broader public value are embedded over the medium to longer term. Identifying and managing key strategic risks and policy enablers for the sector will influence the extent to which the transformative aspects of IES can be accelerated by the recovery plan. This unique opportunity to reshape the sector cannot be overstated.

### Levers and options to drive strategic recovery and manage risk

15. Policy choices and trade-offs, and resulting changes to quality assurance regulatory and immigration settings are significant change levers that the recovery plan can activate and accelerate to drive enduring whole-of-system changes. The sector is largely shaped

<sup>1</sup> Onshore online delivery for international students requires consultation with Immigration New Zealand.

by government policy settings and there has been limited impetus for significant change in this space despite the launch of the IES.

16. s 9(2)(g)(i)

17. Crown funding and investment in innovation in the sector are also key levers that can complement changes to policy settings but these will be less influential in driving the long term strategic changes required.

#### *Proposed workstreams and actions for phase two*

18. The next six months presents a window of opportunity for the government to make policy choices that will shape the approach to recovery, key investment decisions and the industry as a whole for the next decade.

19. These could slow down the recovery from a student volume and financial revenue perspective, but maximise other types of public value (such as contribution to important research agendas and the strengthening of strategic international relationships). They would also point the recovery of the sector in a more sustainable direction that more effectively balances benefits, costs, and risks from a public value perspective.

20. Appendix One sets out proposed workstreams focussed on government policy to ensure the sector can be rebuilt in a way that increases sustainability, resilience, and the broad public value of the sector over the longer term. If you agree, the Ministry will work with other agencies to develop advice for consideration by international education Ministers.

#### Next steps

21. Subject to decisions regarding key workstreams, officials can also prepare material to support the public announcement of a high level recovery plan for the international education sector in June 2020. This provides a good opportunity for you to lead the sector in these uncertain times and provide assurance that government will work with the sector as part of the recovery.

22. A sector communications and engagement plan will be developed to inform this work and to ensure providers and other key stakeholders understand and can contribute to the approach and next steps.

## APPENDIX ONE – PROPOSED RECOVERY WORKSTREAMS

Workstream	Description	Priority area? Yes / No
1. Overarching macro policy settings to guide the recovery and shape the future of international education in New Zealand	This work would involve assessing and confirming macro policy principles and settings to be applied across agencies and the international education system to ensure a consistent approach to recovery. Key objectives would include ensuring there is clear connection with broader government objectives; that New Zealand's international education sector is targeted toward high value student cohorts; and that the sector supports strategic international partnerships and quality opportunities for New Zealanders to study overseas. Key policy choices are determining:	
	<ul style="list-style-type: none"> <li>a cross-government position on high value international markets and learner segments, and key education strategic partnerships (noting that 'value' is determined from a whole range of factors)</li> </ul>	
	<ul style="list-style-type: none"> <li>how the government can be more directive about the speed and nature of recovery and future market growth. s 9(2)(f)(iv)</li> </ul>	
	<ul style="list-style-type: none"> <li>how environmental sustainability should be prioritised within the context of the recovery</li> </ul>	
	<ul style="list-style-type: none"> <li>whether the government wants to take a broad or targeted approach to recovery (with some sub-sectors or student cohorts being prioritised for example)</li> </ul>	
	<ul style="list-style-type: none"> <li>if the government wants to take an investment approach that looks to speed up recovery</li> </ul>	
	<ul style="list-style-type: none"> <li>the extent to which economic revenue and volumes of students should be included (or not) as a success measure within the context of the IES</li> </ul>	
Workstream	Description	Priority area? Yes / No
2. Regulation of education quality	This work would focus on ensuring the education system works alongside the immigration system to provide education offerings that drive targeted enrolments and deliver quality education that is sought internationally. The outcome would determine the strength of the regulatory system to ensuring educational quality in the sector as part of the recovery and beyond. Key policy choices would include determining:	
	<ul style="list-style-type: none"> <li>options to build on regulatory settings to better support and enable quality offshore delivery (including online provision)</li> </ul>	
	<ul style="list-style-type: none"> <li>the types and levels of provision that the government want to support (i.e. those that bring a higher level of public value for New Zealand ) versus those that have traditionally driven low value, volume based behaviour (largely hospitality and sub-degree business courses).</li> </ul>	
	<ul style="list-style-type: none"> <li>the level of regulation and provisions relating to the registration of PTEs and programmes</li> </ul>	
	<ul style="list-style-type: none"> <li>regulatory settings to protect student welfare including insurance arrangements, pastoral care and protection against migrant exploitation.</li> </ul>	

Workstream	Description	
3. Immigration settings	This work would seek to ensure education quality, not work rights, is the primary driver of student attraction, with immigration settings in place to support this. It would largely focus on immigration choices for government and the regulation of student recruitment, contracting and enrolment. Key policy choices would include:	Priority area? Yes / No
	<ul style="list-style-type: none"> <li>if and how work rights could be more nuanced and used more tactically support strategic recovery and IES objectives</li> </ul>	
	<ul style="list-style-type: none"> <li>the extent to which work rights for international students should be linked to skill needs (for New Zealand and within specific regions)</li> </ul>	
	<ul style="list-style-type: none"> <li>if immigration policy levers are used to manage volumes and types of students overall – for example limits on overall numbers of student visas and/or how criteria are aligned to high value international markets and learner segments.</li> </ul>	
	<ul style="list-style-type: none"> <li>the extent to which the government wants to regulate providers and their use of education agents</li> </ul>	
Workstream	Description	
4. Crown risk exposure and sector resilience	No policy settings currently exist in this area, but COVID-19 has highlighted significant level of Crown risk exposure. The Crown has accepted this level of risk in part because it has reduced pressure on Crown funding for education and due to the significant contribution the sector makes to the domestic education system through international education fee revenue. This work would focus on developing options to reduce the level of sector risk that is carried by the Crown over the medium to longer term and to increase the overall resilience of the sector to future shocks. Sector sustainability and resilience relies on the extent to which the sector can become more diversified both in terms of 'products' offered, the markets we focus on, and how key risks are managed. Key policy choices relate to diversification, strategic risk management and funding policy include:	Priority area? Yes / No
	<ul style="list-style-type: none"> <li>s 9(2)(f)(iv)</li> </ul>	
	<ul style="list-style-type: none"> <li>building a mixed industry – determining how the government /sector can invest over the next 1-5 years to shift the market to more offshore delivery/new products, rather than being almost entirely reliant on onshore student revenue</li> </ul>	
	<ul style="list-style-type: none"> <li>the level of risk the Crown is willing to be exposed to and what sustainability and resilience will mean for the sector (from a financial perspective) in the future. This would include choices about the EEL and insurance arrangements</li> </ul>	
	<ul style="list-style-type: none"> <li>confirming the government's appetite for public investment and how and when that should be targeted as part of any ongoing recovery and progression towards the IES vision and goals.</li> </ul>	