



## Briefing Note: COVID-19 impact on international education in schools—student numbers and financials

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	13 May 2020	<b>Priority:</b>	High
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1227998
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<b>Messaging seen by Communications team:</b>	Yes / No	<b>Round Robin:</b>	No

### Purpose of Report

This paper provides information requested by your office on the impact of COVID-19 on the reduction in numbers of international students in state and state-integrated schools and the related revenue loss. It also considers the impact of lost international revenue on both the domestic and international schooling systems, both now and through the end of 2020.

**Note** that New Zealand schools have so far lost around 15% of their expected international revenue for the first part of the year (up to \$18 million), and that this loss will intensify as the year progresses, to a likely loss of around 50-55% of total international revenue (\$100-110 million).

**Note** that this lost international revenue impacts both domestic and international provision.

**Note** that one of the most pressing issues for schools is the loss of the international education workforce, some of whom specialise in international education and will be required for an effective rebuild of the sector.

**Agree** that this Briefing will be proactively released.

☒ **Agree** ☐ **Disagree**

### Summary

- New Zealand state and state-integrated schools have enrolled 20,000-26,000 international fee-paying students (international students), with an annual international revenue of \$180-200 million over the last three years.
- While visa data shows a reduction of less than 10% of students from last year, enrolment data shows a reduction of around 15%, capturing the withdrawal of an estimated 1,500-1,800 international schools students to return to their home countries.

- Approximately 30-40% of total international school students do not arrive at the beginning of the year, and some here now will return home at mid-year, so the loss of revenue will climb to around 50-55% by the end of the year (\$100-110 million).
- While schools makes their own decisions on how international revenue is managed, this revenue loss will undoubtedly result in significant loss of international staff, including management, pastoral care, and teaching staff, some specialised in international education. Loss of the international education workforce, particularly those who specialise in international education (including ESOL teachers and business managers) may make rebuilding the international education sector difficult.
- Schools (and principals) have complained about not being eligible for the wage subsidy while private schools have been able to access it. However, it is unlikely they would have qualified for the wage subsidy, which required demonstrating a 30% loss in revenue over a month at the time of application.



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13 May 2020



Hon Chris Hipkins  
**Minister of Education**

14 / 5 / 2020

I'd like an urgent Budget bid worked up to submit to the next wave of COVID contingency measures that will establish a 'transition support fund' for schools that have lost international revenue due to COVID-19. It should help schools transition to a 'hard quarantine' arrangement for next year. CH

## Context: COVID-19

1. COVID-19 has had a significant impact on the international education sector in schools that will intensify as the year progresses. Because the school year began well before travel restrictions were put in place, most of the school students expected at the beginning of the year are now in New Zealand, though some have chosen to withdraw and return home. With the border closed, international students who had intended to arrive later in the year will not be able to do so.
2. Many schools are reporting financial difficulty resulting from reductions in international student fee revenue both to date, and ongoing as long as the border remains closed.
3. This paper sets out what we know about the number of international students currently in New Zealand schools compared to what might have been expected (based on data from previous years), the estimated lost revenue from the missing students, and the impact of that lost revenue on schools' ability to deliver both planned international provision and domestic provision funded through international revenue.

## International student numbers for 2020

4. Officials use two sources of data to determine the number of international students in New Zealand schools—visa data captured by Immigration New Zealand, and enrolment data captured through schooling's ENROL system. While a number of categories of international students are deemed domestic for tuition purposes by the Education Act (including exchange students, refugees, and dependents of most temporary work visa holders), the majority of international students in schooling and tertiary study pay international fees.
5. Because this paper considers the financial impact of COVID-19 on state and state-integrated schools, it focuses exclusively on the number of international fee-paying school students and related revenue.

### Visa data captured by Immigration New Zealand

6. The table below shows the number of students who held a valid visa to study in New Zealand schools in early April of 2019 and 2020.

**Table 1: Number of school students on study visas 2018-2020, in and out of NZ**

	2018 (5 April)			2019 (3 April)			2020 (5 April)		
	In NZ	Not in NZ	Total	In NZ	Not in NZ	Total	In NZ	Not in NZ	Total
<b>Students</b>	12,086	805	12,891	12,150	853	13,003	10,798	1,439	12,237
<b>Percentage</b>	94%	6%	100%	93%	7%	100%	88%	12%	100%

7. The percentage of total study visa holders in the country has declined from previous years to 88% in April 2020. However, the data show that it is "normal" to have 6-7% of total valid visa holders not in the country, so it cannot be concluded that all the 12% not in New Zealand in April this year would have been here but for COVID-19.

### Enrolment data captured by ENROL

8. The ENROL system that records international student enrolments shows a greater impact. The ENROL system enables us to get a "snapshot" count of the number of international students enrolled in schools on a particular date. The table below shows

a count for four months this year and last, and appears to pick up the number of international school students who went home on repatriation or other flights.

International fee-paying students in schools by year and month								
	Feb-19	Mar-19	Apr-19	May-19	Feb-20	Mar-20	Apr-20	May-20
Primary	2,331	2,038	2,008	1,987	2,331	2,352	2,037	2,031
Secondary	8,559	8,606	8,184	8,191	8,573	8,687	7,171	7,112
<b>TOTAL</b>	<b>10,890</b>	<b>10,644</b>	<b>10,192</b>	<b>10,178</b>	<b>10,904</b>	<b>11,039</b>	<b>9,208</b>	<b>9,143</b>

9. These snapshots reveal a total drop of 1,896 international students (17%) overall, with a drop of 321 students (13.6%) at primary level, and a drop of 1,575 students (18%) at secondary level between March and May this year.<sup>1</sup> Note, however, that the 2019 figures show a drop of 466 students (4.4%) between March and May, so some of the reduction will not have been caused by COVID-19. It seems reasonable to estimate that COVID-19 has caused a reduction of 15% of international students in schools.
10. Comparing these figures to full-year data reveals the extent to which the impact of revenue loss is yet to be felt. It also shows a 21% growth between 2018 and 2019, so anticipated numbers for this year may have included growth.

**Table 3: Total International students in schools 2018 and 2019**

EEL data (from ENROL)	2018	2019
Primary/Intermediate	4,455	6,173
Secondary/Composite	17,245	18,010
Total	21,670	26,202

11. In relation to how international students are distributed through the school system, data put together for the Tomorrow's Schools Taskforce Review reveals that in 2018, international students made up 2.5% of the total student enrolment. The table below shows the distribution of international students across deciles for 2018.

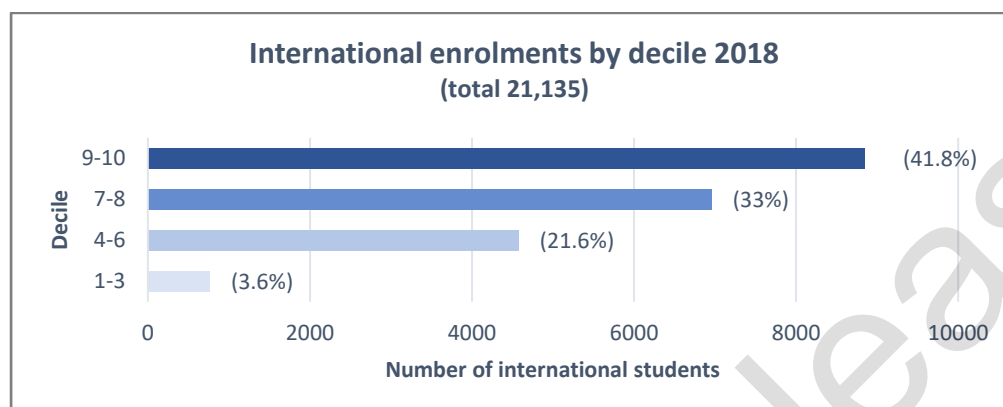
**Table 4: Schools enrolling international students by decile (2018)**

Decile	Primary/intermediate			Secondary/composite/ correspondence		
	Total schools in decile	Schools enrolling int students	% in decile with int students	Total schools in decile	Schools enrolling int students	% in decile with int students
1-3	579	21	3.6%	201	45	22.4%
4-6	553	71	12.8%	160	100	62.5%
7-8	380	85	22.4%	103	74	71.8%
9-10	421	125	29.7%	86	80	93.0%
unknown	13	3	23.1%	35	14	40.0%
<b>TOTAL</b>	<b>1946</b>	<b>305</b>	<b>15.7%</b>	<b>585</b>	<b>313</b>	<b>53.5%</b>
<b>24.4% of total schools enrolled international students in 2018</b>						

<sup>1</sup> Note that in a submission to the Ministry of Education, SIEBA and SPANZ have estimated revenue loss of 20% to date.

12. Data shows that higher decile schools are not only more likely to enrol international students, they also enrol higher numbers of international students than lower decile schools. For example, while decile 9-10 schools make up 33% of schools enrolling international students, the figure below shows they account for 42% of total enrolments. Showing the reverse trend, 10.7% of decile 1-3 schools enrol international students, but account for only 3.6% of enrolments.

**Figure 1: International student enrolments by decile 2018**



13. The decile distribution underscores the equity issues surrounding international education in schools. Higher decile schools are more likely to have the resources to set up and support what is essentially a private business, and they in turn enjoy significant revenue benefits from international enrolments that lower-decile schools miss out on. These benefits accrue to both domestic and international students.
14. The table below shows international students enrolments and revenue at four secondary schools with high international enrolments.

**Table 5: International student enrolments and revenue (2018)**

School	Decile	Int students	Total roll	% int student	2018 revenue
Macleans College	9	298	2503	11.9%	\$5,285,764
Rangitoto College	10	253	3206	7.89%	\$3,519,284
Westlake Girls' High School	9	252	2338	10.77%	\$3,584,405
Takapuna Grammar School	10	192	1685	11.39%	\$2,692,426

## International fee revenue loss for 2020

### How schools set fees for international students

15. Each school enrolling international students is able to set their own fees. Section 4B of the Education Act requires school boards to set fees at an amount *not less than* the cost of educating one domestic student. This domestic figure is published annually, and includes property, operational costs and salary funding. See Annex 2 for further information on how international fees are set and what they cover. The table below shows the average cost per student in 2018 for domestic and international students.

**Table 6: Domestic and international cost/fee per student 2018**

Domestic cost per student		Average international tuition fees	
Primary	\$6,145	Primary/Intermediate	\$11,450
Secondary	\$8,250	Secondary/Composite/Special	\$14,972

**Schools' revenue from international enrolments**

16. The most reliable data we have for international fee revenue in schools is published annually in the Export Education Levy (EEL) data. The deduction of the EEL from school funding occurs three times per year. The data in the table below shows the 2019 international fee revenue reported by schools for the three periods.

**Table 7: International revenue in schools by level 2016-2019**

School type	2017	2018	2019
Primary/intermediate	\$18,108,884	\$21,010,271	31,827,650
Secondary/composite	\$162,884,821	\$172,922,201	\$169,775,996
Total	\$180,993,706	\$193,932,471	\$201,603,646

17. Information provided by the Schools International Education Business Association (SIEBA) suggests that around 60% of students arrive in late January, with around 30% arriving in July, and short-term study groups peaking in March and April, and then again in July and August each year.

*International revenue lost to COVID-19 to date*

18. Applying the percentage of students currently missing from the system (estimated at 15%), and assuming 60% (or \$120 million) would have accrued during this period, the missing revenue across all schooling sectors to date in 2020 is approximately \$18 million. As this revenue is not spread evenly across schools, there will be some larger schools bearing more of the impact than others.

*International revenue lost to COVID-19 for the rest of 2020*

19. As the year progresses, if the border remains closed to international school students, schools will then be missing 50-55% of their anticipated annual revenue. We believe it is this forward looking picture (possibly more than immediate cash flow difficulties) that is distressing schools now, and forcing financial decision-making at this time.
20. The revenue loss will hit schools differently according to the types of international students the school tends to enrol. Asian students often come for full-year study, and so the impact later in the year on schools enrolling large numbers of Asian students may not be as sharp. This includes, but is not limited to, many of the larger international programmes in Auckland schools. European students tend to come for just a half year, while South American students tend to enter mid-year, so schools who were looking forward to a number of students entering in the second half of the year may lose significantly more than other schools.
21. New Zealand schools hosted 431 short-term study tour groups in 2018, and 463 in 2019, mostly from China, Japan and Korea. They are a reliable source of considerable income for the schools who participate. Almost all of this study-tour income is lost for 2020.

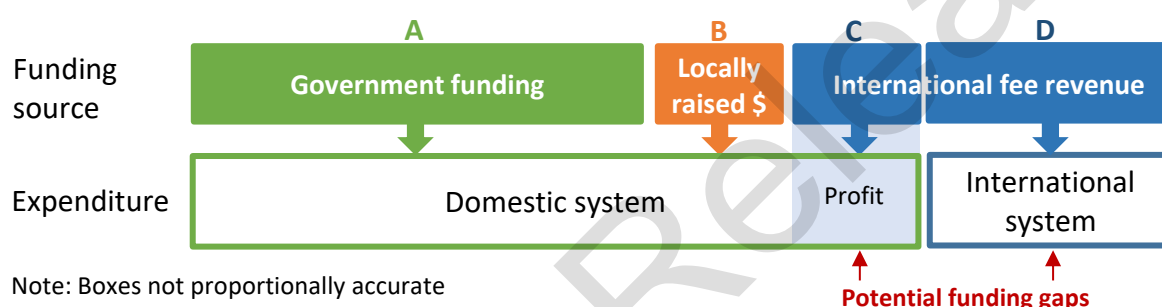


## Impact of international revenue loss on the school system

### How international revenue is used by schools

22. The nature and extent of the impact of the loss of international revenue on New Zealand schools will depend on the scale of the reduction in international students they experience. It will also depend more specifically on what the school normally pays for with the international revenue, and how they adjust their spending decisions in response to COVID-19's impact on international enrolments and revenue.
23. There is no guidance to schools on how they spend their international fee revenue, nor is this monitored by the Ministry.<sup>2</sup> The diagram below illustrates that for most schools enrolling international students, international fee revenue funds the international education they deliver (D in the diagram), with the profit then used on the domestic system (C in the diagram).

**Figure 2: School system funding and expenditure (government and international)**



24. The loss of international revenue in 2020 will force schools to make decisions around how that loss will impact both the international system (which will reduce in size in relation to delivery) and the domestic system (which will not reduce). These decisions will vary considerably across schools.

### Impact on schools with large international programmes

25. Very large international programmes in large colleges (mostly decile 7-10 schools, many in Auckland) are run like businesses and will face the same financial issues facing all businesses in New Zealand reliant on international visitors. Their demand will continue to decrease as the year progresses, and they will have to make difficult decisions on what they are able to fund going forward.
26. Because most of the international students expected at the beginning of the year appear to be in the system, schools should not be facing severe *immediate* cash-flow issues. Most, for example, would not have met the threshold of a 30% reduction in expected revenue required to meet the wage subsidy standard, had they been eligible.
27. However, because the border is closed, the drop in revenue for the year will increase in magnitude, and schools will be unable to fund their international programmes. While having fewer students may reduce some of their costs, economies of scale mean that the reduction in costs will not be proportional to the lost revenue. They face the loss of some of their full-time staff dedicated to the delivery of international education, which can be up to 20-25 specialised full-time staff in larger schools. If this happens, they will then face difficulty rebuilding the capacity and capability of that system when the border reopens.

<sup>2</sup> There is also no accounting guidance provided around how they record and account for the international revenue and spending, even when this impacts domestic provision.

### *Impact on smaller schools*

28. Smaller schools with fewer students may use their international revenue differently, and do not have a substantial, separate international school component to fund. A smaller school might have to decide between doing without the extra Reading Recovery teacher they fund through international revenue (a domestic system impact), or letting go the only teacher they have dedicated solely to teaching international students. Or they may have to do without both.

### *Impact across the system: the international education workforce*

29. The most significant impact of the lost international revenue across the education system is the threat it poses to New Zealand's specialised international education workforce. In larger programmes, this can include a team of non-teaching international staff, including international directors, business development staff, and staff experienced in pastoral care provision. These are in addition to specialised teaching staff, including ESOL teachers and others.
30. Retaining as much of this workforce as possible is essential to New Zealand's ability to rebuild the international education workforce in schools. We do not currently know how many staff fill these various roles in schools, but it is possible that the Schools International Education Business Association (SIEBA) could provide more of that data for us.

### **Proactive Release**

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31. We recommend that this Briefing is proactively released as per your expectation that information be released as soon as possible.