

# International education recovery through scholarships

A case for a new approach

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With the Australian international borders closed to international students due to the Coronavirus disease (COVID-19), Australian universities have experienced unanticipated financial losses. At the same time, many international students who would have chosen to study in Australia instead chose to enrol in universities in the US, UK and other countries where the borders opened earlier. The long-term effects of this are unknown, but with borders finally now open again, Australia will need to re-establish itself as a destination of choice for international students. An opportunity to establish a prestigious international scholarship program may be created by the recent sale of the universities' collective investment in IDP Education Pty Ltd. The income generated by this sale could create a source of funding for an international scholarship program which would create goodwill and help to diminish the reputation of Australian international education as predominantly revenue-driven.

*Keywords: COVID-19, international students, Australian universities*

## Introduction

The Australian higher education system has found itself in a crisis created by COVID-19 and exacerbated by various decisions of universities and governments made not only during the crisis, but also during the decades leading up to this point. This article will offer an argument to support a non-government-centred response to one small, but important element of the crisis, the loss of incoming international students to Australia due to the border closure. The article centres around an important contention: international scholarship programs are important for Australia. A proportion of the foreign citizens who study in Australia have always done so on prestigious government scholarship programs. Australia was an early and highly visible participant in the original Colombo Plan from the early 1950s (Auletta, 2000; Oakman, 2010) and for 75 years has continuously offered international students the opportunity to study in Australia through government scholarship programs. Many other national governments in first world countries have comparable programs, such as the US Government's Fulbright program and the UK Government's Commonwealth Scholarships and Fellowships Program.

The history of international students in Australia since the 1950s, and particularly since 1987, has been covered elsewhere (Cuthbert, Smith & Boey, 2008; Davis & Mackintosh, 2011; Adams, Banks & Olsen, 2011). However, the history of international education scholarships in Australia is under-researched, despite their foundational role in the Australian community's understanding of international education. Most research has focused on the Colombo Plan (Auletta, 2000; Lowe, 2010, 2015; Oakman, 2010), with less critical analysis of other important schemes such as the Australian Development Scholarships, the Australia Awards and the Endeavour program (which was abolished in 2019). This has led to a minimisation of the role of scholarships in the broader international education ecosystem.

In 2020, international education was estimated by the Australian Bureau of Statistics to be worth \$37.5 billion to the Australian economy (ABS, 2020). Scholarships formed only a small part of this figure, but the benefits of scholarship students in Australia go beyond financial considerations. It is axiomatic that there are substantial economic advantages brought to Australia by international students, but our focus in this paper is on the unique, non-financial contribution brought to this country by government-funded scholarship recipients. Their contributions include the more difficult-to-measure and unquantifiable measures of worth connected with soft power and regional influence.

## What is an Australian international scholarship?

For the purposes of this paper, we define a scholarship program in accordance with a definition adapted from John Kirkland (2018). It may serve one or more of the following purposes:

1. National interest (narrowly defined): Scholarships driven by the desire of the host country to fill particular skills or other labour market shortages.
2. National interest (broadly defined): Scholarships intended to benefit the host country in less direct or measurable ways, for example, winning long-term friends for public diplomacy purposes or enhancing the reputation of national higher education systems.
3. Merit based: Scholarships awarded to the most able candidates, regardless of their personal background or likely impact on national or development objectives.
4. Development based (individually focused): Scholarships seeking to address disadvantage, prioritising candidates who are under-represented in some way.
5. Development based (society focused): Scholarships which prioritise candidates who appear most likely to address development problems in their respective countries, regardless of personal background (Kirkland, 2018 p 153-4).

Since 2014, international scholarship opportunities offered for inbound study to Australia funded by the Australian Government have been in decline; the number of Australia Award Scholarships went from 2,112 in 2013 to only 971 long term awards in 2016 (Austrade, 2018). Concerningly, the number of in-Australia long term awards offered in the 2021 intake was only 330 (DFAT, 2021). Due to the border closure as a result of the pandemic, the 330 awardees for 2021 will not commence their studies until mid-2022 at the earliest.

## A brief history of scholarship provision by the Australian Government

The Australian Government has provided scholarships to nations in the Indo-Pacific region since the late 1940s. It can be seen from Cabinet documentation and other archival notes that the first scheme, the Southeast Asian Scholarship Scheme, was designed by the Australian Government to appease the newly independent nations of South East Asia who resented the continuing White Australia Policy (NAA: A1838, 2047/1). The Colombo Plan, introduced in 1950, furthered this approach, additionally seeking to contain the spread of communism throughout South East Asia (Oakman 2010).

Scholarship schemes with various names have been in place since these early iterations, providing opportunities for students from developing nations to study in Australia. While it has been a resilient form of aid delivery, the number

of scholarships has not been consistent. Despite this, as a form, scholarships have weathered cuts to budgets and changing trends in aid delivery and management. A subsidy scheme introduced by the Whitlam Government in 1974 allowed for significantly larger numbers of students to study in Australia with the support of the Australian Government. This program lasted until the late 1980s, after which a more limited scholarship scheme was put in place.

Accepting that the Australia Awards program today can trace its history to the South East Asian Scholarship Scheme of 1948, alumni of various programs have made social, political and community contributions over decades. The contributions have been documented in DFAT funded research by David Lowe, Jonathan Ritchie and Jemma Purdey (2015).

### What has been gained by Australia – universities, government, communities

Australia has gained significant value from these long-running scholarship programs. Research by the Global Tracer Facility confirms and quantifies this value through their tracer case studies (DFAT and ACER 2021). While there may be some debate as to the appropriateness of a development scholarships program being measured in terms of the value it accrues to the donor, this value cannot be denied.

Alumni occupying positions of power is often pointed to as a key performance indicator of a scholarship program, and there are many examples of Australian universities' alumni in powerful roles across the recipient nations in education, medicine and public policy. And there are those scholarship recipients who have used their education in Australia as a stepping-stone to further education elsewhere. These soft power outcomes are difficult to quantify, but provide Australia and Australians with familiar (and often friendly) faces in all walks of life across the Indo-Pacific region.

Universities have also gained not only through the presence of high calibre students in their ranks, but also by the alumni marketing power provided by the scholarship programs. The fees paid to universities also form an unofficial funding mechanism (Kent 2012), as full international student fees are paid by the Commonwealth Government. As the number of scholarship awardees increases or decreases, so does the funding being provided to the institutions where the scholars would be enrolled.

### What could be lost?

The new era of austerity which has emerged from the loss of international tuition fees during the pandemic is a further threat to the remaining government scholarship programs. Already eroded in recent years, 2019-2020 brought the closure of one government scholarship program (Anderson & Barker, 2019; Barker, 2019) and funding cuts to others (DFAT, 2021). The Department of Foreign Affairs and Trade, as the largest provider of international scholarships in Australia, has produced a strategy for reducing post-pandemic economic shock in the Indo-Pacific region (DFAT, 2020), but it is silent on the future of DFAT's key international scholarship program, Australia Awards.

In the coming years of financial uncertainty, well-designed international scholarship programs could bring advantages to Australia in terms of goodwill and soft power benefits which far outweigh their modest monetary cost. Privately-funded international student cohorts, when they return to Australian universities, will continue to concentrate the enrolments from particular source countries and in just a few academic disciplines. Government-funded international scholarship programs help to attract students of exceptional talent and

create diversity in the choice of academic programs, the range of countries from which students come, and the distribution of international students across locations in Australia. The Australian community has been enriched by the presence of international students, in both regional and urban settings (Lowe & Kent, 2019).

In addition, these programs facilitate long-term soft power benefits, as beneficiaries return to their home countries and assume influential employment posts, forever retaining their understanding and appreciation of Australia. Soft power advantages include the strengthening of diplomatic ties, facilitation of trade and export arrangements and enhanced national security (Kent, 2018). The long-term benefits of government-funded international scholarships should not be calculated in dollars, but in the priceless and enduring asset of goodwill.

### Where to from here – what are the important things that we want to carry forward?

It has been demonstrated that universities already contribute to supporting the costs of incoming international students

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through various forms of scholarships or tuition fee remissions. As far back as 2013, 33 universities reported spending \$364.4 million of non-government money on scholarships, fee waivers and stipends for commencing international students (Olsen, 2014). This contribution is not insignificant, but there is no national coordination or targeting of the expenditure in an effort to make a collective impact on the international community.

There is an opportunity for a greater collaborative effort in the provision of scholarships on the part of the Australian higher education sector. It would be possible to implement a scholarship program which is less fragmented, more visible, less connected to individual institutions and more unified across the sector than the current system, to make an impact internationally which would show the Australian higher education sector collectively in a positive light. This would be a scholarship program fitting Kirkland's category 2, *viz.* scholarships intended to benefit the host country in less direct or measurable ways, for example, winning long-term friends for public diplomacy purposes or enhancing the reputation of national higher education systems. It could be a program which is funded and managed by the Australian higher education sector itself, thereby avoiding the political pitfalls which impact on government-funded scholarship programs. Such a program would sit alongside and complement Australian Government scholarship programs but not compete with them, as Australian Government international scholarship programs have sometimes competed with each other (ANAO, 2011).

Most importantly, such a program would need to provide full-ride scholarships (tuition fees, living allowances, health cover and travel costs) to minimise the risk of bringing students to Australia who cannot afford their living costs. Current scholarships funded by universities which provide only partial funding in the form of tuition fee remissions, and no support for living costs, risk exacerbating the already substantial number of international students living in Australia with inadequate resources, vulnerable to wage theft and other forms of exploitation. A scholarship program which is unified across the Australian higher education sector and fully funded could build a sense of collaboration and goodwill between Australian universities and, internationally, doing much to break down perceptions of a goal 'to secure revenues rather than to allocate scholarships' which has long been the view of some international education experts (Marginson, 2009).

## Funding the new scholarship program

Australia's universities, often criticised for over-reliance on one aspect of their businesses, built substantial reserves up to the year 2019, in part due to the revenues from the tuition fees

paid by international students or their sponsors. The 2019 financial position of Australia's universities, as summarised by Australia's Department of Education, Skills and Employment in November 2020, shows that the universities in aggregate held \$24 billion in reserves at the end of 2019 (DESE 2020). It is not our purpose in this article to argue whether the universities with their reserves and borrowing power should have been able to weather the storm of the COVID-19 pandemic without the need for a government bailout. Rather, we want to highlight another source of potential funding for a post-COVID-19 Australian international scholarship program.

IDP Education Ltd., a company listed on the ASX as IEL, has been half-owned by 38 Australian universities through an entity called Education Australia Limited. In the last 50 years IDP has transformed from the Asian Australian Universities Cooperation Scheme (as a Standing Committee of the then Australian Vice-Chancellors' Committee), to a not-for-profit enterprise (IDP Education Australia) with all 38 Australian universities as its members, to, in 2006, its current for-profit structure. This change in corporate structure occurred when the universities sold half of IDP to SEEK Pty Ltd (IDP, n.d.).

As a privatised for-profit company, IDP Education has adopted a global strategy, extending beyond Australia to New Zealand, the UK, Ireland, Canada and the United States. That IDP receives commission payments for recruiting international students to countries other than Australia might lead to questioning the rationale, and perhaps the appropriateness, of continuing ownership by Australian universities. After protracted debate extending over many years and long pre-dating the pandemic, in June 2020 Education Australia announced the sale of 5.1 per cent of IDP to enable Education Australia shareholders to monetise some of their investment in Education Australia. The decision was motivated by the need to release funds for other purposes in their capital-constrained universities, a need which was compounded by the impact of COVID-19. Proceeds of the sale amounted to \$219 million, or \$5.8 million for each of the 38 shareholder universities. IDP's annual report for the year to June 2020 noted that Education Australia, which represents 38 Australian universities, owned approximately 40 per cent of the shares of IDP Education Limited (IDP 2021a). In March 2021, IDP Education's market capitalisation was \$6.71 billion, meaning 40 per cent was \$2.684 billion, potentially unlocking \$70.6 million in value for each of the 38 universities who own Education Australia Ltd (Hare, 2021a). The estimate as at September 2021 was \$54 million to each university (Dodd, 2021; Hare, 2021b).

Australian universities, because of culture, history and government funding, do not have access to the endowments that are available to US universities, estimated at more than

US \$600 billion in 2017 (US Department of Education, 2017). The Australian universities' divestment in IDP provides a windfall which could prove transformational. A proportion of this windfall could be set aside for the creation of an international education foundation that provides international scholarships and education aid. With appropriate investment, this scheme could be in place in perpetuity.

By establishing a foundation for the delivery of international scholarships, Australian universities could provide significant support to developing university systems in the region, as well as attract high-achieving students from all over the world, without being reliant on the whims of government scholarship allocations. Foundational scholarships are nimbler than government scholarships, are adaptable and can address short- and long-term needs in both host and home communities. A foundation such as this would also help to address many of the criticisms that come from nations sending students to Australia who may resent the market (mercenary) recruitment approach of many Australian universities. The benefits arising would not rely solely on the funded scholarship awardees, but would flow through to the private student market.

It would also provide Australia with significant soft power dividends, without the involvement of the government. When Joseph Nye first theorised on soft power, he imagined the concept relating to non-government actions (Nye, 1990), so in many ways, this approach is more true to the original concept of soft power.

## Conclusion

The Australian Government and Australian universities are facing significant financial challenges in the post-COVID-19 environment. With borders long closed to incoming students, including the effective suspension of the Australia Awards scholarship program, universities have been closed to new international students wishing to study in Australia. This only adds to the problems caused by cuts to aid funding, and the erosion of the Australia Awards program which has occurred almost every year since the election of the Abbott Government in 2013. With only 330 long term awards offered for study in Australia in the 2021 cohort (and not able to travel), this marks a new and significant low in the provision of government scholarships.

By putting in place a significant foundational program, the university sector has the opportunity to take back some of the control when it comes to international scholarship programs. This would also issue a challenge to the Australian Government to do more in this space, leading to the provision of more scholarships from a greater number of sources – growing the pie. The COVID-19 pandemic offers the higher education sector and the Commonwealth Government

an opportunity to rethink the approach to international education. Supporting students within the region to access the sector via scholarships provides the Australian university sector with an opportunity for that to happen, and will generate goodwill which will expand to non-scholarship student cohorts.

There is now an opportunity, arising out of the COVID-19 pandemic, for universities to collaborate to create a global scholarship program that repositions Australian higher education on the international stage. The program could give senior leaders in this country an equal opportunity to engage with scholars studying in Australia, funded by Australia and for the benefit of Australia's national interest. The program would be apolitical, in many ways disconnected from the political cycle all together. This is an opportunity to implement a creative solution in the form of a new global international scholarships program, repositioning Australian international education in a novel way.

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