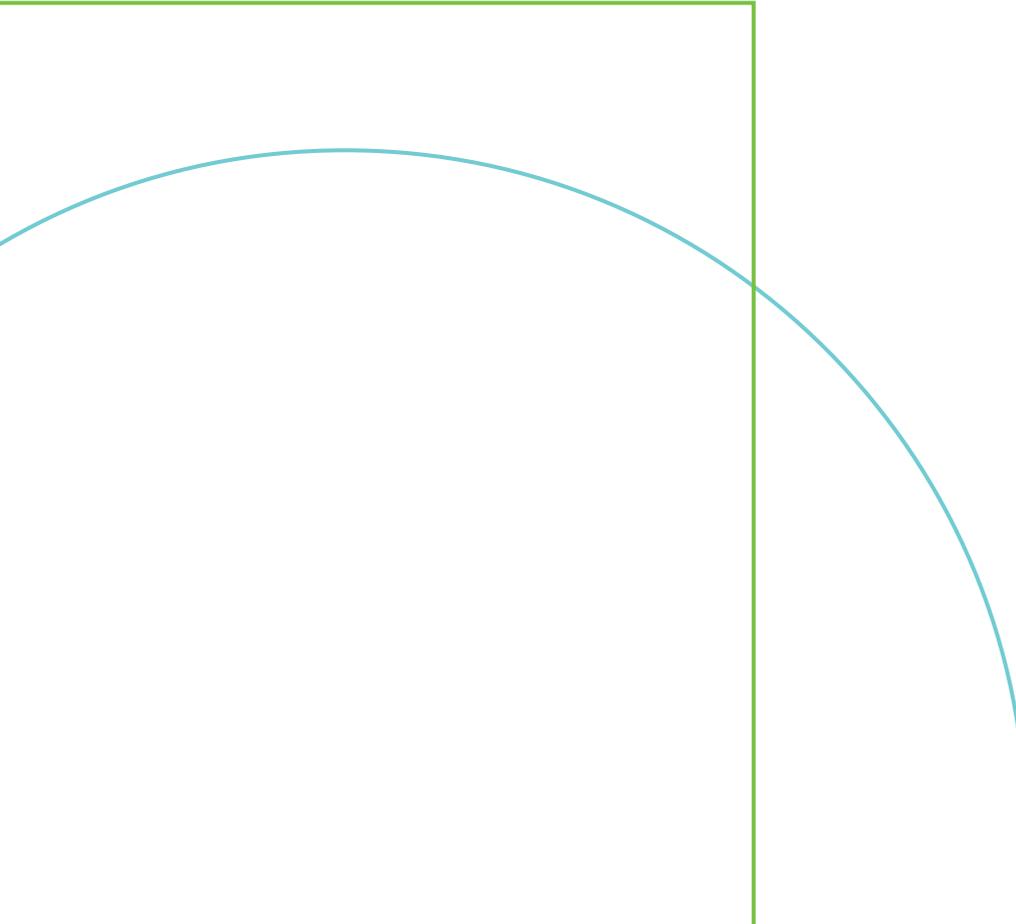
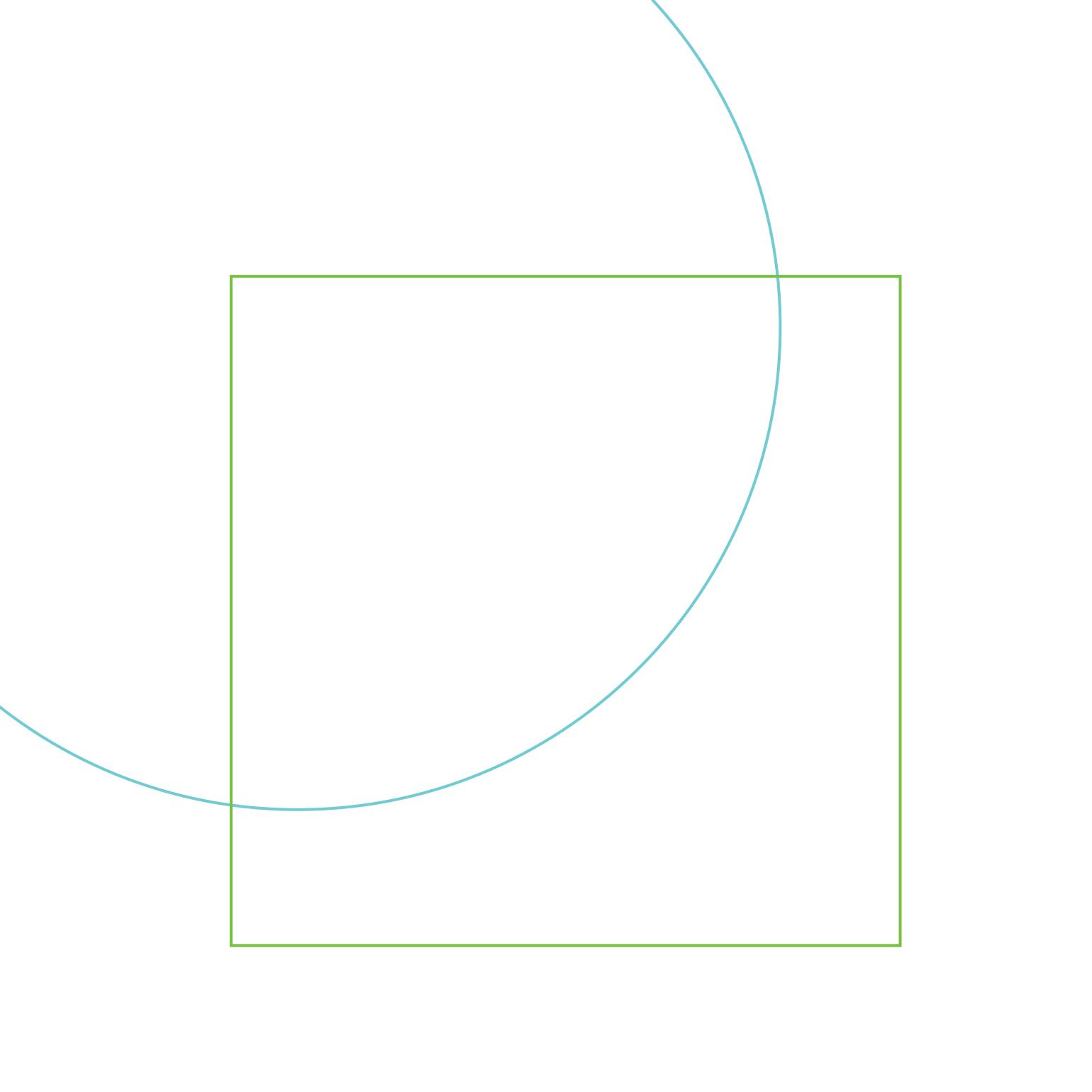


The Country Vignette Series:

Pre-experience graduate management education in Australia



Graduate
Management
Admission
Council™



The Country Vignette Series

The *Country Vignette Series* has been developed to illustrate how pre-experience business master's degrees have evolved. Focusing on the supply of and demand for English-language taught master's programs in a single country, each vignette combines quantitative data—compiled from Graduate Management Admission Council™ (GMAC™) research on the entire market—with qualitative insights from domestic business schools.



Graduate management education in Australia

Over the past 20 years, Australian higher education has become a global leader and is poised to become the second most popular destination for international students, stealing the United Kingdom's spot. Internationally recognized business schools attract students from around the world with high quality programs taught in English, while a two-year post-study work visa program grants access to the domestic employment market. Unfortunately, these achievements are not without their detractors, and criticisms are frequently levelled at the system-wide dependence on foreign students. As this vignette demonstrates, however, Australian higher education is adaptable, and domestic business schools are well-placed to build upon their achievements.



¹Vocational education is work-oriented learning and prepares students for jobs in specific trades.

Higher education



Across Australia, 43 universities—40 domestic, two international, and one private—are permitted to award master’s degrees. While a vocational education sector⁴ exists, those institutions can only award degrees up to bachelor level.

Higher education was originally modelled on the British system and this is demonstrated today by first degrees having an almost-exclusive focus on the field of study with no liberal arts requirement, as is typical in the United States. While education is structured around the bachelor-master-doctoral paradigm, a unique feature of Australian higher education is graduate certificates and graduate diplomas. These specialized programs, lasting six and 12 months respectively, provide an alternative route into graduate study for those with five or more years of work experience and particularly appeal to domestic candidates.

The rise of the city campus

Echoing the European idea that the campus should be removed from the city, Australian universities were typically found in suburban rural settings. Over the past 20 years this has changed, and an increasing number have established satellite city campuses that deliver graduate education and serve as international student hubs.

These city locations appeal to international students because of better access to job opportunities. Therefore, while they do help attract students to an institution, differences in the student body across campuses can result in distinct cultures and learning environments. They can also be expensive ventures as many have their own (tenured) faculty and perform research.



How higher education funding has changed

The evolution of higher education funding in Australia has shaped the domestic education system and, some argue, driven institutions to chase an internationalization agenda.

Between 1960 and 1980, the number of universities doubled (from 10 to 19²) while student numbers increased by a factor of four² (from 41,700 to 151,200). The abolition of fees in the 1970s accelerated growth yet, by the early 1980s, the system was struggling as per student education budgets shrank. Eager to encourage expansion without raising taxes, the government introduced the Higher Education Contribution Scheme (HECS) in 1989. Under the HECS, students could either pay a discounted contribution for enrolment in a bachelor's program or defer full payment until after graduation when it would be collected through the tax system. Over the following decade, demand rose, and economies of scale were realized as higher education institutions merged, university status was awarded to polytechnics, and institutions increased in size³.

In 1996, HECS developed a three-tier fee structure to encourage domestic students to study priority fields such as education and nursing. Study fields likely to result in a higher

future income would cost more, and those leading to less would cost less. In the most recent study year, for example, undergraduate degrees in accounting, administration, economics, and commerce were in the highest band (band 3), alongside law, dentistry, medicine, and veterinary science. These programs required students to pay (or defer) a contribution of AU\$10,958 per year. In contrast, band 1 studies such as education, languages, or nursing, require students to contribute AU\$6,566 each year.

In the same year that the tiers were introduced, the government also capped the number of domestic students who could study under the HECS. These came to be called Commonwealth Supported Places (CSP) as they received a government subsidy. To help counteract a potential loss of revenue, institutions were permitted to offer additional full-fee places in all subjects except medicine. Additionally, for domestic students unable to secure a CSP or seeking graduate education, income-contingent loans were first made available in 2002.

²The Official Yearbook of the Commonwealth of Australia, various years.

³The number of institutions shrank from 87 in 1982 to 39 in 1992, while the average size increased from 3,900 to 14,300 students (Australia, Department of Employment, Education and Training, Higher Education Division 1993, National report on Australia's education sector, p. xxix).

Australia looks outwards

As funding models shifted, institutions started to look outside Australia for students. Between 2001 and 2011, international undergraduate enrolments increased 124 percent, and postgraduate enrolments increased by 95 percent⁴. International students were particularly appealing to institutions as higher tuition fees equated to more income.

A year later, and seeking to encourage innovation and promote better teaching, the Australian government removed the cap on domestic bachelor's degree enrolments (it was put back in 2017). This gave institutions the freedom to explore and evaluate various expansion opportunities. During this period, online and off-campus courses increased in number.

According to the most recent education data (2017), the overall enrolment share of international higher education students in Australia was 28 percent (22% at

the undergraduate level, 43% at the graduate level), an 8-percentage point increase over 2002. To provide some contrast, international students account for 5.5 percent of us⁵ enrolments, and 14 percent in the United Kingdom⁶.

As Australian higher education has increased its dependency on students from abroad, the shape of higher education has fundamentally altered, and two distinct markets now exist. The first is comprised of domestic undergraduates whose places are subsidized by the government, prices are fixed, and provision is relatively homogeneous. The other focuses on international students and hence is much more diverse. In the international market, institutions typically operate independently and define for themselves their target markets, pricing, and education models.

⁴Education statistics, Department of Education, Skills, and Employment (<http://highereducationstatistics.education.gov.au/>), various years.

⁵Institute for International Education, Open Doors (www.iie.org), 2018 data.

⁶HESA data, share of non-EU students in UK higher education (www.hesa.ac.uk), 2017/18 data.

Graduate management education in Australia

Business education is a popular field among international students⁷, with 44 percent of new international bachelor's students and 48 percent of new international master's students selecting programs aligned to management and commerce. For domestic students, only 17 percent of bachelor's students and 18 percent of master's students select business education. This has had an impact on the range of programs offered by business schools. Furthermore, at most institutions there is a clear distinction between pre- and post-experience graduate management education.

In Australia, MBA and EMBA students tend to be older, with MBA students typically in their mid-30s and EMBA candidates in their mid-40s. Excluding those offered by top-ranked schools, programs are typically delivered part-time or on weekends, and attract students located in the country. With flights for potential sources of students (excluding New Zealand) taking more than seven hours, few international students can take part in these programs and the geographic isolation of Australia therefore shapes executive education demand.

In contrast, pre-experience master's programs are offered full-time and hence appeal to international candidates. Additionally, for students seeking to take advantage of the automatic two-year post-study work visa, programs need to last at least two years and offer two-thirds or more of classes in person. GMAC research has found that just under half (47%) of full-time master's programs take two or more years. Schools have also observed international students on shorter programs taking additional courses so that they can extend their study period and qualify for the work visa.



⁷Education statistics, Department of Education, Skills, and Employment (<http://highereducationstatistics.education.gov.au/>), various years.

From study to work



The two-year post-study work visa is an important consideration for some students coming to study in Australia as it presents them with the opportunity to earn income that is likely to be significantly higher than what they could earn at home. This helps to offset high tuition as scholarships are scarce.

While work under the two-year post-study work visa is not tied to a specific employer, employment beyond this period requires employer sponsorship, unless the candidate

has permanent residency (PR). Not surprisingly, most employers prefer candidates with PR yet this is difficult to obtain without their support. Australia uses a points-based immigration system and the slump in enrolment in accounting master's degrees has been attributed in part to the removal of accounting from the 'occupations in demand' list; having an occupation that is in demand gives more points and hence can boost an application for permanent residency.

Marketing and recruitment

Marketing and recruitment for business master's programs are typically managed centrally by the university, not the business school. This is partly because master's candidates are very different from potential MBA and EMBA students. A downside of this approach, however, is that programs have less control over which markets are to be targeted for recruitment. They must therefore compete with other disciplines for students, and recruitment may be less nuanced.

Universities in Australia frequently use agents to recruit students. In 2018, 73 percent of international enrolments in higher education were facilitated by agents⁸. In recognition of the significant role that agents play, and amid concerns about a lack of transparency and quality, the government committed to publishing comparative performance tables in 2019.



⁸International Education Agents – Overview Report (Australian Government, Department of Education, https://docs-edu.govcms.gov.au/system/files/doc/other/international_education_agents-_overview_report.pdf).

Graduate admissions



Given the importance of international student revenues at Australian universities, business schools are hesitant to create obstacles that might prevent a student from applying. The use of standardized admission tests is therefore much less common. In the most recent testing year, 29 business schools received 2,703 Graduate Management Admission Test™ (GMAT™) exam scores, a decrease of 45 percent over five years.

Comparing the number of GMAT and Graduate Record Examination™ (GRE™) exams delivered in Australia in 2018, the latest year for which GRE data is available, illustrates low levels of standardized test taking too. In 2018, 1,831 GMAT exams and 1,271 GRE exams were delivered across the country. Assuming these were taken by different individuals, this indicates that just 0.3 percent of Australian 20-25-year old students with a tertiary education qualification took one of the exams⁹. In Canada and the United States, the share of individuals taking the GMAT and the GRE exam among this same population is 1.2 percent and 4.5 percent, respectively.

⁹Population data from the US Census Bureau International database; educational attainment from OECD

International students and the dependence on China

Australia is the third most popular study abroad destination in the world. In 2017, there were a total of 431,000¹⁰ international students in higher education, and among the 155,000 that were enrolled in master's coursework programs, 82,000 studied management and commerce. Over the past 10 years, this segment of the market has experienced an average annual growth rate of 5.3 percent.

While data on the citizenship of business master's students is unavailable, demographic information for higher education as a whole reveals that citizens from mainland China constituted the largest group (33.1% by citizenship; 32.5% by residence) of students, followed by citizens of India (12.3%), Malaysia (7.1%), Singapore (5.5%), and Vietnam (4.7%).

Concerns have been raised around the huge dependence that Australian institutions have on Chinese candidates for revenue, particularly given that international students make up a large proportion of demand. It has been noted that the readiness of Chinese families to invest in their children has enabled schools to increase tuition annually and drive up international student fees.



¹⁰https://docs.education.gov.au/system/files/doc/other/2017_section_7_-_overseas_students.xls.

Domestic student declines

A challenge facing institutions is how to attract more domestic candidates to graduate business programs.

In 2003, management and commerce attracted just over one-third (36%) of the 132,000 domestic students studying taught master's programs. By 2018 this share had dropped to 20 percent and the actual number of students entering management and commerce master's programs had decreased by just over 7,000 to 39,870⁷. Unfortunately, there are multiple factors at play.

First, there is the cost of studying for a master's degree. Tuition fees are high: domestic and international students pay roughly the same fees, and there are few scholarship awards. While loans are available to domestic candidates, uptake is low. An unintended consequence of the HECS scheme that collects bachelor's study tuition through income tax may be a student's reluctance to pay at the master's level.

An uncertain labor market and the growing reluctance of employers to pay tuition for their staff are additional factors. The pace and intensity of working life can also make it difficult for domestic students to attend in-person classes.

The large number of international students in the classroom constitutes yet another factor. Anecdotally, domestic students have said they are reluctant to study in programs where they are one of the few native English speakers present. The media also speculates that domestic places are artificially limited so that schools can award more places to the higher-paying, international students.

Some schools have noted that an increasing number of Australian-born Chinese students complete their first degree in Australia, and then go to mainland China to study for their master's degree, further reducing the number of domestic students. Starting with the 2017 intake, the HSK level (*Hanyu Shuiping Kaoshi*, the Chinese proficiency test) was lowered from six to five. This has opened study in China to a larger pool of candidates as the strict language requirements, previously in place, resulted in only Chinese nationals being able to study there.



The role of employers

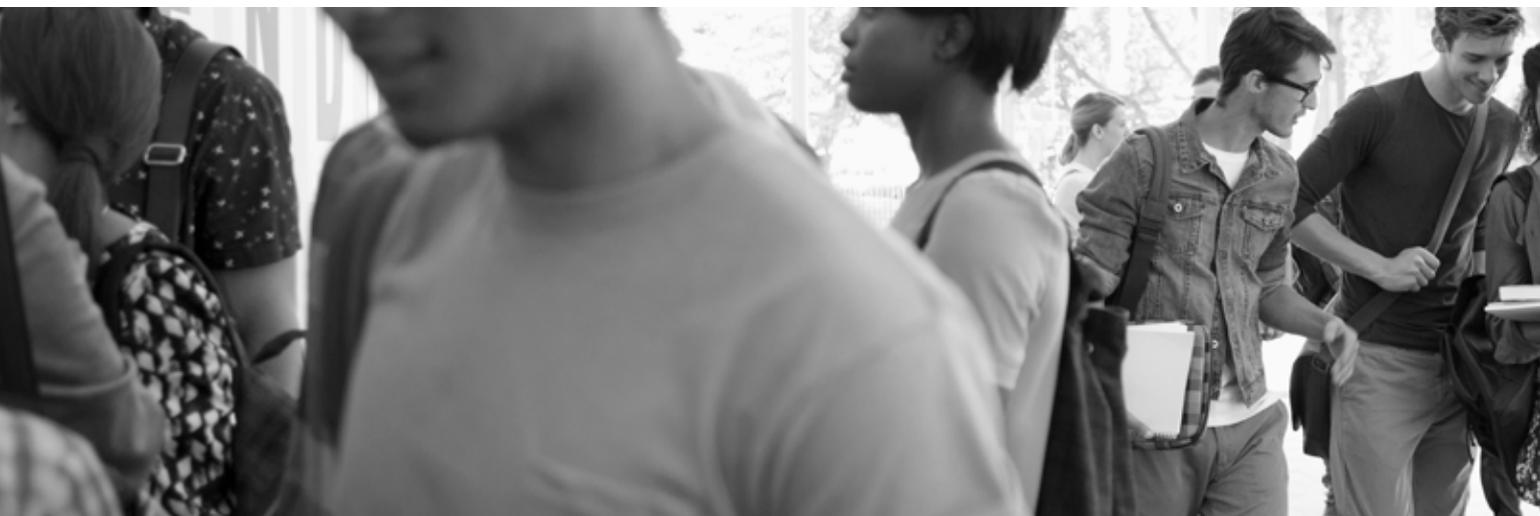
While students are the primary beneficiaries of graduate education, employers play a role in stimulating demand through the types of benefit awarded to master's degree holders. For international students, a two-year master's degree gives access to the job market and hence delivers a return to the individual irrespective of how an employer rewards the qualification (salary, career progression, etc.). Furthermore, programs that are aligned to professional accreditations remain popular among both domestic and international students seeking to change careers.

For some domestic candidates, however, a positive return from the investment in a master's degree is less clear. A low unemployment rate coupled with little job market advantage combine to reduce the impetus for further educational pursuit as many can find good jobs with only a bachelor's degree.





Looking forwards



Australian business education is in an enviable position. Internationally recognized business schools attract students from around the world with high quality programs taught in English, and a two-year post-study work visa program that gives students access to the domestic employment market.

However, a major risk factor for higher education is the huge dependence that Australian schools have on candidates from a small number of source markets, Greater China in particular. Across the region, and around the world, the quality of graduate management education is rising, and students have more options available to them. As local provision improves and competition increases, more students can opt to study closer to home. Furthermore, the impact of

global crises such as the recent pandemic has further served to emphasize that Australia and other countries need to increase student diversity across many more source nations.

Steps are being taken to diversify the student mix and expand outreach more broadly across Asia. One example is Monash University's new campus in Indonesia¹¹. The campus, which will be fully owned by Monash, will focus solely on postgraduate programs, and aims to recruit 2,000 master's candidates, 1,000 executive education candidates, and 100 PhD students by 2030. With this move, Monash is betting on Southeast Asia, home to a large, young, and growing population. Other institutions are expected to follow suit.

¹¹Monash University press release, retrieved 10 February 2020 (<https://www.monash.edu/news/articles/monash-university-announces-new-campus-in-indonesia>).



Australia has a long tradition of graduate certificates and graduate diplomas. These short programs—micro-credentials—are very well suited for online delivery, and/or combined to create flexible master’s degrees that can adapt to evolving labor market needs and learner expectations. These, coupled with an increase in master’s programs offered online, help Australian graduate education reach a greater number of students.

Appendix: Australian education

Programs offered by level and state

Data drawn from market research commissioned by GMAC to explore the master's market across Australia (2019). Two states account for two-thirds of programs, with 36 percent found across Victoria and 30 percent in New South Wales.

State	Institutions	Master's	MBA	EMBA	Other	Total
Darwin	1	1	2			3
NSW	15	138	28	3	10	179
Queensland	8	55	15	1	28	99
S Australia	5	42	15		4	61
Tasmania	1	4	1			5
Victoria	9	187	16	5	10	218
W Australia	4	30	7		2	39
Total	43	457	84	9	54	604
		76%	14%	1%	11%	

Standardized test usage

Graduate Management Admission Test™ (GMAT™) exam

Program Type	Requires	Uses	Doesn't use	Total
Master's	0	14	443	457
MBA	4	8	72	84
EMBA	0	2	7	9

Graduate Record Examination™ (GRE) exam

Program Type	Requires	Uses	Doesn't use	Total
Master's	0	7	450	457
MBA	0	2	82	84
EMBA	0	0	9	9

Student enrolment data (2018)

Level	Field	Domestic	International	Total
Undergraduate	All fields	805,344	231,669	1,037,013
	Management and commerce	144,080	113,793	257,873
Graduate	All fields	242,971	185,050	428,021
	Management and commerce	43,822	87,354	131,176



For questions or comments regarding this vignette, please contact GMAC at masters@gmac.com.

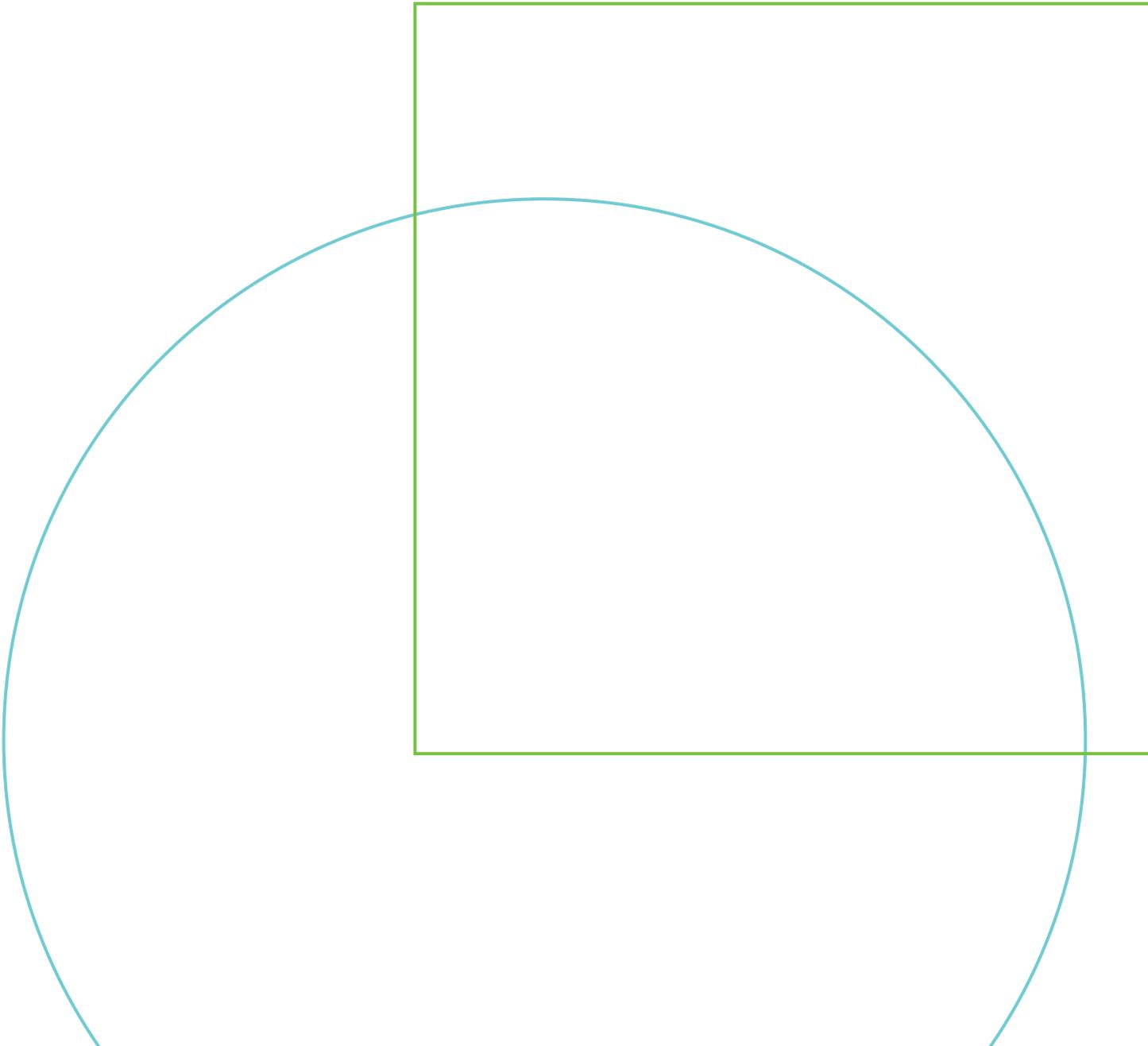
Acknowledgements

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About GMAC: The Graduate Management Admission Council (GMAC) is a global association of leading graduate business schools. Founded in 1953, we are committed to creating solutions for business schools and candidates to better discover, evaluate, and connect with each other. We work on behalf of the schools and the graduate management education community, as well as guide candidates on their journey to higher education, to ensure that no talent goes undiscovered.

GMAC provides world-class research, professional development opportunities, and assessments for the industry, designed to advance the art and science of admissions. Owned and administered by GMAC, the Graduate Management Admission Test™ (GMAT™) exam is the most widely used graduate business school assessment, recognized by more than 7,000 programs worldwide. Other GMAC assessments include the NMAT by GMAC™ exam, for entrance into graduate management programs in India, South Africa, and the Philippines, and the Executive Assessment, specifically designed for executive programs around the world. Our flagship portal for graduate management education resources and information, mba.com, receives six million unique visitors a year, and features the School Search search tool and GMASS™ search service, matching candidates and business schools.

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