



Sent to: Trade Subcommittee: Joint Standing Committee of Foreign Affairs (JSCFADT)

Response to the Public Hearing questions taken on notice.

The following joint submission is made by Mr. Brett Blacker, CEO, English Australia, and Dr. Patrick Phesant, CEO, NEAS Australia in response to the questions taken on notice from the Chair of the JSCFADT at the Public Hearing on Thursday 2 March 2023.

Question 1: How does the business model for English Language Intensive Courses for Overseas Students (ELICOS) work and what are the incentives?

The current business model as constrained by the ESOS Act and National Code for ELICOS involves colleges providing fee-for-service English language teaching via face-to-face teaching by:

- establishing and maintaining a physical campus,
- developing and maintaining course curriculum,
- recruiting students from around the world – largely via education agents
- employing and managing teaching, student support staff, and sales and administrative staff.

Please note this model was adapted during COVID to include online provision of English language teaching. The majority of ELICOS colleges are associated via some corporate structure or another with a Higher-Education (HE), or Vocational Education and Training (VET) provider. This may include articulation agreements allowing international students to pathway from as early as high school. This majority then, see recruiting students into English language tuition programs as a pathway to VET or HE program enrolments. Both of the latter involve more students per teacher and per square meter of campus space (due to non-classroom components of VET and HE programs and compliance constraints of ELICOS). Thus, VET and HE operations typically generate higher profit margins than ELICOS. With limits of 1:18 teacher student ratio and 20 hours required face to face time, scalability in ELICOS is limited and margins are modest. These limitations also compound space and teacher supply.

Incentives in ELICOS are primarily of an academic and mental health nature insofar as students are often acculturated to Australian society during their ELICOS pathways. Having this time during their pathway to adjust to living in Australia, opening bank accounts, finding accommodation, etc, allows students to familiarise and settle before they begin their VET or HE course. Most ELICOS pathways also include academic literacy, critical thinking, and other relevant soft skills, allowing students prepare appropriately for academic study.

Question 2: What is the payment of teachers, the variation within that and how is this determined, and what is the difference between different providers, large scale and small scale, that you oversee?

Teachers are paid according to the Educational Services (Post-Secondary Education) Award 2020 (<https://awardviewer.fwo.gov.au/award/show/ma000075>). This award sets the wage scales for Higher-Education, Vocational Education and Training, and ELICOS teachers. The latter are paid according to a 12-step scale on which an individual teacher's pay rate is determined by their experience and qualifications.

Some education providers and employers of ELICOS teachers have enterprise agreements that determine higher pay rates for teachers. This is not based on the scale of the organisation in terms of its number of ELICOS students, but public universities do tend to pay teachers at rates that are further above the award minimum than private colleges.

Both the public award and institutional agreements have requirements around professional development, minimum qualifications and hours of work. This is also prescribed by the National Standards for both teachers and academic managers. However, members of NEAS Australia and English Australia have further requirements for their teachers and academic managers.

The award and some agreements are not particularly prescriptive concerning when and how experience is qualified. Hence, some providers recognise experience more favourably or less favourably and hence pay individual teachers more or less based on their teaching experience both domestically and internationally. Conversely, there has long been a shortage of teachers which has resulted in organisations securing staff retention by paying teachers above their step minimum or interpreting people's experience very favourably.

All NEAS Australia and English Australia are required to have a performance management and development system in place, including a clear recruitment and onboarding process for teachers.

Question 3: What is the cost of the course, the cost of testing and is there any intersection you have with the providers of testing and professional bodies?

The cost of a course will generally vary on three main dimensions. Firstly, ELICOS programs are of various lengths – 2 weeks to 60 weeks – based on a student's English language proficiency, academic or personal needs, and desires. Students typically pay by the week. The amount per week will vary depending on the provider, just as it does in any commercial industry. The fees vary based on the type of course (e.g., General English or English for Academic Purposes). Fees will vary based on the type of provider (University or private provider). A University English language ELICOS centre may charge as much as \$590 per week, a high-quality private provider might charge \$350 per week, whilst some private colleges might charge as little as \$180 per week. The course fees at many ELICOS colleges will also vary based on the market – i.e., the nationality of the student. This is because many ELICOS providers aim to have an internationally diverse student body.

The costs of ELICOS courses – that is, the costs of an ELICOS operation will also vary by the type of provider (University or private provider). However, a general 'simple' cost model would be:

- 30% of income is expended on Property, plant, and equipment (PP&E)
- 30% of income is expended on academic and student support staff.
- 30% of income is expended on administrative staff, marketing, commissions, and general operational costs.

Therefore, dependant on variations in the above model approximately 10% could be operational profit from income.

The cost of testing varies between the different testing organisations. The most commonly used English language tests in Australia are:

- Test of English as a Foreign Language (TOEFL iBT)
- International English Language Testing System (IELTS)
- Pearson Test of English (PTE)
- Cambridge English (CAE) (also known as C1 Advanced)
- Occupational English Test (OET), noting this is a test developed for health professionals.

The cost for an IELTS test in Australia is AUD\$410.00. The price for the test is the same whether you take IELTS General Training or IELTS Academic. It's also the same whether you do IELTS on a computer or paper (reference: www.ielts.org.au).

Professional bodies may set their levels of English language proficiency for registration or professional accreditation. Different organisations may prescribe a specific level and period of validity for an applicant's English language proficiency assessment, for example, test validity within two years of the assessment date.

Question 4: Where is the profit is coming from, and what's the scale of that and what does excellence looks like?

As noted above, ELICOS colleges tend to operate on small profit margins. Typical profit levels in ELICOS college organisations vary from 0% to 10% from year to year and organisation to organisation. The larger providers can benefit from economies of scale and reach net profit levels in the vicinity of 15%. Higher total student numbers tend to mean the average number of students per class is higher which tends to maximise profitability as it means more optimal usage of rented classroom space and the teacher. However, strict 1:18 teacher-to-student ratios cap profit levels significantly.

Many ELICOS colleges that are attached to larger VET and HE institutions may subsidise the ELICOS enrolments or even treat ELICOS as a 'loss-leader' for the higher profit-generating VET or HE programs. However, there are many small ELICOS providers with niche markets and / or courses that manage a profitable business. It is noted that risk may occur where commission paid to Education Agents is unusually high (commission normally ranges from 15%-30%) and rate of increase in student enrolments is spiking. The regulators may have more information about other risk factors they use in their intelligence gathering.

Excellence is seen when the organisation engages in a positive manner with regulators, peak bodies, and external quality assurance. Organisations where students, parents, teachers, and other stakeholders are engaged in ongoing continuous improvement processes are of high quality. A clear strategy, risk management and governance processes are another quality indicator. And finally, consistency in message and product delivery at all stages of the student lifecycle highlights excellence.

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English Australia is the national peak body and professional association for the English Language Intensive Courses for Overseas Students (ELICOS) sector of international education. Represents over 100 member colleges throughout Australia. These colleges provide quality English language programs to students and professionals from around the world.

NEAS Australia is a global leader in quality assurance for the English Language Teaching (ELT) sector. NEAS Australia quality endorses more than 200 individuals and organisations in Australia, ASEAN, China, and the Middle East. As an independent, non-governmental, quality assurance specialist for the ELT community, NEAS endorses ELT centres and courses in universities, high schools, vocational colleges, independent colleges, and online providers.

For further information, please contact the undersigned.

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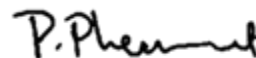
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