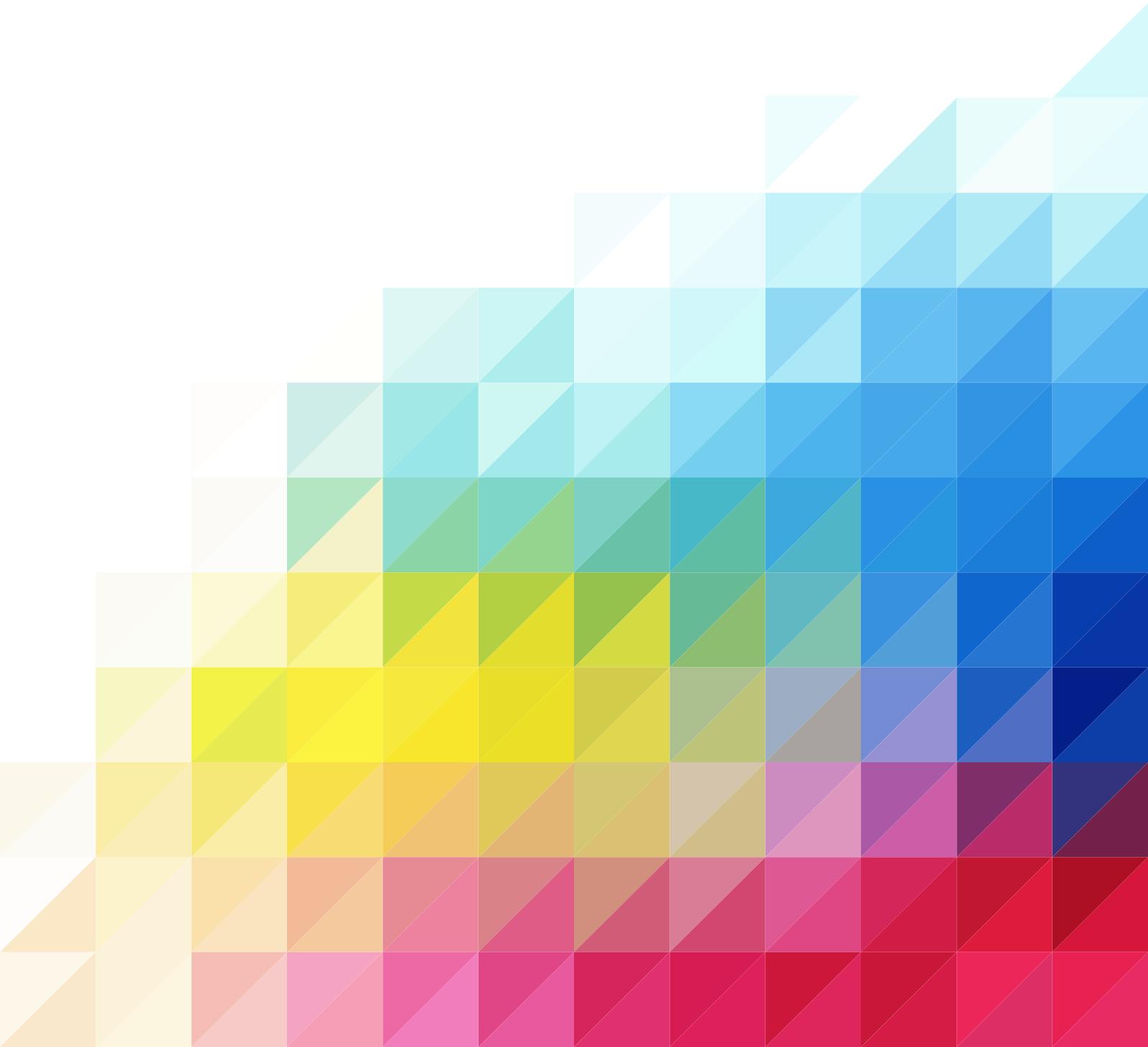


MEGATRENDS

The future of international education

November 2013



Megatrends

The future of international education

While the future is difficult to predict with any degree of certainty, forecasting mechanisms continue to be popular in the international education sector. Retaining confidence in your chosen measurement and conviction in your hypothesis is the greatest challenge as unexpected factors which fall outside the parameters of your defined criteria can undo the robustness of forecasting models. Economic and demographic data provide the best foundation upon which to base analysis and how these two drivers merge can oftentimes indicate the direction of international higher education's future growth. However, as the natural unpredictability of human interaction arises, when mathematics cannot account for all possibilities, models of this kind are revealed to be less than airtight. Further investigation has shown that other factors outside of an increase in population with the capacity to fund overseas education will impact trends that emerge.

The Copenhagen Institute for Future Studies describes Megatrends as great forces in societal development that will affect all areas of general human growth and progress in years to come. These long term driving forces, or Megatrends, have great importance now and there is confidence they will have great importance in the future. Apply this conceptual strategy of future planning to the world's international education industry and what Megatrends can we identify?

Since our first attempts at developing an international higher education forecasting model we have been refining the list of core drivers that we believe will have a profound effect on the direction and growth of international higher education in the future. Although not an exhaustive or complete list, we have identified seven Megatrends.

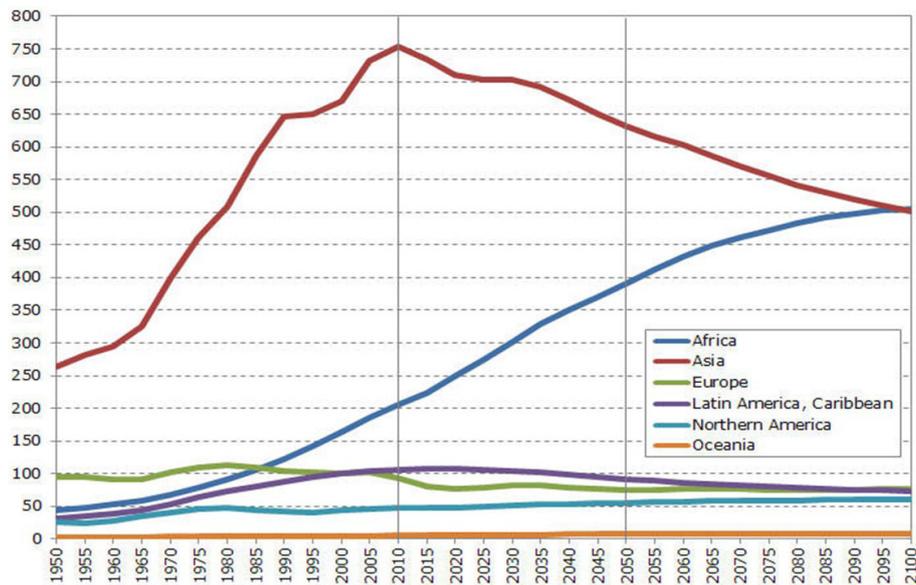


Demographic shifts

The world population's current rate of aging is unprecedented.¹ Examples from developed economies allow us to understand more immediately the consequences of people growing older and living longer and the profound effect this will have on societal development. Converse to the increasing age of the world's population is the growth in emerging and developing economies, particularly in India, the Middle East, and North Africa of younger populations. Add to this the increasing and rapid urbanisation of many global regions from populations seeking better access to health care and education opportunities, and we add a further layer of complexity to the shifts in global demographics that are predicted to impact demand for and access to education for the changing needs of the world's transforming population.

World population prospects, the 2010 revision

Population age 15-24 by major regions (millions)

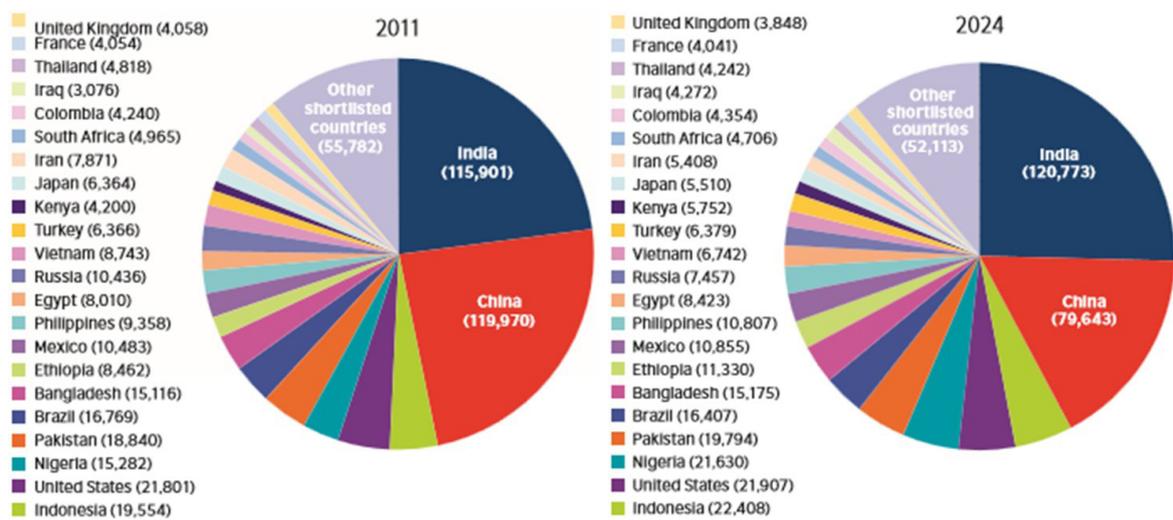


Source: United Nations Population Division 2012

¹ www.un.org/esa/population/publications/worldageing19502050/

Our latest forecasting study, The future of the world’s mobile students to 2024, predicts that in ten years’ time, four countries will be home to over 50% of the global 18 – 22 year old population; India, China, Indonesia and the United States. As illustrated by the graph, the largest growth outside of these four big markets is from the African continent including Nigeria, Ethiopia, Egypt, Kenya and South Arica.

Global tertiary age (18-22) population (000s) 2011 and 2024



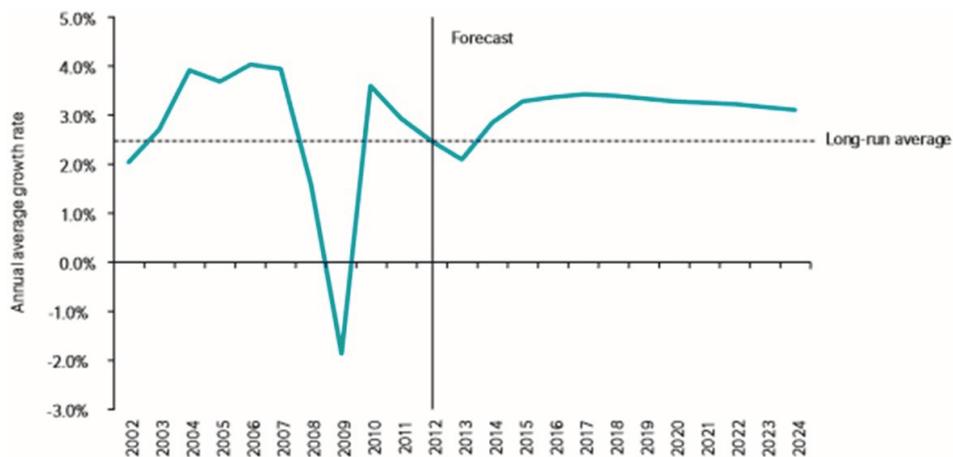
Source: Education Intelligence, 'The future of the worlds mobile students to 2024', October 2013



Economic dynamics

Reports from economic analysts in the second quarter of 2013 suggest that the global economy is now slowly healing, led by the strengthening of the US job market and China's recovery from its earlier slowdown in GDP growth. The previously strong BRIC economies that gained so much attention since the height of their growth in 2010 have since slowed, too, shifting the focus to CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), a group of emerging economies that are forecast to become increasingly important into 2014 and beyond.

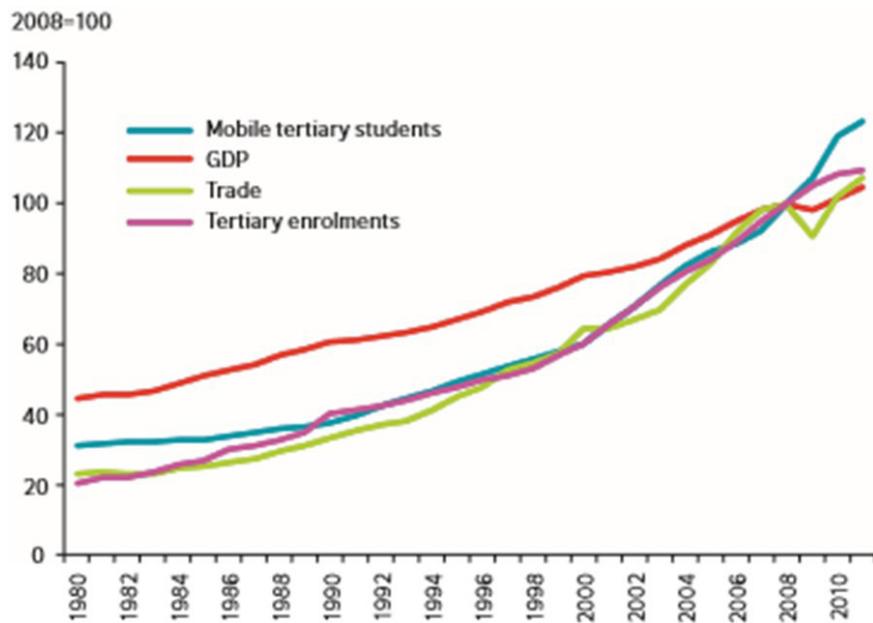
Annual average growth in world GDP to 2024



Source: The future of the world's mobile students to 2024, UN Populations Division, 2013

We know from previous analysis that there is a direct correlation between growth in GDP per capita and tertiary education enrolments. As emerging economies grow and their GDP per capita reaches USD 10,000, these growth markets witness the steepest rise in gross tertiary enrolment. As the CIVETS and other new consumer markets grow, will the demand for education services for the newly wealthy increase?

Global higher education enrolments, mobile students, global GDP and trade (1980-2011)



Source: The future of the world's mobile students to 2024, UNESCO, 2013

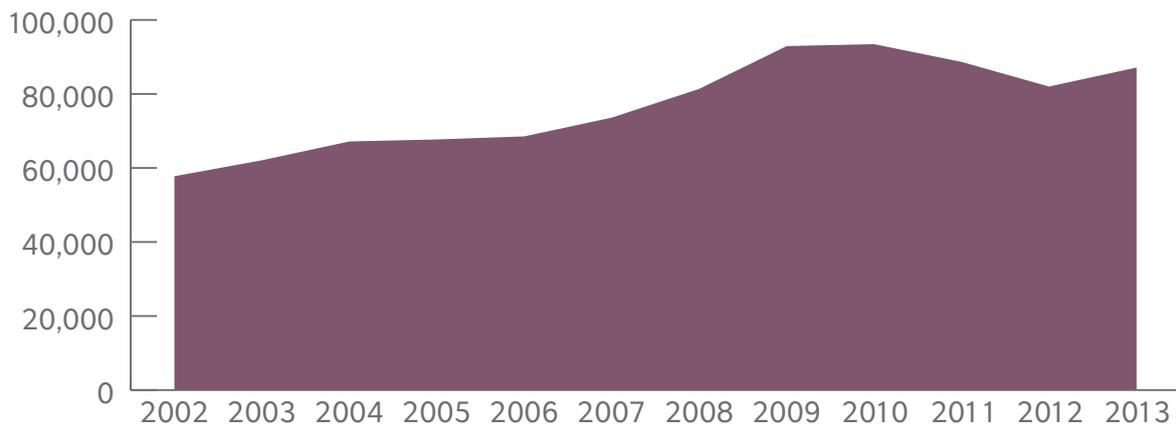
Throughout the global financial crisis of the late 2000's, growth in mobile tertiary students continued to outstrip that of world trade and GDP, proving to be a recession-proof area that has continued to grow.



Changes to political conditions

Introduction of new policies and legislation, reform agendas and increasing political tensions are regular and reoccurring across many nations' political systems and all can have a profound effect on national and international education provision. New legislation such as the Foreign Education Providers Bill in India, when finalised, could create unprecedented opportunities for providers of transnational education in the soon-to-be most populous country globally. Political reform, seen recently in Myanmar, has prompted the government to seek assistance from global partners to help them reform their higher education system. This provides huge opportunity for growth and change, influence and restructure in a region that will only increase in importance in the future. Changes of government can cause shifts in regular patterns of student flows, best illustrated by revisions of student visa programmes as seen in Australia since the 2010 Knight review.

Higher education year to date commencements August 2013



Source: AEI International Student Enrolment Data 2013

A number of drivers, predominantly culture and economics, had such a profound effect on the international perception of Australia as a study destination that for the first time in a decade Australia's onshore international student numbers began to decline in 2009. As a result of this decline, the Australian government published in July 2011 the Strategic Review of the Student Visa Program that made recommendations for a sustainable system that would balance Australia's economic, education and migration interests. The report had in total 41 recommendations. Included in the report recommendations were measures to streamline the visa process and introduce post-study work rights for graduate students. March 2013 saw the introduction of new post-study work arrangements introduced for graduates who have completed an Australian Bachelors, Masters, or Doctoral degree. Commentators have cited this as directly responsible for the upturn in students studying in Australia.

The new government elected in September 2013 publically highlighted its commitment to strengthening Australia's competitiveness as a leading destination for international students. The new Education Minister speaking recently at the Australia International Education Conference in Canberra October 2013 said, 'one of the coalition's key priorities will be restoring international education to its rightful place as one of our most valuable exports.'

Changes to political conditions can have a detrimental effect on the sustained growth and longevity of international competitiveness of a country as a leading destination for international students. Survival and growth of institutional internationalisation requires commitment that spans beyond a government term in office.

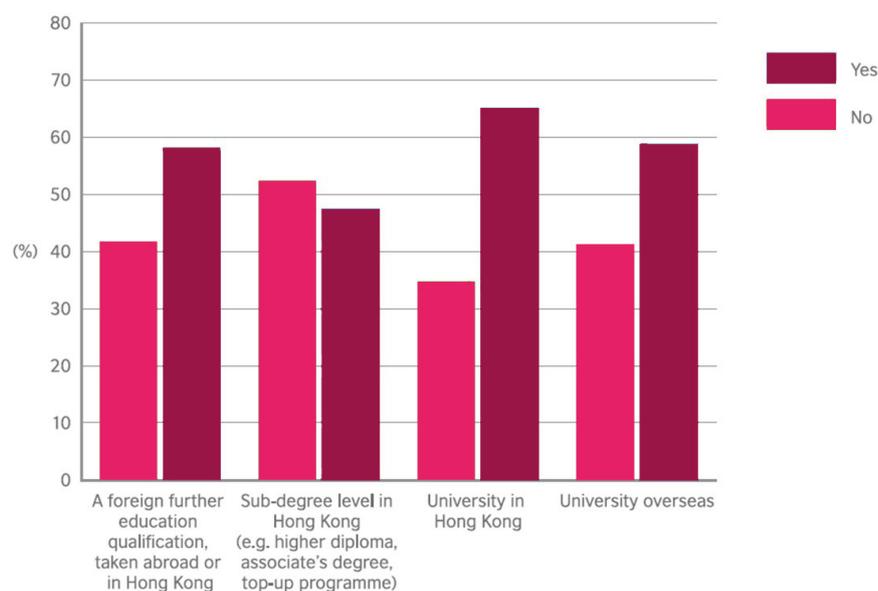


Growth in education provision

As emerging economies develop, greater emphasis is placed upon education as central to aiding progress, empowering individuals and acting as a catalyst for further economic stability. Hong Kong represents a nation that has recently tried to do exactly this through development of its own education provision. In 2012, the first cohort of Hong Kong school students took the new standardised examination for the Hong Kong Diploma for Secondary Education. This new curriculum and academic qualification was a departure from the previous CEE and ALE and has been compared more closely with the International Baccalaureate with new modes of teaching, such as school-based assessment, that are outcome-based and aim to promote learning, not rote memorisation. The focus of the DSE is on knowledge, skills, attitudes and values, not only on content and a final examination. The new school system of 3 – 3 – 4 also places greater emphasis on development of wider skills through a four-year undergraduate course that includes one year of general studies.

In our recent assessment of the impact of the new curriculum and qualification, we surveyed over 2700 Hong Kong students to understand more fully the early impact this new way of learning was having on student choice. The findings from our study revealed that with more students attaining higher level qualifications there was greater demand for additional education at all levels. Initial demand had filtered overseas as large numbers of Hong Kong students looked to study at foreign universities. However, results from our survey showed that Hong Kong students were increasingly interested in studying at Hong Kong's own institutions, favouring employer recognition of qualifications and closer proximity to thriving East Asian economies.

Hong Kong DSE student's choice of additional study, by first choice



Source: Education Intelligence, Hong Kong's education revolution: the impact of recent reforms, September 2013, base 2788

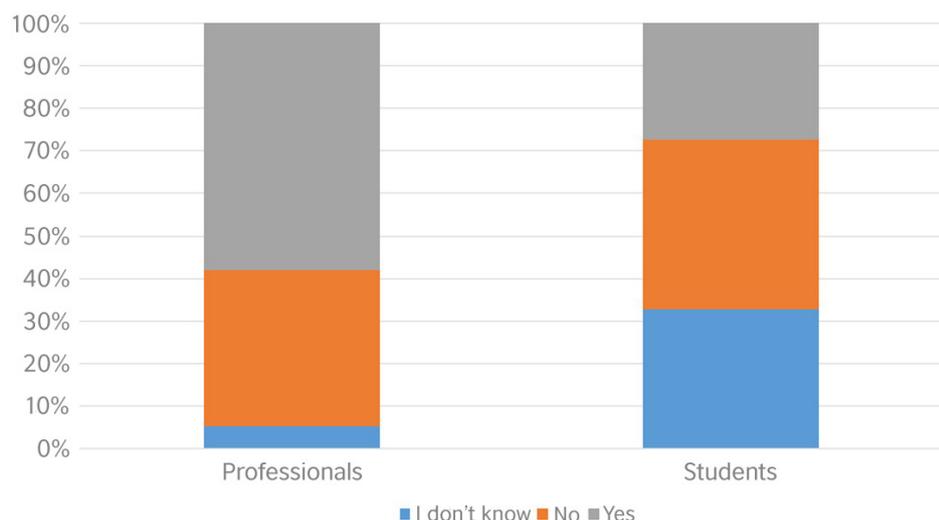
Hong Kong's institutions have recently ascended in the global rankings. The education reform in Hong Kong aimed at creating a higher skilled population that will contribute to the knowledge economy is of increasing importance to Hong Kong's administrators at all levels. Opportunities for international interaction in Hong Kong have arguably also evolved; previously direct recruitment of students was the priority but now research collaboration, institutional partnership, and inward recruitment of international students to Hong Kong comprise the Hong Kong-driven agenda.



Digital technology

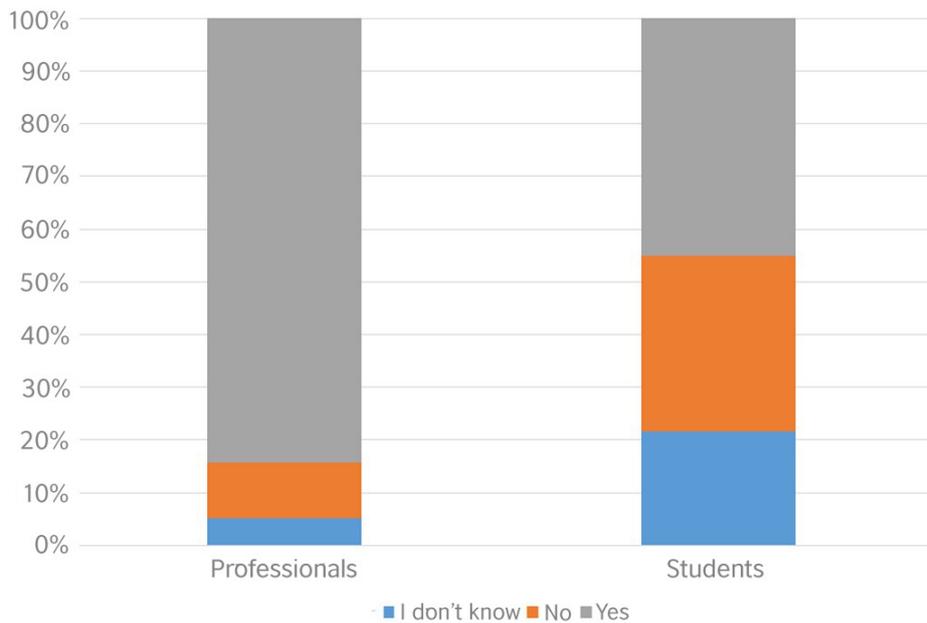
It seems naïve to discuss the future of international education and not mention digital technology and the way it is expected to revolutionise teaching and learning. Or is it? There is no doubt that the digital technology revolution of education has already begun through the packaging of MOOCs and the opportunity to capitalise on the big data they capture that gives guidance to future pedagogical format. The phenomenon has recently gathered new speed with courses designed for gaining academic credit, unbundled from regular course structures allowing students to personalise and create their own teaching and learning experience. Earlier in 2013 we conducted some preliminary analysis of the impact of MOOCs in East Asia, surveying over 1500 students and working professionals on their familiarity with, likelihood of and motivation for taking a free online course. The results were illustrative of the two distinct audiences this type of learning has, talking at the strengths as a tool for continuing professional development and the direction it will need to take to evolve and grow as a pathway for academic recognition.

Are you familiar with the free online courses being offered by universities such as Harvard, MIT and University of California, Berkeley?



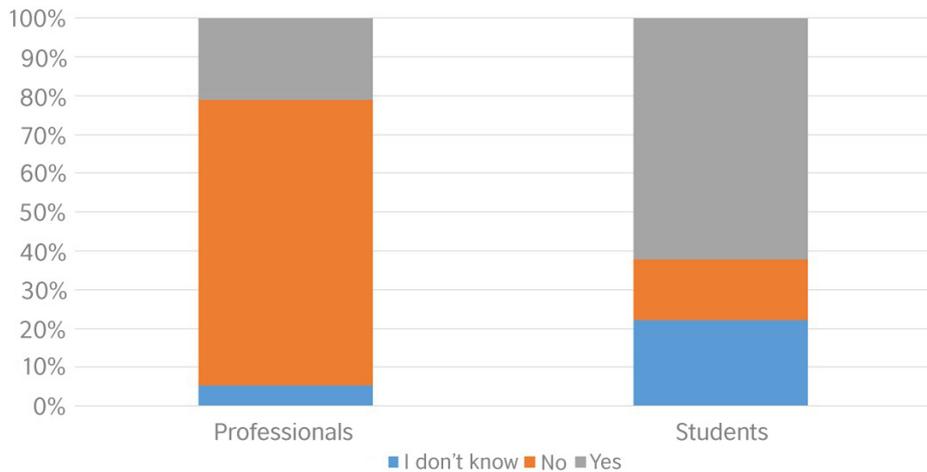
Source: Education Intelligence, British Council, 2013

Would you ever consider taking such a free online course?



Source: Education Intelligence, British Council, 2013

Would you only pursue a free online course if you gained a qualification for that course?



Source: Education Intelligence, British Council, 2013

However MOOCs are just one of the clever ways technology can and likely will progress the way the world teaches and learns. The Open University in their 2012 report *Innovating Pedagogy*² describes ten different 'innovations that are not independent, but fit together into a new and disruptive form of education that transcends boundaries.' E-books, Badges to accredit learning and personalised inquiry learning are shown in this report to be as revolutionary, just perhaps not as press worthy. Our research has shown that whilst digital technology and the opportunities for progress and access it provides are not doubted, the experiential values of international education remain at the heart of individuals' aspirations to learn and grow. Technology is a tool as important as people make it.

² Open University 2012, *Innovating Pedagogy, Exploring new forms of teaching, learning and assessment, to guide educators and policy makers*

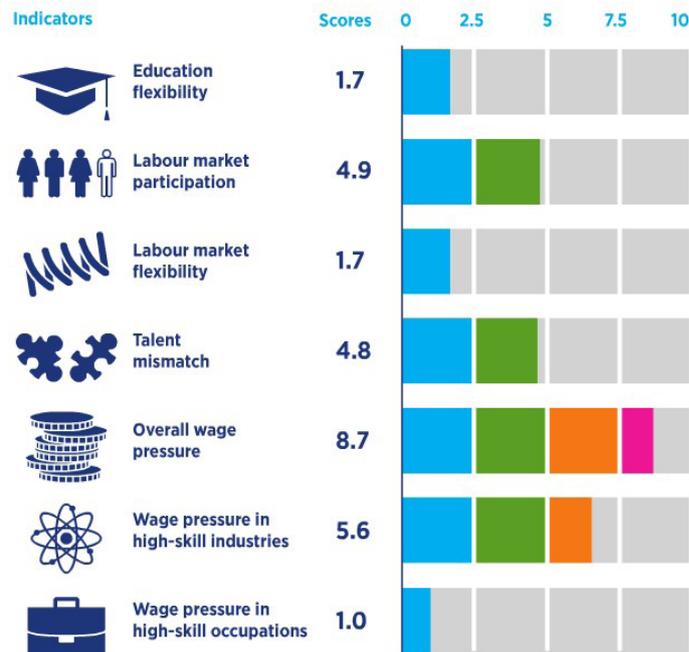


Global workforce demands

A debate exists in current literature about whether the world is facing a skills shortage or a mismatch of talent. Many industries are experiencing a shortage of skilled workers. The graduates that are being produced are not meeting the needs of industry, with many returning home from their studies struggling to find appropriate employment due to their lack of relevant skills. The 2013 Hays Global Skills Index was designed to assess the degree to which employers will have difficulty recruiting skilled labour. The index is made up of seven factors that are each given equal weighting. One of the seven indicators is Education flexibility that measures whether a country's education system can adapt to meet an organisation's future talent needs.

In the 2013 index, India reached an overall score 4.2. The relatively low score India receives for Education flexibility shows there is considerable scope to expand the output and quality of the local education system.

Breakdown of seven indicator scores



Source: Hays Global Skills Index 2013

KEY FINDING

The primary driver of a higher score is overall wage pressure in Hong Kong. Real wages economy-wide are anticipated to rise by 3.9% in 2013, an increase over last year's 2% increase and likely in recognition of increasing productivity among employees.

DOWNWARD PRESSURE FROM

- International PISA rank
- Wage pressure in high-skill occupations
- Labour market regulations

UPWARD PRESSURE FROM

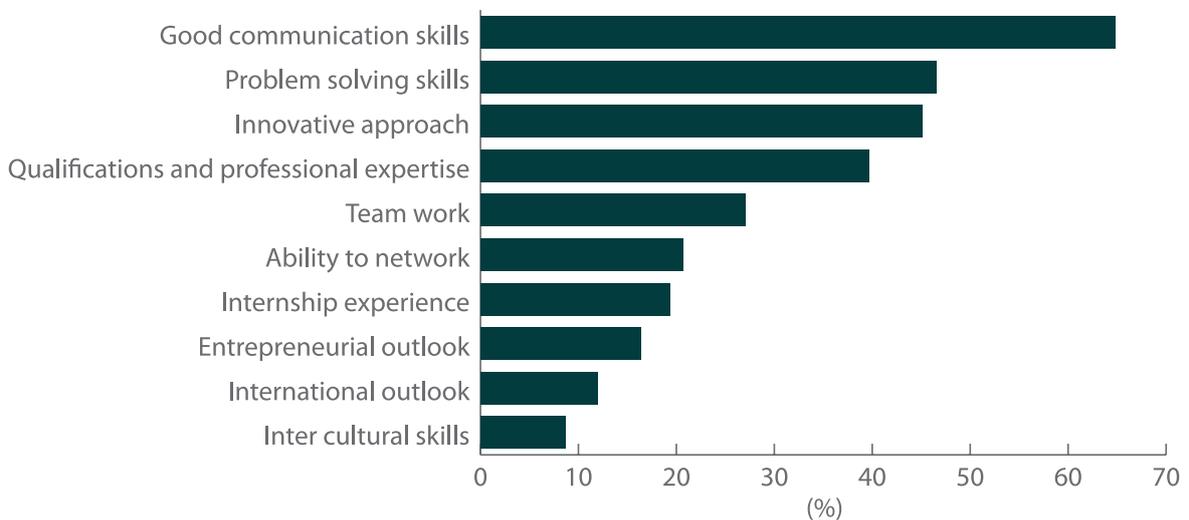
- Overall wage pressure
- Labour market participation, ages 15-24
- Wage pressure in high-skill industries

The report goes on to explain that whilst many developing economies are investing heavily in education, China and the Middle East given as examples, the gap will take some time to close. The report quotes Michael Dickmann of the Cranfield School of Management, who explains 'when education and business don't coordinate, education can't adapt'. The report provides three recommendations, one of which suggests that education reform must be carried out via close collaboration between governments and the business community. The index underlines that countries with a strong tradition of vocational education and training to ease the transition from school to employment exhibit the lowest levels of youth unemployment globally. However, there

remains a common disconnect between employers, secondary education institutions and young people to fill the skills pipeline for tomorrow's industries.

India will soon overtake China as the world's most populous country and supply one quarter of the world's future work force. Findings from our latest research, Inside India, focus on understanding what Indian students view as future education and employment opportunities.

Factors that create strong employability in graduates



Source: Inside India, Education Intelligence, British Council 2013, base 4731

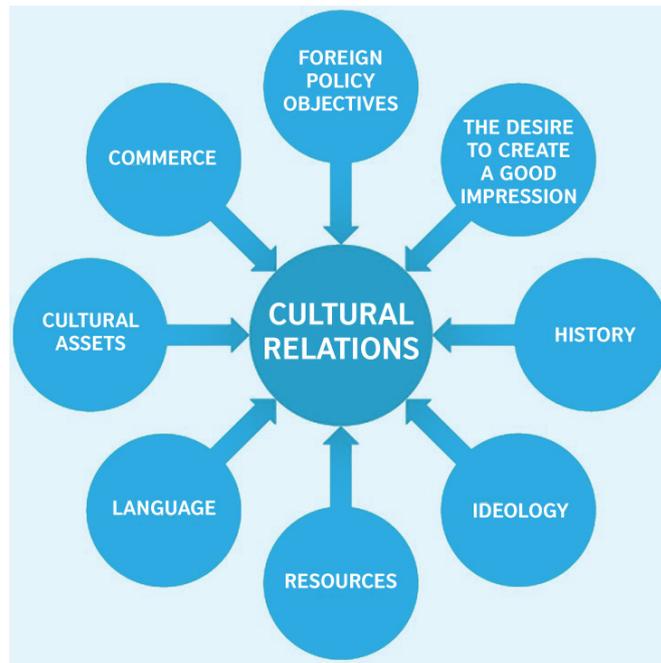
When asked what factors they believe create strong employability in graduates, 64% of survey respondents indicated good communication skills were paramount in creating strong employability in graduates.



Cultural impact

Culture can be described as a term used to encompass all activities that distinguish one particular group of people from another. A 2013 report published by the British Council titled 'Influence and attraction: culture and the race for soft power in the 21 Century', examines the latest data and research in the field of international cultural relations and cultural diplomacy. It provides ways of classifying and understanding this increasingly diverse and growing area of policy making and research. The report offers a new rationale for cultural relations activities, examines trends and suggests lessons for countries that wish to enhance their international cultural strategies. The report acknowledges cultural relations' importance at a time when many nations are increasingly seeking to maximise their 'soft power' – a term used to describe their ability to achieve their international objectives through attraction and cooperation rather than coercion. It is widely acknowledged in the field that there are a number of forces that shape a nation's cultural relations' activity; these eight drivers are depicted in the graphic below:

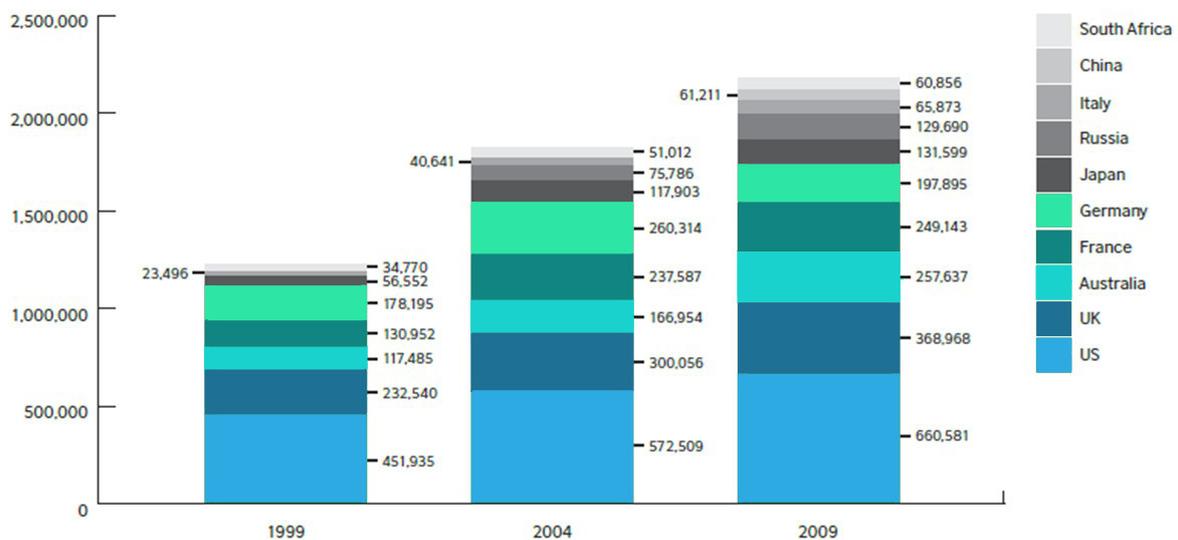
The forces that shape countries' cultural relations activity



Source: British Council titled 'Influence and attraction: culture and the race for soft power in the 21 Century', 2013

Educational exchanges are generally accepted to be one of the most powerful and long lasting influences on attitudes towards national culture, therefore investment in student and academic exchange is seen as a very important. Student choice of one study destination over another is greatly influenced by a nation's culture and the potential to experience living and studying within it.

Total number of students from overseas, by host country, 1999-2009, ranked according to the top ten host countries in 2009



Source: British Council titled 'Influence and attraction: culture and the race for soft power in the 21 Century', 2013

In 2011/12 the huge increase in the number of Chinese students studying in the United States led many of its competitors to ask why this number had jumped so rapidly – by 23.1% between 2010/11 – 2011/12. In real terms, the total number was over 194,000. We have been studying the decision-making process of international students across the world since 2007, surveying over 170,000 prospective students, trying to understand what and who influences their decision-making process. Findings from our student studies have shown that beyond all else, it is the cultural influence of the United States on young people in China that has caused this phenomenal shift. However, it is crucial to note that cultural influence can also have a negative effect on international education growth. As growing numbers of international students venture to study overseas, there are increasing accounts of the difficulty students can have integrating into new communities and where occasionally their safety has been put at risk. Thus, to harness the positive impacts of local culture on incoming student communities, it is crucial that the process of integration be two-way between local communities and international students.

Predicting the future...

We continue our investigation of these seven Megatrends, and other influencers on the future of international education, with acute attention. Through trial and error we have discovered that predicting the future is less about a final outcome, the final number calculated, the winning nation identified, the best new policy or greatest digital innovation, but more about the construction of the story and the methodology used. Not least is the fact that it is almost impossible to reach a conclusion without an element of reasonable doubt. The future of international education will likely be found at the intersection of these seven drivers. When, where and how these trends come together will shape the future of how the world teaches, learns and researches. Shaping how world class institutions are developed and how young learners are grown into leading academics. Guiding how nations respond to global demands for skilled workers to develop industry that will progress all our lives, and how we can collaborate across cultures to harness what we as individual nations do best, for a shared and prosperous future.