

Why we should be concerned about the Tertiary Education System

Women participate in tertiary education at a higher rate than men overall ... and at most levels they are more likely to complete qualifications. However, female tertiary graduates earn less than their male peers graduating at the same level in the same field of study.

The average student is becoming younger and is more likely to be a school leaver.

The share of intramural (on campus) study is increasing.

The share of full-year, full-time study is increasing.

Participation rates in tertiary education have been steadily falling over the last decade, with more than 20% fewer domestic enrolments in provider-based tertiary education in 2015 than in 2005.

Government tuition funding comprises 35% of revenue for universities, about 57% for ITPs and 85% for wānanga.

Over the last 15 years, average tuition fees for each EFTS at universities has increased in real terms by 24%.



Tertiary education subsidies are inequitable.

3.8% of the tertiary workforce in 2014 was Pasifika.

7-9% of students who completed a university degree in 2011 were dissatisfied with the experience.

Tertiary education union members' rated dissatisfaction with their jobs as a whole from 14% in 2013 to 41% in 2016.

In the 2014/15 financial year, students borrowed \$1529 million in loans but \$602 million was written off - an average of 39.35 cents for each dollar lent (MoE, 2015c). Since 2007, the amount written off each year has ranged between 36.19 cents and 47.39 cents for each dollar lent (MoE, 2015c). This is a reasonable estimate of the implicit government subsidy offered by the Student Loan Scheme.

There is evidence that the current tertiary system performs relatively poorly in terms of producing a mix of skills that are well-matched to the needs of employers.

The above points are drawn from the Productivity Commission's draft report *New models of tertiary education*.

About the McGuinness Institute

The McGuinness Institute was founded in 2004. The McGuinness Institute is a non-partisan think tank working towards a sustainable future for New Zealand. *Project 2058* is the Institute's flagship project focusing on New Zealand's long-term future. As a result of our observation that foresight drives strategy, strategy requires reporting, and reporting shapes foresight, we developed three interlinking policy projects: *ForesightNZ*, *StrategyNZ* and *ReportingNZ*. Each of these tools must align if we want New Zealand to develop durable, robust and forward-looking public policy. The policy projects frame and feed into our research projects, which address a range of significant issues facing New Zealand. In preparing this submission, the Institute has drawn largely on the *TalentNZ* and *TacklingPovertyNZ* research projects. Project *TalentNZ* began in 2011 and aims to facilitate a structured discussion on how to create a talent-based economy. Beginning in 2015, project *TacklingPovertyNZ* aims to contribute to a national conversation about how we might reduce poverty in New Zealand.

About the authors

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Wendy McGuinness wrote the report *Implementation of Accrual Accounting in Government Departments* for the New Zealand Treasury in 1988. She founded McGuinness & Associates, a consultancy firm providing services to the public sector during the transition from cash to accrual accounting from 1988 to 1990. Between 1990 and 2003, she continued consulting part-time while having children. Over that time she undertook risk management work for the public good. In 2002, she was a member of the New Zealand Institute of Chartered Accountants (NZICA) Taskforce which published the *Report of the Taskforce on Sustainable Development Reporting*. From 2003–2004 she was Chair of the NZICA Sustainable Development Reporting Committee. In 2004 Wendy established the McGuinness Institute in order to contribute to a more integrated discussion on New Zealand's long-term future. In 2009 she became a Fellow Chartered Accountant (FCA).

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Callum Webb has recently completed a BCom with a double major in Economics and Finance, looking to progress into postgraduate study in Economics in 2017. His primary interest is how economics may be applied to public policy in order to create better outcomes for the lives of New Zealanders. He has previously worked at the New Zealand Institute of Economic Research (NZIER) in 2014 on *How Ethnic Diversity Affects Auckland's Economy*, and with the McGuinness Institute in 2015 on the *TacklingPovertyNZ* project.

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INTRODUCTION

Thank you for the opportunity to comment on the *New Models of Tertiary Education: Draft Report* (the draft report). We do not answer your questions in detail; rather, our aim is to provide a broad response to the draft report, point out additional areas to research and possible strategic policy levers to consider.

We consider developing an effective and efficient tertiary education system to be essential.

Tertiary education is in the business of hope; hope to find the right job, hope to bring about change, hope to parents and grandparents, hope to regional communities and hope to the nation. If providers under-supply or over-promise, they can do a lot of harm to society. We therefore need to get the policy settings right. This is why we have prepared a comprehensive submission; we believe the current policy settings are not working.

In thinking about and preparing this submission, we (the McGuinness Institute) drew largely on our overarching project, *Project 2058*, and two of our research projects, *TacklingPovertyNZ* and *TalentNZ*. To this end, we have attached two recent working papers:

- *Working Paper 2016/03 History of education in New Zealand* expands on an infographic we attached to our previous submission; it explains the sequence of events that have produced our current education system. The *History of education in New Zealand* working paper provides insights into past policy levers and identifies the checks and balances embedded into our current system – see pages 30 and 31. It explains the ongoing tension over who pays the costs of tertiary education – government or students – given the perceived private and public benefits that tertiary education provides. There are also lessons to be learnt in terms of the impacts further changes might have on enrolment and the creation of additional pressures on government expenditure. The system has also undergone a number of relatively recent changes, such as the merging of colleges of education with universities in 2007, the establishment of the Youth Service in 2013 and the publication of the *Tertiary Education Strategy 2014 – 2019* in 2014. However these changes do not seem to have been reviewed, meaning it is unclear whether the benefits promised have been delivered. This paper is also a reminder that the Commission’s work will impact public policy and will, at some time in the future, lead to new key events being added to the timeline. The challenge is to identify what these changes should be.
- *Working Paper 2016/04: TacklingPovertyNZ 2016 National Tour: Analysing the 240 ‘Hows’* (draft) examines the 240 ‘hows’ identified by the communities in five regions

of New Zealand. The question asked was ‘how would they go about tackling poverty?’ If we assume that the results indicate where gaps exist, it tells us a great deal about what is needed going forward. One of the key findings was that rather than focusing solely on education, if we want New Zealanders to not only get out of poverty but to stay out of poverty, there are a wide range of factors that need to be addressed simultaneously, and to some degree in a specific order. This is explained in more detail in the working paper, but the relevance for the inquiry is that individuals from regional communities and those that come from homes that are under economic pressure are more likely to arrive in cities unprepared, poorly matched to their degree and without the necessary skills or mentors to help them undertake study – resulting in a very high fail rate. One of the roles of the tertiary education system must be to provide a way for these students to connect with their dreams and ambitions, to find a course that meets their needs and to support them so that they can complete their courses. We heard of students who had arrived in the city and within weeks had spent their loans on nightlife, missed their morning classes and within six to nine months returned home in debt and without a qualification. Anecdotal evidence suggests that for some students who had been the pride of their families, the shame of failure prevents them from returning home. We must not retain a tertiary system that fails the very people we need to contribute to the future of this country.

Those who wish to engage with tertiary education should not be prevented from further education due to constraints, such as financial difficulties, education history, disability, cultural norms or geographical constraints.

This working paper illustrates that literacy, and the ability to navigate services such as health, civics, transport and education, are critical skills to empowering New Zealanders. We believe the current tertiary education system is overly complicated and difficult to navigate, especially if you do not have parents (or wider whānau) previously skilled in the system. This is possibly what the draft report means by student-centric, but we feel this needs to be explained – the system needs to be designed so that students (and parents) can navigate it to achieve their goals.

We believe many providers are more interested in pursuing research funds (focusing on retaining and supporting postgraduates), benchmarking results (focusing on students that have high academic results from high school) and profit (focusing on developing markets for international students). The goals shaping the tertiary system deliver an overly complicated and sporadically resourced system that is to the detriment of those who have already been disadvantaged, often

through no fault of their own. One of the goals of the education system in its totality must therefore be to deliver educational literacy (the skills to navigate the system) to students, parents, whānau, caregivers, teachers, counsellors and career advisors. This must start in Year 1.

For purposes of clarity, the use of the term ‘complicated’ is important. An iPhone is simple to use, but complicated in that it is made up of many distinct but interdependent components. Simplicity for the user can work in unison with complicated systems; but someone high up in the system needs to ensure complicated systems are easy to use – as Steve Jobs would testify. We believe that this should be a key area of focus going forward – creating a system interface that is user friendly – highlighting the risks, pathways, costs and benefits of courses.

Current policy settings arguably provide a disincentive for tertiary education institutions to enrol students from low socio-economic areas because they are more likely to fail (impacting on benchmarking), will be resource-hungry in terms of social and tutorial support and may have a destabilising influence on other students.

As a key investment in our future, we need to get this system working effectively (delivering the skills and research New Zealand needs) and efficiently (doing so at minimal cost to the public). The Productivity Commission’s work to date (the draft report) has been very revealing, but in many ways the most significant take away is that it illustrates the failure of the system to be self-examining.¹ We outline the six key failings we see in the existing system in section B. We believe your report should explore ways to resolve these.

To bring about long-term change, the current system would benefit from: a shared set of principles and foresight to navigate demographic and technology changes; regular reporting on results (past-focused: the outputs and outcomes) and strategy (future-focused: the approach); and a range of checks and balances that allow both self-examination and external scrutiny by government, teachers, students and their parents. We discuss these options in sections C: Revisiting the principles that shape the tertiary system; and D: Where more research is required. The lead-time before benefits are likely to be felt is in the range of five to 10 years.

¹ This is evidenced by the observation in the draft report that ‘New Zealand providers do relatively little research into tertiary pedagogy and into the quality of tertiary teaching. This is a missed opportunity for internally informed improvement.’ Quoted in New Zealand Productivity Commission. (2016). *New Models of Tertiary Education: Draft Report*. Retrieved 29 November 2016 from www.productivity.govt.nz/inquiry-content/tertiary-education. Page 141.

Unless otherwise indicated, all further references in this submission are to this draft report, and will be acknowledged simply by the page number in that document.

If we want more immediate change, the Commission needs to look at new ways of restructuring the system – we discuss a few of these structural levers in section E: Strategic policy levers. For more radical change, see section F: A new specialist university (small, focussed and elite).

Our chief concern is that the report findings align more with the recommendations of the universities, giving more control to the providers. We believe this will deliver more of the same. The Productivity Commission inquiry is an opportunity to review and redesign the whole system. This is both a rare opportunity and a timely necessity. If we wish to build a talent-based economy, we must not leave any talent behind. This will require an informed society and, ideally, a shared respect for democracy and the outcomes it delivers.

A: OUR READING OF THE DRAFT REPORT

We found the report to be very informative, but it raised more questions than answers. The linkages between the research and the recommendations of the draft report were not always clear however this may be because of the size of the report. Further we were keen to learn more about the types of measures a more student-centred might deliver and what routine tweaking as against radical policy levers exist to deliver improvements to the system?

Accordingly, we suggest additional research is necessary in order to truly understand the connections and tensions exhibited – what we refer to as the policy knots. Policy knots occur when we know the policy is not delivering the outcomes that were envisaged or desired, but the reasons for this misalignment remain are unclear.

We also felt the research was still preliminary and gaps existed. For example, we were concerned not to see an analysis of what an effective tertiary education system would deliver (the benefits) or a deeper financial analysis of the providers (liquidity, profitability and stability). We have looked briefly at the annual reports of a number of tertiary education providers and found the statistics and narratives useful. We are particularly interested in the diversity of goals, the level of investment in building infrastructure and the outcomes resulting from the competitive nature of the industry. To this end, we consider many tertiary providers to be operating as Core Crown and as such we believe their financial accounts should form part of the *Financial Statements of the Government of New Zealand*.² We believe this confusion implies they are practice for-profit entities.

² The Treasury. (2016). *Financial Statements of the Government of New Zealand*, p. 44. Retrieved 12 December 2016 from <http://www.treasury.govt.nz/government/financialstatements/yearend/jun16>. Please note the *Education Council of Aotearoa New Zealand* is included but tertiary providers are not. We consider when you take

We consider the following findings in the draft report to be insightful and have included them as an infographic on the front page of this submission:

Women participate in tertiary education at a higher rate than men overall ... and at most levels they are more likely to complete qualifications. However, female tertiary graduates earn less than their male peers graduating at the same level in the same field of study.³

The average student is becoming younger and is more likely to be a school leaver.⁴

The share of intramural (on campus) study is also increasing.⁵

The share of full-year, full-time study is increasing.⁶

Participation rates in tertiary education have been steadily falling over the last decade, with more than 20% fewer domestic enrolments in provider-based tertiary education in 2015 than in 2005.⁷

Government tuition funding comprises 35% of revenue for universities, about 57% for ITPs and 85% for wānanga.⁸

Over the last 15 years, average tuition fees for each EFTS at universities has increased in real terms by 24%.⁹

Tertiary education subsidies are inequitable.¹⁰

3.8% of the tertiary workforce was Pasifika.¹¹

7-9% of students who completed a university degree rated dissatisfaction with the experience.¹²

Tertiary education union members' rated dissatisfaction with their jobs as a whole from 14% in 2013 to 41% in 2016.¹³

In the 2014/15 financial year, students borrowed \$1529 million in loans but \$602 million was written off – an average of 39.35 cents for each dollar lent (MoE, 2015c). Since 2007, the amount written off each year has ranged between 36.19 cents and 47.39 cents for each dollar lent (MoE, 2015c). This is a reasonable estimate of the implicit government subsidy offered by the Student Loan Scheme.¹⁴

There is evidence that the current tertiary system performs relatively poorly in terms of producing a mix of skills that are well matched to the needs of employers.¹⁵

into account the extent of government funding in totality, the providers should be included in the *Financial Statements of the Government of New Zealand*.

³ Page 228.

⁴ Page 4.

⁵ Page 4.

⁶ Page 4.

⁷ Page 5.

⁸ Page 153.

⁹ Page 244.

¹⁰ Page 5.

¹¹ Page 159.

¹² Page 220.

¹³ Page 159.

¹⁴ Page 268.

¹⁵ Page 103.

In the draft report, there were a number of areas where we agreed with your findings, for example:

Students can be more powerful in driving quality and innovation within the system.¹⁶

The Commission finds that the tertiary education system is not well-placed to respond to uncertain future trends and the demands of more diverse learners. The system is not good at trying and adopting new ways of delivering education, and does not have the features that will allow it to respond flexibly to the changing needs of New Zealand and New Zealanders. The system does a good job of supporting and protecting providers that are considered important, but it is not student-centered. Nor does it reach out, as much as it could, to extend the benefits of education to groups that have traditionally missed out on tertiary education.¹⁷

However, we were unconvinced that:

This is largely due to the high degree of central control that stifles the ability of providers to innovate.¹⁸

But at the moment the system is tightly constrained by government policy and funding settings.¹⁹

Further, we do not believe that giving providers greater autonomy would solve the problem, for example your draft report states:

Providers need more freedom, and incentives, to try new things. They should have greater autonomy and responsibility.²⁰

We also disagree with Universities New Zealand's submission that universities cannot do more to meaningfully improve outcomes for Māori and Pasifika within current levels of funding.²¹ The draft report suggests that it accepts this view, but this is not what we are seeing and hearing from Māori and Pasifika youth trying to achieve positive outcomes in universities. This illustrates what many young people know; positive outcomes for Māori and Pasifika are not a key objective of New Zealand universities.

In contrast, we would argue that providers have a great deal of freedom and this freedom may in reality be over-promising and under-delivering on a significant scale. Providers are arguably enticing young New Zealanders (school leavers) into debt; students are increasingly leaving school to study fulltime on campus, undertaking courses that are unlikely to deliver jobs while at the same time preventing other New Zealanders (those above 25 years and under 25 years from less wealthy home environments) from gaining a tertiary education.

Giving the providers more freedom, as suggested in your draft report (assuming everything else remains the same), will not change the trend of increasing debt. Clearly providers would like more freedom, but we need to ensure public assets and funds are used for the benefit of all

¹⁶ Page 2.

¹⁷ Page 2.

¹⁸ Page 2.

¹⁹ Page 265.

²⁰ Page 2.

²¹ Page 223.

New Zealanders – those living today and those who come after us. Providers will, by nature, be resource hungry, but the task of government is to ensure those resources are well spread and used efficiently for the public good – delivering courses fit for purpose and providing useful research that adds to the nation’s knowledge.

Below are some excerpts from recent annual reports of tertiary education providers. These excerpts illustrate the diverse range of values and drivers currently operating in the tertiary system.

[University of Auckland:] If we want New Zealand to achieve the same benefits that other countries have from their leading research universities then we must be bold in allowing those universities to flourish.²²

[University of Otago:] Quality environments and technology of the highest possible standards are vitally important as we go forward as a leading research and educational institution.²³

[AUT: ...] Education Amendment Act 2015 has significant implications for Council. The Act comes into effect in 2016 and will reduce the size of university councils to a maximum of 12, including at least one Māori member and four members appointed by the Minister for Tertiary Education, Skills and Employment. Council has long valued the diversity of perspectives brought by the current representative structure; such variety engenders robust debate that enriches our individual and collective contribution to the University. For this reason Council was determined to maintain a diverse membership despite the reduction in numbers, and held consultations with AUT staff and AuSM (the AUT students’ association) in mid-2015 to determine the best structure to do so. As a result, from 2016 Council will include two elected staff members (one academic and one professional), one member of AuSM, and four other members appointed by Council, taking into account the ethnic and socio-economic diversity of AUT’s communities and an appropriate gender balance. Alongside the ministerial appointees, Council and the University are confident this structure will ensure the interests of AUT’s vital stakeholders are represented and that councillors will maintain the highest standards of academic freedom, autonomy and community service.²⁴

[Victoria University:] Significant progress was made in implementing Victoria’s Digital Learning and Teaching Strategy, with 98 percent of courses having information and documents available through Blackboard, the University’s online learning and teaching platform. Other initiatives include lectures being recorded on video for later review by students and the introduction of Zoom technology, which is allowing synchronised teaching between different locations—for example, between our teaching space in Auckland and our Wellington campuses.²⁵

[Te Wānanga o Aotearoa:] The years ahead will require greater collaboration with entities that share our values and focus, and who will add value to our taura and to the communities we serve. We will remain focused on diversifying our offerings to ensure we continue to meet the employment and higher learning priorities that are core to our provision. As mentioned, we are in a strong financial position as a result of consistent positive results. These funds will sustain investment in programme development and in enhancing our offerings to the learners of Aotearoa. The funds will support opportunities to purchase and

²² University of Auckland. (2015). *Enabling the Modern New Zealand, Annual Report 2015*, p. 7. Retrieved 29 November 2016 from www.cdn.auckland.ac.nz/assets/central/publications/annual-report/UoA%20Annual%20Report%202015%20web_.pdf

²³ University of Otago. (2015). *Annual Report 2015*, p.10. Retrieved 29 November 2016 from www.otago.ac.nz/about/official-documents/otago609967.pdf

²⁴ Auckland University of Technology. (2015). *Annual Report 2015*, p.5. Retrieved 29 November 2016 from www.aut.ac.nz/_data/assets/pdf_file/0008/639503/FINAL-SECURE-AUT-Annual-Report-2015-Online-version-with-content-page-buttons.pdf

²⁵ Victoria University. (2015). *Vice-Chancellor’s Review*. Retrieved 29 November 2016 from www.victoria.ac.nz/_data/assets/pdf_file/0011/238853/vice-chancellors-commentary.pdf

invest in value add partnerships, which provide solutions to the learners of our communities, and those wanting to up-skill and train to meet the needs of an evolving employment market.²⁶

[WelTec:] Our contribution to the economy was again captured by economic research company, BERL who estimated WelTec's operations contributed almost \$70M in GDP and just under 540 FTE jobs to the Wellington regional economy in 2015. This excludes the economic impact generated by the expenditure of international students and domestic students who come from outside the region.²⁷

B: SIX KEY FAILINGS IN THE TERTIARY EDUCATION SYSTEM

The current education system is not working for all New Zealanders. Given the data in your report and our observations, we have identified six key failings in the current system. The challenge is to bring about change so that these six weaknesses are dealt with and the current strengths in the system are retained.²⁸

1. Failure to self-examine

The tertiary system is not, by and large, self-examining. Providers have both an individual responsibility and a collective responsibility to manage the system for investors (primarily the government). This means providers are the facilitators of government's intentions. Providers need to be aware enough to understand the consequences of their actions as a whole. If providers are unable to examine their actions, an external party should undertake this role – assessing and reporting back to the government on its investment. The challenges the Commission has faced in obtaining the necessary information to assess the system is evidence of a system failure.

2. Poverty of opportunity

Education is often promoted as the way out of poverty, but there are forces that are stopping this from coming to fruition. This is evident in the correlation between tertiary education levels of parents and the educational achievement of their children. There is a gap between what is needed by students and what is available. Many students are unable to study full time under the current funding scheme without building up wealth beforehand, or working while they study. Additionally, there is a lack of support for people moving from regional areas into cities to study, resulting in missed lectures, over expenditure, and lower rates of graduation. This was one of the

²⁶ Te Wānanga o Aotearoa. (2015). *Te Pūrongo 2015 Annual Report*, p. 12. Retrieved 29 November 2016 from www.twoa.ac.nz/Te-Whare/Panuitanga-Okawa

²⁷ WelTec. (2015). *Annual Report 2015*, p. 6. Retrieved 29 November 2016 from www.weltec.ac.nz/Portals/0/2016/2015%20Annual%20Report%20Final%20Web%20%28JULY%202016%20Proof%29.pdf

²⁸ Please note we have not included a list of strengths of the current system. However this is something we think would be valuable for the Commission to list in their final report.

learnings from the regional *TacklingPoverty*NZ tour we undertook in 2016. The draft working paper from the tour is attached to this submission as further evidence.

3. Mismatched job markets

Currently there are many sectors of employment that are struggling to find people with the right skills. Similarly, there are sectors that will soon face under-supply of workers, highlighted in the ageing farming population.²⁹ Employers need to better communicate their needs to the tertiary education system, and allow for mapping of students to future job markets to ensure more efficient and effective allocation of labour in New Zealand. With changing demographics (e.g. ageing consumers requiring new products and services and urban drift continuing) and technologies (e.g. automation of jobs), the level of mismatch between graduates and the job market may increase further if not addressed.

4. Investment approach focused on providers not students

There is a distinct focus on the costs of students and funding required without enough focus on the economic and social outcomes educated citizens can deliver in society. This is a particular issue because it results in the filtering of students for acceptance. If the system was student-centric, it would have a greater focus on equity of provision and a corresponding greater diversity of student enrolment. This perhaps explains the statistics regarding Māori and Pasifika participation. There is also a need to look at equity between domestic and international students, to determine whether shared use of resources and support services is resulting in worse outcomes for both parties. A longitudinal study of the benefits and weaknesses of the investment approach, taking these factors into account, is necessary.

5. Young people burdened by debt

Currently, young people are taking on tens of thousands of dollars of debt in order to receive their qualifications. The amount of debt written off clearly shows that the system is not working; 39.35 cents for each dollar lent was written off in the 2014/15 financial year.³⁰ This has a number of implications:

²⁹ Pat Deavoll. (31 August 2015) 'Farmers are an ageing demographic.' *Stuff*. Retrieved 29 November 2016 from www.stuff.co.nz/business/farming/agribusiness/71539606/Farmers-are-an-ageing-demographic

³⁰ MoE. (2015). *Student Loan Scheme Annual Report 2014/2015*, p. 43. Retrieved 29 November 2016 from www.educationcounts.govt.nz/data/assets/pdf_file/0003/170229/Student-Loan-Scheme-Annual-Report-2015.pdf

- a. Not all students graduate. Only 61% of students who began their qualification in 2011 had completed it within four years.³¹ This means many young people are left in heavy debt, without anything to show for their investment.
- b. The level of debt puts a lot of pressure on young people just starting out in life. New Zealand has the highest rate of youth (aged 15-24) suicides among the 34 OECD countries.³² Importantly, there has been a significant change in terms of the people who are taking their lives: generally Māori between the ages of 18 to 24. In the past, 65+ year olds and Māori were the most highly represented, though not to the same extent (see figures 1 and 2). Being in debt and not seeing a way to obtain a good life though further education cannot be helpful in times of stress.

Figure 1: Age-specific suicide mortality rates, by age group, 1972-2012³³

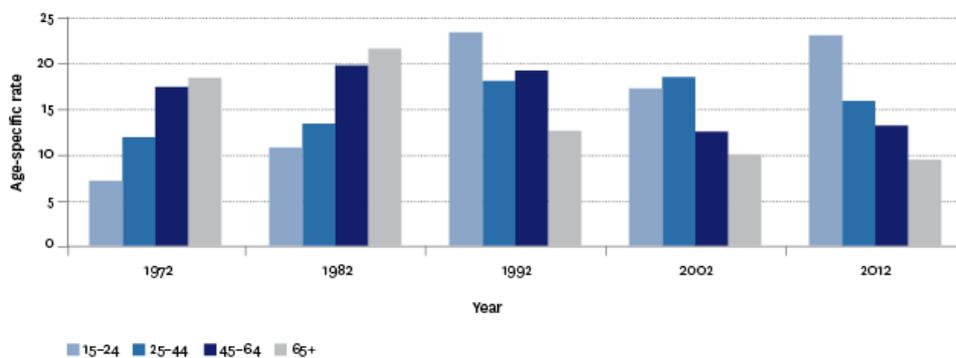
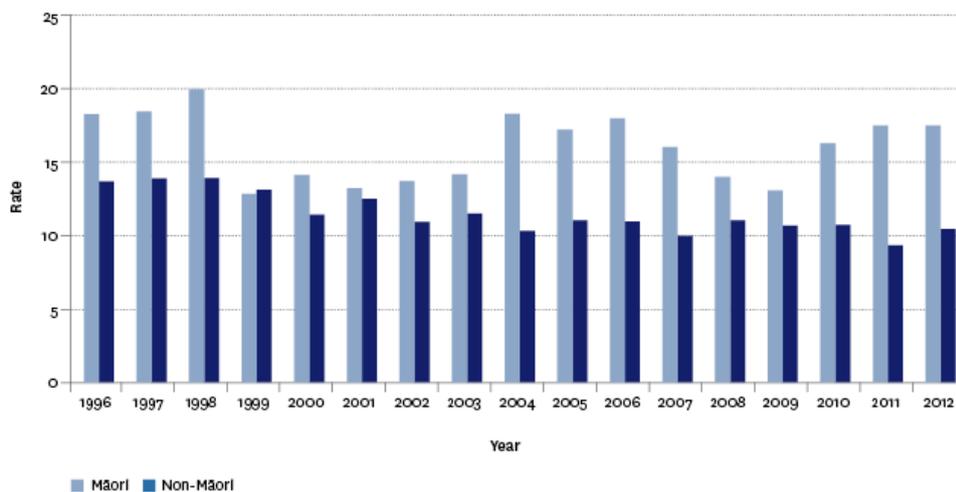


Figure 2: Suicide mortality, age-standardised rates, by ethnic group, 1996-2012³⁴



³¹ Page 66.

³² MSD. (2016). *The Social Report 2016 - Te pūrongo oranga tangata*. Retrieved 29 November 2016 from www.socialreport.msd.govt.nz/health/suicide.html

³³ MSD. (2016). *The Social Report 2016 - Te pūrongo oranga tangata*. Retrieved 29 November 2016 from www.socialreport.msd.govt.nz/health/suicide.html

³⁴ MSD. (2016). *The Social Report 2016 - Te pūrongo oranga tangata*. Retrieved 29 November 2016 from www.socialreport.msd.govt.nz/health/suicide.html

- c. We push our brightest to leave the country and discourage them from returning due to the large debt they would need to pay when they arrive home. We believe it is important to do more research on this, as the evidence is largely anecdotal. The implications are that young people may be less likely to feel obliged to pay their share of tax or obey the laws of the country going forward. We are teaching the next generation of New Zealanders that legal contracts do not need to be honoured and that honesty, patience and commitment by those who do pay, are not rewarded. We have received feedback from those who have paid off their debt (now in their thirties) that they were surprised that their commitment was not rewarded by some form of acknowledgment, particularly considering they were aware of peers who had not bothered to repay their student loans. We were surprised this topic was not explored in more detail in the draft report.

6. Competition between providers

Examples include the lack of mobility for students moving between institutions, the increasing number of courses aimed at securing students for their EFTS value, the amount of property investment (investing in looks rather than competencies) and the increasing cost of tuition fees. Perhaps most concerning is the latter because we suspect tuition fees are out of step with real costs, particularly in undergraduate degrees, due to economies of scales. The combination of interest free loans and young, naïve consumers has led to exploitation of the few controls on prices. We wonder if there is perceived competition rather than real competition, as the consumer is not price sensitive and most students cannot move location. It would be interesting to know to what extent students do move location to attend university – this might be the real test of competition.

C: REVISITING THE PRINCIPLES THAT SHAPE THE TERTIARY SYSTEM

The *Tertiary Education Strategy 2014 – 2019* was published in 2014 and, like the inquiry, aimed to focus on system-wide performance improvement.³⁵ The strategy was reviewed by the Institute in 2015 for content and was judged to rank 63rd equal out of 134 government department strategies in operation – as part of the GDS Index (this forms part the Institute’s project *ReportingNZ*).³⁶ As shown in Appendix 1, it was found to be weak in terms of component 3:

³⁵ MoE. (March 2014). *Tertiary Education Strategy 2014-2019*, p. 21. Retrieved 29 November 2016 from www.education.govt.nz/assets/Documents/Further-education/Tertiary-Education-Strategy.pdf

³⁶ McGuinness Institute. (September 2015). *Profiles Scoring Government Department Strategies in Operation as at 30 June 2015*, p. 74. Retrieved 2 December 2016 from www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20151103-Working-Paper-201509-Web.pdf

vision and benefits and component 5: implementation and accountability. This supports your comments in the draft report:

The Tertiary Education Strategy contains some worthy priorities, but indicators are frequently vague and monitoring against the strategy is sporadic. It is not clear that the strategy is an effective tool for driving outcomes.³⁷

As you note in the draft report, the strategy sets out six priority areas. These generally align with our thinking to date:

- Priority 1 - Delivering skills for industry
- Priority 2 - Getting at-risk young people into a career
- Priority 3 - Boosting achievement of Māori and Pasifika
- Priority 4 - Improving adult literacy and numeracy
- Priority 5 - Strengthening research-based institutions
- Priority 6 - Growing international linkages³⁸

The inquiry is arguably a good opportunity to test the relevance, uptake and review progress against these priorities. These priorities could be measured over time and could form part of the inquiry, answering such questions as: Are these priorities still relevant? Has there been progress to date on these priorities? What lessons can be learnt from performance to date?

What we are less sure of is the statement in the report that funding decisions by government are the primary driver:

Government seeks to set the overall direction of the tertiary system with the Tertiary Education Strategy (TES). But because funding decisions are the primary driver of behaviour in the system the effectiveness of the strategy is limited if it is not congruent with funding decisions.³⁹

As mentioned in section A: Our reading of the draft report, we were surprised by Universities New Zealand's statement that:

Universities New Zealand (sub. 17) stated unequivocally and repeatedly that New Zealand universities cannot meaningfully improve outcomes for Māori and Pasifika within current levels of funding: [They state] "There is insufficient funding to advance important government policy objectives in areas such as lifting Māori and Pasifika participation and achievement... (p. 6)"⁴⁰

This is surprising since 35% of the universities' revenue comes directly from government. We wonder if your report is suggesting that the funding system needs to be adjusted to meet these priorities.

³⁷ Page 110.

³⁸ MoE. (March 2014). *Tertiary Education Strategy 2014-2019*, p. 1. Retrieved 29 November 2016 from www.education.govt.nz/assets/Documents/Further-education/Tertiary-Education-Strategy.pdf

³⁹ Page 101.

⁴⁰ Page 223.

Further, the strategy sets some ways for achieving the priorities (what we have called the principles that should shape decision making):

Access – maintaining existing participation levels and improving them, particularly for some groups.

Achievement – improving the rate of qualification attainment, the numbers of people progressing to further study, and the quality of provision by TEOs.

Outcomes – ensuring that more people benefit from tertiary education and improve their economic, social and cultural outcomes.⁴¹

However, the characteristics of a successful system seem less clear. Our suggestion is that the goals to drive the system should include:

1. To be a self-examining system – so that the tertiary system can learn lessons and respond quickly.
2. To be able to be externally-scrutinised – so that teachers, students and their parents can assess the risks, costs and benefits of courses and the public's broader investment in tertiary education.
3. To report on the public's investment – in a clear, concise and comprehensive manner (with each provider in their annual report reporting on the lessons learnt/analytics and their strategy going forward). Importantly the investment includes not only the direct funding, but also the net student loan scheme subsidy.
4. To keep the system simple – to enable users of the system to navigate it and understand the risks, pathways, costs and benefits of different options.
5. To be future-focused – to understand demographic and technology changes so that courses are fit for purpose. This means developing new courses for emerging jobs and might require Statistics NZ to produce a report on New Zealand's most wanted jobs in 2024 (similar to what the US Bureau of Statistics produces every two years; see table 1 on page 19 of this submission).
6. To provide fair and equal access to tertiary education – this means providing additional support and resources where they are needed.
7. To deliver economies of scale – this means testing and scaling initiatives that work. Many of the undergraduate courses are about bulk learning – one teacher with many students. This is increasingly apparent as an area where technology can be a significant contributor and may involve a shift away from physical attendance.

⁴¹ MoE. (n.d). *Tertiary Education Strategy 2014-2019*, p. 1. Retrieved 29 November 2016 from www.education.govt.nz/assets/Documents/Further-education/Tertiary-Education-Strategy.pdf

D: WHERE MORE RESEARCH IS REQUIRED

In this section we highlight areas where, in an ideal world, we would research further. The draft report is very long and there may be discussions that we have missed. With this caveat in mind, we have outlined the gaps in the following list of, which, when filled, might lead to a set of more informed recommendations on how to improve the current tertiary education system.

1. Assessment of the economics of the current system

As opposed to looking into the costs of tuition, we wonder what the average benefit for the economy of having an additional tertiary educated worker is in comparison to the costs involved. This would provide insight into the amount of resources government should place into the tertiary education sector. Currently, many young New Zealanders are taking on large amounts of debt, much of which is being written off.⁴² If the returns of tertiary education are more beneficial than currently believed, it would stand to reason that the tertiary education sector and student loan schemes should be subsidised more heavily, and vice-versa.

Evidence of the important role of the tertiary sector in providing social investment is contained in the Treasury's 2016 *He Tirohanga Mokopuna: Statement on the Long-Term Fiscal Position*:

As the nature of work continues to evolve and skill requirements continue to change, education and training systems will be challenged to ensure all New Zealanders are ready for the future. Ensuring that high education performance is achieved consistently across and within all providers lays a foundation for skill development. Training and development opportunities beyond school, both in and between jobs, are also important. This is particularly so for those groups most likely to be affected by technological and other workforce changes.⁴³

Skills and employment also provide much more than just income and growth. Educational performance is associated with a range of other individual and societal goods, such as healthier lifestyles, lower propensity to commit crime, and richer social networks.⁴⁴

Figure 3 from *He Tirohanga Mokopuna* shows the fiscal impact of reducing the risk of poor outcomes for the 10% of children at highest risk to equate with that of the next 10%. The figure demonstrates the significant savings in Superannuation, welfare and justice expenditure that result from investment in health and education. This research reinforces the important role educational achievement plays in delivering positive outcomes. We need to ensure that even the

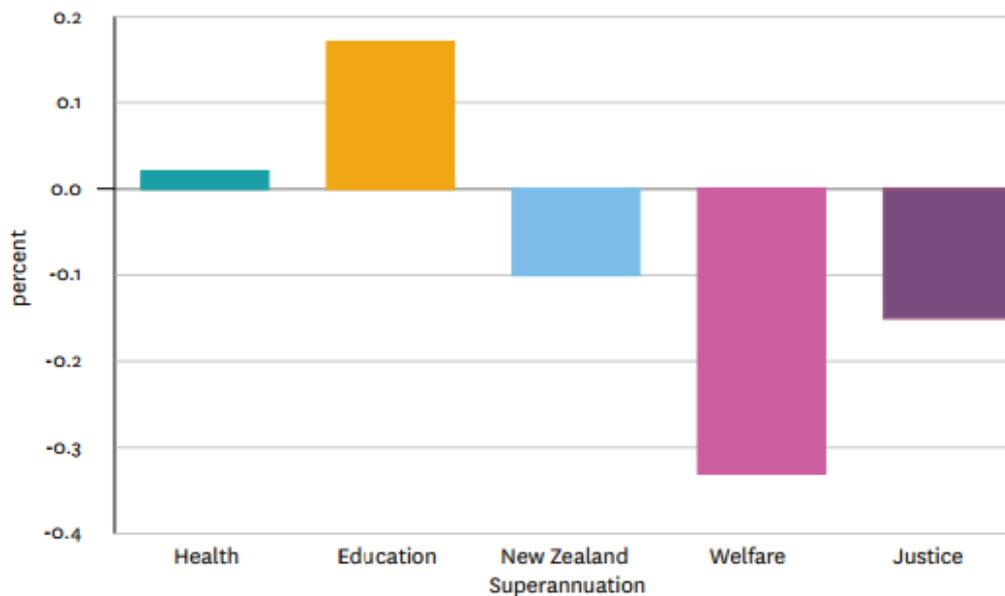
⁴² MoE. (2015). *Student Loan Scheme Annual Report 2014/2015*, p. 43. Retrieved 29 November 2016 from www.educationcounts.govt.nz/_data/assets/pdf_file/0003/170229/Student-Loan-Scheme-Annual-Report-2015.pdf

⁴³ The Treasury. (2016). *He Tirohanga Mokopuna 2016 Statement on the Long-Term Fiscal Position*, p. 30. Retrieved 29 November 2016 from www.treasury.govt.nz/government/longterm/fiscalposition/2016/he-tirohanga-mokopuna/lfs-16-htm.pdf

⁴⁴ The Treasury. (2016). *He Tirohanga Mokopuna 2016 Statement on the Long-Term Fiscal Position*, p. 31. Retrieved 29 November 2016 from www.treasury.govt.nz/government/longterm/fiscalposition/2016/he-tirohanga-mokopuna/lfs-16-htm.pdf

most vulnerable children are able to access tertiary education, creating intergenerational benefits for their whānau and community. However, at present, ‘socioeconomic background has more impact on educational attainment in New Zealand than in most other OECD countries and fewer students from disadvantaged backgrounds go on to study at a higher level after completing schooling.’⁴⁵

Figure 3: Potential fiscal impacts of improved outcomes for the most vulnerable children⁴⁶



Source: See the background paper prepared for this Statement: The benefits of improved social sector performance.

Note: This figure relates to Scenario E in Figure 6.3 of this Statement. Fiscal impact is the percentage point of GDP change in costs relative to the Historical Spending Patterns scenario, in 2060.

The OECD 2016 report *Education at a Glance: OECD Indicators* found that New Zealand has the lowest private net financial return on attaining tertiary education in the OECD (see figure 4).⁴⁷ This return is calculated in comparison with having attained upper secondary or post-secondary non-tertiary education, in equivalent USD converted using PPPs for GDP. This figure should be worrying for students entering tertiary education in New Zealand; why will they not receive as much of a return as those studying in other countries? There may be many factors contributing

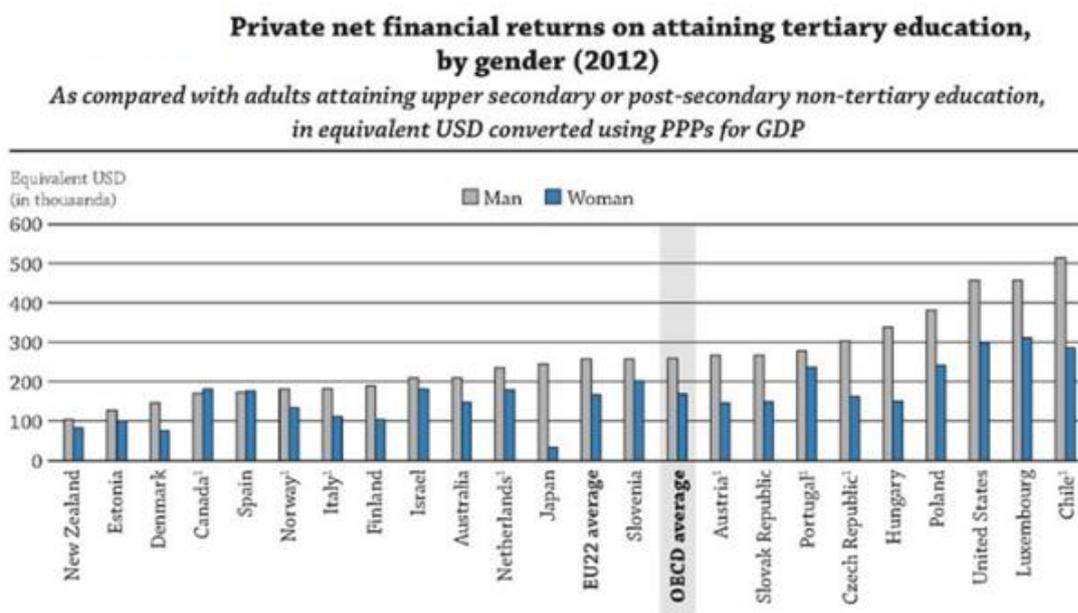
⁴⁵ The Treasury. (2016). *He Tirohanga Mokoopuna 2016 Statement on the Long-Term Fiscal Position*, p. 33. Retrieved 29 November 2016 from www.treasury.govt.nz/government/longterm/fiscalposition/2016/he-tirohanga-mokopuna/lfs-16-htm.pdf

⁴⁶ The Treasury. (2016). *He Tirohanga Mokoopuna 2016 Statement on the Long-Term Fiscal Position*, p. 46. Retrieved 29 November 2016 from www.treasury.govt.nz/government/longterm/fiscalposition/2016/he-tirohanga-mokopuna/lfs-16-htm.pdf

⁴⁷ OECD. (15 September 2016). *Education at a Glance 2016: OECD Indicators*, p. 134. Retrieved 2 December 2016 from www.oecd-ilibrary.org/docserver/download/9616041e.pdf?expires=1480628691&id=id&accname=guest&checksum=1DFEC32778161FC4C771A5BC25370B78

to this result, such as area of study or relatively high wages for adults with post-secondary non-tertiary education, and these should be looked into in more depth.

Figure 4: Private net financial returns on attaining tertiary education, by gender (2012)⁴⁸



1. Year of reference differs from 2012, please see Tables A7.3a and A7.3b for further details.

Countries are ranked in ascending order of private net financial returns for a man.

Source: OECD, Tables A7.3a and A7.3b. See Annex 3 for notes (www.oecd.org/education/education-at-a-glance-19991487.htm).

StatLink <http://dx.doi.org/10.1787/888933397317>

2. Assessment of current graduate supply and demand

The Institute agrees with the findings of the draft report that there is mismatch between the individuals entering the job market and employer needs, which is having a negative impact on the economy.⁴⁹ New Zealand currently has the second highest rate of firms reporting difficulties filling vacancies in selected OECD countries (see figure 4.3 of the draft report).⁵⁰ There is a need for more connection between employers and students. Students cannot be the only one signaling to potential employers their worth, employers must also signal more clearly to students what they are looking for and what they can offer as employers.

We had expected to find more about businesses demands, such as which areas are oversupplied and which are lacking in recent graduates. These gaps in the market are currently being filled to a significant extent by immigration, as opposed to by training graduates to fill the roles. While there is a delay between graduation and entering the workforce, there needs to be better career

⁴⁸ OECD. (15 September 2016). *Education at a Glance 2016: OECD Indicators*, p. 134. Retrieved 2 December 2016 from www.oecd-ilibrary.org/docserver/download/9616041e.pdf?expires=1480628691&id=&id&accname=guest&checksum=1DFEC32778161FC4C771A5BC25370B78

⁴⁹ Page 75.

⁵⁰ Page 80.

planning for students to get them into careers where they are needed. This should start at secondary school. The latest report we found on career guidance was the Ministry of Education’s *Career Education and Guidance in New Zealand Schools* published in 2009.⁵¹ There needs to be more research into secondary schools career advice to check the success of the services.

Many courses currently offered at tertiary education institutions such as universities do not have straightforward career paths, as opposed to traditional degree areas such as law and medicine. More support is necessary for tertiary students to avoid finding themselves in jobs where they are overqualified and their skills underutilised.

3. Assessment of emerging graduate demand

With the significant level of emerging technological and demographic change (e.g. ageing population and urban drift), New Zealand should put in place regular research to help shape the tertiary system and guide students into qualifications that align with emerging trends. Table 1 below illustrates the results of the US Bureau of Statistics survey of the fastest growing occupations, which is undertaken every two years. The change in percent (second column from the right) indicates the expected level of growth in each occupation from 2014 to 2024.

Table 1: Fastest growing occupations, 2014 and projected 2024 (numbers in thousands)⁵²

2014 National Employment Matrix title and code		Employment		Change, 2014-24		Median annual wage, 2015 ⁽¹⁾
		2014	2024	Number	Percent	
Total, all occupations	00-0000	150,539.9	160,328.8	9,788.9	6.5	\$36,200
Wind turbine service technicians	49-9081	4.4	9.2	4.8	108.0	\$51,050
Occupational therapy assistants	31-2011	33.0	47.1	14.1	42.7	\$57,870
Physical therapist assistants	31-2021	78.7	110.7	31.9	40.6	\$55,170
Physical therapist aides	31-2022	50.0	69.5	19.5	39.0	\$25,120
Home health aides	31-1011	913.5	1,261.9	348.4	38.1	\$21,920
Commercial divers	49-9092	4.4	6.0	1.6	36.9	\$50,470
Nurse practitioners	29-1171	126.9	171.7	44.7	35.2	\$98,190
Physical therapists	29-1123	210.9	282.7	71.8	34.0	\$84,020
Statisticians	15-2041	30.0	40.1	10.1	33.8	\$80,110

⁵¹ MoE. (2009). *Career Education and Guidance in New Zealand Schools*. Retrieved 12 December 2016 from www.nzcurriculum.tki.org.nz/Curriculum-resources/Career-education

⁵² Bureau of Labor Statistics. (18 April 2016). *Fastest growing occupations*. Retrieved 1 December 2016 from www.bls.gov/emp/ep_table_103.htm

Ambulance drivers and attendants, except emergency medical technicians	53-3011	19.6	26.1	6.5	33.0	\$23,740
Occupational therapy aides	31-2012	8.8	11.6	2.7	30.6	\$27,800
Physician assistants	29-1071	94.4	123.2	28.7	30.4	\$98,180
Operations research analysts	15-2031	91.3	118.9	27.6	30.2	\$78,630
Personal financial advisors	13-2052	249.4	323.2	73.9	29.6	\$89,160
Cartographers and photogrammetrists	17-1021	12.3	15.9	3.6	29.3	\$61,880
Genetic counselors	29-9092	2.4	3.1	0.7	28.8	\$72,090
Interpreters and translators	27-3091	61.0	78.5	17.5	28.7	\$44,190
Audiologists	29-1181	13.2	16.9	3.8	28.6	\$74,890
Hearing aid specialists	29-2092	5.9	7.5	1.6	27.2	\$49,600
Optometrists	29-1041	40.6	51.6	11.0	27.0	\$103,900
Forensic science technicians	19-4092	14.4	18.2	3.8	26.6	\$56,320
Web developers	15-1134	148.5	188.0	39.5	26.6	\$64,970
Occupational therapists	29-1122	114.6	145.1	30.4	26.5	\$80,150
Diagnostic medical sonographers	29-2032	60.7	76.7	16.0	26.4	\$68,970
Personal care aides	39-9021	1,768.4	2,226.5	458.1	25.9	\$20,980
Phlebotomists	31-9097	112.7	140.8	28.1	24.9	\$31,630
Ophthalmic medical technicians	29-2057	37.0	46.1	9.1	24.7	\$35,350
Nurse midwives	29-1161	5.3	6.6	1.3	24.6	\$92,510
Solar photovoltaic installers	47-2231	5.9	7.4	1.4	24.3	\$37,830
Emergency medical technicians and paramedics	29-2041	241.2	299.6	58.5	24.2	\$31,980
Footnotes:						
⁽¹⁾ Data are from the Occupational Employment Statistics program, U.S. Bureau of Labor Statistics.						
Source: Employment Projections program, U.S. Bureau of Labor Statistics						

4. Assessment of undergraduate versus postgraduate fees by costs/revenues

Based on economic principles and anecdotal evidence, it is clear that there are lower costs per student in undergraduate study compared to postgraduate study. The larger class sizes relative to lecturers allow for greater profit per undergraduate course, while the costs are relatively similar to postgraduate study. There is a need for transparency surrounding the breakdown of expenses involved in undergraduate study compared with postgraduate study.

5. Assessment of the real cost of international students

There is a significant body of research surrounding the revenue created by international student enrolments; however, net profits with all factors considered have not been discussed. Having additional international students may have negative impacts on the quality of services that domestic students receive, such as accommodation, tutorials, and health and pastoral care. Under the Education Act 1989, 'no international student may be enrolled at an institution if the student's enrolment at the institution would have the effect that a domestic student who is eligible to enrol at the institution and has applied for enrolment would not be able to be enrolled.'⁵³

We need more research on the real costs (direct and indirect) to communities of international students (60% of whom were in Auckland city in 2015).⁵⁴ Arguably, it would benefit New Zealand as a whole if Auckland did not attract international students, due to the condition of the housing market. Policy options that might work include adding a premium on international students going to Auckland and/or creating incentives for international students to attend other universities. This issue is particularly relevant given the NEE'T figures discussed in point 7 below and the universities saying they cannot improve outcomes for Māori and Pasifika within current funding levels.⁵⁵ These New Zealanders may be suffering 'silent harm' (this concept is well described in your draft report on page 287).

From the period 2008-2015, there was a decrease in domestic enrolments from 418,655, to 358,305 (-14.4%); while over the same period, the number of international students increased from 39,835 to 61,430 (54.2 %).⁵⁶ Is there a correlation between the decrease in domestic students and the increase in international students?

6. Assessment of the nominal average student loan amount at over time

The average nominal student loan amount has increased from \$16,129 to \$20,371 (26.3 %) over the period 2008 to 2015, as shown in figure 5 below. This increase has been accompanied by a decrease in the carrying value of the student loan scheme from 70.4% in 2008, to 59.7% in

⁵³ MoE. (1989). *Education Act (1989)*, part 16, s 224, p. 351. Retrieved 29 November 2016 from www.legislation.govt.nz/act/public/1989/0080/latest/whole.html#DLM175959

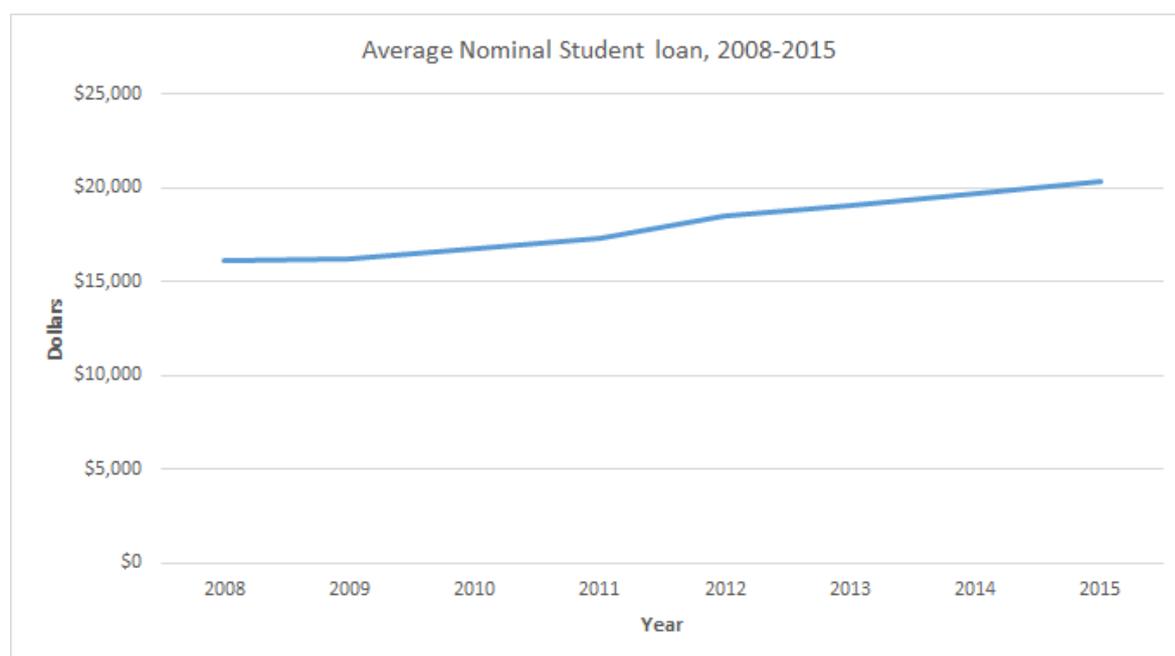
⁵⁴ Page 71.

⁵⁵ Page 223.

⁵⁶ MoE. (November 2016). *Provider Summary Tables*. Retrieved 29 November 2016 from www.educationcounts.govt.nz/_data/assets/excel_doc/0017/62513/provider_summary_tables.xls

2015.⁵⁷ The increasing amount of student loans and the corresponding decreasing value in student loans over the period 2008-2015 may indicate that the amount of student loans required to be taken out by youth during study is becoming too high to repay over time. It may be worth looking into whether there is a fiscal benefit of lowering the amount students are required to borrow for courses, as there would be a corresponding increase in the repayment rate.

Figure 5: Average Nominal Student loan, 2008-2015⁵⁸



7. Assessment of NEET

We had expected to read more about the large percentage of NEETs (youth not in employment, education or training, see figure 6).⁵⁹ This is a concerning trend for a developed country and one that we need to focus on returning to more acceptable levels (e.g. 5%, rather than the current 11.8%). According to Statistics NZ:

The overall NEET (not in employment, education, or training) rate for youth aged 15 to 24 years rose 0.5 percentage points, to 11.8 percent in the March 2015 quarter, but fell 0.3 percentage points over the last year. The increase over the quarter was for both youth aged 15 to 19 years, and youth aged 20 to 24 years.⁶⁰

⁵⁷ MoE. (November 2016). *Student Loan Scheme Annual Report 2015*. Retrieved 29 November 2016 from www.educationcounts.govt.nz/_data/assets/pdf_file/0003/170229/Student-Loan-SchemeAnnual-Report-2015.pdf

⁵⁸ MoE. (November 2016). *Student Loan Scheme Annual Report 2015*. Retrieved 29 November 2016 from www.educationcounts.govt.nz/_data/assets/excel_doc/0013/16312/2015-Data-tables.xlsx

⁵⁹ This group is only sparingly discussed on page 52.

⁶⁰ StatisticsNZ. (6 May 2015). *Labour Market Statistics: March 2015 quarter*. Retrieved 29 November 2016 from www.stats.govt.nz/browse_for_stats/incomeandwork/employment_and_unemployment/LabourMarketStatistics_HOTPMar15qtr/Commentary.aspx#NEET

Figure 7 below shows the disparity between regions in the rate of youth NEET. While some regions have relatively low levels, such as Otago, regions such as Auckland have dramatically high percentages of youth NEET. Auckland, Waikato, Wellington and Canterbury, the four areas with the largest populations in New Zealand all have high rates of youth NEET. More research into the correlation between youth living in these regions and the high rate of youth NEET is required.

Figure 6: New Zealand NEET rate by age group, 2004-2015⁶¹

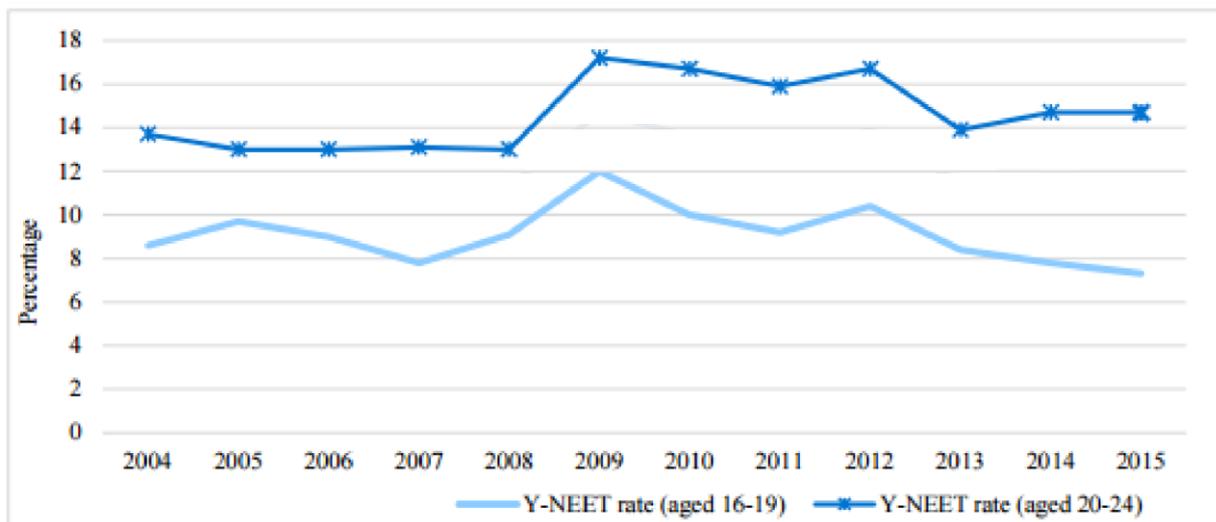
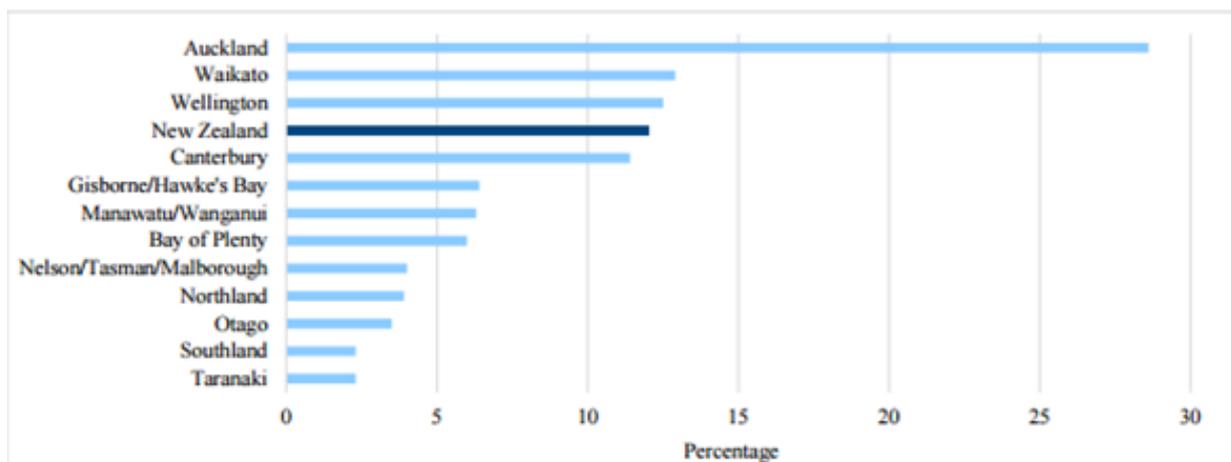


Figure 7: Y-NEET rate by local government region, 2015⁶²



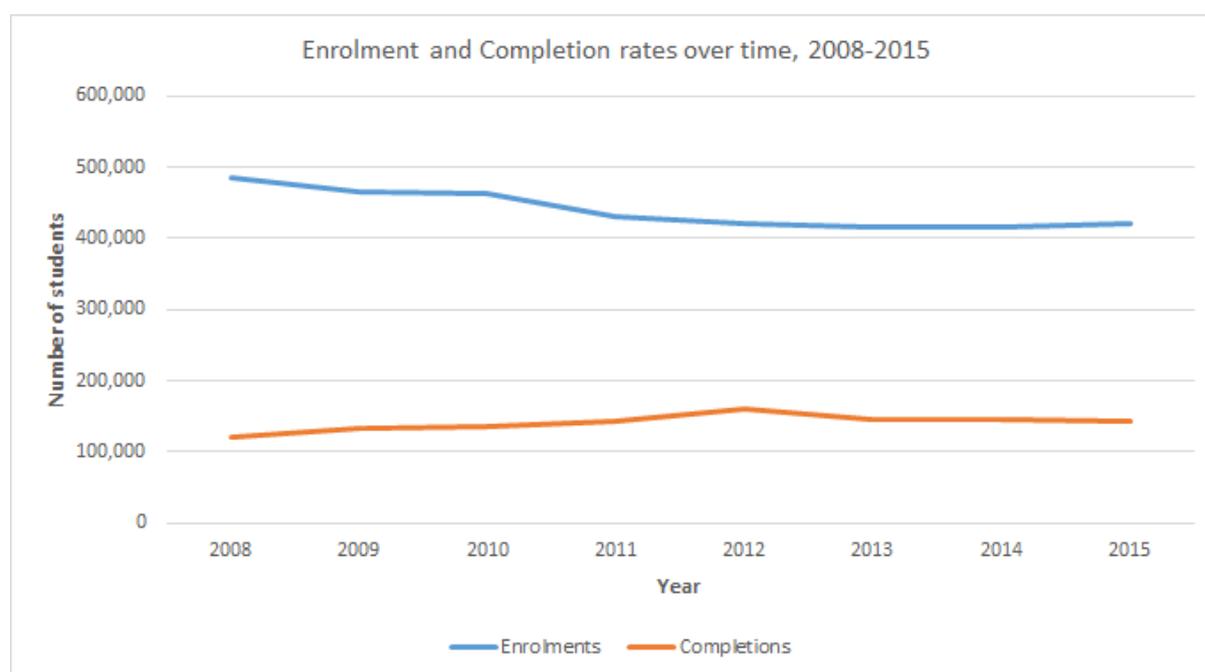
⁶¹ Gail Pacheco and De Wet van der Westhuizen. (January 2016). *Y-NEET: Empirical Evidence for New Zealand*, p. 3. New Zealand Work Research Institute. Retrieved 29 November 2016 from www.foundation.vodafone.co.nz/wp-content/uploads/2016/10/YNEET-RESEARCH.pdf

⁶² Gail Pacheco and De Wet van der Westhuizen. (January 2016). *Y-NEET: Empirical Evidence for New Zealand*, p. 7. New Zealand Work Research Institute. Retrieved 29 November 2016 from www.foundation.vodafone.co.nz/wp-content/uploads/2016/10/YNEET-RESEARCH.pdf

8. Assessment of the gap between enrolment and completion

The extent to which tertiary education providers deliver outcomes for students could be further researched. For example, we see one of the key indicators of success being whether students who enrol actually complete their course. Any gaps between enrolment and graduation indicate a failed investment by government, students and parents. This gap needs to be understood by providers. This information should be available so that investors can evaluate risks before they invest. Figure 8 below shows only slightly fewer than one in four students per year complete their degrees. Assuming a three-year lag between an individual entering tertiary education and completing their qualifications, there has been an increasing trend in completion between 2008 and 2015, peaking at 2012, and remaining stagnant through until 2015. However it is also worth noting that the assumption of a three-year lag between enrolment and completion only reflects bachelor's degrees, while some courses, such as diplomas, only take one year to complete, and postgraduate qualification lengths vary.⁶³

Figure 8: Enrolment and Completion rates over time, 2008–2015⁶⁴



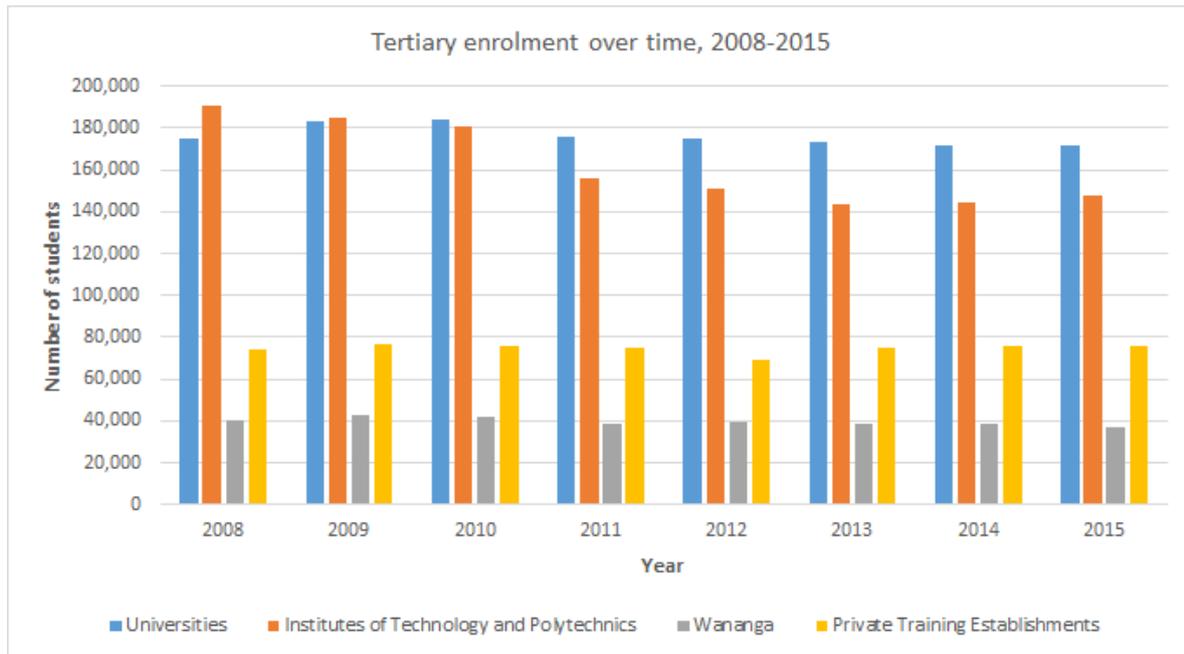
The following figures from 9-14 outline enrolments by type of provider and indicate that enrolments have remained relatively static since 2008. However, institutes of technology and

⁶³ Gail Pacheco and De Wet van der Westhuizen. (January 2016). *Y-NEET: Empirical Evidence for New Zealand*, p. 7. New Zealand Work Research Institute. Retrieved 29 November 2016 from www.foundation.vodafone.co.nz/wp-content/uploads/2016/10/YNEET-RESEARCH.pdf
See also figure 9.2 on page 214.

⁶⁴ MoE. (November 2016). *Provider Summary Tables*. Retrieved 29 November 2016 from www.educationcounts.govt.nz/data/assets/excel_doc/0017/62513/provider_summary_tables.xls

polytechnics have seen a reduction in enrolment. This raises questions for further research: are universities competing with institutes of technology and polytechnics for enrolments in what were initially purely technical courses and are there any regional trends playing out in terms of enrolments with different types of providers? This is particularly relevant considering the mission of institutes of technology and polytechnics is to support regional economic growth and community wellbeing.⁶⁵

Figure 9: Tertiary enrolment over time, 2008-2015 (including international students)⁶⁶



⁶⁵ Page 145.

⁶⁶ MoE. (November 2016). *Provider Summary Tables*. Retrieved 29 November 2016 from www.educationcounts.govt.nz/data/assets/excel_doc/0017/62513/provider_summary_tables.xls

Figure 10: Domestic tertiary enrolment over time, 2008-2015 (excluding international students)⁶⁷

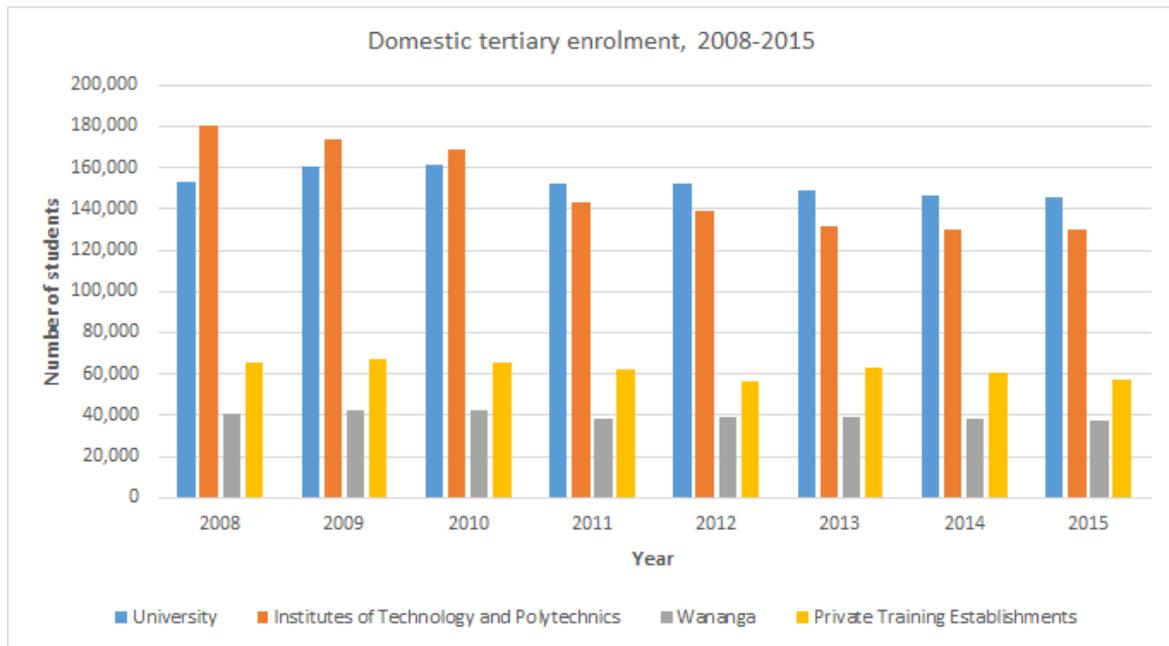
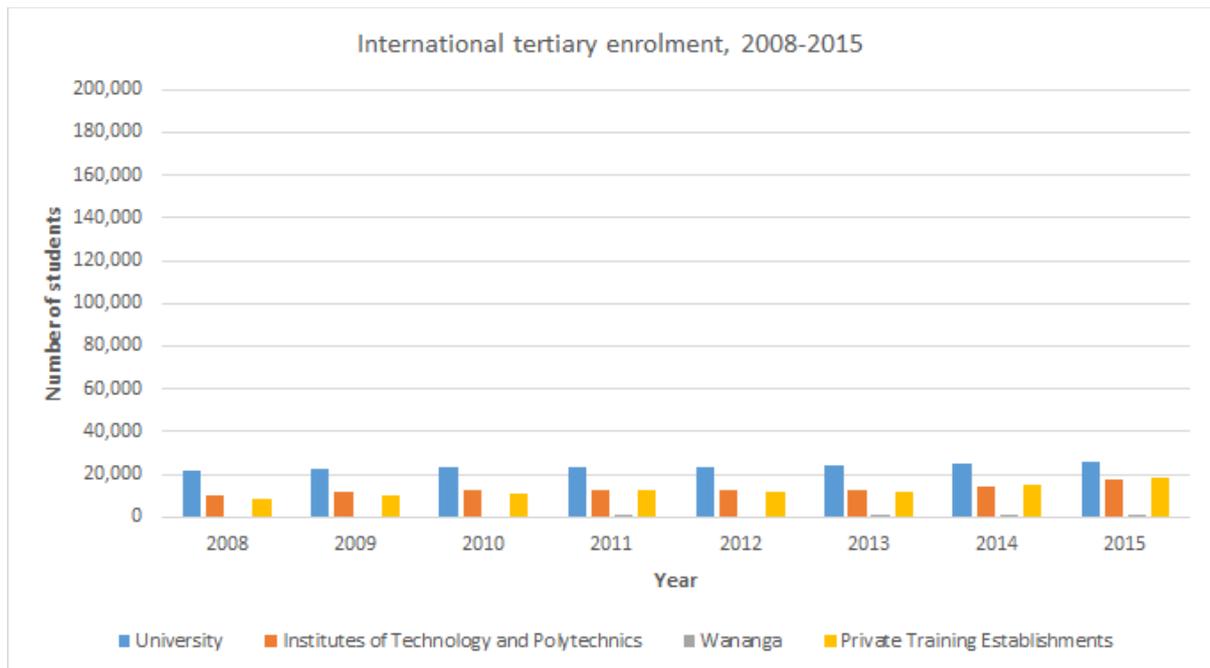


Figure 11: International tertiary enrolments, 2008-2015⁶⁸



⁶⁷ MoE. (November 2016). *Provider Summary Tables*. Retrieved 29 November 2016 from www.educationcounts.govt.nz/data/assets/excel_doc/0017/62513/provider_summary_tables.xls

⁶⁸ MoE. (November 2016). *Provider Summary Tables*. Retrieved 29 November 2016 from www.educationcounts.govt.nz/data/assets/excel_doc/0017/62513/provider_summary_tables.xls

Figure 12: Total domestic and international enrolments, 2008–2015⁶⁹

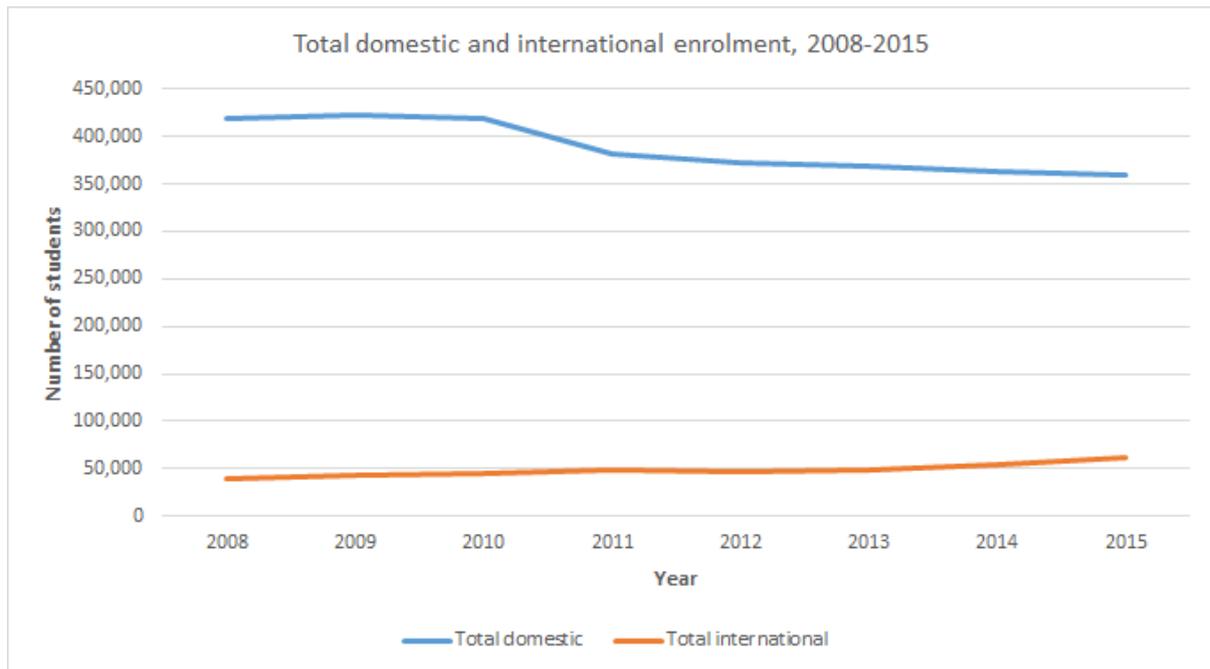
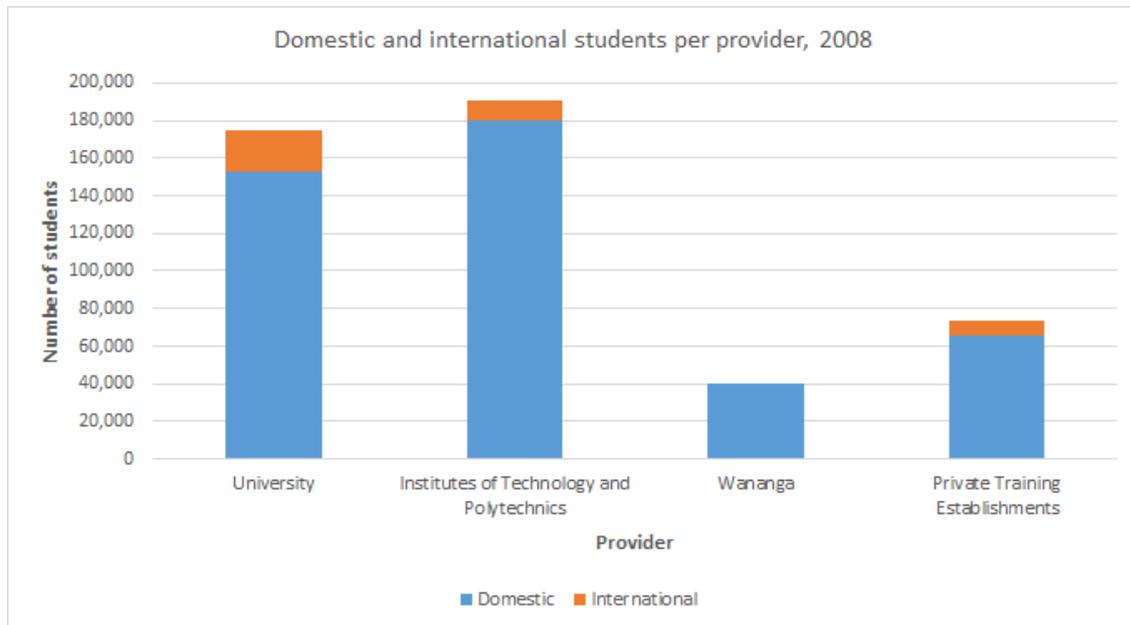


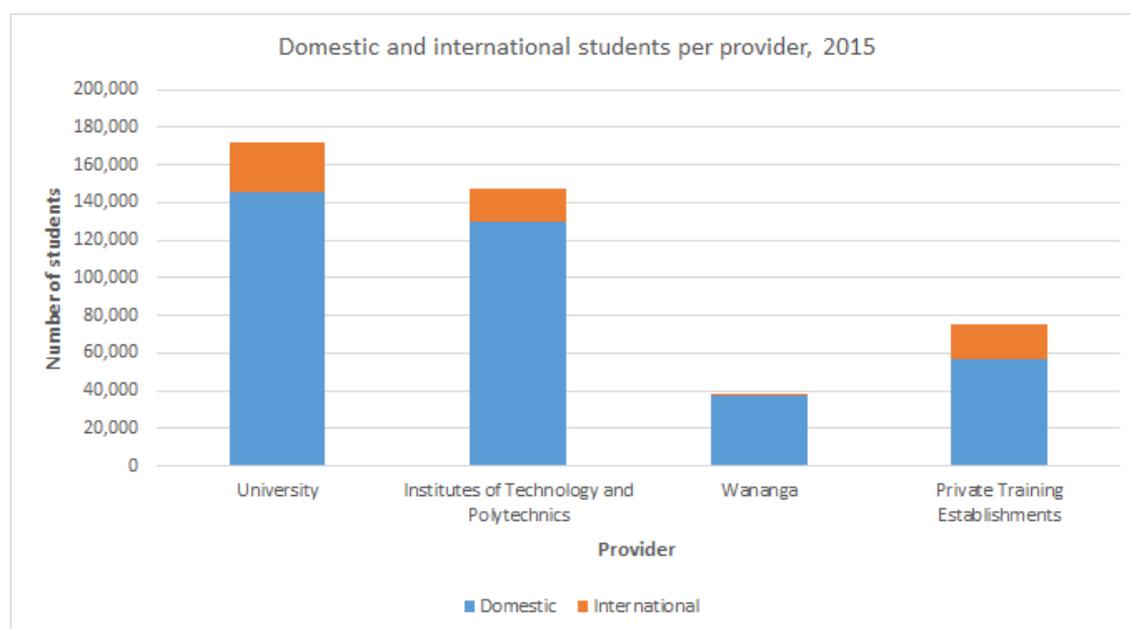
Figure 13: Domestic and international students per provider, 2008⁷⁰



⁶⁹ MoE. (November 2016). *Provider Summary Tables*. Retrieved 29 November 2016 from www.educationcounts.govt.nz/data/assets/excel_doc/0017/62513/provider_summary_tables.xls

⁷⁰ MoE. (November 2016). *Provider Summary Tables*. Retrieved 29 November 2016 from www.educationcounts.govt.nz/data/assets/excel_doc/0017/62513/provider_summary_tables.xls

Figure 14: Domestic and international students per provider, 2015⁷¹



There has been a significant increase in the proportion of international students studying in ITPs and PTEs, while the number of domestic students studying at ITPs has been decreasing between 2008 and 2015. The number of overall enrolments in tertiary education has remained relatively consistent over the period, and wānanga have yet to see much interest from international students, which is not surprising due to the nature of wānanga education.

9. Assessment of older students

Figure 3.10 in the draft report shows domestic enrolments by age from 2007 to 2015, with a dramatic decrease in those aged 25 years and older over the period, while enrolments for those aged under 25 remain relatively constant.⁷² This is interesting because in the report ‘many inquiry participants suggest that mid-career workers will occupy an increasing share of tertiary education provision in the coming years’, but the report fails to analyse the discrepancy between the statistics and this projection.⁷³ Could it be that older students are better able to assess the risks, costs and benefits of courses and consider them not worth the investment? Alternatively, older students may simply be being priced out of the market due to the student loan scheme, which arguably prevents the market from working effectively.

⁷¹ MoE. (November 2016). *Provider Summary Tables*. Retrieved 29 November 2016 from www.educationcounts.govt.nz/data/assets/excel_doc/0017/62513/provider_summary_tables.xls

⁷² Page 40.

⁷³ Page 75.

10. Assessment of the range of courses on offer

We were unable to get an overview of what courses providers were offering. What areas of specialty do providers have and are there any repetitions or gaps in the system?

11. Assessment of innovation in the tertiary education system

One of our concerns is around innovation in the tertiary education system, a concern that is clearly shared by the Commission (see discussion in Part III of the draft report). Innovation can be initiated when employer and/or student demands change, or when processes/tools change due to disruptors such as technological advances and new suppliers entering the market. The recommendations of the draft report tend to focus on the need for providers to have more control in order to respond to these changes going forward. We would suggest that control should be replaced with responsiveness. This would open up new ways for employer and student demands to be heard (the latter is discussed further below) and support new suppliers entering the market (e.g. the MindLab).⁷⁴ It is useful to think of new suppliers as a way of disrupting the market; if the established institutions are not responsive, often a cost effective solution can be enabling innovative new startups to enter the market. We believe there is a range of options that could be explored in order to bring about change. To give even more control to providers that are not being innovative does not seem a logical decision based on what you have discovered in undertaking this report.

Reviewing annual reports in detail will also tell us more about the type of innovations that institutions are working towards. From our brief review of the annual reports of tertiary education providers, we found that wānanga seem to be focused on students, while universities and ITPs are focused on the long-term financial security (and profitability) of their entity. If this is the case, wānanga may present a student-centric approach that could then be used to remodel the approaches of other providers.

In order to facilitate this, we believe that cost structures would be a useful tool. Figures 6.2 and 6.3 in the draft report are insightful in terms of sources of revenue but raise questions about equity – wānanga are the only financial option available to those who cannot afford university or ITP fees.⁷⁵ Transparent cost structures indicate where the funds go – financing debt/purchasing

⁷⁴ See www.themindlab.com for more information on their offerings.

⁷⁵ Page 153.

buildings and land/development of better courses for students – and therefore will highlight areas for potential innovation.

Additional concerns over consistency of data

In addition to the areas that the Institute felt could be researched further, as outlined in the above section, we had concerns over consistency of data. For example, in the comparison between domestic and international student fees, when analysing the cost to domestic students of tertiary education, average tuition fees are calculated by EFTS.⁷⁶ Table 10.3, while acknowledging that average revenue per EFTS would be larger, only shows the average revenue per international student, and does not allow for direct comparison.⁷⁷

An additional consistency query the Institute has regards the comparison made between domestic information on technology and the United States work tasks. The comparison is made between ‘the share of the total workforce employed as machine operators and drivers or clerical and administrative workers’ and figure 10.9, which involves data from working with new information to non-routine manual tasks.⁷⁸ While these two areas are related, the link between the indexes of changing work tasks in the United States, 1960-2009 does not directly reflect on New Zealand’s technology and employment trends as implied.

E: STRATEGIC POLICY LEVERS

There are a number of strategic policy levers that, once implemented, have the potential to bring about immediate change to resolve the six key problems identified in section B. The list below is not intended to be comprehensive, nor have the levers been fully assessed; however, we believe they may be part of the solution.

1. Bring back the University of New Zealand

Building on the discussion in *Think Piece 25: The changing purpose of tertiary education*, we suggest the creation of a colleges system throughout New Zealand under a central administration of one university to maximise economies of scale, what we call the University of New Zealand model. This model would provide the opportunity to streamline courses available and bring undergraduate courses to the regions. Ideally this could include an add on to schools, providing day or evening classes in stage one papers – providing cheap options of study for students

⁷⁶ Page 244.

⁷⁷ Page 253.

⁷⁸ Pages 250-251.

interested in undertaking a range of papers that can then be cross-credited. Such a model would also benefit from and be centred on embracing technology through an online presence and having lecturers tour New Zealand, enabling students to learn from the best. Models of innovative online universities like Udacity provide a clear picture of the future of tertiary education.⁷⁹

As mentioned, this would provide economies of scale and consolidate high-levels of staff expertise, benefiting students and the country alike. Many of our current universities and technical institutes are offering similar courses and it is highly questionable whether the benefits exceed the risks and costs.

2. Require the government to fully fund undergraduate degrees

This could be set for a maximum number of years or a specific age. For example, making the first three years of a full time undergraduate degree free for students or until 21 years of age.

3. Require the fees of undergraduate degrees to reflect the actual costs rather than subsidise post graduates

Our understanding is that postgraduate degrees cost comparatively more (due to student-staff ratios) than undergraduate degrees; however, fees for students remain similar. We suggest that the fees for undergraduate studies reflect the costs and do not subsidise resource-hungry post graduate courses. This financial obstacle came up at the *TacklingPoverty*NZ 2016 one-day workshops as the cost of undergraduate study is an unnecessary barrier to obtain tertiary education for those in financial hardship. For example, cost plus 10% in order keep fees stable and make tertiary education affordable to students from lower social-economic backgrounds.

4. Put in place more checks and balances

The current system is decentralised and control largely sits with the providers. To argue that providers need more autonomy and responsibility is difficult to accept, given that we are seeing an increase in the number of satellite campuses operating outside the city of their parent institution. Our concern is that decentralised systems work best if the correct policy settings and checks and balances are in place. We are unsure what checks and balances currently exist in the system: what are the critical success factors that should shape the system and who is the guardian of the system?

⁷⁹ See in.udacity.com for more information.

5. Require more feedback loops

For example, undertake longitudinal studies of graduates of the tertiary education system to gain insight into outcomes after tertiary education.

6. Empower students by creating a student education account (SEA)⁸⁰

The Institute supports the creation of a SEA because it would increase transparency about the extent to which the government subsidises the education system. We suspect many students (and their parents) consider tuition fees to cover the full cost of tertiary education without a public good component. We believe transparency is very important and a SEA could act as a mechanism to inform society about the real costs of tertiary education. However, there are issues that may arise under this proposal due to inflation and the increasing cost of education from year to year (figure 10.4) decreasing the real value of the SEA over time.⁸¹ Under the currently proposed system, youth are incentivised to enter tertiary education as soon as possible, increasing the likelihood of entering a programme they will not complete. Therefore, the account should be indexed to the average cost of EFTS, and distributed when the student enters education rather than when they turn 16 years of age. Creating a SEA might also present an opportunity to review the current student loan scheme. It is possible that student loans could be integrated with a SEA, recording education costs right from primary and secondary school. SEA might also provide a mechanism for administering additional financial support to students from regional areas or who are educationally disadvantaged in other ways. Financial support might include funding to cover the costs of returning home regularly and bonuses for achieving grades or repaying debt.

7. Encourage a stronger student voice through mechanisms other than funding

We could not find any discussion in the report about actively seeking the student voice, so we have included a more detailed discussion here.

The review discusses making the tertiary education system student-centric, but does not explain what a student-centric system might actually look like. Once an individual has enrolled in a tertiary institution they are considered a 'student' and, most commonly under the current system, are dealt with under a one-size-fits-all approach. If a successful student-centric system is to be created, a far more comprehensive understanding of the students who engage in tertiary

⁸⁰ Pages 326-334.

⁸¹ Page 245.

education is vital. This involves acknowledging the variation in types of students, and the pressures and enablers that they are dealing with. Providers need to put in place robust mechanisms that enable those differences and variations in students to be recognised and understood.

Considering this, the number of recent events that have led to the gradual, systematic stifling of student voices is concerning. For instance, as a result of the passing of the Education Amendment Bill (No 2) in February 2015, university councils, the governing bodies of universities, are not required to include elected staff or student representatives as of 2016.⁸² We question how universities can be expected to operate in a student-centric way if providers are not required to hear the voices of the people they are supposed to be educating.

In a similar vein, the passing of the Education (Freedom of Association) Amendment Bill in 2011 has made student association membership voluntary rather than automatic (the original system had the capacity for students to opt out if they so wished).⁸³ The effect of this change has been a weakening of the collective student voice. Student unions are forced to expend time and resources on building and maintaining membership levels in order to legitimise their voice as representative of their student body.⁸⁴ This decrease in resources also limits the unions' capacity to provide support to the students they do represent and narrows the information it has about the diverse needs of students.

The changes outlined above contribute to a status quo that is not conducive to picturing how a successful student-centric system would be achieved. The status quo does highlight the importance of finding a range of cheap and timely initiatives that might help the tertiary education system in New Zealand become more responsive and student-centric.

F: A NEW SPECIALIST UNIVERSITY (SMALL, FOCUSED AND ELITE)

As stated above in the first strategic policy lever and in our *Think Piece 25: The changing purpose of tertiary education* (attached to the Institute's original submission), we suggest ways to radically

⁸² NZUSA. (11 February 2015). 'Now it's in your hands.' *Scoop*. Retrieved 27 November 2016 from www.scoop.co.nz/stories/ED1502/S00027/now-its-in-your-hands-students-tell-university-councils.htm
See also the AUT Annual report, quoted on page 7 of this submission.

⁸³ MoE. (23 August 2010). *Education (Freedom of Association) Amendment Bill*. Retrieved 2 December 2016 from www.parliament.nz/resource/0000127385

⁸⁴ NZUSA. (28 September 2011). 'Students and public to rally at parliament.' *Scoop*. Retrieved 27 November 2016 from www.scoop.co.nz/stories/ED1109/S00123/students-and-public-to-rally-at-parliament.htm

challenge and improve upon the status quo, including reverting to a one university model – what we have referred to as the University of New Zealand with colleges throughout New Zealand.

An alternative and arguably a complimentary strategy is to create not one, but two universities. In addition to the University of New Zealand we also suggest the creation of a top specialist university with highly selective criteria, designed for those with proven academic skills (often referred to as a highly-filtered model). With international supply and demand of higher education changing, such as the UK placing more restrictions on international student enrolment (due to Brexit), it seems timely for New Zealand to develop a strategy that attracts international students. The young people coming from overseas could also bring their skills, insights and expertise and ideally stay a while to contribute to our economic growth. A top ranked international university would be one way of helping propel New Zealand forward.

This would require working out a strategy to rank this university in the top 25 in the world. It will take time (maybe 10 years) but if New Zealand invests cleverly, provides resources and removes bureaucratic obstacles, it could be achieved.

To do this, we could look for winning models that have already achieved this, such as CalTech in California. With only 2,209 students and 941 academic staff (including 324 international academic staff), it is ranked fifth in the world according to QS World University Rankings.⁸⁵ The University of Auckland, in comparison, has 29,930 students, 2,025 academic staff (including 638 international staff members) and is ranked 81st in the world.⁸⁶ We suggest keeping this new university small (around 2,000 students). This could involve recombining certain parts of existing universities. For example, combining schools/departments in The University of Auckland and University of Otago to create this new university. In addition, the new university could increase its international staff members (one of the criteria below) by targeting academics working overseas that are also New Zealanders or partnered to New Zealanders. This could include lecturing online or over their university breaks.

This specialist university could also attract New Zealanders who are professors or lecturers in the best universities in other parts of the world an incentive to return and be a part of New Zealand's future. We would need to ensure that the university aligns with our national goals

⁸⁵ See www.topuniversities.com/universities/california-institute-technology-caltech#wur for details on student numbers and rankings for Caltech.

⁸⁶ See www.topuniversities.com/universities/university-auckland#wur for details on student numbers and rankings for the University of Auckland.

and strengths. Internationally, this institution would need to be marketed to prospective students who would add value to the institution over the long term.

There are two main world ranking systems that New Zealand universities are evaluated on, Times Higher Education World University Rankings and QS World University Rankings. New Zealand universities tend to do better in the QS World University Rankings. Outlined below are the methodologies of these rankings. These are included briefly below to illustrate how you could play the system to create a university to gain a high ranking.

(a) The Times Higher Education World University Rankings Methodology

The Times Higher Education World University Rankings uses 13 performance indicators, grouped into five categories. Institutions are excluded if they do not teach at undergraduate level, or if their research output is below a certain threshold.

- **Teaching** (worth 30% of the overall score)
Based on a reputation survey (15%), staff-to-student ratio (4.5%), doctorate-to-bachelor's ratio (2.25%), doctorates-awarded-to-academic-staff ratio (6%) and institutional income (2.25%).
- **Research** (30%)
Based on a reputation survey (18%), research income (6%) and research papers published per faculty member (6%).
- **Research citations** (30%)
Based on the number of citations a university's research obtains, normalized by subject area.
- **International outlook** (7.5%)
Based on international-to-domestic-student ratio (2.5%), international-to-domestic-staff ratio (2.5%) and international research collaborations (2.5%).
- **Industry income** (2.5%)
Based on income earned from industry, relative to the number of academic staff employed, and adjusted for PPP.⁸⁷

(b) The QS World University Rankings Methodology

The QS World University Rankings assesses universities on six performance indicators, relating to research, teaching, employability and internationalization. To be eligible for inclusion, institutions must teach at both undergraduate and postgraduate level, and conduct work in at least two of five broad faculty areas (arts and humanities; engineering and technology; social sciences and management; natural sciences; life sciences and medicine).

⁸⁷ Laura Bridgestock. (19 September 2016). *World University Ranking Methodologies Compared*. Retrieved 5 December 2016 from www.topuniversities.com/university-rankings-articles/world-university-rankings/world-university-ranking-methodologies-compared

- **Academic reputation** (worth 40% of the overall score)
Based on a global survey of academics, who are asked to identify the leading institutions in their field.
- **Employer reputation** (10%)
Based on a global survey of graduate employers, who are asked to identify the institutions producing the best graduates in their sector.
- **Student-to-faculty ratio** (20%)
An indication of commitment to high-quality teaching and support.
- **Research citations per faculty member** (20%)
This is normalized by subject area, and reflects the impact of an institution's research.
- **Proportion of international faculty** (5%)
A measure of an institution's success in attracting faculty from overseas.
- **Proportion of international students** (5%)
A measure of an institution's success in attracting students from overseas.⁸⁸

We hope that these ideas and suggestions will spark further research and discussion. Thank you for the opportunity to comment.

⁸⁸ Laura Bridgestock. (19 September 2016). *World University Ranking Methodologies Compared*. Retrieved 5 December 2016 from www.topuniversities.com/university-rankings-articles/world-university-rankings/world-university-ranking-methodologies-compared

Appendix 1: GDS Index⁸⁹

I Rank

Tertiary Education Strategy 2014–2019

This Government Department Strategy [GDS069]

63

out of 134

Department	6
Ministry of Education	out of 8 in this department
Sector	6
Education & Science Sector	out of 8 in this sector

II About the strategy

Date published	2014 March
Signed by a minister	Yes
Duration	60 months
Number of pages	24

The approach: How does the department plan to use the broader environment in which it exists (element 1) to leverage its strengths and embrace its weaknesses (element 2) so that it can provide benefits in accordance with its vision (element 3)?

The approach is to set a framework for funding agreements with tertiary education organisations and to build on previous efforts to improve tertiary education in New Zealand by monitoring the progress of agencies involved in implementing the strategy.

Read more about the GDS's vision on page 6.
Is the strategy illustrated? No.

III Assessing stakeholder usefulness

If a public servant new to the policy area had an hour to read this GDS, would they be able to understand the approach (element 4) and the implementation and review processes (element 5)?

The key points of the issue are clear enough; however, they could have been structured in a simpler way. A public servant would have an understanding of how the outcomes sought will be achieved, but they need to have more information on timing and funding attached to them. The opportunities and threats of the strategic focus are comprehensively discussed.

If an uninformed member of the public had 30 minutes to read this GDS, would they be able to understand the purpose (element 3), the approach (element 4), the implementation and review processes (element 5) and how this approach fits with the broader goals of government (element 6)?

The overall purpose is understandable; however, the structure of the GDS could be improved to make this easier to understand. The strategic outcomes are discussed, although there is a lack of articulation as to the exact problems the GDS is focusing on. There is no discussion of review.

IV The radar chart

[GDS069]

V The scorecard		
Elements 1–6	Score	Rank/134
1 Opportunities and Threats <i>What is the external environment?</i>	10	79
1.1 Does it identify opportunities going forward?	3/4	33
1.2 Does it identify threats going forward?	1.5/4	89
1.3 Does it contain a clear statement describing the problem that this strategy is trying to solve?	5.5/8	74
2 Capabilities and Resources <i>What are the internal strengths and weaknesses?</i>	5.5	80
2.1 Does it identify current and future capabilities (e.g. skills, partnerships/relationships)?	2.5/4	73
2.2 Does it identify what capabilities it does not have and needs to acquire or work around?	2.5/4	45
2.3 Does it identify current and future resources (e.g. financial)?	0.5/4	56
2.4 Does it identify what resources it does not have and needs to acquire or work around?	0/4	93
3 Vision and Benefits <i>What is the purpose?</i>	9	98
3.1 Does it provide a clear vision as to what success would look like (a desired future condition)?	3.5/8	110
3.2 Does it identify who the beneficiaries are and how they will benefit?	2.5/4	80
3.3 Does it describe how success will be measured and over what time frame?	3/4	40
4 Approach and Focus <i>What choices and trade-offs have been made?</i>	6	82
4.1 Does it break down the vision into a number of strategic goals/objectives that are tangible, specific and different from each other?	2.5/4	94
4.2 Does it identify a range of strategic approaches to solve the problem?	2/4	30
4.3 Does it clearly describe the chosen approach, outlining what it will and will not do? See 'the approach' in part II.	1.5/4	76
4.4 Does it highlight the risks, costs and benefits of the chosen pathway/approach (e.g. possible unintended consequences)?	0/4	56
5 Implementation and Accountability <i>Who is responsible for what?</i>	2.5	113
5.1 Does it identify who is responsible for implementing the GDS?	2.5/4	76
5.2 Does it identify who will report on its progress?	0/4	98
5.3 Does it explain how progress will be reported (e.g. reports and statistics) and over what time frames?	0/4	98
5.4 Does it discuss whether the GDS will undergo a final review once it is completed, updated or expired?	0/4	49
6 Alignment and Authority <i>How does it align with the machinery of government?</i>	15	4
6.1 Does it discuss predecessors to the strategy and identify any lessons learnt from these?	3/4	25
6.2 Does it align with its department's SOI?	4/4	1
6.3 Does it align with its department's YYP?	4/4	1
6.4 Does it align with its department's annual report?	4/4	1
Total	48/96	63

⁸⁹ McGuinness Institute. (September 2015). *Profiles Scoring Government Department Strategies in Operation as at 30 June 2015*, p. 74. Retrieved 2 December 2016 from www.mcguinnessinstitute.org/wp-content/uploads/2016/08/20151103-Working-Paper-201509-Web.pdf