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Dear Murray

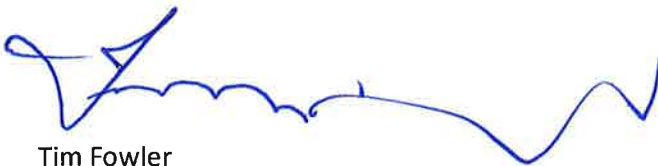
New Zealand Productivity Commission Inquiry into New Models of Tertiary Education

I am pleased to attach the Tertiary Education Commission's (TEC's) submission on the New Zealand Productivity Commission's Inquiry into New Models of Tertiary Education.

The submission provides information about how TEC is working to build a more innovative, future-proof system, and identifies four key areas that the TEC recommends the Productivity Commission prioritise in its Inquiry.

TEC looks forward to working with the Productivity Commission throughout this Inquiry. Any queries or correspondence should be directed to me.

Yours sincerely



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Submission on the Productivity Commission's *Inquiry into New Models of Tertiary Education: Issues Paper*

This submission provides information about how TEC is working to build a more innovative, future-proof system, and identifies four key areas that the Tertiary Education Commission recommends the Productivity Commission prioritise in its Inquiry.

Getting better value – our Investment Approach

The direction of the Commission's Inquiry aligns with the work we are doing in our Investment Approach. A more innovative, future-proof system that delivers better outcomes for learners and New Zealand are in effect the drivers of both the Inquiry and the Investment Approach. The current education system is performing well, and the Commission's Inquiry provides opportunities for how we can make further gains. Our comments are underpinned by the view that any future funding system must be fit for purpose.

Our Investment Approach is about getting better returns for government's investment in tertiary education. We are working to create a more self-managing tertiary system in which information drives quality education and innovation, where learners make informed choices about their study and we work strategically with TEOs to meet emerging challenges.

At the heart of this work is the development of a **return on investment methodology** (ROI) that will enable us to make smarter investment decisions. We are developing an ROI so we can:

- › measure the difference we make through our investment in the tertiary education system; and
- › decide where and what to invest in to get improved outcomes; to
- › ensure that different types of learners get the most value possible out of their tertiary education, in terms of economic, social, and cultural outcomes.

We are revising the **educational performance indicators** (EPIs) to provide more meaningful and learner-focused information about the performance of a TEO. These changes will help TEOs to better manage their performance and learners to make better choices about their educational pathways.

Finally, we are developing and trialling a number of **information products** that will improve how the TEC and TEOs understand and use information. These products will present information easily and accessibly for us and TEOs to share and explore together. This will enable a fundamental shift in our information use towards a more learner-centred system – we will be able to see what is happening to learners as they move into and through their tertiary education. It is about moving towards a more evidence-based system, where TEOs can manage their businesses better using the information they provide to us, which also helps us to make more informed investment decisions.

The TEC is responsible for investing in tertiary education. Our vision is that New Zealanders are equipped with the knowledge and skills needed for life-long success. We recommend the Commission focus on the following four priority areas, which will support our vision.

Priority 1: Placing learners at the centre of the system

System settings should put the needs of learners first. There is potential to improve access to tertiary education and deliver more value for learners.

Measuring educational gains consistently across the system

Every learner enters tertiary education with different knowledge, skills, and competencies. A system that measures and rewards only outputs and outcomes incentivises providers to recruit the learners who are already closest to getting over the line.

Accurately assessing the effectiveness of a course or programme requires measuring learners' improvement in knowledge, skills, and competencies. For TEOs, measuring value-add would create incentives to focus on quality teaching and support and it would reward their efforts to reach out to all learners and bring them to a place where they can achieve their potential.

Amplifying the effects of learner choice in the system

Learner choice should play a central role in driving the way the system evolves. For this to happen, learners need to a) be well-informed and b) have flexibility to move and transfer credit around the system. By making free and informed study choices, learners create a market-based incentive for providers to deliver education that is higher quality and more relevant to the world that their graduates are entering.

Changes that could give learners more flexibility include improving recognition of prior learning and credit transfer across TEOs, and unbundling delivery components to give learners greater choice. Making the most of this flexibility will require effective information services to help learners navigate the system and incentives for providers to offer the flexibility.

We are working with TEOs to provide clear and comparable information and guidance so that learners can make informed study and career choices. In this area we have two major initiatives under development:

The **Information for Learners** initiative will provide learners with a *Key Information Set* that is consistent and comparable across qualifications and providers to support better learner decisions. The Key Information Set includes qualification entry requirements, duration of study, student fees and government contribution, successful course completions and national-level employment outcomes of study. Following a successful pilot and evaluation last year, we are working to roll the initiative out for all qualifications at NZQF levels 5 and above from May this year through to 2017.

The **Rate My Qualification** initiative will deliver a channel for graduates and employers to provide feedback on the relevance of qualifications to inform other learners' study choices. This initiative is in the design phase with implementation expected to be complete by 2017.

Priority 2: Reducing barriers to innovation and flexibility

The trends identified in the Inquiry's Terms of Reference and issues paper create both challenges and opportunities and our tertiary system needs to be innovative and flexible enough to adapt.

We recommend that the Inquiry focus on identifying the barriers that government can directly influence, as legislation and government policy are powerful instruments for driving system change. Here we have identified three key barriers to consider.

Barrier 1: Providers need security to take risks and plan ahead

Some providers tell us there are risks associated with innovation, entering new markets, and implementing new programmes because they could lose revenue if the initiatives are not immediately successful. Part of this risk is related to annual performance assessments that determine funding. Extending Plan periods could give TEOs more financial certainty and may enable them to commit to the long-term development of innovative new models. However, it would be important to balance this against the possibility that too much certainty may inhibit responsiveness.

Barrier 2: Bundled funding makes it difficult to unbundle provision

One of the most prominent overseas innovations in tertiary education is the “unbundling” of the components of traditional provision, such as learning, assessment, and accreditation. This has the potential to make delivery much more efficient and enable providers to become more competitive by specialising. For publicly funded unbundled delivery models to be viable, the system would need new mechanisms to fund individual components of education.

Barrier 3: Quality assurance and funding systems can inhibit responsiveness

We have heard from providers that changes may need to be made to the qualification approval and funding processes to enable development of innovative new programmes; particularly those developed in response to fast changing skill demands.

The Inquiry should explore solutions to support and enable innovation

From a system perspective, establishing the right combination of incentives will be essential to overcoming these barriers and fostering the kind of innovation needed to create effective new models of tertiary education. Settings need to allow flexibility while maintaining accountability.

Priority 3: Bringing education and work closer together

The mutual benefits of TEO-employer engagement and work-integrated learning are well established. For TEOs, collaboration provides opportunities for their learners to gain valuable work experience and help ensure that the skills they develop are relevant. And employers gain early access to emerging talent and a chance to shape the skills learners develop before entering the workforce.

The need for collaboration will be compounded as changes in the nature of work shift skill demands. Information and communication technologies allow more flexibility in when, where and how we work. As routine tasks are automated and work becomes more flexible and dynamic, the importance of creativity, soft skills and cross-cultural competencies grows.

Even if these changes are half as radical and widespread as some experts predict, large numbers of people could need to refresh their skills frequently to remain employable. Some of these people will be looking to upskill while still in employment and they will need delivery that works around their existing commitments with their employers to give them skills that will help them remain employable. Others could be looking for ‘just-in-time’ provision aimed at giving them the skills they need to get back into the workforce as quickly as possible.

By collaborating with employers, TEOs give learners opportunities to learn in the workplace as part of a team working on real world problems and projects. As well as potentially providing students with a source of income, these delivery models can be an effective way to deliver the hard-to-train soft skills and up-to-date technical skills that employers value, and which will be increasingly important as skill demands change.

Many providers are making a concerted effort to increase industry engagement. For example:

- › There is an increasing trend to incorporate workplace internships into undergraduate programmes to enable students to engage with industry on workplace projects.
- › Many providers are increasing the involvement of employers in curriculum development and delivery.
- › Unitec, the country’s largest institute of technology, is transforming its delivery model to increase industry input to teaching and workplace-facing provision. It is introducing new interdisciplinary qualifications, flexible teaching spaces, industry focused faculties and blended delivery models.

However, providers and employers will both need support and incentives to overcome differences in cultures, perceptions, and timeframes, etc., if collaboration is going to become the norm. The Inquiry should aim to identify how a package of settings could be implemented across government agencies (including MOE, MBIE and TEC) to incentivise collaboration from both sides. Addressing the three *key barriers* identified above would contribute to this.

Priority 4: Achieving parity for Māori and Pasifika

Over the past 20 years, there have been considerable gains in the educational attainment of Māori and Pasifika people, both in schooling and tertiary education. There are more Māori and Pasifika learners than ever before participating and achieving in tertiary education, and an increasing proportion with a tertiary qualification. It is also clear that Māori and Pasifika aspire to higher levels of achievement.

However, in all these areas the system is not achieving parity of outcomes for Māori and Pasifika learners, and these learners are not achieving to their potential. School attainment, transitions to higher levels of study in tertiary, participation at Level 7 and above, and course and qualification completion rates in tertiary, are key challenges for the tertiary education system to address.

A growing and more diverse New Zealand

The proportion of Māori and Pasifika in the national population is forecast to grow to 30% by 2038, compared to 23% in 2013. Improving the relative educational achievement of Māori and Pasifika will be critical to raising the overall achievement. Education will also need to respond to different cultures, their cultural and language aspirations and needs, and prepare people to work and live well with others from different backgrounds. This projected population shift will magnify the socio-economic impact of the achievement gap for Māori and Pasifika learners.

We need a broad system outcomes focus to accelerate, lift, and sustain results

There is a growing body of evidence about 'what works' for Māori and Pasifika learners in the tertiary system. Most TEOs are actively working to address this, but more needs to be done both within the TEOs and at the system level. It is a complex challenge which sees TEOs determining how to best target resources and potentially high-cost initiatives to gain parity of outcomes within their funding levels.

The Inquiry should aim to unpack the value of these best-practise enablers which can drive a lift and sustain parity of outcomes. Understanding how to target funding would also contribute to effective implementation.

- Information and planning
- Effective teaching and teachers
- Leadership and management committed to success
- Strategic relationships with iwi, community groups, and industry
- Care and support
- Culturally relevant and appropriate environment
- Relationships with parents and whānau

Building collaboration and a focus on pathways

To build easily navigable pathways for learners, TEOs need to work together and with schools, employers and the wider community. Through these partnerships, TEOs can more effectively reach learners and ensure they have the opportunities, support, and guidance they need to succeed through tertiary education. This is particularly important when it comes to bridging the transition between secondary and tertiary education, when some learners are making important decisions without appropriate information, guidance and support.

For example, our Māori and Pasifika Trades Training programme brings together TEOs, employers and community groups to provide comprehensive support and build better pathways between schools, TEOs, and employment. At degree level, initiatives such as Starpath (University of Auckland) have also been successful in supporting the transition of Māori and Pasifika students into university study, and also advocating for the ongoing mentoring and pastoral support required to retain these students. These initiatives are built on a strong foundation of research, data and working with communities.

New models of academic and pastoral support enabled by new technologies and learner data could also strengthen these pathways. Digital career portfolio tools can combine career guidance with a personal portfolio of experiences, skills and competencies to help learners navigate the education system.

We ensure New Zealand's future success.