

## **Victoria University of Wellington**

### **Submission to the Productivity Commission Inquiry into New models of tertiary education**

Victoria University of Wellington welcomes the Productivity Commission Issues Paper inquiring into ‘new models of tertiary education’. In the long history of universities there have been similar periods of qualitative change. The nineteenth century saw the emergence of the Humboltian model of universities that combined education and research. Changes in the twentieth century saw universities become central to national ambitions for economic, social and cultural development. Today universities operate in a globalised world, raising a new set of challenges and opportunities as alternative education providers, multiple forms of accountability, new technologies, and changing graduate labour markets confront established national models of higher education. The Productivity Commission Issues Paper encourages us to consider the future and asks if the New Zealand tertiary education system is sufficiently well prepared to meet these challenges.

Our starting point is to emphasise that all universities—nationally and internationally—are operating in a rapidly evolving environment. While the disruptive aspects of the current period are now clear, the new modes of organisation, infrastructure and delivery that will become dominant in universities are not. That said, understanding the centrality of the global ‘brain circulation’ of both staff and students to the emergent model is key. This is of particular importance for New Zealand given our geographic distance from traditional centres of academic learning, the importance of international staff and students to New Zealand universities, and this country’s very large per capita high skill diaspora. Like their counterparts elsewhere in the world, New Zealand universities are also actively engaged in processes of comparison, dialogue and reflexive learning through, for example, international benchmarking exercises (UniForum, OECD), membership of formal networks (Universitas 21, WUN, Matariki), accreditation processes (EQUIS, AACSB, NZIA) and ranking exercises (THE, QS, Jiao Tong). New Zealand universities tend to compare very well in such exercises. Indeed, as the Universities New Zealand submission outlines in detail, we punch well above our weight given the challenges of a relatively low GDP per capita.

Of course, there are also many things New Zealand universities could be doing better or differently. The discussion below offers some observations and suggestions that might help the New Zealand tertiary education system become more innovative, linking back to themes raised in the Issues Paper.

## 1.1 Pathways and Staircases

Under the current business model for New Zealand universities, success in the growing competition for students is dependent on the recruitment of world-class academic staff, high global rankings, innovative academic offerings, a high quality student experience and the wider visibility of universities and alumni (pg 10-11). Because New Zealand tertiary education is currently funded on the basis of quantity and price (Student Achievement Component (SAC) funding), it is difficult for universities to enhance their organisational performance and to significantly innovate without identifying alternative revenue streams. In recent years, that challenge has been addressed by growing numbers of international students. However, there is now increasing international competition for these students. The regional model of delivery that saw most domestic students attend their 'local' university, is also breaking down (pg 54-55), resulting in increased domestic competition. For example, Victoria University now recruits 60 percent of its students from out of the Wellington region, including increasing numbers of students from Auckland, and all New Zealand universities are experimenting with new initiatives to increase numbers of Māori and Pasifika students.

In this context of increasing international and national competition for students we should consider whether the current 'quantity and price' investment mechanisms are the most effective way to fund the New Zealand tertiary education system. There are other mechanisms that could better incentivise institutional innovation and change patterns of student recruitment in New Zealand. Examples we might learn from include the growing number of pre-degree pathways for international students, efforts to increase numbers of Māori and Pasifika students, support for the likely growth of refugee students, and programmes to attract non-traditional students into science, technology, engineering and mathematics. Such initiatives will require stronger, more distinct relationships between types of different providers in the New Zealand tertiary system, based on the explicit 'staircasing' of academic qualifications. Some of these initiatives might also benefit from a move to results-based or outcome funding, wherein payment is made in part on successful completion, particularly in challenging areas such as non-traditional Māori and Pasifika recruitment.

## 1.2 Diversify Academic Careers

Universities are the only tertiary education providers required to deliver both research and education (pg 13). Indeed this is the very definition of a university. Seen from the perspective of the business model, high quality research is the 'back room engine' that attracts world-class scholars, which in turn allows us to deliver world-class, research-led education. The early career academic programmes—run by all New Zealand universities—emphasise the need for professional development in both research and teaching (pg 13-19). The quality of both are regularly assessed, both internally (research assessments, teaching evaluations) and externally (Performance-Based Research Fund [PBRF], academic audit, international accreditation exercises). The relationship between research and teaching is also explicitly acknowledged in recognition and rewards processes as it is expected that all academics will provide tangible evidence that they can deliver effectively in both areas for promotion. In recent years, this emphasis on research and teaching has

been complemented by a further impetus for engagement and impact, encouraging academics to be more proactively engaged with a wide range of external stakeholders who have diverse and sometimes conflicting expectations around what universities should deliver (employability skills, national economic development, social cohesion, cultural capital).

Academics themselves have begun to ask if they can continue to be ‘all things to all people’. For example, in response to the new emphasis on a holistic student experience, some leading United Kingdom universities have begun to develop ‘teaching only’ academic pathways alongside the more conventional ‘combined’ academic career pathways. In these ‘teaching only’ academic pathways, success does not simply involve excellent performance in the classroom (as this is expected of all academics), but also educational leadership and innovation as recognised by peers nationally or internationally. This is an initiative precluded in New Zealand by the current approach to PBRF, which strongly discourages adoption of these teaching only positions. This could be addressed by changing the focus on average quality standards and the requirement to submit all academic staff and contractors down to 0.1 FTE, or by further following the United Kingdom example and permitting universities to be more selective in their staff entries to PBRF. More generally, introducing diverse academic pathways would allow greater flexibility in meeting the expanding research, teaching and engagement missions of universities.

### 1.3 Foster Cross-Working

The Humboltian model of cross-subsidisation of research and teaching is found in all university systems (including the Australian system as discussed on pg 14), and is imperative to retaining the international competitiveness of New Zealand’s research efforts. Under this model of the University, research revenues explicitly cross-subsidise the cost of postgraduate education, and thereby produce the next generation of academics. In the research-led teaching model of universities, research results inform, enrich and enliven undergraduate educational offerings. There is also internal cross-subsidisation between different academic teaching programmes. All universities operate on this understanding, recognising that resource intensive areas of key national importance—such as foreign languages and capital intensive science subjects—may not be delivered otherwise.

Cross-subsidisation also underpins the ambition of universities to be ‘comprehensive’ institutions, offering a wide suite of academic teaching programmes (albeit with areas of particular emphasis and academic distinctiveness), rather than simply focusing on very narrowly defined and/or profitable areas. This emphasis is particularly important for the many students in a region who cannot afford to travel to attend a university in another region. It also allows universities to diversify their ‘products’ and reduce risk, responding to wider societal needs as particular subjects fall out of favour and new subjects are introduced.

In this context, while each university subject should be funded at a realistic level, we believe it is an internal matter for universities to decide how they should structure their overall educational provision. Indeed, rather than trying to more tightly define the

current investment approach, it might be more useful to consider how better to incentivise and resource interdisciplinarity and cross-sectoral working across academic teaching programmes. Innovative programmes in ‘grand challenge’ and/or cutting edge research areas are one type of response to this challenge. For example, Victoria University has recently launched an undergraduate Computer Graphics programme developed with input from Weta Digital and other local technology companies. Scaling up the opportunities to deliver on the global-civic university model through partnership-based approaches to student engagement activities is another. For example, students in Victoria University’s BA internship programme gain academic credit and real world experience by working voluntarily for employers in the city. In addition to better meeting the needs of government, employers and national labour markets by fostering cross-working, universities would also be educating students for lifelong learning by developing skills and motivation for team working, problem solving and critical thinking. Innovative activities in this area would deepen the relationships between universities and their cities and regions, delivering on wider ambitions for university leadership in new forms of economic and social development. While all universities understand the need for greater interdisciplinarity and partnership-based approaches to education, at present externally facing educational activities with employers, schools, community groups and others have no additional financial support and so are funded from other income sources.

#### 1.4 Concentrate and/or Conglomerate

International benchmarking (for example, the UniForum data comparing Australasian universities<sup>1</sup>) suggests the proportion of discretionary resources that are available to larger universities are higher than those available to smaller universities because of the fixed costs of running a university. This means that smaller universities have to be even more efficient if they are to create capacity for investing in innovation in research and teaching. This is a particular challenge for New Zealand because of the relatively large number of smaller tertiary education providers, and the perceived political need to keep these entities viable. In a small national market with scarce resources, this diversity of tertiary education providers, and the range of access and quality offered across the sector as a whole, poses particular challenges to universities as a discrete sub-sector of the overall tertiary education system. The decision to allow polytechnics and *wānanga* to compete with universities for provision of general degree-level undergraduate education has also significantly compromised the ability for ‘staircasing’ to occur from these institutions to universities. Finally, we are vulnerable to the economies of scale that an offshore provider might have, for example if a large American university decided it wanted to establish a New Zealand campus.

There are important questions as to whether the current structure of the New Zealand tertiary system is the most effective way to deliver on enhanced international standing and national ambitions for universities, or whether it might be better to consider greater concentration and differentiation (for example, by sector or academic orientation). Options herein might include initiatives reflecting areas of excellence and/or distinctive academic activity (for example, Victoria University’s capital city university emphasis, or

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<sup>1</sup> <https://www.uniforum.co/how-it-works/>

the recent national-level discussion about the need for a world-leading primary sector university based on the model of Wageningen). Improving the sector’s ability to staircase educational offerings, based on formal collaborations between different forms of tertiary education providers, might also be helpful. New Zealand could consider conglomeration models that build on this concept of staircasing. International examples include the Californian state system model, or the government-owned contractor operator (GOCO) model used in the United States to manage state-owned research groups via universities, for example Los Alamos and Lawrence Livermore.

### 1.5 Enhance Blended Learning on Campus

University infrastructure is relatively fixed (pg 12). Indeed the co-location of staff and students on a campus is crucial to the current success of the university model of education, and helps build strong, ongoing relationships with alumni. It is staff co-location that allows for research interaction and collaboration, and it is the ‘community of scholars’ that remains at the heart of the University experience, drawing both academics and students to our institutions. There is also strong evidence that school leavers—a group that represents 60 percent of the new student enrolments each year at Victoria University—require significantly more pastoral care than older students and derive particular benefit from the social and cultural elements of an on-campus student experience, as well as the more formal structure imposed by a timetable and group learning spaces.

Victoria University believes that blended learning produces a wide array of educational benefits that augment the social, cultural and creative advantages of a traditional on-campus educational experience. These benefits include: accessibility; repeatability; impactful instructional materials; the enabling of more student-centred pedagogies including inquiry-based learning and team-based learning; efficient formative (and summative) assessment; and effective whole-of-class learning analytics. An example is the three online courses that form the foundation of a Victoria University undergraduate minor in ‘Science in Context’. This programme’s blend of campus-based and online learning is proving successful, offering students the flexibility to learn around their own schedules without losing the intimacy and ‘safe space’ of an in-classroom experience.

This understanding of the opportunities offered by new technologies—and Victoria University’s decision to emphasise blended learning in its offerings—was recently validated by Willcox, K.E. and Sarma, S. (2016). *Online Education: A Catalyst for Higher Education Reforms. Online Education Policy Initiative Final Report*. Boston, MA, USA: Massachusetts Institute of Technology.<sup>2</sup> It is also validated by students themselves. The aforementioned competition between universities has made Victoria University very customer-centric and our market research tells us that school leaver ‘customers’ are looking for a residential education experience. A further indication of this is the increasing demand for Victoria University’s Halls of Residence beds, which has grown by 25 percent (500 beds) in the last ten years. Preserving the benefits of a campus education while delivering high quality blended learning in New Zealand universities will require

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<sup>2</sup>[https://oepi.mit.edu/sites/default/files/MIT%20Online%20Education%20Policy%20Initiative%20April%202016\\_0.pdf](https://oepi.mit.edu/sites/default/files/MIT%20Online%20Education%20Policy%20Initiative%20April%202016_0.pdf)

additional investment in both new technologies and (perhaps even more importantly) new roles such as the ‘Learning Engineers’ discussed in the above report.

## 1.6 Explore Distance Learning for Adult Education

It is well understood that graduate labour markets are changing, and that the future of work will see people in multiple jobs and industries during their working life. Many of the new opportunities for universities are in the adult education market—a market that is more motivated by vocational training, more capable of self-directed learning and more dependent on highly accessible programmes that can be undertaken while still in work. In this context, there is already exploration of the opportunities offered by distance learning. However, the challenge is that this activity is more resource-intensive than initially supposed. Because research-intensive organisations like universities invest only a small percentage of their capex budgets in general teaching facilities (at Victoria University these type of facilities occupy approximately 10 percent of our floor area) few, if any, savings are generated by the introduction of online learning on top of traditional on-campus teaching. Moreover, the costs of developing high quality online offerings are considerable; for example, international comparisons of MOOC development suggest a minimum of NZ\$200,000 per module, and overall completion rates are low. There is also international and national competition from private providers and professional associations, growing numbers of which are now actively experimenting with alternative educational offerings.

Universities wishing to trial distance education provision for adult learners have responded to the clearly documented cost pressures (and other marketplace uncertainties) by forming consortiums. Examples of these include edX,<sup>3</sup> FutureLearn,<sup>4</sup> and coursera.<sup>5</sup> New Zealand universities will need to determine their roles in this emergent educational ecosystem. In order for us to deliver more fully in this arena, the policy environment will need to change to encourage adult learners and universities will require additional funding and infrastructure over and above the face-to-face experiences that form the basis of traditional degree programmes. We will also need to consider how to embed cohort effects and the ‘soft’ skills valued by students and employers alike. Distance learning has other implications for the system; for example, issues have already been highlighted with the Tertiary Education Commission Performance-linked Funding given the poor completion rates in much distance learning, and the associated risk that institutional funding will be withdrawn and/or requests to discontinue courses made.

## 1.7 Govern for Greater Agility and Institutional Autonomy

The effectiveness of New Zealand universities is governed by a plethora of regulatory processes and audit measures, including research rankings, teaching quality and engagement activity. Universities have also had to create (and fund) internal accountability structures to cope with the current regulatory environment (for example PBRF, completion rate measures), and reconcile the conflicting internal demands these

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<sup>3</sup> [www.edx.org](http://www.edx.org)

<sup>4</sup> [www.futurelearn.com](http://www.futurelearn.com)

<sup>5</sup> [www.coursera.org](http://www.coursera.org)

structures can create for institutions and academics. While such processes and measures are designed to improve the overall performance of the sector, at present quality assurance is often incentivised at the expense of institutional agility. For example, this explains why it takes a long time for new academic teaching programmes to move from the point of inception to actual delivery. Universities also have a commitment to their students over the lifetime of such programmes, which means that a ‘fast fail’ approach is often difficult to implement. While we are always responding to wider societal shifts in the demand for programmes and skills, the current governance model for universities doesn’t help incentivise innovative behaviour, or if it does, it is often ‘magpie innovation’.

Following the recent example of the United Kingdom, New Zealand might consider a ‘lighter touch’ regulatory model for the universities that would allow for greater institutional agility and a greater focus on other parts of the tertiary education system where educational quality issues are more commonly identified. This would free universities to develop more innovative educational qualifications and programmes in partnership with their external stakeholders, including employers. Reconsidering this regulatory burden would also enhance the institutional autonomy of universities, allowing for the continued delivery of their crucial civil society role as ‘critic and conscience’.

In sum, Victoria University proposes that the future of New Zealand’s tertiary education system should privilege an approach based on heightened academic ambitions, greater differentiation between tertiary providers, and reduced competitiveness. New Zealand universities should be more deeply embedded within their cities and regions, thereby delivering on shared ambitions to enhance economic, social and cultural development, while at the same time encouraged to more fully engage with their international counterparts. It is this understanding that informs Victoria University’s ambitions to be a world-leading capital city university and one of the great global-civic universities. We are drawing on the national thinking and global mindedness of our capital city community, and actively innovating and experimenting to deliver on the aspirations contained in our new Strategic Plan. Led by a renewed Council, a new senior leadership team, and a strong whole-of-university ethos, Victoria University welcomes further opportunities to help ensure the best possible outcomes for the New Zealand tertiary system.

Submitted by:  
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