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Productivity Commission
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Dear Sir/Madam

Submission: New models of tertiary education – issues paper

Firstly, congratulations for providing a comprehensive overview of the tertiary education sector.

My comments reflect my experience as a senior lecturer within the university sector for the last eight years, after most of a career in the public service as a policy analyst and middle tier policy manager, and as a public policy consultant.

As an academic I have submitted PBRF portfolio drafts and final folders, sat on and chaired various College boards and remain aghast at the volume of paper-work, not only because I am expected to read and write some of it, but because I know how much effort has gone into both writing it and processing it within university and by external agencies. The opportunity costs must be substantial. I also recognise that while some of this is generated within the university, much of it comes from external requirements, such as TEC and CUAP.

My comments are not unique to my university; I have spoken to colleagues from all the other New Zealand universities and they all have similar stories – some of them far more amazing than mine! Rather, my comments reflect concern about the wider systemic problems of university management and administration generated by a combination of external government-driven initiatives for accountability and contestability and universities' responses to these demands.

I am frustrated by and apologise for the inability to quantify the impacts to underpin my points, but university accounting is opaque as is the central government administration's. However, I am sure you could do the numbers. My submission is therefore general, but also relates to several of the posed questions.

In summary, I suggest that the study needs to broaden its investigations and increase depth of inquiry to address wider administrative constraints and compliance costs on university operations, agility, and the significant transaction costs they generate. Their reduction would free up considerable funding that could be usefully employed for university teaching and research. I suggest the final report needs to address:

1. Transaction costs from:
 - a. Administration
 - b. Compliance and regulation
2. The value of a collaborative rather than competitive tertiary education model
3. Perverse incentives and collateral goals for students and other government agencies

4. Focus of tertiary studies.

Administrative costs

It is always useful to follow the money.

Figure 8: Full-time equivalent staff in TEIs is revealing: it shows that academic staff make up only 30% of the TEI workforce. It also approximates data I have seen about my own university. If teaching and research are supposed to be the sector's core business, it begs the question of what the remaining 70% are doing. It would also be useful to see a break-down by sector, and also how much money was going into teaching, research and administration/other. Such an analysis would show the sector's **real** core business.

Anecdotally, my colleagues and I note a large increase in registry and management staff over the last 10 years. There are now all sorts of international relations, publicity, innovation, etc. groups and sections. There is also expenditure associated with their outputs that needs to be funded from TEC and fees.

An interesting example is the widespread advertising by all universities across the country. Television advertising, glossy brochures and the rest are not cheap. Significantly, they cannot be expected to grow the total number of (suitable) domestic tertiary students nationally, and so seek to redistribute the existing pool of new enrolments – a zero-sum game reallocating students between universities, and clear winners for the advertising agencies and media.

International student recruitment also seems driven at the university level, which is curious, given your report and our discussions with our own international students that country recognition is the key attractor, with individual university recognition low as a priority.

These are additional overheads to be met from existing fees and government funding unless they actually do grow our income. Whether they do add to the bottom-line is unclear.

Both these examples also suggest value in developing a non-competitive, collaborative model for tertiary education that cuts significant transaction costs and allows economies of scale.

Compliance and regulatory costs

The universities have significant checks and balances on them. The university employs administrators and harness effort from the wider university to address these compliance and regulatory requirements imposed on them. CUAP and PBRF are obvious examples. The extent of this is questionable in terms of transaction costs and benefits gained. This is not to say that the intentions are good, but we need to remember that as with all public policy that while there is an expectation for removing market failure, there should also be the realisation that transaction costs of the policy may outweigh the social welfare benefit of implementing that policy. It seems that caveat has been forgotten. Again, I would like to see some indication of the net benefit these requirements generate.

PBRF cake-slice

Intended to encourage quality research, PBRF is another zero-sum game that generates considerable administration that detracts from the core business. I am very aware from colleagues at different universities how much this exercise is gamed across universities, so incentivising development of

quality research can be questioned. Rather it is simply a cake-slicing tool for allocating existing funds rewarding the cunning.

The PBRF cake-slice and administrative wastage is illustrated by a simple thought-experiment: Imagine that all university researchers in all New Zealand universities were turned (deservedly) into A-level researchers. It is equally hard to then imagine the government rewarding this achievement by providing any **more** money to the PBRF fund – that would remain capped. PBRF is thus a crude and expensive means for allocating existing funds. In this scenario, the capped research funding would then have to be allocated between universities using another method.

However, all the universities are seeking to game the PBRF system, hiring specialist staff to help researchers write more impressive PBRF portfolios, ‘hiding’ non-performers, and so on. The universities spend considerable effort running trial portfolio assessments that also take up staff time. The TEC also has to process the portfolios and any number of our best researchers who then spend a large amount of time on the different panels assessing the individual portfolios. None of this seems particularly productive, to say the least, with costs at:

1. Academic staff preparing trial and final portfolios, reviewing each other’s’ portfolios
2. Administrative within the universities processing the portfolios and also gaming the system
3. TEC staff, panel members and consultants processing the portfolios and the whole PBRF system.

This is not to argue against universities tracking the research performance of their staff, only that the PBRF approach seems a very inefficient way to allocate research funding between universities.

CUAP

I have been on committees reviewing proposals for new programmes requiring CUAP approval and also reviewed proposals from other universities. The processes, internally and externally, are bizarre, laborious, time-consuming and slow. Proposals take several years to work through the system, hardly a model of agility and fleet-footedness. They take a lot of effort by academic staff to prepare, revise, respond, revise and rework. I am aware of colleagues with good ideas just not bothering.

I see no reason for CUAP at all – if universities want to offer a degree in Obscure Studies they will wear the consequences of either having no students because the course is unwanted or has a bad reputation, or has a low calibre of graduates who devalue the brand-name of the university. In short courses should be a university-level decision.

There might well be a case to be made for TEC not to fund Obscure Studies, however, if such courses do not fit existing strategic tertiary education goals. Again, it would be interesting to see the full budget for CUAP – along with the hidden administrative costs within universities.

External agency compliance

I wonder at the value and logic of funding agency accountability. Again, I only have personal experience to draw on, but suggest it symptomatic of wider malaise.

At a personal level, I was staggered to deal with NZQA a few years ago on behalf of my daughter. She had won a New Zealand Scholarship in one subject in her last year of school, but had deferred

receipt while she undertook a Gap-year before enrolling at university. I was amazed at the bumpf I had to deal with as her request for deferment was processed and the next round of bumpf when she returned to New Zealand and took up the scholarship. The first joke is that the Scholarship for a single payment of \$500 per subject for one or two subjects – which is derisory in value. The second was that NZQA employs staff to do this. It doesn't take much thinking to realise that:

1. Recipients, given they are the brightest products of the school process are very likely to attend university, if not the next year, then eventually.
2. The small amounts are such that it doesn't make much difference financially if a small number of scholarship winners are given the money but do not go to university given:
 - a. The total cost of this administrator represents some 300 defaulters of the 2,000 single subject student winners, i.e. 15% of all single subject single-subject winners, assuming the total cost of an NZQA employee is \$150,000p.a. including overheads
3. It would be much simpler, cheaper and effective just to mail out a cheque for (or direct credit!) \$500 or \$1,000 to each of the successful candidates along with their certificates and to write off the very few that do not go to university.
4. The amount is not an incentive to go to university – the amount does not even cover the fee for a single paper! And with the entry fee of \$30 per subject, the actual value to the student is less than \$500. The reality is that, apart from 356 students nationally who get the substantive awards, the real value of scholarship exams is to the students' secondary schools as marketing material!

This is a simple example. I am sure further investigation would reveal many others, all suggesting bureaucratic bloat.

Students

Student composition

I suggest there needs to be a reconsideration of who attends university: just because you can go to university, doesn't mean that you should. I have to say that my observations that at university I see a long tail of marginal-C grade students, who seem less than enthusiastic about being at university and only minimally engage in university life or study. As a manager I would not hire any of them. I am sure, when talking to them that many would be happier and more productive in a trade.

My (young) overseas colleagues note that there is much higher expectation for young people to go to university here than in Europe. In part, New Zealand's high level of enrolment seems to be a manifestation of the 'Lake Wobegon effect' (referring to a fictional town where "all the women are strong, all the men are good looking, and all the children are above average"). But just because we have more people with degrees does not raise the average IQ of our population. At the same time, we see examples of skills shortages in the trades. We need to encourage the trades and reframe expectations of going to university.

Accordingly, we need to be realistic about the calibre of students and explore developing and promoting trades-focused education. The German Technical-High School model seems a good start.

Alternative student goals and perverse incentives

The discussion paper and New Zealand's tertiary education strategy are predicated on advancing education in New Zealand. However, the system appears to be gamed by part of the population and also tacitly by government agencies and policies to achieve collateral goals at the expense of education funding.

My colleagues and I are aware that a considerable number of third (i.e. summer) semester students enrol, but never attend or even start to engage with classes. It appears very likely that these students are enrolling only to access student allowances in lieu of unemployment benefits over the summer. This has a perverse outcome of penalising universities that enrol these students as they have high non-retention and failure rates.

At the same time, my hairdresser told me that she gave up tutoring at the polytechnic because only a couple of the class were attending to learn to become hairdressers; the other 18 were apathetic and only attended to ensure that they continued to get social welfare payments. This of course helps keep unemployment numbers down, but shifts costs from one Vote to another, so does not provide any net social gain.

In short, we need to be very clear that the purpose of tertiary education is education and training, not addressing unemployment benefit goals. This suggests allowances need to integrate with wider social welfare support systems.

Courses

I am also concerned that university focuses almost exclusively on STEM subjects, with the view that the arts and fine performing arts being marginalised. This is for two reasons.

It is predicated on the 'build it and they will come' supply-driven model for STEM graduates. We do need STEM graduates, but the New Zealand climate detracts from this. Science in New Zealand is a precarious profession, where considerable time is spent on funding applications (many unsuccessful), reporting against funding accountability, and a significant risk historically of redundancy. Frankly, from observing my colleagues over the years dating back to my own student days, but also from discussing employment with my own daughter who is a doctoral student in chemistry with several scholarships, our STEM education is essentially an export industry that sends trained brains offshore. For those who stay, why do science, when smart brains can make far more money in the financial and legal professions – or from capital gains in the housing sector? We need a far more strategic and comprehensive approach to educating and employing our STEM graduates for this to make any sense.

We need arts and performing and fine arts graduates to provide richness to our lived lives. A thought experiment: if somehow we turn all our graduates into smart STEM graduates who then get high-paying jobs – what do they do in the weekend and in the evenings and what do they spend their money on? Overseas, the moneyed professional classes go to the opera, concerts and art galleries. Talking to some of these people, they also are attracted to cities that offer culture and are not 'cultural deserts.' These occasions also provide opportunities for socialising and networking that may have wider economic benefits – captured a little in social-capital theory. Who are supposed to provide the performances – immigrant musicians and performers? Or are we to be a hollowed culture that knows the price of everything and the value of nothing?

Finally, we need to make the distinction between training and education. Both are important, but have quite different goals and require different types of delivery institutions – polytechnics and universities, respectively. This distinction was nicely described to me by a colleague who said that while she was quite happy for her 12 year old daughter to have school sex education lessons, she would not be happy for her daughter to attend sex training lessons!

I trust these comments are of assistance.

I am happy to elaborate on any points raised should you wish clarification.

Yours faithfully

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