

Victoria University of Wellington Productivity Commission Submission

Helping New Zealand sustain world-leading universities in the future

In this submission we build on the comments we offered to the Productivity Commission in May 2016. Our view then, which has not changed, is that New Zealand's future tertiary education system should be based on heightened academic ambitions, greater differentiation between tertiary providers, sectoral concentration, and increased flexibility. In May, our recommendations were:

- stronger inter-institutional relationships based on clearer pathways and the stair-casing of qualifications. Our view is that the New Zealand system requires stronger, more distinct relationships between different types of providers.
- diversified academic careers to meet the expanding research, teaching and engagement missions of universities. The combined research and educational mandate of universities must be preserved in order to ensure international competitiveness. However the requirement to submit all academic staff to PBRF can mitigate against ambitious educational innovation and leadership, and a more variegated approach to academic career structures may be advantageous.
- stronger incentives for interdisciplinary and partnership-based approaches to educational innovation. The new emphasis on experiential learning and employability (including internships, placements, problem-based learning, service learning and civic engagement) requires regulatory approaches and funding mechanisms that allow greater flexibility in academic programmes.
- greater concentration and/or conglomeration between educational providers. New Zealand should facilitate formal collaborations between different types of tertiary providers that allow for increased specialisation within the sector.
- enhanced blended learning combined with online provision for a wider range of learners. These educational opportunities will require new investment in digital technologies and re-designed educational spaces, as well as the development of new skillsets amongst academics and professional staff.
- a regulatory approach that will allow for greater agility and institutional autonomy. New Zealand universities must be freed up from increasingly granular reporting and funding controls for both research and education if they are to deliver more innovative academic qualifications and programmes.

- An appropriate funding model for the tertiary sector that recognises the public/Crown investment in certain institutions, provides flexibility and incentives to innovate and invest, and which supports attraction and retention of world class academics.

We are heartened to see many of these themes discussed in the Productivity Commission draft report released in November. However we disagree with the conclusion that current models of tertiary education are no longer fit for collective national purpose (pg. 334). While there may be weaknesses in the tertiary education sector as a whole, the recent report *OECD Education at a Glance*¹ ranks New Zealand's universities in the OECD's top 10 for high performing graduates. While it is notoriously difficult to measure outcomes in the education sector, current evidence suggests New Zealand universities perform very well when considered against their international peers. The challenge in developing new models of tertiary education will be to sustain, and then improve upon, the relatively strong position of New Zealand's universities. An issue that also needs to be grappled with is why the current tertiary system does not better differentiate between high and poor quality providers.

Below, we respond to the specific questions about the design features that would support new models of tertiary education and allow the system to become even more student-centric than it already is. Throughout this second submission we underline the need to overcome increasing fragmentation and enhanced competition in a very small tertiary education system with limited resources. Any changes to the New Zealand system must also enable New Zealand providers and students to operate more effectively in an increasingly international tertiary system.

Q12:1 What are the important design features for a self-accreditation system?

Before addressing this first question, we note the draft report's recommendation (R12.11) that providers of all kinds apply to NZQA for self-accrediting status. The Education Act places the responsibility for quality assurance of universities with the New Zealand Vice-Chancellors' Committee (NZVCC) (S159AD(2)). We do not wish to change this.

There are two main features of the current university peak-body quality assurance process (i.e. excluding discipline reviews, external reviews or other types of quality assurance). These are the ex-ante approval by Committee on University Academic Programmes (CUAP) of qualifications and the ex-post institutional quality audits conducted by the Academic Quality Agency (AQA). The question for the design of self-accreditation is whether and how either of these systems would be replaced and what quality-assurance measures would be needed.

¹ <http://www.oecd.org/edu/education-at-a-glance-19991487.htm>

The most important element of quality assurance in university education involves peer review. Any system that might replace CUAP and/or AQA must recognise the centrality of discipline-based peer review to quality assurance. What we are seeking is a system of self-accreditation with a periodic ex-ante quality assurance event to mitigate any risks, albeit unlikely, that might arise from a university failing to pay sufficient attention to maintaining the quality of its programmes and courses. Reputational risks to the university itself, or New Zealand as a whole, would be an inevitable outcome if for instance, a provider failed to continue to refresh its offerings to keep pace with new knowledge, emerging technological advances or teaching practices. The current ex-post quality audit system should be maintained to provide the external assurance of quality.

Victoria supports a 'lighter touch' regulatory model that would permit it to offer new degrees without requiring CUAP approval as is currently the case. Any new self-accreditation system could involve a review of universities' capacities and capabilities to develop new qualifications generally (rather than approval of each individual qualification). We suggest this takes place at regular intervals, say every eight to 10 years. We think a review every five years, as suggested in the draft report (p. 306), would not be necessary. A strong focus on outcomes should be a feature of such a review with universities demonstrating how their qualifications are relevant, up to date and meeting the needs of students, employers and others.

Criteria for the approval and accreditation of courses and the regulations and requirements of the New Zealand Qualifications Framework (NZQF) have been gazetted and used by CUAP for over 10 years. CUAP has customised these to the context of the university environment. A review to provide greater clarity would be helpful in supporting the system.

The internal approval systems in universities are mature and effective. However, if CUAP was to be discontinued, universities would need to place even greater attention on ensuring a systematic assessment of the acceptability of programmes and courses to the relevant academic and professional communities. Under a self-accrediting model, universities may wish to have greater involvement by overseas universities in the internal approval of their own programmes, rather than often defaulting to New Zealand universities through the CUAP process. The periodic reviews of the ability to develop qualifications would have a different character to the AQA audits, which we would envisage continuing.

The quality-assurance literature shows that control-based and standards-based systems are only suitable for large higher-education systems and systems where quality is very varied and cannot easily be known by those with the responsibility for quality assurance. Control-based and standards-based systems are unsuitable for small higher education systems and systems where the quality is relatively even. This has implications for the models that may be considered. Almost all of the examples that New Zealand tends to look to are large jurisdictions, i.e. Australia, Canada, the United States and the United Kingdom. The Australian Tertiary Education Quality and Standards Association (TEQSA) for example, has the responsibility for all types of higher education in Australia, which means hundreds if not thousands of providers. For this reason, we believe it would be appropriate to look to smaller jurisdictions and jurisdictions with relatively even

institutional quality. Examples might include Scotland, Ireland, Scandinavia and some Canadian provinces, e.g. Ontario.

To summarise, any new self-accrediting system should include the following features:

- the accrediting body should continue to be the NZVCC
- the role of AQA be maintained
- the role of CUAP be changed (with an appropriate change of name) to an overarching accrediting body with oversight of the development and approval of qualifications and courses (including changes) in universities
- subject to accreditation by CUAP, universities would be able to approve qualifications, including changes, without approval by CUAP or any other body, provided they conform to the New Zealand Qualifications Framework
- a periodic review (we suggest 10 yearly) of universities' ability to develop and maintain qualifications
- the importance of discipline-based internal/external reviews should be recognised and retained
- accreditation should assist universities with innovation and achieving excellence rather than control.

Q12: 2 What measures would encourage providers to enter into articulation agreements to provide pathways for students to study across providers?

This is an important development given the emergence of elite universities in the global arena with regional and international prominence. Some international universities are also becoming established niche leaders or dominators in particular disciplines—for instance, technology, agriculture, law—while maintaining a broad mix of offerings across disciplines. New Zealand is, and can remain, at the forefront of these trends but this will require focused investment and policy thought given the increasing global mobility of staff and certain student cohorts that underpin these trends. In this context it is also crucial that the title of 'university' is reserved for those New Zealand institutions that conform to their international counterparts.

Responding to the challenges facing universities requires a 'NZ Inc' approach where there are stronger divisions of labour between the different parts of the sector. We fully support greater use of pathways and staircasing (or articulation as it is called in this document), rather than the current situation where there is increasingly fierce national competition over the same cohorts of students. We are also fully supportive of efforts to democratise access, within the sector and beyond it, and agree that increasing Māori and Pasifika success must be central to these ambitions.

Specialisation based on clearer level descriptors should be accompanied by greater clarity over sectoral divisions of labour. For example, given that Master's degrees must include research, should delivery of these degrees be confined to institutions or even units that can demonstrate they are research active (i.e. are submitted to PBRF)? For example, North American graduate schools often have national- or state-level accreditation processes that must be satisfied before they can offer research degrees. This would allow minimally-research active units, particularly in polytechnics and institutes of technology, to focus on vocational degrees.

A similar question could be asked about pre-degree foundation programmes. Should pre-degree programmes be delivered by universities or, as is increasingly the case, should they be delivered by ITPs or PTEs with a clear pathway to university-based degree programmes? For example, Victoria has entered into an agreement with ACG to deliver a foundation programme for international students, and is now exploring the potential of an outcomes-based foundation programme for Māori and Pasifika students.

It is increasingly likely that pathways and staircases will cross-cut national jurisdictions. For example, we are already seeing the growth of dual degree programmes where students combine study in their home country with study in New Zealand or vice versa. We expect a growing number of 2+2, or 3+1 programmes, some of which will allow double degrees from the partner universities. We may even wish to consider aligning New Zealand semesters/trimesters with northern hemisphere arrangements to ease potential enrolment of students wanting to work across institutions, and to better enable these arrangements.

There is also an emergent discussion, underpinned by the growth of online offerings that would see consortiums of international universities offer mutual recognition of each other's credit-bearing modules. New Zealand's approach to articulation arrangements will need to allow for increasing flexibility and experimentation in this space. In short, any re-disposition of New Zealand arrangements should allow us to better engage with universities around the world.

Finally, there is the increasing likelihood of an international university establishing a branch campus in New Zealand and/or delivering offerings through an articulation arrangement with a local provider. Increasing numbers of well-funded for-profit education providers are also arriving in New Zealand. These developments add further competition in an already crowded market. Because we are a small country with limited resources, our view is that this will have significant, and largely negative, implications for current providers and an already stretched tertiary education and research system. Rather than further increasing competition, arrangements that facilitate bilateral relationships between New Zealand and international institutions would be preferable. This further underlines the need for articulation agreements to be considered in an international context.

Q12:3 What measures would lead to a faster transfer of (nominally) Crown assets into TEI title, without incentivising TEIs to retain assets they don't need?

We begin by emphasising that tuition space occupies only a small proportion (approximately 10%) of space in research intensive universities. Furthermore, the rise of digital, experiential and blended learning requires different configurations and uses of university spaces, but does not necessarily reduce the demand for space. For example, the replacement of traditional tiered lecture theatres with flat classrooms that facilitate collaborative learning is already well underway in New Zealand universities. New spaces will also be needed to deliver on partnership-based approaches to education, including those involving greater employer engagement. It cannot be pre-supposed that universities are replete with surplus assets.

That said, we agree that at present it takes too long for universities to transfer assets. In our case, it took almost five years to approve Victoria's application to transfer the Crown-owned titles at our Karori campus. We believe the Crown should explore ways for streamlining its internal processes. We also note the rationale for withholding 20 percent of the proceeds if the asset is sold within five years. Presumably, it was intended either to (i) use time to distance government from any subsequent sale; and/or (ii) ensure potentially 20 percent of the proceeds were potentially available to recycle efficiently across the system as a whole rather than within a single institution. Our point is that this approach encourages TEIs to hold onto surplus assets for a period of time before rationalising them.

An alternative solution would be to separate (i) optimisation of assets; from (ii) redistribution of capital across the sector. Point (i) optimisation is best addressed by having no restrictions on asset transfers and rationalisation. Point (ii) redistribution of capital between institutions is best addressed by having a degree of funding that is based on return on investment rather than pure volume (EFTS) measures. This would enable funding to be channelled to the investment opportunities with the highest return. There are many ways one could structure such a mechanism, including market-based models one could borrow from the commercial sector, and we would be happy to explore these with the Productivity Commission if you are interested.

Q12:4 How can government deregulate fees to encourage providers to differentiate more on the nature and quality of their offerings, while still adequately protecting the interest of students?

Demand-driven and weighted-funding approaches, leading to increasing institutional homogeneity and increased competition both across the sector and within institutions, are widely recognised as problematic. More generally, all New Zealand universities are facing the challenge of costs rising faster than income. A large proportion of universities' income stream is set by Government policy: capping of domestic student numbers, determination of the Student Achievement Component (SAC) funding and limitations on domestic fees that universities can charge students. In order to meet the shortfall, universities are heavily reliant on the international student market.

We would like to see a revised system of regulation around price/volume that would allow for expansion and innovation.

One option that should be considered is that universities could be given the right to set their own fees for taught post-graduate Master's degrees, with government retaining the right to regulate price at the undergraduate level. While undergraduate education is a public good and should be available in equal measure to all citizens, we note the growth of professional Master's degrees where a higher fee is charged and access to interest bearing loans is the norm. Importantly, a more differentiated fee regime such as this will incentivise New Zealand universities to expand the focus of university teaching to adult education, in addition to the school leavers who are the focus of the current Tertiary Education Strategy. In particular, the higher fees for postgraduate programmes (whether paid by student or employer) will allow universities to develop the bespoke, small-class

size, vocational programmes required by New Zealand's small-to-medium sized businesses. Currently such small, specialised postgraduate programmes have to be cross-subsidised by revenue derived from higher-margin large undergraduate classes.

We would also encourage the 'unbundling' of courses from programmes, which would allow us to receive TEC funding for students who want to take a course but do not intend to pursue a qualification. At the moment this approach is inhibited by the emphasis on completion rates, however this is not the case internationally. For example, in the United States non-degree seeking students pay a course fee rather than a programme fee. This approach would further enhance our commitment to lifelong learning and extend provision to adult learners. It could also facilitate the development of so called 'Micro-Masters' where small courses of perhaps 5/10 credits could articulate with and be credited to, say, a full Master's degree programme over time. In this way we could better meet the growing demands of both the public and private sector for high quality professional development.

Philanthropy is an increasingly important source of revenue for universities. American universities have been highly successful in sourcing philanthropic revenue to support their functions over many decades, and philanthropy has been central to the academic reputation of many institutions. In most British universities, philanthropy has only been a significant source of revenue in the last decade or so (Oxford and Cambridge being notable exceptions). Recognising that English universities could significantly increase their revenue base through philanthropy, and therefore better compete on the global stage, the UK Government created a matched funding scheme that ran from 2008 to 2011. This scheme incentivised Higher Education Institutions (HEIs) in England to professionalise their fundraising capability. HEIs could take part in one of three tiers of matching: tier 1, a match of 1:1 capped at £200,000 pounds; tier 2, a match of 1:2 (for every £2 raised by the university, the Government would provide £1), capped at £1.35M; and tier 3, a match of 1:3 capped at £2.7m. The scheme also included fundraising capacity building within universities and a public campaign promoting the benefits of giving to education. This contributed to profound changes in fundraising in UK HEIs. In 2006 to 2007, 131 institutions raised £513m from 132,000 donors but in 2010 to 11, 152 institutions had raised £693m from 204,000 donors, an increase of 16 percent of institutions involved, raising 35 percent more money from 54 percent more donors (Pearce Report, 2012²). The non-financial benefits accruing to philanthropy are also significant. Donors become more engaged, intellectually and emotionally, with the HEI and are more likely to contribute to its governance, operations or academic pursuits. It is likely that a similar scheme would have similar benefits in the New Zealand context.

Q12:5 What barriers do providers face in establishing largely autonomous subsidiaries that pursue innovation and new models?

We agree that there will be disruptive and creative effects of digital and other technologies, enabling different platforms of delivery, feedback and accessibility. This will not be confined to national provision; New Zealand institutions will join global online

² <http://www.hefce.ac.uk/pubs/rereports/Year/2012/philanthropyreview/Title,92282,en.html>

networks and potential New Zealand students will be targeted by international online providers. This trend is further underpinned by a combination of demographic pressures (older workforce, people staying in tertiary study longer), more mobility within the labour market, and the need to lift capacity and capability of human capital leading to increased demand for career changing and professional programmes.

We should not pre-suppose that we need to establish autonomous subsidiaries to pursue innovation and new models (for example, the subsidiaries that currently exist to deliver online learning). We think it is important that all students receive the same high quality educational experiences, delivered by the same high quality academics. To date, the challenge being addressed through the rise of autonomous subsidiaries is building partnerships with external partners who can offer new skills and technologies. We would like to see this capacity to develop new partnerships happen throughout the university, rather than take place in a discrete subsidiary.

More generally, we think the trend will be for New Zealand providers to join international consortiums that will allow innovation and new models. For example, Victoria has recently joined edX, an online consortium led by Harvard and MIT. The educational infrastructure developed to meet our edX MOOCs (massive open online courses) will underpin development of SPOCs (small private online courses), micro-Master's (some with international partners) and additional forms of blended learning thereby enhancing Victoria's overall digital capabilities. Online credit-bearing offerings will also be converted to residential credit-bearing qualifications once the learner enrolls in the University's on-campus programme, usually for a reduced period of time, creating opportunity cost savings for learners and a strong incentive to convert online enrolments to residential enrolments.

Like us, edX does not see MOOCs replacing residential learning in universities. International experience suggests that being part of the edX community will help further encourage digitally enhanced blended learning on campuses, thereby improving overall student experience. This experience also suggests that MOOCs can serve as an equity vehicle; for example, allowing secondary students in rural or under-privileged areas to access content and then cross-credit successful completion of this content as a first-year course.

Q12:6-8 Student education accounts

We do not support this approach. To quote a colleague, our students are already 'walking, talking sentient vouchers' who discriminate between institutions and programmes when they enrol with us. Rather, as discussed above, we support a change to the funding systems and a simplification of regulatory forms to support a wider range of educational models including life-long learning, mid-career retraining, part-time study, jointly delivered programmes and workplace-based study.

Q12:9 Are there alternative models that would shift the tertiary system from being provider-centric to being genuinely student-centric?

The discussion in the Productivity Commission document focuses on how best to meet

student demand for courses and programmes through enhanced choice. Setting aside the very real concerns about curriculum coherence arising from à la carte education, enhancing student choice is not the only way to develop a student-centric system. The increased emphasis that universities around the world are placing on student experience is not particularly visible in the draft report. As competition for students intensifies, concerns about equity and inclusion gain traction, and the concept of student partnership is embedded, so too have universities begun to pay greater attention to the student experience and prioritised their initiatives and resources accordingly.

Research shows that lifetime institutional attachment and stronger personal connections between students are amongst the benefits that accrue from a strong emphasis on student experience (see, for example, THE Student Experience Survey 2016³). At Victoria, there are a number of projects underway to further enhance the student experience. These include: city-wide engagements with the Wellington Regional Economic Development Agency (WREDA) and others to improve housing, transportation and sense of belonging; an enhanced civic engagement programme that will embed externally facing opportunities in the curriculum of all undergraduate students; efforts to enhance BA employability through internships and the identification of specific practical experiences and skills; the Student Services Improvement Programme that will enhance student support processes; the new International Foundation programme and proposed new Māori and Pasifika Foundation programmes discussed above; and a myriad of more specific Faculty and School initiatives.

Underpinning all these initiatives are a more personalised approach to education, facilitated by the use of a CRM and other system-wide technologies, pro-active use of learning analytics to identify student needs, the move to complement academic programmes and courses with badges that signal particular skills and competencies, and the delivery of strong pastoral and academic support through new forms of virtual and actual student advising. These new institutional priorities are requiring significant investment but will deliver a more genuinely student-centric approach.

We would be very happy to meet with you to discuss in further detail any of the issues we have raised above.

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³ <https://www.timeshighereducation.com/student/news/student-experience-survey-2016-results>