



NEW ZEALAND COUNCIL OF TRADE UNIONS  
*Te Kauae Kaimahi*

**Response of the  
New Zealand Council of Trade Unions  
Te Kauae Kaimahi**

**to the**

**Productivity Commission  
Draft Report**

**on**

**New Models of Tertiary Education**

**P O Box 6645**

**Wellington**

**December 2016**

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## Introduction and Overview

1. This response from the CTU makes comment on the Draft Report on New Models of Tertiary Education and some of its recommendations. Thank you for accepting a late response on the Draft Report. This is a brief response to ensure that our position on some important issues is on record.
2. Five CTU affiliates submitted on the discussion paper demonstrating the importance of the issue to working people, professionals and unions. Two of our affiliates - the Tertiary Education Union (TEU) and the New Zealand Nurses Organization (NZNO), both of whom have major investment and stake in tertiary education, have responded on the Draft Report. We endorse their submissions.
3. Tertiary education, training and skills development are critical for the lives of working people and their families. Tertiary education and training is, and has always been, a core trade union issue because of its direct impact on the lives of working people and that of their families and whānau. Working people are learners. Unions want to ensure that working people are accessing educational opportunities, skills development and training to enable them to fulfil their aspirations and be competent in their work, have job opportunities and be rewarded for their qualifications.
4. The increasing awareness of changes in the world of work and the current discussion in New Zealand and internationally on the “Future of Work” has drawn attention for more focus on workplace-based education and training and access to lifelong learning. Improved and increased access to tertiary education is critical to enable working people to get new employment opportunities in a world with changing work roles and changing industries due to increased automation, new technology, climate change, globalisation and changing demographics.
5. While we commend the process of consultation undertaken by the Commission in developing this Report and the quality of the Draft Report, we are very disturbed and concerned that the overall direction of the Draft Report is strongly geared to a more competitive education sector and a much greater role for the private sector in tertiary education.
6. While the Draft Report does give recognition to the public good element of tertiary education, many of the proposals and the recommendations are not consistent with the underlying principles that the CTU supports and holds that tertiary education is a public good and should be based on public provision.
7. The structure of our tertiary education system contemplated in the recommendations and the proposals in the Draft Report is one that encourages more commercialisation of public education institutions, much more private

provision and more private competition, including from overseas. This is reflected in proposals for voucher-like funding and recommendations for self-accreditation of programmes and others that urge a more competitive/commercial basis for our public tertiary institutions.

8. The Draft Report is heavy, like other recent Productivity Commission Reports that there needs to be “more choice” – in this case for students. While the language of “choice” is alluring, choice has complicated consequences. As in health, more choice does not always work in peoples’ favour. Knowledge and information may not be available for good choices to be made. And choice has to be balanced with the need for a system that has to provide for population needs, employer needs and the needs of the community often expressed in the services provided by local and central government.
9. A more commercial and private tertiary education is fraught with danger for students, working people and our society. Commercialisation and overseas ownership will have major impacts on the ability of our public institutions to retain their knowledge, skills, research and teaching capacity and capability (particularly in areas of special interest to New Zealand), which they have, in general, very successfully provided. They are an important part of what makes New Zealand what it is.
10. A privatised tertiary education model will not provide the opportunities and access we are seeking for working people. The main barrier for them is the high cost of tertiary education and training, including income foregone while studying.
11. More of the risks from privatised tertiary education have been exposed in the recent investigation into international student visas. Fraud and dishonesty have been found to be widespread among private education providers in the international student market which operates on the basis of having as many students as possible enrolled to maximise revenue (“It’s the ‘Tip of The Iceberg,’” 2016).
12. Highly competitive environments are also dangerous to teaching and research (which work best when they are collaborative); nor are they suitable for maintaining capability as pointed out in the recent More Effective Social Services Final Report (New Zealand Productivity Commission, 2015)
13. It is unlikely that commercial providers will have an interest in building and maintaining the capacity and capability that New Zealand needs. Nor are they likely to have the long-term view that public institutions are able to maintain (despite damage from the increasingly commercial approach they are required to take). Teaching, research and knowledge accumulation are long-term endeavours. The Draft Report has not taken sufficient account of the importance of maintaining New Zealand’s institutions and capabilities.

14. Another consideration and outcome from more commercialisation is the inability of New Zealand governments to sufficiently oversee the quality of privatised and contracted out institutions – especially when the continued emphasis is on financial stringency and light-handed regulation. This will be even more difficult if they are overseas based – especially if they operate remotely, over the internet.
15. Further, private provision of tertiary education has been riddled with excessive profit taking and poor quality provision in the US (see for example Dynarski, 2016; Foroohar, 2016). New Zealand’s own private tertiary sector has had continual failures of quality and financial viability, with short-lived institutions and allegations of fraud. It would be extremely naïve to assume that a substantial expansion of private provision could be successfully regulated in New Zealand where that has been unsuccessful elsewhere, and New Zealand’s record of success in a culture of “light handed” regulation has been poor.
16. The prize in economics in honour of Alfred Nobel this year went to Oliver Hart and Bengt Holmström, part of whose work on incomplete contracts considered privatisation of public services such as schools, hospitals, and prisons. They frame the case for privatisation as a consideration of the balance between quality and reduced costs. They conclude that while private providers have incentives to both increase quality and reduce costs, incentives for cost reduction are typically too strong and quality suffers. Unless there is evidence that competitive pressures will protect quality, public provision is preferred (The Committee for the Prize in Economic Sciences in Memory of Alfred Nobel, 2016, p. 27). Given the experience of competition between private tertiary institutions alluded to above, it is clear that competition in this case is no assurance of quality and quality will suffer.
17. The CTU Alternate Economic Strategy (CTU, 2010) identifies CTU policy on tertiary education including calling for a review of private tertiary sector so that there is a better understanding of its contribution to encouraging public good rather than private profit provision of tertiary education.
18. The CTU submission on the Issues Paper (New Zealand Council of Trade Unions Te Kauae Kaimahi, 2016) focused on the need for more attention on work-based learning in the tertiary education landscape. Though the Draft Report has given more emphasis to work-based learning, industry training and work-based training, it is still not enough. There are very few recommendations in the Draft Report that would enhance work-based learning opportunities. Neither is there sufficient awareness of the responsibility of employers to both participate in the training (and reward) of new trainees, and in ongoing life-time learning, without which they cannot expect to have employees with the skills the employers require.

19. The CTU made reference in its submission on the Issues Paper to two initiatives which we think could be used to respond to the needs of workers facing employment displacement and where there needs to be a proactive approach to training and retraining. The Learning Representative Model assists workers who may have missed out on learning opportunities to access learning opportunities. On a much larger scale and to respond to changes in industry as described above, the Danish model of “flexicurity” which includes a proactive approach to retraining in a systematic way should be considered as a response to the retraining needs of working people who face significant risks because of changes in employment.
20. The Draft Report continues to refer to the problem of inertia in the tertiary education sector. Use of this term provides a convenient basis for the idea that something new and different is needed. But there is very little analysis or comments as to whether inertia in the tertiary education sector is a result of insecure and uncertain working conditions.
21. The CTU has an overriding interest in the terms and conditions of employment for workers and in quality employment for working people. If innovation in the tertiary education sector is to occur and be sustained the sector has to provide the working environment and employment conditions for innovation to flourish among those who lead and provide tertiary education. A sector which has widespread use of fixed term agreements and insecure work does not provide the environment for innovation to flourish. The high prevalence of precarious work in the tertiary sector creates uncertainty and insecurity for the workforce and is a barrier to innovation and creativity.
22. The Draft Report correctly points out that that there are multiple barriers to tertiary education in the current system and that there are also a lot of people missing out on tertiary education. The Draft Report refers to Māori and Pasifika workers missing out. While Māori and Pasifika are more likely to be low-income, the Draft Report does not sufficiently acknowledge that there are also other low-income workers missing out too. In addition if international trends impact New Zealand, middle-income workers will increasingly also be affected.
23. The Draft Report make the point that there are many people who are missing out on opportunities but fails to make the connection to the social conditions which are the basis of that exclusion. Lack of access to and opportunities for tertiary education results from low-incomes and poverty and is structurally linked to inequality.

### **Draft Report Recommendations**

The CTU response focusses on issues on which we have policy and interest. Omitting to comment on other questions, findings or recommendations does not denote either agreement or disagreement.

**Question 12.6:**

*What do you think of the Student Education Account proposal as outlined in this draft report? What would you do to improve it?*

The CTU opposes the proposal for a Student Education Account. This competitive funding model will only encourage more large scale private provision including from overseas. Such a model is individual-centered and puts the focus of education onto individuals rather than recognising that tertiary education is a public good with social and economic benefits that go beyond the individual student, and that collaboration and co-operation in tertiary education provides the best tertiary education outcomes.

**Question 12.9:**

*Are there alternative models that could shift the tertiary education system from being provider-centric to being genuinely student-centric?*

The importance of the tertiary education sector being responsive to students needs cannot be argued against. It is similar to the discussion in the health care and hospital system happening at the moment: that the health system much be patient-focussed. As in health with health professionals and patient-centred care, there would be very few tertiary education professionals and workers who would not agree with a student-centred tertiary education sector. The question then is what does it look like and how is it achieved? To achieve the goal of the tertiary education sector being “genuinely” student-centred requires a common vision and all stakeholders to have to work together collaboratively. Student representative unions provide an organised voice for student voice and participation.

There are other aspects of tertiary education that require a national oversight such as national strategy and workforce planning.

**Recommendation 12.1**

*Regulatory and purchasing functions in tertiary education appear to be a poor match to government agencies. In implementing this inquiry’s recommendations, government should take the opportunity to design agency forms that provide clarity of function and reduce conflicts of role.*

There does need to be a more streamlined structure for regulatory and purchasing functions on the basis of this providing a cohesive joined-up approach to provision in the sector. This must take into account the need for better coordination between the many statutory bodies and involvement and genuine consultation with stakeholders.

**Recommendation 12.4**

*The Ministry of Education and the Tertiary Education Commission should prioritise analysis of the value-add of tertiary education, including at provider level and by ITO. It*

*should identify what kinds of study, at what providers, provide the best outcomes for different groups of students – including comparisons between provider-based and ITO-arranged training. It should publish this information for use by students, parents, providers, ITOs and purchasing agencies.*

We are wary of the obsession with establishing narrow targets and publishing results. This promotes a highly competitive environment. The focus should be on providing the conditions for best learning while information and support is available to tertiary education organizations on how they are doing and how and if they are meeting national standards. These systems should be developed in conjunction with stakeholders in the sector.

#### **Recommendation 12.5**

*The Tertiary Education Commission should change the way it measures completions so that provider performance is not penalised if a student transfers to continue learning at a different provider or moves into work.*

There needs to be improved processes that recognise completion of courses and that learners are not disadvantaged if they change courses or locations.

We agree that providers should not be penalized if a student transfers to a different providers or into workplace training and there would need to be changes to the way that completions are managed and measured to enable this to happen more easily . Ease in shifting between providers would enable better access to lifelong learning and recognition that learning takes places in different contexts and places. But there has to be caution applied also that institutions do not lose capacity and stability from too much movement and impermanence.

#### **Recommendation 12.6**

*Students should be able to mix and match courses from different providers. The funding and regulatory system should not penalise providers for participating in such arrangements.*

We support the recommendation that students should be able to match and mix courses from different providers without penalties to the providers. Opportunities for students to make changes supports that students and workers can change paths. Some of the current rules that do not recognise prior learning or make RPL difficult have long been recognised as problematic.

#### **Recommendation 12.7**

*Government should discontinue Performance-Linked Funding.*

The CTU supports the discontinuation of Performance-Linked Funding and has long advocated this. This model has been shown to have undesirable side-effects, reinforce

competitive behaviors and undermine much needed collaboration in the tertiary education sector.

#### **Recommendation 12.8**

*NZQA should be responsible for defining minimum performance thresholds and monitoring provider performance against those standards. Providers that fail to meet minimum performance thresholds should lose their license to operate. The thresholds should be clear and any changes publicised well in advance.*

While minimum standards are useful they are a low bar. This recommendation has some merit in providing a mechanism to flush out and exit unscrupulous and underperforming providers who pose risk to students, are not meeting employment obligations. This needs more work and discussion.

#### **Recommendations 12.9 and 12.10**

*The Ministry of Education should reform its approach to school-based career education, so that school students, from an early age, develop the skills and knowledge to make effective decisions about their study options and career pathways.*

*Government should consolidate and improve the array of official information sources about study and career options aimed at prospective ( and current) tertiary students.*

We agree and welcome this recommendation for increased capacity and a strengthened approach to school-based careers education. This needs to be funded. Career education and development is a critical component of recognizing the public good role that education makes in society.

The only New Zealand post-graduate course of study in career development and education was closed last year for reasons of being too small and un-viable. If New Zealand is to be well prepared for the challenges in a changing future of work sustaining such courses are critical.

Cooperation and collaboration between secondary and tertiary education is essential given the increasing need and pressure in this area. Private markets and firms should not be involved in career development and education. We agree there should be better and more involvement of ITOs in tertiary education and support more coherence and review of the careers advice system and this should be much better resourced.

We also support consolidating and improving the vast array of official information sources about study and careers options for prospective and current tertiary students.

#### **Recommendation 12.11**

*All providers should be able to apply to NZQA for self-accrediting status. Self-accreditation would cover processes such as programme approval and accreditation, qualification monitoring and evaluation review.*



We do not support a self-accrediting model as it provides the mechanism to for-profit private providers to regulate themselves. International experience is that the profit motive overrides the need for quality. For it to work would require intensive supervision and monitoring which governments have been unwilling to fund and has been susceptible to provider-capture (as exemplified in the case of the supervision of the private prison provider Serco) in part because of ideological pressure for light-handed regulation and maximum freedom for private providers.

The risks from the private provision of tertiary education are being shown in some of the results of the doctoral research on foreign students and immigration by Danae Anderson of the Auckland University of Technology. Besides facing serious exploitation in employment, international students are being out-rightly exploited by many Private Training Establishments. These providers have been found to have low to no standards of entry and are practically guaranteeing students that they will pass courses. The Herald in an article on 8 December referred to anecdotal evidence that at least 58 investigations are underway and that cheating and fraud is widespread among education providers in the international student market (“It’s the ‘Tip of The Iceberg,’” 2016).

We urge the Productivity Commission to pay attention to this in its Final Report.

**Recommendation 12.12**

*Government should repeal the statutory provisions relating to the Vice Chancellors Committee in the Education Act 1989. Cross-institution collaboration on course development and quality control for self-accrediting providers should be voluntary and subject to the normal provisions of the Commerce Act 1986.*

We support the position of TEU who say CUAP should be retained and support their argument and those of others – e.g New Zealand University Student Associations - that this kind of cross institutional collaboration improves the overall performance of the sector.

**Recommendation 12.14**

*NZQA should update its policies to permit providers to change the location of delivery without prior approval, where those changes do not materially alter the programme from the perspective of students.*

We are concerned about how this would work in practice and the downsides to this. This needs much more discussion as to the rationale and the process and why this would be allowed. Many public tertiary institutions (particularly ITPs) play an important regional role in social cohesion and social and economic development. Deregulating regional competition could undermine this regional function by undercutting parts of a regional institutions’ operations. The advisability of the recommendation depends on the role that is desired for these regional institutions.

### **Recommendation 12.17**

*Government should relax its statutory requirements for research-led teaching of degrees.*

In most areas of tertiary education research-led teaching is essential. Where there are areas that this is not the case there could be consideration of the recommendation from the TEU to look at amending the statutory requirements to differentiate between research, scholarship and practice based teaching and to support the different types of programmes in different contexts. Rather than de-emphasise research in degree teaching, a more productive approach would be to take actions to strengthen the quality of teaching.

### **Recommendation 12.18**

*Government should establish a student ombudsman service within NZQA to promote credit transfer, and with the power to arbitrate disputes between transferring students and their destination provider.*

The CTU supports the recommendation for a student ombudsman service.

### **Recommendation 12.22**

*Government should:*

- *extend funding eligibility to students who do not intend to pursue qualifications;*
- *remove specifications that set a lower and upper limit on fundable course duration;*  
*and*
- *remove limits on the use of industry training funding on training at levels 5 and above on the NZQF.*

We support the recommendation that Government should extend funding eligibility to students who do not intend to pursue qualifications. This could be good for lifelong learning. However we are concerned that it will encourage employers to pressure employees to undertake the minimum training required. This may suit employers because it is job-specific and minimises training costs and time off work, but may not suit career ambitions of students for whom a full qualification would open up other employment options. The latter also has longer term benefits to the economy in providing employees with increased ability to respond to change. Funding of part-qualifications should therefore be accompanied by other measures that encourage students to complete qualifications such as provision of paid leave for study.

The third part of the recommendation to remove limits on industry training at levels 5 and above requires more discussion with sector stakeholders including unions.

### **Recommendation 12.23**

*Government should abolish University Entrance, leaving all universities free to set their own entry requirements.*

This recommendation would have major consequences. It will create more complexity for people wishing to go to university and uncertainty if different universities have different and/or changing standards. Giving this power to providers is inconsistent with the notion of a student-oriented system.

**Recommendation 12.29**

*Government should reform the Student Loan Scheme to be an income-contingent loan scheme that ensures that people are not excluded from tertiary education purely because they cannot borrow against future earnings to fund their education. Future Student Loan Scheme borrowers should be charged interest at a rate that covers the government's costs in running the scheme.*

We do not support the reintroduction of interest on student loans. The CTU position is that as a first principle, tertiary education should be available to anyone regardless of income. Changes to the current student loan scheme as proposed would have the greatest negative impact on students from low-income families.

**Recommendation 12.30**

*The Government should alter the definition of an equivalent fulltime student (EFTS) to allow alternatives to the input based "learning hour" as a basis of calculation.*

If the intent of this is to increase learning options for students and workers we support this. However while the stated intent of this move is to remove disincentives to shorter-length courses using "accelerated learning" that places a heavy burden on quality assurance to be sure that the "accelerated learning" is qualitatively as good as the standard length course. More discussion on the detail of this is needed.

**Recommendation 12.31**

*The Ministry of Education should review the funding rates applicable to New Zealand and Managed Apprenticeships, with a view to equalising them.*

This is a perennial issue which has faced the Tertiary Education Commission for at least a decade. There has been concern that funding ITPs at the rate of ITOs would strip ITPs of funding for their much more extensive facilities often needed for practical training. If funding were equalised downwards many ITPs may exit from apprenticeship training because of an inability to maintain the facilities needed for that training. While the Draft Report (p. 99-100) contrasts higher costs for ITP-based apprenticeships with apparently slightly lower completion rates, completion rates may not tell the full story: for example ITPs may provide training for a broader range of skills within an apprenticeship than can be offered by a single employer. This requires further investigation.

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