

## **New Zealand Productivity Commission**

Te Kōmihana Whai Hua o Aotearoa<sup>1</sup>

The Commission – an independent Crown entity – completes in-depth inquiry reports on topics selected by the Government, carries out productivity-related research, and promotes understanding of productivity issues. The Commission aims to provide insightful, well-informed and accessible advice that leads to the best possible improvement in the wellbeing of New Zealanders. The New Zealand Productivity Commission Act 2010 guides and binds the Commission.

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To find out more about the Commission, visit [www.productivity.govt.nz](http://www.productivity.govt.nz), or call +64 4 903 5150.

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<sup>1</sup> The Commission that pursues abundance for New Zealand.

# About this document

## The Government has asked the Productivity Commission to carry out an inquiry into “new models of tertiary education”

The Commission has published an **issues paper** on its website to assist individuals and organisations to participate in the inquiry. The issues paper outlines the background to the inquiry, the Commission’s intended approach, and the matters about which the Commission is seeking comment and information. It also contains 78 specific questions to which responses are invited.

This document sets out **just the 78 questions from the issues paper**. Submitters are welcome to use this document as the basis of their submissions. Submissions are also welcome in many other forms, as outlined in the issues paper.

## Making a submission via this document

All submissions should include the submitter’s name and contact details, and the details of any organisation represented. This information can be entered below.

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Organisation represented
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Submissions may be lodged at [www.productivity.govt.nz](http://www.productivity.govt.nz) or emailed to [info@productivity.govt.nz](mailto:info@productivity.govt.nz). Word or searchable PDF format is preferred. Submissions may also be posted. Please email an electronic copy as well, if possible.

The Commission will not accept submissions that, in its opinion, contain inappropriate or defamatory content.

## What the Commission will do with submissions

The Commission seeks to have as much information as possible on the public record. Submissions will become publicly available documents on the Commission's website shortly after receipt unless accompanied by a request to delay release for a short period.

The Commission is subject to the Official Information Act 1982, and can accept material in confidence only under special circumstances. Please contact the Commission before submitting such material.

## Key inquiry dates

Receipt of terms of reference:	3 November 2015
Due date for initial submissions:	4 May 2016
Release of draft report:	September 2016
Draft report submissions due:	November 2016
Final report to Government:	28 February 2017

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# Questions

Below are the 78 questions contained in the issues paper. These questions are not intended to limit comment. The Commission welcomes information and comment on all issues that participants consider relevant to the inquiry's terms of reference.

Submitters should choose which (if any) questions are relevant to them, and leave or delete those they do not wish to answer. Many questions will not make sense without the accompanying discussion provided in the issues paper; submitters should refer to the issues paper to clarify the meaning of the question.

**It should be noted that this submission contains responses to only those questions considered relevant to the areas to the experience / interest of the submitter.**

Question number	Question text	Where the question appears
Q1	<b>What are the advantages and disadvantages of administering multiple types of post-compulsory education as a single system?</b>	<b>Page 3</b>
Q2	<b>Do prospective students have good enough information to enable them to make informed choices about providers and courses? What additional information should be provided? Who should provide it?</b>	<b>Page 8</b>
Q3	<b>Is the business model of universities published by Universities New Zealand a good characterisation? Are there aspects of the business model of universities that it does not explain?</b>	<b>Page 11</b>
Q4	<b>What is the business model of ITPs? Do the business models of ITPs vary significantly? In what ways?</b>	<b>Page 12</b>

**Q5****What are the business models of the three wānanga?****Page 12****Q6****Do the business models of PTEs have common characteristics?****Page 12****Q7****What are the implications of economies of scale in teaching (and the government funding of student numbers) for the delivery of tertiary education in different types of providers and for different types of courses and subjects?****Page 12****Q8****How does competition for student enrolments influence provider behaviour? Over what attributes do providers compete? Do New Zealand providers compete with one another more or less than in other countries?****Page 12****Q9****What are the implications of fixed capital costs for the business of tertiary education? Do differences in the capital structure of different tertiary institutions have important implications for the delivery of tertiary education?****Page 13****Q10****What are the implications of the multiple activities of tertiary education for its delivery? What outputs are best produced together? What outputs are best produced separately?****Page 13****Q11****What are the benefits and disadvantages, in terms of students' learning outcomes, of bundling together research and teaching at universities in New Zealand?****Page 14**

**Q12**

**What value is attached to excellence in teaching compared to excellence in research when universities recruit or promote staff?**

**Page 14****Q13**

**Do New Zealand TEIs cross-subsidise research with teaching income?**

**Page 14****Q14**

**What other evidence is there about what makes for effective teaching in a tertiary environment? Is it different for different types of learning or student? How can teaching effectiveness be best measured and improved?**

**Page 17****Q15**

**How do tertiary providers assess, recognise and reward teaching quality in recruitment and career progression? To what extent do tertiary providers support the professional learning of teachers?**

**Page 19****Q16**

**How do New Zealand tertiary providers use student evaluations? How does this influence provider behaviour?**

**Page 19****Q17**

**In what ways and to what extent do employers interact with tertiary providers in New Zealand? Are there practical ways to encourage employers to have greater or more productive involvement in the tertiary education system?**

**Page 21****Q18**

**What are the similarities and differences among ITOs, or between ITOs and other tertiary subsectors, in how they operate?**

**Page 21**

**Q19****What makes for a successful ITO in terms of meeting the needs of firms for skilled staff? Page 21****Q20****How effective is the ITO model in meeting the needs of learners and firms? Page 21****Q21****What arrangements for arranging workplace training and apprenticeships in other countries could New Zealand usefully learn from? Page 21****Q22****Is the current architecture a good fit for a tertiary education system? What are its advantages and disadvantages? Are there good alternatives? Page 24****Q23****How effective is the TES instrument at giving government education agencies direction about prioritising resources and making trade-offs in carrying out their roles? What are the benefits and risks, in terms of fostering an innovative system, of a more or less directive TES? Page 24**

- The TES appears to encourage innovation and appears to be about right in guidance about priorities. Too much more direction is likely to risk lack of focus on innovation.
- The main issue seems to be in the subsequent follow-through by the major agencies (TEC and NZQA) where the relatively clear TES seems then to bog down in managerialism and compliance foci.

**Q24****How do other instruments (eg, funding mechanisms, letters of expectation, budget initiatives) influence government agencies' behaviour? How do these align with the TES instrument? Page 24****Q25****When do the TEC's independent funding role and its Crown monitoring role align, and when are they in tension? Page 25**

**Q26****What are the pros and cons of different quality assurance arrangements for universities to those for ITPs, wānanga, and PTEs?****Page 26**

- A major issue for higher level business qualifications is the lack of clear transition requirements and greater access pathways for entry to undergraduate degree third years. For example, it is almost impossible to guide NZ Diploma in Business students on transition. The answer is always that transition will depend on individual circumstances.

**Q27****How do New Zealand's government institutional arrangements for tertiary education compare to those in other jurisdictions?****Page 27**

- Based on considerable knowledge of the UK jurisdictions, it is submitted that in the area of higher level business qualification, the UK jurisdiction allows for considerably more flexible options

**Q28****In what ways does a focus on educating international students complement or undermine the other goals of tertiary education providers?****Page 31****Q29****What factors best explain the discrepancy between growing levels of tertiary education attainment without a significant productivity dividend?****Page 34**

- Funding limitations. Not total funding, but lack of flexibility in application.
- Innovation inertia in institutions and apparent unwillingness to identify and advocate for alternative delivery structures and regulations.
- There is unlikely to be any increase in productivity dividend until more significant innovation is achieved



**Q30****What are the best measures to determine whether the tertiary education system is working well?****Page 36**

- Ratio of non-programme direct delivery costs to direct programme delivery costs. This ratio has risen greatly over the last decade. with little apparent added value to student and employer stakeholders,
- Evidence from students, employers and community focussing entirely on actual and perceived added value

**Q31****What other evidence is there about the influence of tertiary education system performance on graduate income premia in New Zealand?****Page 38****Q32****To what extent are graduates meeting employers' expectations with respect to hard or technical skills? What about soft skills and capabilities?****Page 47****Q33****What are the significant trends in employer demand for tertiary-educated employees, and in student demand for tertiary education? How is the system responding?****Page 50**

For higher level business qualifications –

- More flexible delivery options to recognise student workplace demands eg accessible part time and self-paced options.
- Shorter, more compact courses focussing on key knowledge requirements / expectations
- The system response is at best very sluggish.

**Q34****What is being done to develop, assess and certify non-cognitive skills in tertiary education in New Zealand? Do approaches vary across provider types, or between higher, vocational, and foundation education?****Page 51****Q35****What are the implications of new technologies that are predicted to make many currently valuable skills obsolete? Will this change the role of the tertiary education system?****Page 53**

Q36

**What challenges and opportunities do demographic changes present for the tertiary education system?**

Page 55

Q37

**What evidence is there on the effect of tuition fees on student access to, or the demand for, tertiary education in New Zealand?**

Page 60

- Within reason, the demand can be relatively inelastic. Rather than fee maxima, some market flexibility could be allowed with perhaps a top end maxima.
- The submitter has noticed the dynamics of student fee for undergraduate business programmes in the UK.  
Fees were raised substantially to a maximum of GBP 9000  
Per course rates varied up to this limit.  
There is no significant reduction in student numbers
- A student loan scheme is essential.

Q38

**What are the likely impacts of domestic student fees increasing faster than inflation?**

Page 60

- See above (Q37)

Q39

**What impact has the pattern of government spending on tertiary education had on the tertiary education provided**

Page 61

- Over-regulated which increases costs without much obvious benefit AND restricts flexibility and discourages innovation.
- TEC funding has become more administratively complicated with increasing emphasis on performance indicators such as course and programme completion. While consideration of performance is reasonable, the current requirements do not allow for variations in duration and delivery options for adult and part time students.
- It is submitted that a more flexible system that reflected performance could be that efts funding be applied on the basis of say 20% per student on confirmed enrolment and then 80% paid on the basis of per student course completion. Such an arrangement would significantly reduce administration costs and greatly increase delivery flexibility.
- TES funding is basically restricted to NZ qualifications. There could be

greater opportunity for greater innovation and some alternative specialisation if there was provision for efts funding of qualifications from reputable institutions in other countries

**Q40**

**How have providers' input costs and revenue changed over time? What are the implications of these changes?** Page 62

- Ratio of non-delivery costs to direct delivery costs has increased significantly which has a negative impact on programme development and innovation

**Q41**

**How might Baumol's cost disease or Bowen's law (discussion of which tends to focus on providers like universities) apply in other parts of the tertiary education system?** Page 64

**Q42**

**What specific technologies should the inquiry investigate? Why?** Page 67

**Q43**

**What parts of the tertiary education system are challenged by ongoing technological change? What parts can exploit the opportunities created?** Page 67

**Q44**

**How has internationalisation affected New Zealand's tertiary education system? What are the ongoing challenges and opportunities from internationalisation of the tertiary education system?** Page 71

- Challenges include tertiary qualification development responding to visa provisions
- Opportunities include 'importing' of innovative and specialised qualifications and 'exporting' of potentially unique programmes such as extreme adventure tourism management and possibly high performance NZ sports (rugby, canoeing, rowing etc.

**Q45**

**Is the "New Zealand" brand an important part of international competition for students, staff, and education products and services? What should providers and government do to manage or enhance this brand?** Page 71

**Q46****What other trends provide challenges and opportunities for the tertiary education system?****Page 71**

- Further globalisation of reputable, internationally recognised programmes that will significantly compete with NZ qualifications and not have the same over-regulated limitations. (eg City and Guilds)

**Q47****What trends are likely to be most influential for the tertiary education system over the next 20 years?****Page 71****Q48****Are there other important types of new model that should be included within the scope of this inquiry?****Page 74****Q49****What new models of tertiary education are being implemented in universities, ITPs, PTEs and wānanga? How successful have they been?****Page 74****Q50****Are current quality assurance and accountability arrangements robust enough to support a wide range of new models?****Page 75**

- They are over-regulated and appear to assume that robustness comes from detailed regulations
- They are relatively inflexible and do not encourage innovative programme development and delivery

**Q51****How might new models of tertiary education affect the New Zealand brand in the international market for tertiary educations, students, education products and services?**

<b>Q52</b>	<b>What can be learnt from the tertiary education systems of other countries? Are there models that could be usefully applied here?</b>	<b>Page 77</b>
<b>Q53</b>	<b>What measures have been successful in improving access, participation, achievement and outcomes for Māori? What measures have been less successful? Why?</b>	<b>Page 78</b>
<b>Q54</b>	<b>What measures have been successful in improving access, participation, achievement and outcomes for Pasifika? What measures have been less successful? Why?</b>	<b>Page 79</b>
<b>Q55</b>	<b>What measures have been successful in improving access, participation, achievement and outcomes for at-risk youth? What measures have been less successful? Why?</b>	<b>Page 79</b>
<b>Q56</b>	<b>What measures have been successful in improving access, participation, achievement and outcomes for those with limited access to traditional campus-based provision? What measures have been less successful? Why?</b>	<b>Page 79</b>
<b>Q57</b>	<b>What measures have been successful in improving access, participation, achievement and outcomes for people with disabilities? What measures have been less successful? Why?</b>	<b>Page 79</b>
<b>Q58</b>	<b>What measures have been successful in improving access, participation, achievement and outcomes for adults with low levels of literacy or numeracy? What measures have been less successful? Why?</b>	<b>Page 79</b>
<b>Q59</b>	<b>How innovative do you consider the New Zealand tertiary education system is? Do you agree that there is “considerable inertia” in the system compared to other countries? If so, in what way and why?</b>	<b>Page 81</b>

**Q60****What are the factors associated with successful innovation in the tertiary education system? Page 81**

- Encouragement from top management
- Flexibility in funding and quality assurance processes
- Be willing to look outside the NZ 'system'
- Persistence
- Be willing to challenge established thinking

**Q61****What are the benefits to innovators in the tertiary education system? What challenges do they face in capturing these benefits? Page 81**

- Potential to produce more effective student outcomes relevant to the needs to achieve some competitive economic advantages AND increase much needed innovation and productivity in NZ.
- Main challenges are lack of flexibility in funding, over-regulated quality assurance regulations and thinking locked into relatively rigid programme and qualification structures

**Q62****What are the barriers to innovation in the tertiary education system? What might happen if those barriers are lowered? Page 81**

- Barriers much as challenges above
- If lowered and with encouragement from top management, innovators would 'rise to the surface'. Compliance fear that is major inhibitor.

**Q63****How well do innovations spread in the tertiary education system? What helps or hinders their diffusion? Page 81**

- Not well. Competitive stances. We cannot reasonably have business models for
- Institutions and t the me time expect collaboration other than can achieve mutual benefits.

**Q64****How successful was the Encouraging and Supporting Innovation fund in promoting innovation in the tertiary sector? What evidence supports your view? Page 83**

**Q65**

**Are there examples where the New Zealand Government has directly purchased innovation or innovative capacity in tertiary education? If so, was it successful?**

**Page 83****Q66**

**How easy or hard is it for a new provider or ITO to access TEC funding?**

**Page 84****Q67**

**Does the programme or qualification approval process via NZQA or CUAP enable or hinder innovation? Why?**

**Page 85**

The following comments relate to NZQA and higher level qualifications

- Generally the process is time consuming and requires considerable and often repetitive documentation. The approval processes tend to be all about compliance with existing regulations with no obvious interest in innovative or more productive proposals which may be outside established squares

**Q68**

**What impact has Performance-Linked Funding had on providers' incentives to innovate?**

**Page 86****Q69**

**How much does funding shift between PTEs based on assessments of performance? Whose assessments are they, and what are they based on?**

**Page 88****Q70**

**How much does funding shift inside a TEI (eg, between courses, academics, or faculties) based on assessments of performance? Whose assessments are they, and what are they based on?**

**Page 89****Q71**

**What influences tertiary providers towards offering a broad or narrow range of course offerings? What are the advantages and disadvantages (for providers, students, and the sector as a**

**Page 89**

whole) of a relatively homogenous system?

**Q72**

**Do New Zealand's tertiary policy and regulatory frameworks enable or hinder innovation? What might happen if existing constraints are loosened?**

**Page 90**

The government policies eg TES and other guidance appears to encourage Innovation. The subsequent follow-through by the major agencies (TEC and NZQA) seems then to bog down in managerialism and compliance focus.

If these were loosened and the agencies willing to engage in consideration of innovative proposals, it could certainly be expected that the potential innovators would appear

**Q73**

**How do intellectual property protections in tertiary education foster or hinder innovation? Are the effects different in different parts of the system or for different kinds of provider?**

**Page 91**

**Q74**

**How does the Crown's approach to its ownership role affect TEI behaviour? Is it conducive to innovation?**

**Page 92**

**Q75**

**Do regulatory or funding settings encourage or discourage providers from engaging in joint ventures? If so, how?**

**Page 93**

**Q76**

**How do regulatory or funding settings encourage or discourage providers from seeking external investment?**

**Page 93**



**Q77**

**How do tertiary providers create incentives for internal participants to innovate? What kinds of choices by providers have the biggest “downstream effects” on their level of innovation?**

**Page 93**

- Encouragement from top management
- Create some budget provision for innovative development and accept risk of inability to proceed in some cases.
- Be willing to look outside the NZ ‘system’
- Recognise (not necessarily monetary) persistence
- Accept and encourage challenges to established thinking

**Q78**

**What incentives do government education agencies have to innovate in the way they carry out their functions, both within and across agencies? What constraints do they face?**

**Page 94**

- Not much evidence of any. A lot of development in agencies appears to increase complexity of existing and ‘new’ regulations and reduces productivity in the core functions of programme development and delivery.
- Focus appears to be on managerialism –ie seeking to minimise risk and maintain ‘quality’ by documentation. Innovation comes from people wanting to achieve Innovation and productivity; not from documentary systems and processes,

A lot of constraint seems to be internal and comes from being locked in to established and regulatory thinking.