

## **Open Polytechnic of New Zealand Consultation Submission: Productivity Commission Draft Report – New Models of Tertiary Education**

Open Polytechnic of New Zealand (OPNZ) believes that the Productivity Commission’s Draft Report on New Models of Tertiary Education presents, at a high level, a convincing case for developing a more flexible, responsive and innovative system able to respond to New Zealand Aotearoa’s changing economic and social needs, the diverse lifelong learning needs of all New Zealanders, and the challenging uncertainties in New Zealand’s external environment.

The Draft Report, in our view, also provides a detailed and accurate diagnosis of the systemic constraints that currently impede the well-managed evolution of such system.

While there may be differing views on how to get there, in submissions to the Commission there seems to be much common ground on the broad contours of the future tertiary education system to which New Zealand should aspire, and the core principles that should inform that vision.

We believe it is of crucial national importance that the conversation opened up by the Commission’s Draft Report should continue; and that the Government and relevant agencies should engage with the Commission’s detailed analysis to inform policy, regulatory and funding adjustments that will support, rather than constrain, the evolution of a more innovative and responsive tertiary education system; a system configured to enable New Zealand and New Zealanders to meet the challenges and opportunities of the 21<sup>st</sup> Century.

### **OPNZ feedback to the Draft Report**

Open Polytechnic of New Zealand plays a distinctive role within the tertiary education system as the specialist national provider of vocational open and distance learning (ODL). Most of Open Polytechnic’s 30,000 learners fall into a distinctive constituency of learners: adults (aged 25 years and over) mainly in work and studying part-time to upskill themselves and upscale credentials to further job and career progression.

The Draft Report and a range of submissions identify the need for greater flexibility of provision to meet the current and projected needs of people to re-skill and re-retrain in the face of continuous economic, occupational and technological change.

People in employment who invest their own time and money to upscale their skills and credentials directly benefit both current and future employers and the wider economy. However, time is an increasingly scarce commodity, so for many learners, being able to pursue their ongoing vocational development in their own time and place, rather than attend campus-based classes or upskill/credentials within a pre-determined workplace-based context, is a very important option.

The Commission’s Draft Report correctly identifies a fundamental disjunct between a tertiary education policy and funding regime that focuses strongly on immediate post-school learning in a face-to-face environment, and wider socio-economic-technological trends driving the imperative for lifelong learning and skilling.

Both are necessary, and the school-to-tertiary transition will plainly remain the cornerstone of tertiary education. But the rigidity and bias of the current system and the behaviours it imposes on providers, goes against the vision of tertiary education that the Commission proposes and is broadly supported by many of the submissions received: a tertiary education system that is able to respond in flexible ways to a diversity of social, economic and educational needs through innovative thinking, operational practice and models.

Effective calibration of policy and funding to enable such a vision, while at the same managing educational and financial risk, is a complex undertaking. The key, OPNZ believes, is to explicitly set the vision and its underlying principles in order to guide ongoing policy and regulatory settings.

We would strongly submit that a reinvigoration of the concept of lifelong learning is an example of such a core principle.

In terms of the Draft Report's recommendations, there are some specific points we wish to note.

### **1. New Models of Tertiary Provision**

A core theme of the Draft Report is that the new delivery models it believes are required to drive more responsive tertiary provision will also be more differentiated models. The Commission is critical of the factors in the current system that incentivize and even impose a "more of the same" level of uniformity.

Open Polytechnic not only supports, but has consistently argued a similar view, based on its own experience as a specialist distance provider operating in a system designed for campus-based study and within a tertiary strategy focused, as the Commission notes, on full-time study for school leavers to the (at least implicit) exclusion of adult learners (who are also more likely to study part-time).

The Commission argues that innovative models are more likely to come from new entrants, rather than incumbent providers. Open Polytechnic would argue that within the prevailing norms of the tertiary system it is already an innovative model and that its scope for further innovation is limited only by the system constraints the Commission identifies and believes should be dissolved.

The counter-view to more differentiated, demand-led models, holds that technology will progressively reduce, rather than enable, distinctive institutional forms – distance versus campus, for example – and that all providers will eventually morph into deliverers of "blended" learning, most often formulated as an enrichment and extension of the prevailing campus-based learning model – the "flipped classroom", "collaborative project-based learning" and so on.

In Open Polytechnic's view, the Draft Report provides substantial evidence and arguments as to why this is neither likely to be the case nor desirable. Rather, an enabling funding and regulatory environment would allow providers and collaborative networks to focus and specialize; to pursue new models to meet diverse learning and learner needs; and to leverage advancing technology to these ends.

## **2. Developing a tertiary education system for the future**

The existing tertiary education system is structured around a small range of different types of organisations. At a macro level these organisational types were originally established to meet the needs of a particular group of learners. These learner needs are changing and there is a requirement for significantly more granularity to exist in the system to meet these requirements.

Currently TEC operates as the primary funder of this system. The way it designs and operates the system drives the behaviours of the providers. TEC needs to recognise that it is the “leader” of the tertiary education system ecosystem, rather than just the funder of individual organisations.

## **3. TEC’s role as a leader of the tertiary education system**

TEC therefore needs to understand the range of needs of New Zealand’s tertiary learners and which organisations are operating best to meet their needs. Appropriate funding needs to flow to organisations to support their particular role in the system.

Different learner groups will have varying requirements leading to the need for different teaching capabilities and a variance in what is recognised as good outcomes. Failure to recognise this on the part of the funding agency can see providers moving into a spiral of perceived under-performance, leading to loss of income and greater under-performance.

The current “one size fits all” metrics and funding criteria within provider categories will quickly lead to providers choosing to educate the “easiest” learners, meaning that the needs of others go unmet. Education has a public good component which needs to be recognised.

The danger of taking a contestable funding system too far is that it fails to recognise these different factors. OPNZ has seen specific examples of this in recent times.

## **4. Benefits of scale**

Not only does the current system potentially increase risks, but it also misses opportunities. A distance learning organisation like OPNZ has a different operating model when compared with face-to-face organisations. For OPNZ, courseware creation costs are high in capital terms, but the marginal cost of delivery falls rapidly as volumes increase.

On this basis, OPNZ operates well nationally, where scale can be achieved, for a group of learners for whom face-to-face is not their preferred choice. The current contestable funding model does not appear to make allowance for this.

TEC’s role should therefore be to understand the requirements of learners across the country – in terms of their numbers in each category, the particular needs they have, the results that should be expected to be achieved and the range of expenditure that this will require.

The Investment Plan prepared by each TEI should spell out all this and TEC should then negotiate specific investment levels and performance outcomes it expects from each TEI.

TEIs should then be held to account for their performance over the appropriate timeframe of the Investment Plan.

Freeing the system from being EFTS-based provides the opportunity for economies of scale to apply. Allowing a provider to enroll a higher number of learners should be accompanied by a requirement for a reducing marginal payment to the provider per student. The risk to the government of seeing increasing student loan costs could be mitigated by requiring courses where higher student numbers have been allowed by TEC to be tuition fee-free.

#### **5. One of the issues this approach will raise is the workload requirement for TEC**

A model the Productivity Commission could consider is the electricity distribution model overseen by the Commerce Commission. Here there are a range of relatively homogenous distribution companies that operate under a DPP (Default Price-Quality Path) which reflects a standard model for calculating the price and quality requirements of a lines company. In particular circumstances, however, a lines company can apply to the Commerce Commission to move onto a CPP (Customised Price Path). This requires a lot more work and justification on the part of the requesting company than operating under a DPP and so limits the number of applications and ensures that those who do apply have a significant reason for so doing.

Under an “educational CPP,” specific targeted performance metrics and funding could be established with the onus being on the TEI to demonstrate how this adds value to the tertiary education system. TEC would in turn need to be clear about what it is looking for from the system in order to judge whether the value added case is clear.

#### **6. Building conditions around investment decisions**

One of the untapped opportunities TEC has with its funding responsibilities is to place conditions on providers around the funding.

For example, one big issue across the system appears to be the extent of competition and the lack of collaboration between providers. The current system operates on a zero sum basis – “the more you succeed the more I fail” – with few organisations prepared to take the risks that collaboration entails.

Providing incentives to genuinely collaborate, for example, clear demonstrable gains in learner access, course quality and/or cost to organisations and learners, would change behaviours rapidly. Encouragement for this to happen could occur through the placing of conditions around the investment decisions TEC makes, together with the subsequent monitoring.

#### **7. Recognition of Prior Learning**

OPNZ believes that the final report should make a specific recommendation on the need for a more transparent, consistent and enabling framework for Recognition of Prior Learning (RPL). The recommendation should further propose consideration of whether RPL should attract a proportionate quantum of per student funding and how this might best be determined.

Speaking for our own large constituency of part-time adult learners, their main barrier to learning and learning success is time; their main need is for maximum flexibility within the bounds of robust academic quality assurance.

Adult learners bring (often significant) work experience and skills to their studies. Translating that experience into academic credit ensures they are not unfairly required to spend time and money “learning what they already know”, and can legitimately fast-track progress toward qualification completion. While RPL is conducted to differing degrees at a provider level, we believe a transparent guiding framework at a system level would provide much greater surety and consistency for both providers and students.

## **Draft Report Recommendations**

### **1. Break Open the EFTS**

OPNZ strongly supports recommendation R12:30:

*The Government should alter the definition of an equivalent full-time student (EFTS) to allow alternatives to the input-based “learning hour” as a basis of calculation;*

*And a related point in R12:22: to remove specifications that set a lower and upper limit on fundable course duration.*

Separating student funding from course duration is a fundamental requirement for more innovative and responsive models of delivery. In overseas jurisdictions such as the United States, emerging models such as Competency-based Learning and Adaptive Learning are based on this separation.

Adaptive Learning, for example, seeks to leverage advances in learning science, analytics and technology to provide personalised learning at scale.

It uses custom-designed online learning environments (such as Open Polytechnic’s iQualify) with built-in analytics to provide real-time, adaptive interventions and help students to accelerate mastery of learning goals (and therefore course and qualification completion).

Within an Adaptive Learning environment, un-coupling student funding from “seat time” (physical or virtual) means that students can start study on-demand and progress through learning (course and qualification) at a pace determined by their level of mastery, not as artificially determined by course hours and duration, semesters or the academic year.

We believe analytics-driven Adaptive Learning approaches have significant potential for enhancing learning at all levels, including delivery for time-poor vocational adult learners where it can provide the hyper-flexibility they increasingly desire and that their working lives demand.

Open Polytechnic also fully concurs with the Commission's view that aligned with multi-media and techniques such as badging and gamification, "anywhere, anytime" Adaptive Learning has tremendous potential to reach and engage learners currently under or unrepresented in tertiary education.

## **2. Promote Student Access and Mobility**

OPNZ strongly supports the following recommendations:

*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.*

*R12.18 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.*

*R12.5 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.*

We also support the proposal in recommendation R12:22 to *extend funding eligibility to students who do not intend to pursue qualifications.*

A truly learner-centred tertiary education system should easily enable learners to move and transfer credit between providers and sectors and, should it best meet their needs, access courses from multiple providers to achieve a final qualification. Neither learners nor providers should face barriers or penalties in this process.

New Zealand is a small country with a comparatively large number of tertiary providers. In such an environment, an integrated system or network view has a greater chance of optimising utility and value from tertiary education and leveraging the benefits of advancing technology, than fragmentation and silos.

Free movement of students and credit transfer is an immediate step towards a more integrated, networked tertiary system.

*Q12.2 What measures might encourage providers to enter into articulation agreements to provide pathways for students to study across providers?*

The concept of articulation agreements bakes a provider-centric view into the system. It is costly, inefficient and, additionally for students, time-consuming and confusing. In Open Polytechnic's view, the principle of free movement of learners within and between sectors should be firmly established at a whole-of-system level with appropriate regulatory guidance from the centre to this end.

Providing funding eligibility for students who want to study courses rather than qualifications recognises that changing and transforming organisations and economies require individuals to continually acquire new competencies and skills throughout their working lives.

This may involve a complete credential or qualification, but just as often, will require shorter “just-in-time” learning that meets immediate skill needs or gaps. “Just-in-time” may mean informal learning, continuing professional development or workplace training, but equally and justifiably includes Government funded courses of formally assessed study.

The counter-argument is that Government funds tertiary education to produce graduates with qualifications, and that course-only study should be fully paid for by employers or participants (TEOs can use no more than 5% of SAC funding for students enrolled in course-only options).

But this ignores the reality that in modern progressive societies and economies, ongoing upskilling of individuals is a public, as well as private, good. We concur with the Commission’s more expansive view of tertiary education as, ideally, a system that meets the diversity of lifelong learning needs for both individuals and the wider society and economy.

### **3. Quality Assurance to Support Innovation, Flexibility and Responsiveness**

The Commission makes a number of recommendations regarding NZQA and its processes for qualification assurance, provider and programme accreditations and delivery sites. Open Polytechnic strongly supports these recommendations.

As the Commission correctly identifies (and a range of submissions argue), current processes in these areas hinder, rather than help flexibility, responsiveness and innovation.

“A more diverse system with new models of tertiary education requires a quality control regime that ensures that providers meet minimum quality standards, without the input controls that would only serve to reinforce existing models. Better ex post monitoring of service quality and student outcomes will be needed.” (New Models in Tertiary Education – Draft Report, Productivity Commission, September 2016).

*R12.8 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 licence to operate. The thresholds should be clear and any changes publicised well in advance.*

*R12.11 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 and review.*

*R12.13 NZQA should review their programme approval processes, with a view to reducing timeframes and removing any unnecessary requirements. It should set a target for the median timeframe for approvals.*

*R12.14 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.*

*R12.15 NZQA should amend its guidelines for approval of degree-level programmes to clarify when and why they require a panel review. Panels should be the minimum size and skills composition necessary for quality control.*