

TERTIARY EDUCATION POLICY IN NEW ZEALAND

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EXECUTIVE SUMMARY

As a part of New Zealand's overall response to changing economic conditions in the 1980s, there was a significant change in the landscape of tertiary education. As was the case in many policy areas, New Zealand adopted more competitive, market-based policies for tertiary education.

Participation in Tertiary Education Increased Significantly as a Result of Competitive Market-Based Policies in the Late 1980s and 1990s

Due to increased private contributions coupled with a demand-driven system of public subsidies to institutions, the competitive policies of the late 1980s and 1990s resulted in significantly higher participation in tertiary education. New Zealand moved from more or less free tertiary education and relatively universal student allowances to a situation where fees are charged to students, student allowances are highly targeted by income and student loans are widely used. Government policy moved from subsidising a smaller number of students at a higher rate—often referred to as an elite system—to subsidising a larger number of students at a lower amount per student—often referred to as a mass system of tertiary education.

Move to More Central Steering Tied to National Needs

The Labour Government, elected in 1999, was concerned about some of the effects of the competitive model—in particular, that costs were too high for students and that the system had too little coordination. The Labour Party campaigned on the need to move away from a competitive marketplace environment in tertiary education to a more strategic, coordinated direction tied to national needs. After the election the Labour government quickly reduced costs for all students regardless of their need through interest-free loans while studying and through fee stabilisation. The competitive market-based model continued, however, while the Tertiary Education Advisory Commission (TEAC) advised on how to move toward central steering. TEAC issued its fourth and final report in early 2002.

The government's policy decisions following the TEAC reports maintain many of the competitive aspects of the current system but do so within a more centrally steered and regulated approach. The government has published a Tertiary Education Strategy for 2002-2007 to guide the system; is in the process of creating a new Tertiary Education Commission to fund and regulate tertiary providers; has adopted new regulatory and funding policies; and is developing the specifics of these new policies. Many of these changes were recommended by TEAC although not in the exact form.

As many policy and implementation decisions on the new regulatory and funding approaches are still being made, it is too early to determine the impact of the tertiary strategy and the move to more central steering. The strategy's goals are so broad that almost anything could be done. This presents a real opportunity for New Zealand but also a real challenge. Performance goals, programme design, and implementation will be key.

- What the system steers towards, how policies are designed and implemented, the extent to which funding and regulatory policies complement and reinforce each other, and the independence of the Tertiary Education Commission in carrying out its functions will determine the ultimate effects of the new directions.
- Decisions to be made in the second half of 2002 and the beginning of 2003 will be key in determining the future shape and performance of tertiary education in New Zealand.
- More detail in how policies and implementation will proceed is being developed and is very much needed.

Do Big Increases in Participation Mean New Zealand Has Solved Tertiary Access?

While overall participation in tertiary education has increased substantially since the mid-1980s, significant disparities exist for ethnic groups and for students from low-decile schools. Maori and Pacific Nations students are under-represented in tertiary education as are students from low- and middle-decile schools, especially at the higher levels of tertiary education. Most Maori and Pacific Nations students attend low- or middle-income schools. These opportunity gaps mean the goal of broadening access has not been solved in New Zealand.

Recent policy decisions, such as eliminating the accumulation of interest while studying, have spread government assistance to all participants rather than focusing on where it would make the most difference—on those most in need or most at risk. Current tertiary policy discussions also tend to focus on costs and debt for all students, and on system direction and processes to change the system steering, but not enough on issues of opportunity. Press coverage presents a rather alarmist view of student costs and debt levels without a balanced view of the overall situation. Political discussions tend to reinforce the more alarmist view. As a result many in the public have a misleading picture of tertiary access and affordability in New Zealand.

Three Main Challenges to Moving Ahead on Tertiary Access and Opportunity

To address these issues of tertiary access and opportunity, New Zealand faces three main challenges in moving ahead:

- Develop better acceptance of public/private cost sharing in tertiary education.
- Close the opportunity gap in tertiary participation for at-risk groups.
- Use data and research to inform decisions—to make and deliver good policy and to improve decision-making.

Challenge: Develop better acceptance of public/private cost sharing in tertiary education

Many New Zealanders still feel that free tertiary education would provide the most access. However, evidence in New Zealand and in other countries runs counter to this as tertiary participation has increased in New Zealand and many other countries at the same time that costs increased for students and families. In the recent New Zealand election two minor parties adopted platforms for free tertiary education. As a result many in the public still hold out the hope that fees will be eliminated.

It is difficult to design policies to move ahead on particular issues—such as closing the opportunity gap—when the overall public/private cost sharing approach is still being debated. A better understanding and acceptance of this situation, which is relatively new in New Zealand, is needed.

Maintaining the policy of student fees and public/private sharing of costs should be continued to ensure adequate resources. It should be coupled, however, with targeted early intervention and financial assistance for students most at risk. A strategy to help students and families “Think Tertiary Early” would also help students and families to plan earlier so that tertiary is a real option academically and financially when the time comes.

There is also a widespread misperception of the student debt issue. Many feel that debt is overburdening most students and leading to a lifetime repayment burden. A better understanding of the debt issue is important so that individuals can make well-informed decisions on borrowing and so that they are not deterred from tertiary by misperceptions of the costs and borrowing. Understanding that the country’s income-contingent loans provide insurance against low earnings and that most borrowers repay in a reasonable time period would be helpful as many people seem to feel that income contingent loans present a lifetime of debt. A number of other changes could be instituted in the student loan programme to ensure that adequate access to loans to pay for tertiary education is balanced against excessive borrowing.

Challenge: Close the opportunity gap in tertiary education

Significant disparities exist for ethnic groups—especially Maori and Pacific Nations—and for students from low-decile schools, especially at the higher levels of tertiary education. These differences in tertiary participation are highly correlated with their previous academic preparation. Maori and Pacific Nations students and students from low-decile schools are much more likely than their counterparts to leave secondary school without a qualification or with one below the university level.

Raising expectations and academic preparation as well as addressing student financing and information is needed to reduce the opportunity gap. A coordinated and targeted strategy across educational levels and policy instruments could make a big difference. Key points of this strategy include:

- Making “improving opportunity” a key part of implementation of the tertiary strategy;
- Creating early intervention school/tertiary partnerships for lower-decile schools;
- Providing more and earlier information to students and families;
- Improving student financing, including targeted grants or rebates on fees for at-risk students; and
- Paying institutions more for enrolling targeted groups of students.

Challenge: Use data and research to inform decisions

Tertiary policy in New Zealand is made too often on ideology, rhetoric and anecdote. More and better data, analysis, programme evaluation, and research are needed to

inform the design and implementation of policy. Without this attention to data and studies using data, public funds are likely to be used ineffectively. Consumers—students and families—also need better information and they need it earlier.

The Ministry should develop, with an expert advisory group, a research agenda for tertiary education to examine issues of access and equity, including the effects of fees, loans, student expectations and academic preparation. While this paper uses US research to complement New Zealand's analysis and data, it would be particularly helpful to have more in-depth research on New Zealand's experiences to reflect the country's unique situation. Longitudinal data on a cohort of students starting when they are in secondary school through tertiary completion and into the labour market are needed to address many transition issues across levels of education.

A number of promising data initiatives are under consideration or are under development in the Ministry of Education and other organisations related to tertiary access and opportunity. With careful attention and development these data sources and studies using them could improve tertiary decisions on policy and programme delivery.

Conclusion

As a small country with all the education policy levers at the same level of government, New Zealand could become an international leader in addressing student access and opportunity. Coordinated and targeted strategies across educational levels and across policy instruments could make a big difference in improving tertiary access in New Zealand and in reducing persistent opportunity gaps.

CHAPTER I

INTRODUCTION

Tertiary education policies in New Zealand have undergone review and change almost continually since the late 1980s. On average, a major review of tertiary education has occurred every two years. What have been the effects of these changes? What is likely to happen in the future?

This report examines tertiary reforms since the mid-1980s and the effects on student access and opportunity. It is the final report from my time in New Zealand with the Ministry of Education, as an Ian Axford Fellow in Public Policy. With the many issues in tertiary education why the focus on student access and opportunity?

For New Zealand, as in other countries, the need for tertiary education and lifelong learning is increasing. Significant social and economic benefits—for example, higher earnings, lower unemployment, improved health, more civic participation, and lower crime—exist for individuals and the country. Earnings inequality is increasing between more and less educated groups. As the make-up of New Zealand's population is changing groups that currently have lower levels of educational attainment will represent a much larger share of the population in the future. If the country is to cultivate a strong knowledge-based economy, New Zealand cannot afford to have groups left out of full participation in tertiary education. Socially and economically the country must address these issues.

New Zealand faces many of the same issues in tertiary access and opportunity as the United States; the size and scale are quite different but the issues are remarkably similar. Both countries now have high participation rates in tertiary education among traditional tertiary-aged students as well as older students. But both countries also have significant opportunity gaps for ethnic groups and low-income populations. Moreover in both countries the population groups with less education are growing more rapidly than better-educated groups.

My experience in policymaking at the Federal level in the United States has, in many cases, focused on access and opportunity issues. As I looked at tertiary education in New Zealand I saw many parallels with the US situation. I also saw that not enough attention was being paid to these issues. Press articles, policy debates, and policy prescriptions were not focusing sufficiently on the tertiary education experiences of groups at risk educationally. New Zealand was engaging in major discussions and reform initiatives without sufficient attention to access and opportunity issues. Attention was being paid to costs and debt for all students and to system steering to meet national needs—all important issues—with limited attention to the needs of groups most at risk educationally. Thus my decision to focus heavily on access and opportunity.

This report is not a research paper, per se. Rather it is a policy paper examining tertiary issues, direction and strategies to help policy-makers as they move ahead in 2002 to implement the new Tertiary Education Strategy and the new direction in central steering. My hope is that my work in New Zealand will help to bring more

attention to student access and opportunity so that all groups have the opportunity to participate equally in tertiary education.

CHAPTER II

TERTIARY EDUCATION REFORM: MID 1980s TO PRESENT

New Zealand enters into policy changes boldly, charting a new course with determination and experimentation. As a small country with a unicameral parliamentary system, changes in New Zealand public policies can and do happen quickly, and in tertiary education, quite frequently. Some in New Zealand have even suggested that the country has become addicted to change, changing perhaps more than is needed or before the full effects of previous reforms can be felt or evaluated. Others have suggested that change in New Zealand is more ideologically based than problem-based and thus more affected by the three-year election cycle. My observations suggest that there is some truth in all of these explanations.

This chapter examines the history of tertiary reforms beginning in the 1980s through August 2002 looking at the context as well as the content. It looks at the reports and reviews as well as the actual changes enacted to give a better understanding of not only what changed but why. By design the review does not concentrate on every detail of the reforms but considers only those related to student financing and access and broad funding to tertiary providers, simplifying details at times to highlight the policy directions and shifts.

Changing Economy and the Need for More Tertiary Education

Major changes in New Zealand's economy have fundamentally altered tertiary education policy in New Zealand. From the late 1960s, New Zealand's economy began to stagnate. Deteriorating economic conditions continued through the 1980s resulting in New Zealand's unemployment rate rising to 10 percent. A variety of factors, including changes in the international economy, the country's loss of a preferred economic relationship with Great Britain and serious overspending by Prime Minister Robert Muldoon during his ten years in office, contributed to New Zealand's economic decline.

As a result of the declining economy, the country faced a crisis of confidence in New Zealand's future. In 1984, under Prime Minister David Lange, the new Labour government initiated major changes in economic policy designed to improve the country's economic performance. A group of economists in the Treasury under Minister of Finance Roger Douglas designed a bold programme to restructure radically New Zealand's economic and social institutions around smaller government, market forces, and reduced government spending on social programmes – these policies were known as “Rogernomics”. Following this major economic restructuring the government turned to a re-examination and redirection of social programmes. A comprehensive strategy of economic, social and political reform was enacted through the late 1980s and into the 1990s to improve the country's economic performance.¹

¹ The mid-1980s and early 1990s were marked by major public management reforms that complemented the changes in policy direction. These reforms emphasised consumer responsiveness and smaller government with government carrying out only those activities they could do most efficiently and effectively. See Jonathan Boston, John Martin, June Pallot and Pat Walsh, eds., *Public Management: The New Zealand Model*, Chapter 1 (Auckland: Oxford University Press, 1996).

Tertiary education was only one of many policy areas where major reform took place.²

Changing labour market conditions meant that the distribution of jobs had shifted dramatically.³ “Blue collar” jobs, which did not require tertiary education declined, as “white collar” jobs, which required much more education and higher skill levels rose. Jobs in manufacturing, construction, and agriculture declined while those in business and finance increased. Tertiary education was viewed as more and more necessary to economic success with more students staying in secondary school longer and thus more students interested in going on to tertiary education. Views on tertiary education—the need for it and the gains to be derived from it—were changing.

The attention to tertiary education and its key role in improving the economic picture of New Zealand and its competitive position internationally have continued ever since the 1980s. The important role of tertiary education in ensuring a knowledge economy in New Zealand and the need in the changing economy to provide tertiary education to a high proportion of the population have been mainstays of the discussions and debates regardless of political party, philosophy or policy approach.

Tertiary policy in New Zealand has been reviewed extensively in the past decade and a half. Debates over the best way to fund tertiary education have occurred almost continually in New Zealand since the mid-1980s. There have been at least seven tertiary reviews of different kinds in that time; many more if reviews of related pieces of the system, such as transition programmes, industry training, and adult and community education, are included. These reviews were generally initiated by government to give impetus to reforms they planned to pursue, to develop more specifics on how to move ahead, or to solicit community input on new directions.

Significant change in policy direction and programmes has also occurred frequently in New Zealand since the mid-1980s. New Zealand has been one of the most ambitious countries in its reform efforts in tertiary education. The OECD, in its review of New Zealand’s tertiary system in 1997, noted the New Zealand context as one of “Reforming Again and Yet Again.” The report stated that “Within the OECD membership, it is difficult to identify a country, unless it be the United Kingdom, which has during the past decade embarked upon such a sustained and radical reform agenda as New Zealand.”⁴

Broader Participation in New Zealand Part of International Trend

New Zealand has moved from more or less free tertiary education and relatively universal student allowances to a situation where fees are charged to students, student allowances are highly targeted by income, and student loans are widely used. Government policy moved from subsidising a smaller number of students at a higher

² Significant reform has also taken place in primary and secondary schooling in New Zealand with similar themes—introducing competition and market forces—motivating change. See Edward B. Fiske and Helen F. Ladd, *When Schools Compete* (Washington D.C.: Brookings Institution Press, 2000).

³ Alice H. Johnson, *Changing Skills for A Changing World: Recommendations for Adult Literacy Policy in Aotearoa/New Zealand* (Wellington: Ian Axford (NZ) Fellowships, October 2000).

⁴ OECD, *Thematic Review of the First Years of Tertiary Education, Country Note: New Zealand* (Paris: OECD, 1997).

rate—often referred to as an elite system—to subsidising a larger number of students at a lower amount per student—often referred to as a mass system of tertiary education. As more advantaged groups are generally more likely to enrol in tertiary education in an elite system, it is a rather regressive system for the country. Taxes paid by all citizens support low fees for students who are more likely to come from higher income or higher socioeconomic status families.

The number of students in tertiary education in New Zealand, which had already begun to increase at universities in the early 1980s, more than doubled between 1985 and 2001, from roughly 120,000 students in 1985 to 282,000 students in 2001.⁵ Participation rates increased for individuals of all ages. The proportion enrolled increased from 20.5 percent in 1990 to 34.8 percent in 2001 for those in the traditional tertiary age group (between the ages of 18 and 24) and from 2.7 percent to 5.9 percent for individuals over 24 years of age. The percent of students going onto tertiary education immediately after leaving school increased from 39 percent in 1992 (the first year these data are available) to 45.2 percent of school leavers in 1999.

This shift—from low to high participation rates, moving from an elite to a mass system of tertiary education—had already occurred in the United States but occurred in many other countries at roughly the same time as in New Zealand and in some similar ways. New Zealand was part of an international movement towards lifelong learning and broader participation in tertiary education. The OECD's thematic review of tertiary education in OECD countries concluded that tertiary-level studies are no longer reserved for an exclusive minority and that the trend seems to be towards universal participation when looking at education over a lifetime.⁶

This shift to broader participation was largely a result of tertiary education becoming more and more necessary due to changing labour market conditions and the need for a more highly skilled and flexible labour force. The differences in earnings between those with tertiary qualifications and those without tertiary education are significant. In fact, a recent OECD report on lifelong learning presented data showing how inequality between the less educated and more educated is growing in many countries, including New Zealand and the United States.⁷

Increased Costs for Students and Families Also Part of an International Trend

Participation in tertiary education increased at the same time that costs for students and families increased. Increased private contributions coupled with a demand driven system of public subsidies to institutions made the expansion possible.

This shift—increased student participation while private contributions are increasing—runs counter to what some believe. They assume that greater access can be achieved with free tertiary education. Many people with whom I spoke while living and travelling in New Zealand—including current students, past students who are now repaying loans, and people who went into tertiary education when it was

⁵ July snapshot data from the Ministry of Education; polytechnic figures for 1985 adjusted for reporting problems.

⁶ Alan Wagner, "Redefining Tertiary Education," *OECD Observer* (Paris: OECD, October/November 1998).

⁷ OECD, *Economics and Finance of Lifelong Learning* (Paris: OECD, 2001).

essentially free and are now worried about their children going to college—raised the issue of going back to little or no fees and universal allowances. The student groups, and some politicians,⁸ have also suggested this. On the surface, this argument may sound logical but upon further reflection the evidence in New Zealand and other countries supports some kind of public/private sharing of costs. Unless government has no constraints on resources, more spaces can be supported only if there is a public/private sharing of costs or increased taxes.

Within current levels of government financing in New Zealand the real issue is how to design the system to ensure that costs are not a deterrent for at-risk groups. This issue will be discussed further in a later chapter.

The public/private sharing of costs is based on two important principles:

- Government has some limit on the resources it can—or will—spend on tertiary education; and
- Tertiary education provides economic and social benefits to both the country and individuals.

Sharing costs between students and their families and the government is based on the public and private benefits to be gained from tertiary education. This is clearly the approach used in New Zealand to shift the system in the late 1980s and 1990s, and the approach underlying the current systems in many other countries including the United States. A sharing of the costs in a carefully designed way can, therefore, provide tertiary education to a broader portion of the population.⁹

Much has been written in the economic literature over time about public and private benefits of education broadly and of tertiary education specifically. The private benefits include, for example, increased earnings and reduced unemployment, more flexibility in making job changes, and improved health and quality of life. The public benefits include increased productivity, higher tax revenues, reductions in other social and economic problems—such as illiteracy, crime and poor health—and greater civic engagement through increased voting and public service. There is widespread agreement on the existence of both public and private benefits but not agreement on the size of each or the split between the two. The public and private benefits are interrelated and estimation is rather difficult.

In New Zealand, as in other countries, the greatest economic benefits of tertiary education are increased earnings and reduced unemployment.¹⁰ In New Zealand in 2001, the unemployment rate for individuals with a degree or higher was 1.6 percent compared with 5.2 percent for individuals with a school certificate and 12.7 percent for individuals who left school without any qualification. The average earnings for

⁸ Two minor parties, the Greens and the Alliance, proposed no fees and universal allowances in the 2002 election. A staff person for the Tertiary Minister indicated that this issue is not totally resolved within the Labour party.

⁹ D. Bruce Johnstone and Preeti Shroff-Mehta explore the issue of cost sharing in *Higher Education Finance and Accessibility: An International Comparative Examination of Tuition and Financial Assistance Policies*, (New York: University of Buffalo, February 2000).

¹⁰ See OECD, *Economics and Finance of Lifelong Learning*, Table 1, p. 14 for a comparison of employment and earnings differences by educational quartile for selected OECD countries.

individuals between the ages of 25 and 34 in 2001 was about \$45,000 for individuals with a degree or higher compared with \$30,000 for those with school certificate and \$27,000 for those with no qualifications.¹¹

A very detailed study of returns to education in New Zealand over the period 1981 through 1996 found significant positive private returns to tertiary education even after adjusting for increased costs paid by students.¹² The returns to tertiary education increased from 1981 through 1991 and levelled off for males between 1991 and 1996, with a decline for females.

Tertiary Reforms Since the 1980s

One can look at New Zealand's history of tertiary reforms since the 1980s in four time periods. As is always the case when categorising policies into time periods, the points delineating the beginning and end of a period are not always exact but provide the general trends. They are also influenced by the rhetoric used by political parties to describe and sell ideas.

Before the mid-1980s: an elite system with relatively low participation rates.

Mid- to late-1980s: moving towards broader participation through more competition, with the shift financed, in part, by increased private contributions.

1990-1999: a further move to a competitive market-based model emphasising increased participation, student choice and private returns to tertiary education.

2000 to present: continued emphasis on a competitive market-based model while deciding how to move to more central steering to support the country's economic and social development.

The following tables summarise the main reviews and reports in tertiary education policy since the mid-1980s and key changes in policy during that time.

¹¹ Ministry of Education tables using Census data.

¹² Sholeh Maani, *Private and Public Returns to Investments in Secondary and Higher Education in New Zealand Over Time, 1981-1996* (Wellington: Treasury Working Paper, 1999).

TERTIARY EDUCATION REVIEWS IN NEW ZEALAND, MID-1980s-2002

Labour Government's Tertiary Review, 1987 – 1988

- Summary of public comments: opposed to students and families paying more, opposed to targeting student allowances and opposed to student loans

Hawke Working Group, 1988

- Aim to increase participation in tertiary education
- More emphasis on private benefits but Government still primary funder
- Increase tuition fees and allow institutions to set the fee levels
- Fund institutions based on the number of full-time equivalent students
- Treat similar education at public tertiary institutions (universities, polytechnics and colleges of education) similarly
- Support for student loan programme with income-contingent repayment
- Help disadvantaged students by paying fees rather than using loans

National Government's Tertiary Review, 1991

- Foster high participation while constraining government costs
- Reduce government funding—set public funds at 80 percent of costs and private contributions at 20 percent but allow institutions to set fees
- Introduce student loan scheme
- Target student allowances based on income, looking at parental income for students up to age 25

Todd Task Force, 1994

- Tertiary education and training will be required by all New Zealanders in 21st century
- Provide consistent targeted income support for students
- Continue EFTS system and institutional fee setting
- Expand PTEs in managed way
- Taskforce members were split on the appropriate level of public funding; some supported Option A, some Option B, some neither.
Option A: increase private contributions from 20 to 25 percent of costs and continue loan programme as is.
Option B: address under-representation of Maori and low-income quickly. Increase private contributions to 50 percent to finance increased resources for under-represented groups. Make necessary adjustments to income contingent student loans.

Coalition Government's Review, 1997-1998

- Tertiary education throughout one's lifetime is necessary to achieve economic and social goals
- Ensure responsiveness to students' needs and diversity of programme offerings

- Improve participation of under-represented students
- Fund tuition subsidies for all students wherever they study as long as meet quality standards
- Provide more and better information
- Improve accountability mechanisms, institutional governance and quality assurance

Tertiary Education Advisory Commission, 2000 - 2001

- Four reports setting out a vision and strategy to shape the tertiary system and its funding
- Develop a more collaborative tertiary education sector that will help New Zealand become a world-leading knowledge economy and society
- Create a Tertiary Education Commission as an autonomous crown entity to regulate, fund and monitor the performance of the tertiary system
- Develop a tertiary education strategy document
- Develop a new funding formula with research and teaching separate
- Introduce new regulatory instruments—institutional charters and profiles and desirability tests—to help steer the system
- Continue institutional autonomy to set tuition fees but keep at affordable level

Inquiry by Education and Science Committee, 2001

- Only one recommendation: that Government undertake extensive research into tertiary education resourcing to address the lack of research on effects of fees and loans on students and potential students
- Summarised public comments, which argued for lower fees, more generous allowances, and more information for students on the effect of borrowing. Comments expressed concern on possible negative effects of debt burden on students and families

**MAIN CHARACTERISTICS OF TERTIARY EDUCATION POLICY
MID-1980s-2002**

Before the mid-1980s: an elite system

- Relatively low participation
- Government pays most costs
- Universities funded through the University Grants Committee
- Polytechnics and colleges of education funded directly by Department of Education

Mid- to Late-1980s: moving towards broader participation through a move to competition

- Increase participation through increased private contributions
- Charge centrally set tuition fees with fee subsidy for low-income students

- Provide allowances for living expenses for all students
- Treat funding of all public institutions (universities, polytechnics and colleges of education) as similarly as possible

1990-1999: a further move to a competitive market-based model

- Foster high participation through student-responsive system
- Highly competitive atmosphere
- Institutions set fees
- Constrain government costs and significantly increase private contribution
- Introduced student loan system
- Highly targeted student allowances for living expenses
- Polytechnics moved into many new areas
- Private Training Establishments funding expanded
- Wananga created as public institutions

2000 to present: continued emphasis on a competitive market-based model while deciding how to move to more central steering

- Maintain many aspects of competitive model but desire to move towards more centrally-steered system based on national needs
- Spent 2000-2002 developing the specifics of the policies and processes to be used to steer the system; work still under way
- Private training establishments gained full eligibility in 2000; partial moratorium on new PTEs and new programmes in 2002; funding will be capped in 2003 and beyond
- Created tertiary education strategy for 2002-2007 with annual statement of education priorities
- Reduced student loan borrowing costs for all students and stabilised fees
- Create Tertiary Education Commission to regulate and fund tertiary education
- Use charters and profiles and assessment of strategic relevance to guide decisions about programmes and institutions to be funded
- Create new performance-based funding system for research
- Create new funding system with fee maxima

Before the Mid-1980s: Elite System

Until the late 1980s the government heavily subsidised all students enrolling in tertiary education. While the numbers of students in tertiary education and their participation rates were relatively low, those who did attend tertiary faced low fees as the government heavily subsidised the cost of attending tertiary education. For a brief time, most full-time students also received allowances to pay for their living expenses.

Universities were funded quite differently from polytechnics and colleges of education. Universities received funding through the University Grants Committee, which negotiated funding levels with the government. Operating expenditures were based on equivalent full-time students (EFTS) with a separate capital fund. Polytechnics and colleges of education were funded directly by the Department of

Education—acting like a head office—based on staffing levels and requests for equipment and capital expenditures.

Mid- to Late-1980s: Moving Towards Broader Participation Through More Competition

In the late 1980s, as a result of the economic crisis discussed earlier, the Labour government targeted economic productivity and social equity as high priority areas for New Zealand with tertiary education having a clear role in helping the country to move ahead. In fact, after the election of 1987, Prime Minister David Lange also became Minister of Education, highlighting the priority placed on overall education reform.

In 1987, before the election, the Labour government began a tertiary review that was completed the next year. The Ad Hoc Cabinet Committee on Education and Training, in its discussion booklet, indicated that “as part of its election policy, it (the government) is committed to making it easier for more people to go on to further education and vocational training. It wants...to encourage young people to take up future study and training, and see to it that everyone gets a fair chance to do so.”¹³ This discussion document focused heavily on income support; a second report released by the Department of Education,¹⁴ discussed wider issues of concern to tertiary education including responsiveness to changing needs, efficiency, quality and fairness. The two documents, released together in March 1987, sought public response to a series of questions. The answers would help guide the future development of new policies on tertiary education.

Since most commenters were those benefiting from the current system it was not surprising that the submissions strongly supported income support for all students with little or no targeting, and opposed—except perhaps under rather limited conditions—both the principle of students and families paying more for their education and the use of student loans. In February 1988 the Department of Education submitted a report to Cabinet summarising these and other comments.¹⁵

Just a month later, the Labour government appointed a Working Group on Post Compulsory Education and Training (PCET) to give advice on the present and possible future role of tertiary education in the social and economic life of New Zealand and to provide a framework for policy action by the government. Chaired by Professor Gary Hawke of Victoria University, the working group included representatives from affected government agencies.

Four months later the task force reported back with recommendations quite different from those suggested by the public several months earlier. The Hawke Report¹⁶

¹³ Ad Hoc Cabinet Committee on Training and Employment, *Further Education and Training: Who Should Pay? Have Your Say*. (Wellington, February 1987).

¹⁴ New Zealand Government, *Tertiary Education in New Zealand: Issues and Comments, Have Your Say*. (Wellington: Department of Education, 1987).

¹⁵ New Zealand Government, *Report on Submissions to the Tertiary Reviews*. (Wellington: Department of Education, February 1988).

¹⁶ Gary Hawke, *Report of the Working Group on Post Compulsory Education and Training*. (Wellington: Department of Education, July 1988).

recommended significant changes in tertiary education financing, marking the beginning of a new direction for New Zealand. Aiming to increase participation and learning in tertiary education, the recommended changes signalled a paradigm shift, one that still underpins the current approach to tertiary education policy and programmes. The Hawke report recommended:

- More emphasis on private benefits of tertiary education but government still the primary funder of tertiary education;
- Increase tuition fees for students and allow institutions to set fee levels;
- Fund institutions based on the number of full-time equivalent students;
- Treat funding of similar education at public tertiary institutions (universities, polytechnics, and colleges of education) as similarly as possible;
- Support a student loan programme with income-contingent repayment; and
- Help disadvantaged students by paying fees rather than using loans.

The Labour government adopted many of the recommendations in the Hawke report.¹⁷ The government abandoned the long-standing policy of free tertiary education and introduced a standard centrally set fee of \$1250 for the 1990 academic year increasing to \$1300 for 1991.¹⁸ A fee subsidy (equivalent to a grant) was provided to students from low-income backgrounds so that the average fee across all full-time students was \$850. A new bulk funding system for institutions was introduced at this time applying the same rules to all public tertiary institutions thereby devolving more decision-making authority to institutions over how they spent the funds that they received. Polytechnics and colleges of education were created as corporate bodies with greater autonomy. Institutions received a certain amount per equivalent full-time student (EFTS) adjusted by weighting for different course costs. This amount covered capital and operating costs as well as tuition and research.

The Labour government's policy recommendations also included a variety of measures to increase representation of under-represented groups in tertiary education, such as the fee subsidy for low-income students, special funding allocations for equity objectives, institutional charters with equity targets, corporate plans with programmes to achieve equity targets, and possible funding for courses to attract under-represented groups. Most of these policies were never implemented; the fee subsidy for low-income students was implemented but only for a short time as the National policy decisions announced in July 1991 eliminated the fee subsidy.

1990 – 1999 Reforms: Further Move to the Competitive Market-Based Model

The National government, elected in October 1990, built on the directions of the Hawke report and the previous Labour government but moved further to a competitive market-based approach. The National policies continued government as the primary funder of tertiary education but emphasised private returns to education, encouraged the goal of third party financing (including debt) to meet additional costs,

¹⁷ Most of the government's decisions were presented in two reports. *Learning for Life*, released in February 1989, was a statement of the government's intended directions while *Learning for Life: Two* (August 1989) included further details on policy decisions.

¹⁸ Jonathan Boston, "The Funding of Tertiary Education: Enduring Issues and Dilemmas", *Redesigning the Welfare State in New Zealand: Problems, Policies and Prospects* (Auckland: Oxford University Press, 1999).

increased targeting of allowances, more student choice, and institutional autonomy to set fees. This change in emphasis was occurring in most social programmes in the early 1990s. National's policy decisions were not incremental but were instead a major transformation of New Zealand's welfare state.¹⁹

The National government's first tertiary review, chaired by staff from the Ministry of Education, was completed early in 1991.²⁰ It recommended that the government set public funds at 80 percent of costs and private contributions at 20 percent but that institutions be allowed to set their own fees. To reduce costs the report also recommended targeting student allowances based on income, looking at parental income for students up to 25 years of age. In order for students to pay the increased fees and living allowances the report recommended introducing a student loan scheme.

The government's final decisions followed the review group's recommendations fairly closely but not exactly. The new policies announced in July 1991 were to:²¹

- Eliminate Labour's tuition fee of \$1,300 and allow institutions to set their own fees. Also eliminate the means-tested fee subsidy (grant) for low-income students.
- Introduce the Study Right policy, which provided a larger payment to institutions for welfare beneficiaries and students who went on to tertiary education before the age of 22 to encourage institutions to attract these students.
- Continue funding institutions based on EFTS but institutions would set their own fees.
- Target allowances for students under 25 based on parental income to provide assistance to those most in need.
- Create a student loan programme with income-contingent repayment through the tax system, to be up and running in 1992.

Introducing the efficiency of the market, making institutions more innovative and responsive to the market, opening up the market to new private sector providers, increasing student participation and constraining government costs were the main objectives guiding policy in the early 1990s. These objectives, reflected in the tertiary report and the government's final policy decisions, were also strongly emphasised in my conversation with Lockwood Smith who was Minister of Education from 1990 to 1996 and in conversations with staff who helped to develop the proposals.

Participation increased significantly, as did fees and student loan borrowing and government expenditures. Expecting continued increases in demand for tertiary education while facing fiscal constraints, the government set up a Ministerial Consultative Group to look at the appropriate balance between public and private contributions and the efficiency of providers.

¹⁹ Jonathan Boston, *ibid.*

²⁰ Ministry of Education, *Reports of the Tertiary Review Group*. (Wellington: Ministry of Education, April 1991).

²¹ Lockwood Smith, *Education Policy: Investing in People—Our Greatest Asset* (Wellington: Ministry of Education, July 1991).

The Todd Task Force, as the group came to be called after its Chair, Jeff Todd, Senior Partner of Price Waterhouse, reported back to the government in May 1994.²² The report indicated that all New Zealanders would require tertiary education and training in the 21st century. To meet that demand the taskforce recommended continuing many of the existing policies, including the EFTS funding system, institutional fee setting, and targeted income support for students. It also recommended a managed expansion of PTEs through public funding. On the key question of the appropriate balance between public and private contributions, however, the group was split. They presented two main options, A and B. Four members of the task force supported Option A; four supported Option B; and two members did not support either.

- *Option A* would increase the private contribution from 20 percent to 25 percent and continue the student loan programme as is.
- *Option B* would increase the private contribution to 50 percent to finance the increased resources needed to address the under representation of Maori and low-income. This would require some adjustments to the student loan programme.

Private contributions did increase to an average of 25 percent of costs at that time and participation in tertiary education continued to rise as new programmes and institutions were added to the mix. Polytechnics significantly expanded their offerings, including the creation of degree programmes, taking advantage of their new autonomy. Polytechnics embraced the entrepreneurial spirit, sometimes successfully and at other times with disastrous financial consequences for the institutions. Enrolments in PTEs increased substantially from 1997 on as their funding was increased. Wananga—Maori centres of tertiary education—were established as public institutions in this time period and have grown quite rapidly.

The reforms encouraged significant change but did not pay enough attention to accountability, capacity building, and governance. Technical assistance to develop stronger management and financial capabilities among tertiary institutions and providers was missing, as were accountability measures to encourage successful change.

In 1997, the government carried out another major review of tertiary education policy under the new Minister of Education, Wyatt Creech. A discussion paper²³ was released in September 1997 to spur public discussion on future policy directions for tertiary education. The paper set out the government's thinking on changes to tertiary education with the goal of a developing a final government position on changes after receiving public feedback.

The final White Paper,²⁴ was published a year later in November 1998. The report confirmed that tertiary education would be more and more necessary throughout one's lifetime to achieve economic and social goals and wanted to improve participation of under-represented groups. It also confirmed the general policy direction of

²² Ministerial Consultative Group, *Funding Growth in Tertiary Education and Training* (Wellington: Ministry of Education, May 1994).

²³ New Zealand Government, *A Future Tertiary Education Policy for New Zealand: Tertiary Education Review Green Paper* (Wellington: Ministry of Education, 1997).

²⁴ New Zealand Government, *Tertiary Education in New Zealand: Policy Direction for the 21st Century White Paper* (Wellington: Ministry of Education, 1998).

responsiveness to students' needs and diversity of programme offerings, indicating that the government should fund all students wherever they studied as long as the programme met quality standards. The report also recommended extending eligibility to PTEs so PTE students would be eligible on the same basis as students at other institutions; this change became effective in 2000.

The White paper also indicated some areas where improvements were needed to make the system operate more effectively, including more and better information for students, providers, and government, improved accountability, governance for institutions, quality assurance and audit, and some changes in research funding. Providing information for informed decision making, building in safeguards for accountability, and helping institutions with governance and capacity building are important components of a competitive, demand-driven model. The original National proposals to unleash market forces neglected to pay enough attention to these factors as they opened the system up to new rules and ways of operating. Some of the problems—such as provision of consumer information to students—are still shortcomings of the system and need to be addressed. Whether the recommendations included in the White paper would have been sufficient is difficult to say as not all the decisions coming from the report were actually implemented.

Professor Gary Hawke indicated that general policies introduced in the late 1980s and the 1990s underestimated the inadequacy of education managers to think in terms of an optimal balance of collaboration and self-interest or to understand competition as focusing on what one did best rather than a zero-sum game.

In the 1999 election, the two main parties laid out different views for tertiary education policy and programmes. The National party campaigned on the success of its competitive approach tempered by changes suggested in the White paper and ideas put forth in Bright Future Initiative²⁵ (including reducing the costs of student loans).

The Labour party campaigned on the need for big changes in tertiary education policy. Promises to change tertiary education policy away from a competitive, marketplace environment were key points in their campaign for change. In their tertiary campaign document, the Labour party raised concerns about the vision for tertiary education, the costs to students, and the quality of tertiary education. They argued that tertiary education needed a strategic direction to guide it.

If New Zealand is to be a knowledge-based society, it is vital that teaching, scholarship, and research in the tertiary sector are guided by a clear understanding of where the nation is headed. This is not possible under the current system...²⁶

Labour promised, if elected, to create an advisory group, the Tertiary Education Advisory Commission (TEAC) to develop and advise government on appropriate long-term strategic directions for the sector and immediate priority areas for

²⁵ Ministry of Commerce, *Bright Future: 5 Steps Ahead* (Wellington: Ministry of Commerce, August 1999).

²⁶ Labour Party, *Nation Building: Tertiary Education and the Knowledge Society* (Wellington: Labour Party, September 1999).

additional funding. With respect to institutions Labour stated that “it is essential that the system which emerges enables:

- Institutions and providers to work together across the **whole system** to meet the educational and research needs of the nation;
- Clear **differentiation** between the contribution expected from each type of institution or provider; and
- Greater **specialisation** within institutions and providers in areas of teaching and research.” (bold in the original document, page 4)

Labour also raised concerns about the costs to students of rising fees and student loans and indicated it would work to reduce debt and make the loan scheme fairer by, among other things, eliminating interest accumulation while students are studying. Labour also wanted reduced fees for students, promising at least fee stabilisation in the beginning and further reductions later.

2000 To Present: Continued Emphasis On Competitive Market-Based Model While Deciding How To Move To More Central Steering

Labour’s victory in November 1999 brought a shift in the government’s attitude and policy towards tertiary education—away from a heavy emphasis on hands-off competition to one emphasising lower costs of student borrowing and lower fees as well as more coordination, strategic direction and central steering. This reflects a change from growth for growth’s sake to an emphasis on meeting national objectives.

The Labour government moved ahead on tertiary issues on two rather separate tracks—one for student financing and support issues and one for strategic steering issues. The Labour government quickly moved ahead on the changes to reduce costs for students and created a Select Committee inquiry to examine student resourcing issues. The track on creating a more steered and regulated tertiary sector was on a slower time frame with actual changes on the steering and regulatory approaches waiting until after TEAC completed its work. In the meantime a number of policies that increased competition—for example, funding for PTEs with no volume cap—went into effect based on previous decisions that the new government did not reverse. Thus the emphasis on competition continued mostly as it was while discussions occurred on how to create a more strategic direction for the system.

Some first steps in early 2000:

- The Committee on Education and Science resolved in March to conduct an inquiry into student fees, loans, allowances and overall resourcing of tertiary education.
- Established TEAC in April to advise the government on the strategic direction for tertiary education.
- Eliminated interest accrual for full-time students and low-income students effective in April 2000.
- Implemented fee stabilisation by providing a 2.3 percent funding increase per student in 2001 for institutions agreeing to keep their tuition fees at 2000 levels.
- Introduced a bill, but did not pass it, to prevent any further polytechnics from becoming universities.

- The Labour government took a variety of other important steps in 2000 including, for example, the review of adult and community education and the review of the industry training strategy.

TEAC was an ambitious and highly publicised advisory committee effort issuing four reports in one and a half years,²⁷ a longer and more concentrated timeframe than other tertiary government reviews.²⁸ Some of the previous groups, such as the Hawke Working Group in 1988, operated for only a few months. TEAC did not spend much time on problem definition but generally accepted the view that the system was too competitive and not sufficiently aligned to New Zealand's social and economic needs.

The main recommendations put forth by TEAC included:

- Create a Tertiary Education Commission to regulate, fund and monitor the performance of the tertiary sector.
- Develop a tertiary education strategy document.
- Use new regulatory instruments—institutional charters and profiles and desirability tests—to help steer the system towards the goals of the strategy.
- Continue institutional autonomy to set tuition fees but keep them at an affordable level.
- Develop a new funding formula with research and teaching separate.
- Create centres of research excellence and a performance-based research fund.
- Create an adult and community education fund.

As TEAC concentrated more on the shape of the system and the funding of institutions than on the issues of access, equity, student support, or student learning, their activities were more focused on the tertiary institutions and the tertiary system rather than the student or learner. Some of this focus was a result of the government's terms of reference when creating TEAC, which limited its review areas. Some of the focus was due to the structure and make-up of the Commission.

While TEAC was ongoing, the Committee on Education and Science conducted an inquiry into the student side of the financing picture. Indicating real concern at the lack of quality research in the area of tertiary education resourcing, the Committee made only one recommendation:

We make one comprehensive recommendation: that the Government undertake a significant, extensive, and high-quality research programme into tertiary education resourcing to be conducted as a matter of priority by all relevant government agencies. This work programme must provide in-depth analysis of the economic, social and educational implications of the current

²⁷ Tertiary Education Advisory Commission published four reports: *Shaping A Shared Vision* (July 2000); *Shaping the System* (February 2001); *Shaping the Strategy* (July 2001); and *Shaping the Funding Framework* (November 2001).

²⁸ Even with the long timeframe, however, some felt that TEAC was constrained in what it could do given its part-time nature and insufficient staff and resources. See Jonathan Boston, "TEAC: An Insider's View", *New Zealand Annual Review of Education: 2001* (Wellington: School of Education, Victoria University of Wellington, 2002).

system operated in New Zealand and extensive comparative analysis of the systems of comparable jurisdictions.²⁹

Despite it being outside TEAC's terms of reference, shortly after the Committee's inquiry was completed, TEAC made several important recommendations in their final report on student financing. These recommendations—eliminate the write-off of interest while students are studying and use the funds elsewhere in tertiary education; re-examine student allowances; and consider scholarships for equity and excellence objectives—should be considered by the Government and will be discussed in a later chapter.

In response to the Committee's inquiry and continued concern about the costs to students, the Government decided to issue a discussion paper on student support. While the Ministry of Education worked on such a paper it was not completed before the election was called—the paper, options and decisions have been postponed to late 2002 or early 2003.

With an early election on July 27 2002, the Labour party released its tertiary policy statement on July 2. The statement, *Connecting With Our Future*,³⁰ indicated that implementation of the new directions discussed above would be a major focus of the next Labour-led government. Labour also promised to increase student allowances and undertake a thorough review of student support in its second term.

The National platform for tertiary education includes one policy recommendation—forgiving a portion of debt for borrowers who remain in New Zealand rather than going overseas.

Two of the minor parties, the Alliance and the Greens, recommended no fees and universal student allowances for living costs.

As a result of the election, Labour will continue to be the governing party leading a coalition government and is expected to move ahead to implement its tertiary policies as being developed.

Status of Changes in 2002

The Labour government's policies maintain many of the competitive aspects of the previous approach to tertiary policy but do so within a more centrally steered and regulated framework. The government has adopted many of TEAC's recommendations, even if not in the exact way the group recommended, including the tertiary strategy, the tertiary commission, institutional charters and profiles, assessments of strategic relevance, and changes in funding. A quick update on the status of the main parts of the reform follows.

²⁹ Education and Science Committee, *Inquiry into Student Fees, Loans, Allowances and the Overall Resourcing of Tertiary Education* (Wellington: New Zealand House of Representatives, October 2001: 4).

³⁰ Labour Party, *Tertiary Education—Connecting with Our Future* (Wellington: Labour Party, July 2002).

The Tertiary Education Strategy³¹ (TES)—a high-level document designed to present a five-year vision for the tertiary system linked to the government’s broader vision for the nation’s economic and social development—was published in May 2002. The strategy, as Howard Fancy, Secretary of Education, has indicated, is designed to be the guiding document for change across the tertiary sector and all government agencies, not just at the Ministry. A statement of tertiary priorities, to be published each year, will provide more specifics on shorter-term policies. The first annual statement of priorities was published in July 2002.³²

The strategy document and its six goals are extremely broad and encompassing:

- Strengthen system capability and quality
- Contribute to the achievement of Maori development aspirations
- Raise foundation skills so that all people can participate in our knowledge society
- Develop the skills New Zealanders need for our knowledge society
- Educate for Pacific Nations peoples’ development and success
- Strengthen research, knowledge creation and uptake for our knowledge society

Two types of policy changes—regulatory and funding—will be used to steer the system. The regulatory changes (including charters and profiles and assessments of strategic relevance) are designed to create the framework for the tertiary system while the funding mechanisms (including the basic funding formula and the performance-based research fund) will determine where monies are allocated and on what basis. These policies are tools to achieve a different direction for tertiary education—a means to an end. Figure 1, below, describes the government’s views on how the new tertiary system will work and how the different pieces of the system will fit together.

In the new system, the Ministry of Education will be responsible for the overall tertiary policy structure and guidance, monitoring the strategy and making future revisions, and monitoring TEC and other agencies in their implementation of the new directions. TEC, which will include some staff from Ministry and all of Skill New Zealand, will be responsible for regulating and funding tertiary institutions, private providers and industry training organisations. In addition to its key implementation role, TEC will play a role in advising the government on the strategy and education priorities.

Government is working to create the TEC, which cannot be fully implemented until the reform bill is passed. The bill, one of many not completed due to the early election, is high on the legislative agenda and expected to pass by the end of the year.

The Transition TEC (TTEC) and Ministry of Education are jointly developing the details of the specific proposals, in some cases, with the advice of working parties. Specific details on design of these new policies will go to the Minister and Cabinet for approval. TEC will then be responsible for implementing the changes.

³¹ Ministry of Education, *Tertiary Education Strategy 2002/07* (Wellington: Ministry of Education, May 2002).

³² Ministry of Education, *Interim Statement of Tertiary Priorities 2002/2007* (Wellington: Ministry of Education, July 2002).

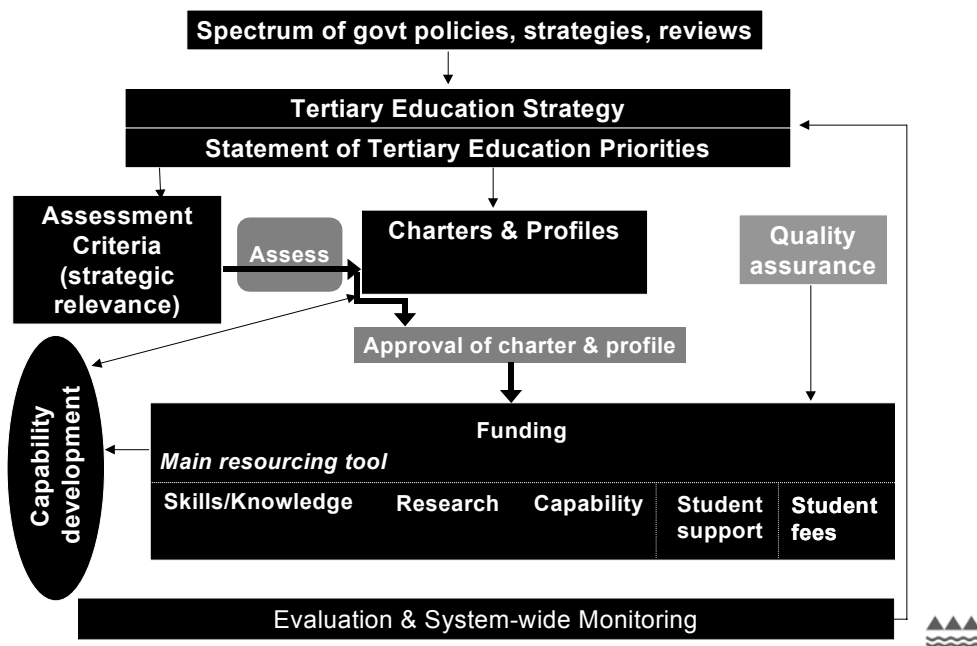


Figure 1

Work is under way to implement changes in the funding provisions including the new funding formula and fee maxima for institutions and the performance-based research fund. The new funding formula and fee maxima by subject area will go into effect in 2004. A PTE funding cap will go into effect in 2003. The performance-based research fund will be implemented gradually until it is fully in effect in 2007. A working group of representatives from the sector, the Ministry and TTEC are developing the specific parameters for the system.

Work is also in progress on the regulatory provisions including charters and profiles and an assessment of strategic relevance. The intent of charters and profiles is to determine how an institution fits into the tertiary system and what education and training it will provide. The charters and profiles are intended to present the regulatory framework for TEC to negotiate with each tertiary provider regarding its direction and structure. The assessment of strategic relevance is envisioned as a mechanism to determine which providers and courses will receive government funding. These policies, especially the assessment of strategic relevance, are still very much in the development stages. A group of institutions is working with the Ministry and TEC on the initial round of charters and profiles.

The review of Student Support (student allowances and student loans) has also been postponed until later in 2002 or early 2003.

Likely Effects of Changes: Depends on Programme Design and Implementation

What are the likely effects of the new directions? How big is the switch? Is the competitive market model gone? What are the likely effects on student participation?

Performance goals, programme design and implementation will be key to the ultimate effects of the changes. What the system steers towards, how the policies are designed and implemented, the extent to which funding and regulatory policies complement and reinforce each other, and the independence of TEC in carrying out its functions will determine the ultimate effects of the new directions.

The tertiary strategy lays out a very broad set of priorities for New Zealand tertiary education but does not include specific goals or benchmarks for the system to achieve. It is still unclear against what charters and profiles the assessment of strategic relevance will be measured. Many have expressed concern about the lack of specificity in policy decisions—that is, how the steering will work, what is it that students should study, who will decide these issues, etc. As a result different players in the tertiary system have different perceptions of what the government wishes to achieve with the new policies and what the likely outcomes will be. Whether more specific goals are laid out, how they are set and the extent to which they are viewed as reasonable and sensible goals will affect the future shape and operations of tertiary education in New Zealand. Central steering requires good information on the goals and benchmarks desired. It is rather difficult to steer a system effectively without agreement on the desired endpoint.

The tertiary strategy's goals are so broad that they can encompass many different specific priorities and policies in the future. The direction of these changes, the extent to which the system is regulated and steered in the future, and the effects of the changes will be determined by decisions now being made on programme details and implementation. As the Ministry of Education and TTEC are still developing many of the programme specifics and procedures for implementation, the ultimate effect of the TES is unknown. Its effectiveness will depend on how it is used and on the specific priorities and policies adopted and implemented.

Implementation is vital to the final outcome of any policy change, as implementation is a key step in determining whether the final changes match the proposals and directions. In my US experience designing policy proposals and legislation and in implementing new policy directions, implementation often does not get enough attention and can easily vary from what the policymakers intended when they put forth their policy changes.

In the current environment, implementation of the new tertiary directions could proceed in different ways from a very hands-on approach to a more hands-off approach or somewhere in between.

At one end of the spectrum, TEC could take a very hands-on, decisive approach to determining what institutions can and cannot do. It could make strong recommendations to the Minister to eliminate duplicative programmes at particular institutions, close schools down, or require mergers. In this case TEC would be very involved in making recommendations about what individual institutions can and cannot do. Big shifts could occur quickly but they could also result in significant

conflict with tertiary institutions and providers. This approach could also limit institutional autonomy and decision making.³³

At the other end of the spectrum, TEC could make decisions on the edges, gently and gradually steering the system. This approach would result in smaller, incremental change over time. It is likely, however, that this approach would limit potential conflict with institutions. The Associate Minister has indicated that he views the changes to be an evolution not a revolution.

Having watched and participated in many tertiary discussions in the past eight months, I think the likely implementation scenario has moved along the spectrum from the very hands-on approach towards the less intrusive approach. The final approach is very much up in the air, however, as so many decisions are still to be made, including what standards and benchmarks will be used to guide decision-making.

As mentioned previously, many aspects of the competitive model have remained but will be set within a more regulated and centrally guided system. Both regulatory and funding changes are being used to steer the system. The regulatory parts provide the framework for TEC to negotiate with each tertiary institution regarding its direction and structure. Funding decisions will determine where the money goes and whether the regulatory and funding parts are complementary. Some view the regulatory parts as most important in steering but funding decisions play an equally important role. For example, the funding system is still largely student-driven but with an increased emphasis on performance and strategic priorities. How these parts are balanced in the future is still to be determined. Whether funding decisions will create incentives for movement in the desired directions and the extent to which the regulatory and funding decisions reinforce each other is still up in the air.

Decisions to be made in the second half of 2002 and the beginning of 2003 will be key in determining the future shape of New Zealand's tertiary system. More detail about how policies and implementation will proceed is being developed and is very much needed. As these decisions are still being made it is too early to say definitively how the current set of reforms will alter New Zealand's system of tertiary education. Programme design and implementation cannot be underestimated, however, and need careful attention. These details will determine how tertiary providers, the Ministry and TEC operate and the extent and direction of change.

³³ This concern has been expressed in some press articles and in John Codd's article, "The Third Way for Tertiary Education Policy: TEAC and Beyond", *New Zealand Annual Review of Education: 2001* (Wellington: School of Education, Victoria University of Wellington, 2002).

CHAPTER III

ACCESS AND OPPORTUNITY: HAS NEW ZEALAND SOLVED TERTIARY PARTICIPATION?

As the previous chapter described, New Zealand's tertiary reforms were designed, in large part, to increase the number of people who could participate in tertiary education. The reforms were quite successful in meeting this goal. Access to tertiary education in NZ—as measured by overall participation—has increased substantially since the mid-1980s. Some say that the big jump in participation means that New Zealand has solved the tertiary access problem. Is this true?

This chapter addresses this question and finds that opportunity gaps, as measured by disparities in tertiary participation for ethnic groups and for students from low-decile schools, are significant. These opportunity gaps mean the goal of broadening access has not been solved in New Zealand. This chapter examines reasons for the gaps and lays out possible strategies for New Zealand to improve access through increased opportunity for all groups.

Defining Access and Opportunity

What is access and opportunity? A variety of ways exist to define access and opportunity in tertiary education. Before we analyse New Zealand's tertiary participation, it is important to define what we mean by the terms access and opportunity.

- Overall participation in tertiary education is one measure of access.
- Opportunity to enrol in all levels of tertiary education and to succeed once there is a broader definition of access.

Achieving similar participation patterns across different levels of tertiary education for different groups of students would suggest equal educational opportunities. Large systematic differences in participation across groups and across levels of tertiary education are likely to signify unequal opportunities. These opportunity gaps mean that some population groups will not have the same economic or social opportunities as other groups. This does not mean that everyone should go on to tertiary education nor that everyone should go to a university. It does mean, however, that systematic differences across groups should be analysed to determine the reasons for the gaps and to explore ways to reduce them. As this chapter discusses, several reasons for the gaps, particularly differences in expectations, academic preparation and financial situations, can be addressed through public policies at the secondary as well as the tertiary level.

Why Is Improving Access and Closing the Opportunity Gap So Important?

Providing equal opportunities for all individuals to participate in tertiary education commensurate with their abilities and interests is an important principle underlying tertiary education policies in many countries including New Zealand. Under the

principle of fairness, individuals should not be deterred from participating in and benefiting from tertiary education because of their economic situations, family backgrounds, or other characteristics such as gender or ethnicity. Since all groups ought to have the same opportunity to enrol and succeed at different levels in the tertiary system, the gaps should be examined carefully to see why the differences occur. Public policies can then be designed to reduce the gaps and provide equal opportunities.

Tertiary education is becoming more and more necessary for employment in the changing economy throughout the world and in New Zealand. In contrast to the time before the 1980s when a comfortable lifestyle and good job was quite possible in New Zealand without tertiary education, the situation is now quite different. Significant differences exist in New Zealand between earnings for individuals with tertiary education qualifications and those with less education. In fact, OECD statistics show that inequality between the less and more educated in New Zealand increased in the 1980s and the 1990s.³⁴

Significant social and economic benefits of participation in tertiary education exist for individuals and for the country—higher earnings, lower unemployment, improved health, lower crime and greater civic participation. One US state higher education policy-maker looked at his state (Kentucky) and overlaid maps of areas with major educational needs with maps of high poverty, high unemployment, and poor health. The maps overlapped significantly. He concluded:

Education determines not only earnings capacity but also the very quality of human life...In the broad sense of how well we live our lives—both individually and collectively—higher education is a public-health issue... Education, or the lack of it, relates to every other social issue. The ability to put roses as well as bread on the table is essential to a full life. Parenting and other personal relationships, civic and community involvement, creation and use of leisure time, care of self and loved ones, the ability to do one's work and comprehend its meaning in society—reasonable competence in at least most of those things is essential to our personal and collective health... Helping improve public health is important because it's practical and necessary, not just because it's the right thing to do.³⁵

This same situation exists in New Zealand with education highly correlated with other social and economic problems. Maori and Pacific Nations groups as well as students attending low-decile schools have gaps in educational opportunities that need to be addressed to provide them the opportunity to lead a “full life”. This focus may have even greater urgency in the future as the makeup of New Zealand's population is changing. Groups that currently have lower levels of educational attainment will represent a much larger share of the population in future years. For example, census

³⁴ See OECD, *Economics and Finance of Lifelong Learning*, Table 1, p.14.

³⁵ Gordon Davies, “Higher Education Is a Public-Health Issue”, *The Chronicle of Higher Education* (Washington D.C.: Chronicle of Higher Education, November 30, 2001).

projections expect the proportion of New Zealand children who are Maori or Pacific Nations to increase from about 25 percent now to almost 60 percent in 2050.³⁶

Changes in Overall Participation Since the Mid-1980s

As discussed in the previous chapter, New Zealand has made many policy changes in tertiary education since the mid-1980s that have contributed to significantly increased participation. Three different measures of participation all show big increases: numbers of students, overall participation rates, and percent of students going on to tertiary education the year after leaving school.

Numbers of Students

The number of students has more than doubled since the mid-1980s, from roughly 120,000 students in 1985 to 282,800 in 2001.³⁷ The number of students enrolled in universities had been increasing fairly steadily since the mid-1970s indicating demand for tertiary education was growing. The numbers of students at polytechnics had been relatively flat but increased substantially in the 1990s as polytechnics moved into new areas and programmes. Other growth occurred at private training establishments (PTEs) and at wananga as they gained increased eligibility for government funding. As a result the current distribution of students is quite different from the enrolment mix in the mid-1980s.

- In 1985, about half of students were enrolled in universities and half in polytechnics, with 2% in colleges of education.
- In 2001, 44% of students were enrolled at universities and 31% of students at polytechnics. Students at colleges of education equalled 4%, wananga equalled 4% and PTEs 18%.
- Recent growth in student enrolments occurred almost entirely in wananga and PTEs. 90% of the increase between 2000 and 2001 occurred in wananga and PTEs.

Students participate in a wide range of tertiary programmes, which vary substantially by type of institution. University programmes are heavily degree-oriented programmes while PTEs and wananga concentrate on diploma and certificate programmes. The distribution of students by type of institution and level of education in 2001 follows:

- Universities—most students are at degree or postgraduate level (90%).
- Polytechnics—spread across the levels—20% at degree or postgraduate; 23% at diploma; and 56% at certificate.
- Colleges of education—predominantly in degree and above (68%) but 24% in diploma and 8% in certificate.

³⁶ Slide Presentation by Dennis Moore and Joanne Walker, *Resource Teachers Learning and Behaviour: Collaborating to Support Inclusion*, Research Centre for Interventions in Teaching and Learning, University of Auckland, July 2002.

³⁷ July snapshot data from the Ministry of Education; polytechnic figures for 1985 adjusted by the Ministry to reflect data reporting problems.

- Wananga—most students (91%) at diploma or certificate level, especially certificate level (81%).
- PTEs—almost all students (96%) are at certificate or diploma level, more heavily certificate (74%).

Participation Rates

Participation rates increased significantly for traditional tertiary age groups and for older students. Between 1990 and 2001, the proportion enrolled increased from 20.5 percent to 34.8 percent for 18-24 year olds and from 2.7 percent to 5.9 percent for those over 24 years of age. Participation rates increased by more than 50 percent for traditional tertiary-aged students and more than doubled for older students.

The proportion of students going on to tertiary education institutions in the year immediately after leaving school increased between 1992 and 1999, from 39 percent of all school leavers in 1992 to 45 percent in 1999 (see Table 1). Two thirds of the increased participation was due to students going to PTEs, a group of institutions whose eligibility for funding expanded substantially in this time period and whose courses are more concentrated in the lower levels of tertiary education. The percentage going on to a university or polytechnic increased by just over 2 percent from 37.2 to 39.5 percent. The percentage going to universities increased from 37.2 to 39.5 percent while the percentage entering polytechnics declined from 17.1 to 14.4 percent. Much of the switch between universities and polytechnics can be accounted for by changes in status of institutions from polytechnic to university.

Table 1: Estimated Proportion of School Leavers Going on to Tertiary Education in the Following Year, by Type of Institution, 1992 and 1999*

| Type of Institution | 1992 School Leavers (percentage) | 1999 School Leavers (percentage) |
|---|----------------------------------|----------------------------------|
| University | 20.1 | 25.1 |
| Polytechnic | 17.1 | 14.4 |
| College of Education | 1.3 | 1.0 |
| Wananga | 0.0 | 0.2 |
| Private Training Establishment (PTE) | 0.5 | 4.5 |
| SUBTOTAL | 39.0 | 45.2 |
| Skill Enhancement/ Training Opportunities/ Youth Training | 6.3 | 6.1 |
| TOTAL | 45.3 | 51.5 |

Source: Ministry of Education estimates of school leavers enrolled in tertiary education in the following July.

* 1992 is the first year of available data. 2000 estimates should be available shortly.

By adding students enrolled in Skill Enhancement, Training Opportunities and Youth Training programmes, which represent much lower levels of tertiary education, tertiary participation increases by about 6 percent—a figure that has remained fairly

constant over the 1992 to 1999 time period. These programmes, which are offered by Skill New Zealand, provide a range of transition training opportunities and is generally catch-up education that students would, ideally, have gained in secondary school. Training Opportunities provides full-time, fully funded training options to targeted groups, including the long-term unemployed with low qualifications, to help them move into employment or further education and training. Youth Training includes a wide range of training options for school leavers under 18 who have little or now qualifications. Skill Enhancement provides vocational training for young Maori and Pacific Nations students as a bridge between school and work or further tertiary education.

Examining Participation by Ethnicity and School Decile

Throughout the world members of low-income families and ethnic or minority groups tend to have lower levels of educational attainment. Looking at the access question in more depth requires us, therefore, to look at participation patterns among ethnic and low-income populations relative to others. The key question is: how does educational participation vary between these groups and the rest of the population?

This chapter looks at tertiary participation in New Zealand by ethnicity (Maori and Pacific Nations) and school decile (a measure of socio-economic status):

- Maori, descendants of the tribes living in New Zealand before the European settlers arrived in the 1800s, represent about 14 percent of the population. Pacific Nations peoples include those from Samoa, the Cook Islands, Fiji and other islands; they represent roughly 6 percent of the population. Data on ethnic groups are self-reported.
- The second measure—school decile—is a way of looking at the differences by socio-economic status. School decile is a categorisation of public schools based largely on the neighbourhood of the students enrolled in the school.³⁸ A low decile school (1-3) is a school that draws students from poorer neighbourhoods; a high decile school (8-10) has students from more affluent areas.³⁹

School decile is used to examine educational differences across socio-economic status and income levels. Analyses in the United States found that students enrolled in high-poverty schools—a similar concept to low-decile schools—were educationally at risk even if their own family income was somewhat higher. A recent New Zealand inquiry into decile funding in NZ indicated that the decile ranking is a very useful indicator of

³⁸ Five factors are used based on Census data on the neighbourhoods of the students attending the school: proportion of households in the bottom 20% of income, proportion of labour force members in “blue collar” work, average number of persons per bedroom, proportion of parents with no educational qualifications, and proportion of parents receiving income support. A sixth factor is the proportion of each school’s students who are Maori or Pacific Nations. All six factors are weighted equally.

³⁹ It is important to note that school decile rankings categorise all schools (primary and secondary) into ten equal groups of schools not ten equal groups of students. Students who attend the schools in a particular decile do not necessarily represent 10 percent of the population. In fact, the percent of students at low-decile schools equal a smaller proportion of the total number of students and students at higher decile schools a larger percent.

the nature of the community the school is linked to and is strongly correlated with educational performance.⁴⁰

The two measures—ethnicity and school decile—are highly correlated as Maori and Pacific Nations are disproportionately represented among lower-income groups.⁴¹ Maori and Pacific Nations students are heavily concentrated among lower-income groups and are therefore disproportionately represented in low- and middle-decile schools. Almost 90 percent of Maori and Pacific Nations school leavers in 2001 were in low- or middle-decile schools.⁴² Forty percent of Maori students and 53 percent of Pacific Nations students were in low-decile schools; 46 percent of Maori and 35 percent of Pacific Nations students were in middle-decile schools.

Differences by Ethnicity

In 2001, almost 50,000 Maori students were enrolled in tertiary education, a 60% increase since 1994. Maori students are disproportionately represented at the lower levels of tertiary education: almost three-quarters of Maori students are enrolled in diploma or certificate programmes where enrolments are growing most rapidly. As Maori students are more likely to enrol in the lower levels of tertiary education, they are much more heavily represented at wananga and PTEs than students overall and significantly under-represented at universities. Almost equal numbers of Maori students attend polytechnics and PTEs (in total 56 percent). Twenty percent of Maori attend university. Twenty percent of Maori attend wananga. Almost 3 percent attend colleges of education.

In 2001, 12,400 Pacific Nations students were enrolled in tertiary education, slightly more than twice the number enrolled in 1994. Pacific Nations students are much more heavily represented at PTEs than students overall and are under-represented at universities. Thirty-one percent of Pacific Nations students attend polytechnics. Thirty-five percent of Pacific Nations students attend university. Twenty-five percent of Pacific Nations students attend PTEs. Three percent of Pacific Nations students attend wananga. Five percent of Pacific Nations students attend colleges of education.

Large gaps also exist for Maori and Pacific nations school leavers compared with all school leavers (see Table 2). Twenty-eight percent of Maori school leavers go on to a tertiary institution and 32.9 percent of those from Pacific Nations, both well below the 45 percent rate for all school leavers. As is the case when looking at total enrolments, Maori and Pacific Nations school leavers are further under-represented when looking at the highest levels of tertiary education—for example, 10.2 percent of Maori students and 13.2 percent of Pacific Nations school leavers enrolled in a university compared with 25 percent for all school leavers. Maori and Pacific Nations, especially Maori, are more heavily enrolled in the lower levels of tertiary—18.1 percent for Maori, 9.3 percent for Pacific Nations, and 6.1 percent for all school leavers. Pacific Nations students are twice as likely to enrol in PTEs.

⁴⁰ Submission by Dr. Terry Crooks to Education and Science Committee, February 13, 2002.

⁴¹ The proportion of students who are Maori or Pacific is also included in the school decile categorization as one of six factors. One analysis looked at the decile groupings with and without the ethnicity factor and found the correlation was quite high (.98). Submission by Dr. Terry Crooks to Education and Science Committee, February 13, 2002.

⁴² Data from the Ministry of Education.

Table 2: Estimated Proportion of 1999* School Leavers Going on to Tertiary Education in the Following Year by Ethnicity and Type of Institution

| Type of Institution | All School Leavers (percentage) | Maori (percentage) | Pacific Nations (percentage) |
|--|---------------------------------|--------------------|------------------------------|
| University | 25.1 | 10.2 | 13.2 |
| Polytechnic | 14.4 | 12.1 | 10.7 |
| College of Education | 1.0 | 0.7 | 0.8 |
| Wananga | 0.2 | 1.2 | 0.2 |
| Private Training Establishment (PTE) | 4.5 | 4.0 | 8.0 |
| SUBTOTAL | 45.2 | 28.2 | 32.9 |
| Skill Training/ Youth Training/ Training Opportunities | 6.1 | 18.1 | 9.3 |
| TOTAL | 51.5 | 46.3 | 42.2 |

Source: Ministry of Education estimates of 1999 school leavers enrolled in tertiary education in July 2000.

* 2000 school leaver data should be available shortly.

Differences by School Decile

Students at low-decile schools are much less likely to enrol in a tertiary institution than students from middle- or high-decile schools—in 1999, 31 percent of school leavers from a low-decile school enrolled in a tertiary institutions; 42 percent of students in the middle-decile schools; and 54 percent of high-decile schools (see Table 3). These differences represent quite significant gaps—a student from a low-decile school is one-quarter less likely to enrol in a tertiary education institution than a student from a middle-decile school and 40 percent less likely to enrol in a tertiary institution than a student from a high-decile school.

Like the analysis by ethnicity, these gaps are even more significant when participation is examined across types of tertiary education: students from low-decile schools are very much under-represented in the higher levels of tertiary education and over-represented at lower levels of education. For example, in 1999, 12 percent of school leavers from low-decile schools went on to university; 21 percent from the middle-decile schools; and 44 percent from the high-decile schools. In Skill Training, Youth Training, and Training Opportunities, the pattern is reversed with 13 percent of school leavers in low-decile schools going to these programmes compared with 8 percent for the middle decile and 54 percent for the highest decile schools.

Table 3: Estimated Proportion of 1999* School Leavers Going on to Tertiary Education in the Following Year by School Decile

| Type of Institution | Decile 1–3 (percentage) | Decile 4–7 (percentage) | Decile 8–10 (percentage) |
|--|----------------------------|----------------------------|-----------------------------|
| University | 12 | 21 | 44 |
| Polytechnic | 13 | 16 | 4 |
| College of Education | 0 | 1 | 1 |
| Wananga | 1 | 0 | 0 |
| Private Training Establishment | 5 | 4 | 5 |
| Subtotal | 31 | 42 | 54 |
| Skill Training/ Youth Training/ Training Opportunities | 13 | 8 | 4 |
| TOTAL | 43 | 50 | 69 |

Source: Ministry of Education estimates of 1999 school leavers enrolled in tertiary education in July 2000. Excludes schools who do not have a decile ranking, and correspondence students.

* 2000 school leaver data should be available shortly.

Opportunity Gaps Exist

These data indicate that significant differences exist in overall tertiary participation rates and in participation across the different levels of tertiary education for Maori and Pacific Nations students as well as students from lower decile schools. Maori and Pacific students are significantly under-represented in tertiary education, especially at the higher levels. Students from low- and middle-decile schools are also under-represented in tertiary education relative to students at high decile schools especially at the higher levels of tertiary education.

Improving Academic Preparation and Raising Student Expectations Are Key to Closing Opportunity Gaps

New Zealand is by no means the only country with significant gaps in opportunity. The United States also has gaps that have been persistent over time between low-income and high-income individuals and between minority groups—in particular African American and Hispanic groups—and others. These differences have persisted despite fairly big increases in financial aid to help students and families pay for tertiary education.⁴³ Research in the US and elsewhere suggests that raising expectations and improving academic preparation for students before they enter tertiary education are key policies to close the opportunity gap. Financial assistance for needy students is necessary but not sufficient to reduce significantly the opportunity gaps; improving academic preparation and raising expectations are essential components of any approach.

⁴³ See, for example, Arthur Hauptman, *Participation and Persistence in Postsecondary Education in the United States: A Review of Federal and State Policies*, Background Paper Prepared for the Policy Forum on Higher Education Access and Success in the UK and the USA, September 2000.

Research on the Effects of Academic Preparation and Expectations

Research clearly shows the importance of academic preparation and high expectations on tertiary participation. While individuals from families with lower socio-economic status (including lower levels of parental education) are less likely to enrol in tertiary education than individuals with higher socio-economic status, rigorous secondary school preparation has positive effects and can substantially narrow the gaps in tertiary participation.

New Zealand Research: Two recent studies analysing longitudinal data on a cohort of individuals born in Christchurch in 1977 find that differences in academic preparation are closely related to disparities in tertiary participation.

One study examined university participation and found that differences in university participation were explained by a tendency for young people from lower socio-economic status (SES) families at birth to gain fewer school leaving qualifications than their peers of similar ability in higher SES families. While the article looked at possible reasons for lower rates of school qualifications among lower SES students, it indicated that the study itself could not identify the reasons and suggested further study. But, the article concluded:

Irrespective of the specific factors that lead to educational underachievement amongst children from low SES families, the results of this study make it clear that, despite substantial efforts on the part of the New Zealand public education system to offer equal opportunities for all, this ideal has yet to be fully achieved.⁴⁴

A second study using the same data also emphasized the importance of academic preparation in determining tertiary participation.⁴⁵ The study indicated that it was the first economic test of the effects of academic ability, academic performance, and other variables, including socio-economic variables, on individuals' decisions after leaving school. The study found that academic performance is a key factor in determining tertiary participation and type of tertiary institution attended. Decisions to attend tertiary education are influenced by a host of personal choices and household characteristics that operate significantly through academic performance.

Limited research exists on the factors affecting participation for ethnic groups in New Zealand. The two studies using the Christchurch longitudinal data do not break down the results by ethnic group due to limited numbers.⁴⁶ A recent study commissioned by the Ministry of Education on Pacific Nations peoples participation in tertiary education also highlighted differences in educational preparation as a barrier to

⁴⁴ David M. Fergusson and Lianne J. Woodward, "Family Socioeconomic Status at Birth and Rates of University Participation", *New Zealand Journal of Educational Studies* (Vol. 35, No. 1, 2000).

⁴⁵ Sholeh A. Maani, *School Leaving, Labour Supply and Tertiary Education Choices of Young Adults: An Economic Analysis Utilising the 1977-1995 Christchurch Health and Development Surveys* (Wellington: Treasury Working Paper, 2000).

⁴⁶ While the Christchurch studies do not break down the analyses by ethnicity, other studies by Sholeh Maani using Census data found that lower educational attainment levels for Maori rather than lower returns to education contributed to the income gap between Maori and non-Maori. For example, Sholeh A. Maani, *Education and Maori Relative Income Levels Over Time: The Mediating Effect of Occupation, Industry, Hours of Work and Locality* (Wellington: Treasury Working Paper, 2002).

tertiary participation.⁴⁷ A much older study on Maori participation looked at the educational gaps at all levels of education but had very limited information on tertiary education.⁴⁸

Another recent study found that high expectations of teachers for their students are strongly related to student achievement.⁴⁹ And, on the other side, entrenched low expectations of achievement from low-income communities have been identified as a significant barrier to shifting achievement. When expectations are low, these decisions are likely to include non-challenging and non-academic curricula and instructional methods with teachers teaching less rather than more. Conversely when expectations are high, teachers are more likely to assume they can and will provide whatever resources are needed to meet the needs of their students to succeed.

Soon-to-be-published data from the New Zealand Competent Children project show the long-term cumulative effects of academic performance at one level on future performance educationally and socially.⁵⁰ Looking at the competencies of a cohort of students at ages 5, 6, 8, 10 and 12, the study finds that earlier competencies in mathematics are highly associated with future competencies at all age levels. Mathematics achievement at age 5 seems to set a pattern for achievement across all competencies—academic and social—which is still strong at age 12. When looking at the relationship between competencies at age 10 and age 12, mathematics at age 10 is the best predictor of age 12 competencies across the board, closely followed by comprehension and literacy.

In New Zealand most students take the same curriculum until year 11 in all subjects including mathematics. The curriculum guidelines are quite broad in terms of outcomes they want students to achieve; details are not spelled out but left to the school and teacher. Thus, even with national curriculum guidelines until year 11, what students study and what they learn can vary quite widely. The New Zealand numeracy initiative, which started in some primary schools in 2002, is designed to improve students' performance in mathematics in the early years. Given the strong relationship between early math competencies and future competencies across the board, this initiative could be a promising step towards improved tertiary access

Research From Other Countries: Looking at the experiences in other countries can also help to shed light on the relationship between academic preparation and tertiary enrolment and success. For example, studies in the US and Australia have found that academic preparation in the earlier years, especially in mathematics, is a key variable in explaining differences in tertiary participation and tertiary entrance scores. Academic preparation reduces the effect of family background. Academic decisions

⁴⁷ Melani Anae, Helen Anderson, John Benseman and Eve Coxon, *Pacific Peoples and Tertiary Education: Issues of Participation* (Auckland: Auckland Uniservices Limited, 2002).

⁴⁸ Anne Else, *Maori Participation and Performance in Education: A Literature Review and Research Programme*, (Wellington: Ministry of Education, 1997) (Summary by Anne Else based on report by Chapple, Jeffries, and Walker).

⁴⁹ Helen S. Timperley, Gwenneth Phillips, and Joy Wiseman, *Sustainability of Professional Development in Literacy: Part One* (Auckland: Auckland Uniservices Limited, 2002).

⁵⁰ Not yet published tables and analysis from the Competent Children project, New Zealand Center for Educational Research (NZCER). Expected publication of the full report is early 2003.

and performance at the ages of 12 to 15 are very significant in determining later tertiary opportunities.

Research on US students over the past decade and a half has consistently found that students' academic preparation is a key factor in their tertiary participation and success. One recent study comparing first-generation college students—those whose parents had no education past high school—with students whose parents had graduated from college found that rigorous academic preparation narrows the gap between the two groups in college enrolment, persistence and graduation. While tertiary success is less for students whose parents' education is less, rigorous high school preparation has a very positive effect and substantially narrows the gap.⁵¹

Another longitudinal cohort study looked at detailed data on students' transcripts in secondary school and found that academic resources brought from secondary school—in particular, curriculum—had a large effect on the likelihood that a student would complete a bachelor's degree.⁵² The research has shown that a student's academic performance—especially in math courses, and especially algebra and geometry—are very important in preparing students to go on to colleges and universities and in increasing the likelihood that they complete and graduate. Taking these courses is important regardless of the areas students pursue in tertiary; they are not important just for students pursuing math or science. Targeting these key years—roughly six years before actual tertiary attendance—is an important point of intervention for policymakers.

A recent Australian study following a national cohort of students found similar results when examining tertiary entrance scores.⁵³ This study found that the strongest influence on tertiary entrance scores was literacy in year 12 and numeracy in year 9, with numeracy having a consistently stronger relationship with entrance scores than literacy. The impact of socio-economic background on tertiary entrance performance was substantially reduced, but not totally removed, after controlling for year 9 literacy and numeracy. Based on the US studies discussed above, one would expect that future Australian analyses of these students' experiences in tertiary education would find similar positive effects of academic preparation, including the importance of mathematics, on tertiary performance.

Differences in Academic Preparation in New Zealand

Academic preparation before entering tertiary education is a key factor in providing equal access to tertiary education. Without strong academic preparation real access across the full range of tertiary education does not exist in terms of initial enrolment or ability to succeed once enrolled. Previous educational experiences affect future

⁵¹ Edward Warburton, Rosio Burgann, and Anne-Marie Nunez, *Bridging the Gap: Academic Preparation and Postsecondary Success of First-Generation Students* (Washington, D.C.: National Center for Education Statistics, US Department of Education, 2001).

⁵² Cliff Adelman, *Answers in the Tool Box: Academic Intensity, Attendance Patterns, and Bachelor's Degree Attainment* (Washington D.C: Office of Educational Research and Improvement, US Department of Education, 1999).

⁵³ Gary Marks, Julie McMillan, and Kylie Hillman, *Tertiary Entrance Performance: The Role of Student Background and School Factors* (Camberwell: Australian Council for Educational Research, 2001).

educational experiences throughout the educational pipeline. For example, starting school ready to learn is key to successful early educational experiences and the reason for early childhood initiatives. Reading well and independently by age 9 is essential for future educational success and the reason for concentrated reading initiatives in the early years of primary school. The successful path into tertiary education is no different—what happens in secondary schooling is absolutely essential.

Data on school leavers in New Zealand show current and persistent differences in academic preparation as measured by school qualifications. Big differences exist for Maori and Pacific Nations students as well as students from low-decile schools in their qualifications when leaving school.

What are school qualifications in New Zealand? In contrast to the US where students graduate from secondary school (high school) or do not, the performance of New Zealand’s students in secondary school is measured by their level of qualification on national tests.⁵⁴ These qualifications also determine their eligibility to attend different types of tertiary institutions. Education is compulsory in New Zealand up to the age of 16 (year 11).⁵⁵ Nationally administered tests are given at the end of years 11, 12 and 13 to determine students’ qualifications. Students can leave school without any qualification—that is, they did not pass any of the exams—or several other levels of qualifications. The analysis that follows looks at three categories: no qualification, some qualification but below university level, qualification at the university level or higher.

Only ten percent of all students leaving a low-decile school in 2001 had a qualification for entrance to university level or higher compared with 21 percent for middle-decile schools and 42 percent for high-decile schools (see Table 4). For a low-decile school leaver, therefore, the option to attend a university is one-half the opportunity for their counterparts at middle-decile schools and one-quarter the opportunity of a student who attended a high-decile school. The proportion of students leaving school with no qualification is much higher at low-decile schools—30 percent in 2001 compared with almost 18 percent for students from middle-decile schools and 7 percent for students from high-decile schools.

Table 4: Highest Qualification Level of School Leavers by School Decile, 2001

| Qualification Level | Decile 1–3 (percentage) | Decile 4–7 (percentage) | Decile 8–10 (percentage) |
|----------------------------------|------------------------------------|------------------------------------|-------------------------------------|
| Entrance to University or Higher | 10.2 | 21 | 42.2 |
| Some Qualification | 59.7 | 61.4 | 50.4 |
| No Qualification | 30.1 | 17.7 | 7.4 |

Source: Ministry of Education

⁵⁴ A new National Certificate of Educational Achievement (NCEA) is being introduced to replace the existing tests used in this analysis. The NCEA, designed to provide a fuller picture of student achievement, is being phased in from 2002 through 2004. It will be New Zealand’s national qualification for secondary school students.

⁵⁵ Early leaving exemptions do exist for students who enrol in an alternative programme.

Data on educational qualifications between 1999 and 2001 suggest that achievement is declining slightly for low- and middle-decile schools while increasing slightly for high-decile schools. The percent of students attaining an entrance to university qualification or higher has declined slightly for students leaving low-and middle-decile schools while increasing slightly for students from high-decile schools.

Maori and Pacific Nations groups are far less likely to leave school with an entrance to university qualification or higher than their Asian counterparts or than other students (see Table 5). In 2001 only 7 percent of Maori school leavers and almost 10 percent of Pacific Nations left school with the highest level of qualification compared with almost 54 percent for Asian and 26 percent for all students. The percentage leaving school without any qualification was highest for Maori—33 percent—and then Pacific Nations at almost 25 percent. Only 8 percent of Asians left school without a qualification and 17 percent of the entire population.

Table 5: Highest Qualification Level of School Leavers by Ethnicity, 2001

| Qualification level | Maori (percentage) | Pacific Nations (percentage) | Asian (percentage) | All (percentage) |
|----------------------------------|-------------------------------|---|-------------------------------|-----------------------------|
| Entrance to University or Higher | 7.4 | 9.72 | 53.57 | 26.03 |
| Some Qualification | 59.15 | 65.51 | 38.47 | 57.01 |
| No Qualification | 33.44 | 24.77 | 7.96 | 16.95 |

Source: Ministry of Education

For Maori and Pacific Nations students this picture has not improved in recent years. Between 1993 and 2001 there was virtually no change in the distribution of educational qualifications when leaving school for Maori and Pacific Islanders. For Asians, in contrast, the situation improved significantly over the same time period. Differences in academic preparation—measured here by highest qualification when leaving school—is clearly a big factor in why the opportunity gap exists in tertiary education in New Zealand.

Information for Students and Families

Information about tertiary education—including, for example, the types of tertiary education available, what is needed for preparation, how much tertiary programmes cost, government assistance, and what graduates do after leaving school—is also important as students and families cannot make well-informed decisions without solid information. This information is important for all students but even more important for students whose parents have not gone on to tertiary education as they are less familiar with all the processes surrounding tertiary education. Surveys in the US have found that students' and families' knowledge of tertiary options and their costs is often inaccurate.

Data provided to New Zealand students tend to emphasize career information rather than tertiary information. A 1998 study for the Ministry of Education indicated that

data provided to students in secondary schools was geared more towards career information and less to tertiary options.⁵⁶ Moreover the tertiary information was provided near the end of a student's secondary schooling, a little late to affect important decisions while in secondary school.

This same orientation towards career information—and not tertiary information—is reflected in other areas. For example, KIWI CAREERS, a computerized data base, focuses more on career options and not so much on tertiary options.⁵⁷ In addition, New Zealand's National Administration Guidelines for School Boards of Trustees state that schools should:

provide appropriate career education and guidance for all students in year 7 and above, with a particular emphasis on specific career guidance for those students who have been identified by the school as being at risk of leaving school unprepared for the transition to the workplace or further education/training.⁵⁸

Students need a combination of tertiary and career information so that they can make well-informed decisions. They also need the information early so they know what is required for different levels of tertiary education.

Financial Assistance To Students and Families

The cost of tertiary education can also be a barrier to access, especially for needy students. Finances are clearly an important consideration in a system where students and families are paying tertiary fees and living expenses. Financial assistance targeted to the most needy can help to address financial barriers.

Student support is the term used in New Zealand to cover support to help students pay for tertiary education, including, primarily student loans and student allowances for living costs. Student allowances are targeted by income while student loans are available broadly with income-contingent repayment after leaving tertiary. Need-based grants (often called fee rebates in New Zealand) are not generally available to help students pay their fees.

Much of the discussion in New Zealand of the effects of costs on enrolment is based on anecdote and rhetoric rather than fact. Although participation has increased significantly as costs increased for students and families, many in the public feel that the current costs of tertiary education have reduced access. Contrary to this perception, however, the shared public/private costs have given more individuals the opportunity to enrol in tertiary education. What is not known is how many more students from disadvantaged backgrounds might have gone on to tertiary (or might have enrolled in different programmes) if costs were lower for them.

New Zealand does not have much research on the effects of fees, scholarships or loans as the current financing system is relatively new. Such research could help to

⁵⁶ Anthony Wilson and Lisa Young, *Implementation of the Career Information and Guidance Policy in Schools: 1998 Follow-up Study* (Otago: University of Otago Consulting Group, 1998).

⁵⁷ See www.kiwicareers.govt.nz

⁵⁸ See www.minedu.govt.nz

provide more of a factual basis for policy discussions and decisions. It would also provide analysis specific to a situation where all loans are repaid on an income-contingent basis.

In contrast, the United States—where there is a long history of students and families paying part of the costs—has a fair amount of research on the effects of price on students’ decisions. While there are differences across studies on some specific conclusions, there is general agreement that price does matter for the lowest-income students. The research indicates, as one would expect, that grant aid to low-income students to help them offset some or all of their costs does increase their enrolment rates.⁵⁹ As aid is provided to students with higher income levels the effects on enrolment are reduced and ultimately disappear.

Possible Strategy for New Zealand in Reducing the Opportunity Gap

As a small country with most policy levers at the same level of government, New Zealand could be a leader in addressing access and opportunity through policies designed to reduce the gaps. Through such efforts, New Zealand could rightly place itself in a stronger position economically and socially.

Well-coordinated strategies across educational levels and across policy instruments and a focus on lower decile schools could make a big difference.

- *Educational levels.* The earlier analysis highlights the need for improved academic preparation in secondary schools to close gaps in tertiary opportunities.
- *Policy instruments.* Strategies should include improved academic preparation and expectations, student financing and institutional financing.
- *Focus on students at lower decile schools.* Students at lower decile schools are most in need and include disproportionate numbers of Maori and Pacific students.

A strategy for closing the opportunity gap might include the following:

- Making “improving equality of educational opportunity” a key part of implementation of the tertiary strategy.
- Creating early intervention school/tertiary partnerships for lower decile schools.
- Providing more information earlier to students and families.
- Improving student financing for low-income students.
- Paying institutions more for enrolling targeted groups of students.
- Developing a strong research agenda.

Tertiary Education Strategy for 2002-2007

As discussed in the previous chapter, the Government recently released the Tertiary Education Strategy for 2002-2007. The strategy is the guiding document for the tertiary system for the next five years. While the strategy is quite broad in its goals, several relate to access and opportunity. The MOE and the TEC ought to consider including the kinds of policy options discussed here as a key part of the

⁵⁹For example, Larry L. Leslie and Paul T. Brinkman, *Economic Value of Higher Education* (New York: American Council on Education and Macmillan Publishing Company, 1988).

implementation of the strategy. With these kinds of directions, it is likely that significant progress could begin, which would help the Ministry of Education in its mission to increase achievement and reduce disparities.

Unfortunately, however, the recent document from the Associate Minister for Tertiary Education introducing the new tertiary education system gives quite limited attention to access. This document, entitled *Excellence, Relevance and Access*,⁶⁰ spends the least time on access of all the issues. Moreover, the access discussion is heavily focused on reducing student loan costs across the board for all students and raising income support. As these policies are not targeted on the most needy and do not consider secondary school academic preparation, they unlikely to reduce significantly the opportunity gap.

Early Intervention Tertiary-School Partnerships

Creating partnerships between lower decile schools and tertiary institutions with community and business involvement to work with whole schools or whole grades to improve students' chances to attend tertiary institutions could be quite effective. It is important that these partnerships be well-coordinated efforts combining a range of activities, not disconnected or separate activities happening at the same school. The issue is not just one of financing extra activities at these schools but a comprehensive approach to change expectations for students, families, and teachers and to raise academic preparation for all students. The partnership approach focuses on a whole grade or whole class to change what is happening at the school rather than only focusing additional resources on individual students.

Based on research discussed earlier in this chapter and on privately supported programmes that have shown themselves to be effective at raising tertiary participation, the US Department of Education started such a programme at the Federal level several years ago, Gaining Early Awareness and Readiness for Undergraduate Placement (GEAR UP). These partnerships start early, at the beginning of secondary schooling, and stay with students through high school. GEAR UP's activities are designed to address the local needs and include improved academic preparation, tutoring, mentoring, family involvement, teacher professional development, information on tertiary education, visits to college campuses, and, in some cases, scholarships. To encourage these activities to become part of the ongoing activities of the school, partnerships and government share the costs through matching funds.

GEAR UP is only several years old and started working with students in middle school (12 –13 years old) so it is too early to see the effects on tertiary participation and success. Demand for the programme has been very high, however, with many more good proposals for the programme than could be funded. The first grants were awarded competitively in late 1999. Currently 240 partnerships are funded, ranging in size from \$100,000 a project to \$5 million for a large city project.

⁶⁰ Ministry of Education, *Excellence, Relevance and Access: An Introduction to the New Tertiary Education System* (Wellington: Ministry of Education, June 2002).

While GEAR UP evaluation results are not yet available GEAR UP is based on proven models that have shown big increases in high school graduation, test scores and college participation. These programmes were started and funded by philanthropists, foundations, and business partners. One such programme, *I Have A Dream*, was started by Eugene Lang in New York City. Lang promised a class of middle school students in the Bronx that he would pay for college if they worked hard, graduated from high school, and got into college. His promise of funding was supplemented by other activities including intensive academic support and mentoring. The programme showed very positive results and has been replicated in many other cities around the US through the *I Have A Dream Foundation*. Another programme, *Project GRAD*, has provided similar activities in inner city areas and has shown spectacular results. For example, one school in Texas, increased its college-going rates from 12 to 50 percent.

Interest in these kinds of activities is growing in New Zealand. For example, the University of Auckland has a high-level task force, including Vice Chancellor John Hood and Dame Anne Salmond, looking at how the University of Auckland can most effectively work with nearby low-decile schools to increase the number of students prepared to go on to university studies. In another example, an entrepreneur who had been living the US, Scott Gilmour, is just starting a programme in the Auckland area based on the *I Have a Dream* model.

Better and Earlier Information

Current tertiary information for students and families is not adequate. This need could be addressed fairly easily and is a sensible role for government to play since the information should be available nationally.

Students and families need more information on tertiary education and they need it earlier to affect decisions at key points. Information on the academic and financial preparation needed to attend tertiary education should be made available to students and families beginning early in secondary schooling and should reflect tertiary information as well as career information. In the US these sorts of publications have been published and distributed by the Department of Education.⁶¹ The publications are written in an easy-to-read style, sometimes with worksheets for students and parents, and have been translated into Spanish.

Students also need up-to-date, easy to use data on tertiary institutions—data that allows them to compare across institutions on programme offerings, costs, completion rates, jobs after graduation, etc. This kind of information, is different from what is in KIWICAREERS, and could complement KIWICAREERS well. Providing the data on-line, as KIWICAREERS is, and linking the two web sites would be particularly useful and would provide the full range of information need by students. A relatively new, on-line data-base on college opportunities in the United States could be a useful example.⁶²

⁶¹ Some such publications can be seen on www.ed.gov/offices/OPE/thinkcollege/early

⁶² See www.nces.ed.gov/ipeds/cool

Information on the returns to tertiary education and the real costs of tertiary education after taking financial aid into account (as compared with the perceived costs) should also be available. Students and families need an accurate understanding of financial aid provided by government or others. Misperceptions can create their own reality. This information is especially necessary for students from families with little or no previous exposure to tertiary education.

Financial Aid (Student Support)

Targeted financial assistance to students would be more effective in addressing the opportunity gap than subsidies provided to all students. Grants to cover fees for low-income students would complement targeted living allowances and could also be designed to encourage and reward improved achievement. If subsidies continue in the loan programme (for example, no interest accumulation while students are enrolled) they could also be targeted rather than across the board. The last Tertiary Education Advisory Commission report included these kinds of recommendations but they were not adopted by the government.

A big issue on grants—or fee rebates—is the mechanism to use for targeting. One possibility is the income levels used for allowances in order not to create a new mechanism for determining need. Another possibility is to target grants to students at lower decile schools as part of a focused initiative on schools where academic preparation and income are lowest. Another step could further target grants for higher levels of tertiary education and for high-performing students thereby focusing on both financial need and academic preparation. All of this could be part of school/tertiary partnerships. One caution is not to create an elaborate detailed financial need analysis system like the US uses.

Encouraging savings ahead of time is an effective planning strategy and can also reduce borrowing in future years. If savings accounts are established in New Zealand it would make sense to target government subsidies, if any, on students with low family incomes or students at low-decile schools.

Institutional Financing

Providing financial incentives to institutions to enrol more students who are likely to need additional assistance to succeed (for example, tutoring, mentoring, longer time to complete programme) would help to increase the enrolment of more disadvantaged students. The fourth report of the Tertiary Education Advisory Commission identified a need to give such incentives to providers for the enrolment of particular types of learners.

Two types of funding approaches are possible:

- Building a low-income component into the institutional funding formulae to provide incentives for institutions to enrol and assist students who are most at risk is one approach. TEAC proposed a Learner Add-on and a Learner Index to provide some more funding for additional costs incurred with some

students. This option would reduce or eliminate the extra costs associated with at-risk students at the time they apply and eliminate disincentives for institutions to enrol them.

- A second approach—to provide funding through early intervention school/tertiary partnerships—would help to improve the pipeline of students prepared to enter tertiary education at all levels of study. More detail on this option is provided earlier in this chapter.

These two approaches—early intervention partnerships and institutional funding formulae—could be adopted at the same time as they are complementary, addressing different parts of the access and opportunity pipeline.

Research Agenda

Data and policy studies using data are essential to inform good policy making, programme design, and implementation. In this paper, and in particular in this chapter, I have used research from other countries, especially the US, to complement and extend New Zealand's analysis and data. More in-depth data and research on New Zealand would be particularly helpful in designing effective policies to reflect the country's unique characteristics.

The Ministry of Education, together with other related government agencies, should develop a research agenda for tertiary education. This agenda should examine many issues related to tertiary access and equity, including the effects of fees, loans, student expectations and academic preparation. An external advisory group of researchers and different stakeholders could help to design a well-rounded research agenda, which could be carried out by many different researchers, analysts and agencies. The current division of responsibilities between the Ministry of Education and the Tertiary Education Commission (TEC) gives the policy making role to the Ministry and the implementation role to TEC. This new division of responsibilities may increase the Ministry's priority on data, research, and analysis.

Longitudinal data on a cohort of students beginning when they are in school through tertiary entrance and completion and into the labour market or graduate school are essential to understanding educational progress. The New Zealand longitudinal analyses discussed in this chapter—using the Christchurch data and the Competent Children data—provide important insights into educational access and achievement in New Zealand despite data limitations. The Christchurch survey was designed to address health issues and as a result data on more in-depth educational issues cannot be undertaken. The Competent Children study has a very small sample size and the students only come from Wellington. Neither data set can allow for analyses of ethnic groups.

Two specific steps regarding longitudinal data could increase the analysis and knowledge of tertiary education access and opportunity in New Zealand:

- *Conduct a nationally representative longitudinal survey* to address education and other social issues. The Ministry of Education is seriously exploring the possibility of such a survey beginning with secondary school students through

tertiary education. This would allow researchers to examine education issues in New Zealand in more depth and for population subgroups as well as the overall population. The survey could also address other social issues such as poverty and labour market experiences.

- *Continue the Competent Children survey.* If continued through high school and into tertiary this project would provide invaluable information on the relationship between academic preparation in secondary school and access to tertiary, even with its limited sample size and geographic area.

CHAPTER IV

CHALLENGES IN MOVING AHEAD

Participation in tertiary education has increased substantially in New Zealand since the mid-1980s when the country adopted more competitive, market-based approaches in many public policy areas, including tertiary education. As the previous chapters indicate, the landscape of tertiary education changed significantly with many successes, particularly the expansion of tertiary education and training options and much higher participation in tertiary education. At the same time, however, concerns arose that the costs were too high for students and that the system had too little coordination. The new Labour Government, after their election in 1999, moved ahead to reduce costs and consider ways to adopt a more strategic, coordinated direction for tertiary education tied to national needs. The country is now moving ahead to implement and, in some cases, design these reforms.

The government's policy decisions maintain many of the competitive aspects of the current system but do so within a more centrally steered and regulated approach. The government has published a Tertiary Education Strategy for 2002-2007 to guide the system; is in the process of creating a new Tertiary Education Commission to fund and regulate tertiary providers; has adopted new regulatory and funding policies; and is developing the specifics of these new policies. As many policy and implementation decisions on the new regulatory and funding approaches are still being determined, it is too early to determine the impact of the tertiary strategy and the move to more central steering. The strategy's goals are so broad that almost anything could be done. This presents a real opportunity for New Zealand but also a real challenge. Performance goals, programme design, and implementation will be key.

New Zealand faces a number of challenges for the future in moving ahead to address issues of tertiary access and opportunity, some of which the recent reforms address, some of which the reforms do not address. The previous chapters discuss the status of recent tertiary reforms, the issues of access and opportunity, and issues of tertiary costs, including student loans. Each chapter discusses specific issues and policy options. This chapter pulls together the various discussions from the other chapters under three main challenges facing New Zealand. Further detail on the options are presented in the previous chapters.

Three Main Challenges in Moving Ahead

To address issues of tertiary access and opportunity, New Zealand faces three interrelated challenges in moving ahead:

- Develop better acceptance of public/private cost sharing in tertiary education.
- Close the opportunity gap in tertiary participation for at-risk groups.
- Use data and research to inform decisions—to make and deliver good policy and to improve decision making.

Challenge: Develop better acceptance of public/private cost sharing in tertiary education

Many New Zealanders still feel that free tertiary education would provide the most access. Evidence in New Zealand and in other countries runs counter to this, however, as tertiary participation has increased in New Zealand and many other countries at the same time that costs increased for students and families. In the recent New Zealand election two minor parties adopted platforms for free tertiary education. As a result many in the public still hold out the hope that fees will be eliminated.

In fact through increased private contributions coupled with a demand driven system of public subsidies to institutions, the competitive policies of the late 1980s and 1990s resulted in significantly higher tertiary participation. New Zealand moved from more or less free tertiary education and relatively universal student allowances to a situation where fees are charged to students, student allowances are highly targeted by income and student loans are widely used. Government policy moved from subsidising a smaller number of students at a higher rate—often referred to as an elite system—to subsidising a larger number of students at a lower amount per student—often referred to as a mass system of tertiary education.

It is difficult to design policies to move ahead on particular issues—such as closing the opportunity gap—when the overall public/private cost sharing approach is still being debated. A better understanding and acceptance of this situation, which is relatively new in New Zealand, is needed.

Maintaining the policy of student fees and public/private sharing of costs should be continued to ensure adequate resources. It should be coupled, however, with targeted early intervention and student financial assistance for students most at risk, including targeted grants or fee-rebates.

Along with this misunderstanding is a widespread misperception of the student debt issue. Many feel that debt is overburdening most students and leading to a lifetime repayment burden. A better understanding of the debt issue is important so that individuals can make well-informed decisions on borrowing and so that they are not deterred from tertiary by misperceptions of the costs and borrowing. Understanding that income-contingent loans provide insurance against low earnings and that most borrowers repay in a reasonable time period would be helpful as many people seem to feel that income contingent loans present a lifetime of debt. A number of other changes could be instituted in the student loan programme to ensure that adequate access to loans to pay for tertiary education is balanced against excessive borrowing.

Challenge: Close the opportunity gap in tertiary education

Significant disparities exist for ethnic groups—Maori and Pacific Nations—and for students from low-decile schools, especially at the higher levels of tertiary education. These differences in tertiary participation are highly correlated with their previous academic preparation. Maori and Pacific students and students from low-decile schools are much more likely than their counterparts to leave secondary school without a qualification or with one below the university level.

Raising expectations and academic preparation as well as addressing student financing and information is needed to reduce the opportunity gap. A co-ordinated and targeted strategy across educational levels and policy instruments could make a big difference. Helping students and families “Think Tertiary Early” would help students and families to plan earlier so that tertiary is a real option academically and financially when the time comes.

Key parts of this strategy include:

- Making “improving opportunity” a key part of implementation of the tertiary strategy;
- Creating early intervention school/tertiary partnerships for lower-decile schools;
- Providing more and earlier information to students and families;
- Improving student financing, including targeted grants or rebates for fees for at-risk students; and
- Paying institutions more for enrolling targeted groups of students.

Recent policy decisions, such as eliminating the accumulation of interest while studying, have spread government assistance to all participants rather than focusing on where it would make the most difference—on those most in need or most at risk. Current tertiary policy discussions also tend to focus on costs and debt for all students, and on system direction and processes to change the system steering, but not enough on issues of opportunity. Press coverage presents a rather alarmist view of student costs and debt levels without a balanced view of the overall situation. Political discussions tend to reinforce the more alarmist view. As a result many in the public have a misleading picture of tertiary access and affordability in New Zealand. Misperceptions can create their own reality.

Challenge: Use data and research to inform decisions

Tertiary policy in New Zealand is made too often on ideology, rhetoric and anecdote. More and better data, analysis, programme evaluation, and research are needed to inform the design and implementation of policy. Without this attention to data and studies using data, public funds are likely to be used ineffectively. Consumers—students and families—also need better information and they need it earlier.

The Ministry should develop, with an expert advisory group, a research agenda for tertiary education to examine issues of access and equity, including the effects of fees, loans, student expectations and academic preparation. While this paper uses US research to complement New Zealand’s analysis and data, it would be particularly helpful to have more in-depth research on New Zealand’s experiences to reflect the country’s unique situation. Longitudinal data on a cohort of students starting when they are in secondary school through tertiary completion and into the labour market are needed to address many transition issues across levels of education.

A number of promising data initiatives are under consideration or are under development in the Ministry of Education and other organisations related to tertiary access and opportunity. With careful attention and development these data sources and studies using them could improve tertiary decisions on policy and programme delivery.

The importance of improving data and policy studies has been raised in virtually every previous Axford Fellowship Report.

Conclusion

As a small country with most of the education policy levers at the same level of government, New Zealand could become an international leader in addressing student access and opportunity. Co-ordinated and targeted strategies across educational levels and across policy instruments could make a big difference in improving tertiary access in New Zealand and in reducing persistent opportunity gaps.