New models of tertiary education at a glance

The Terms of Reference for this inquiry ask the Commission to investigate how the tertiary education system can adopt new models of tertiary education, to respond to the strategic challenges and opportunities of:

- New technology
- Rising tuition costs
- Internationalisation
- Changing student & employer demands
- Demographic change

The inquiry evidence base:
- 176 submissions
- 130+ face-to-face meetings
- Extensive engagement with tertiary providers and government agencies
- Leading practices from overseas providers and engagement with international experts

NEW ZEALAND PRODUCTIVITY COMMISSION
Te Kōmihana Whai Hua o Aotearoa

New Zealand's current tertiary education system

Tightly constrained by government settings…

- Government control is pervasive. Government regulates the price, volume and location of much delivery.
- Resources do not move around much in the system, and not in response to student demand or quality.
- Quality is controlled by NZQA and the Vice-Chancellors Committee, and serves to reinforce existing ways of doing things.
- The effect of regulation is to bestow market power, grant local monopolies and require cartel structures. This mainly protects the interests of government and public providers.

It performs well for some, but not all…

- Over time government has asked, and incentivised, providers to serve school leavers studying full-time and on campus. But there is unmet demand from others.
- The system has reduced its capacity to serve those who can't access traditional campus-based education.
- Māori and Pasifika students are increasingly accessing higher levels of study. But they still don't participate or achieve at higher levels at the rates they could.
- Students are disempowered and mobility between providers and courses is thwarted.

And adoption of new models is limited

- Where innovation occurs within funded providers, it stays small. Innovation at scale largely happens outside the funded system or when government 'creates' an innovation.
- Most providers graft new technologies onto existing ways of doing things, rather than using technology to deliver in fundamentally new ways.
- Providers' culture and capability reinforce traditional ways of doing things. Incumbent providers have neither the scope nor incentive to innovate.

A tertiary education system that supports new models

Information to support new models

- Improve information and career education for prospective students.
- Adjust measures of provider performance to take account of the student intake – their "value add".
- Encourage providers to use data analytics and learning analytics.
- Enable providers to set their own entry standards; abolish UE.
- Measure what types of study, at what providers, result in the best outcomes for different types of students, and make this information easy for the public to access and interpret.
- Take steps to promote student mobility, including more articulation agreements between providers.

Regulation that permits new models

- Allow high-quality providers to self-accredit. Disestablish CUAP. But set tougher consequences for poor performance.
- Streamline quality assurance processes for providers that do not self-accredit.
- Redress incentives that privilege research, and that require research-led teaching of degrees.
- Remove funding restrictions on short qualifications, courses not leading to a qualification, and higher levels of industry training.
- Give financially competent TEIs more autonomy over managing assets and finances.
- Remove barriers to new entrants and joint ventures among providers.

Purchasing that rewards new models

- Charge interest on student loans, or at least adjust balances for CPI.
- Allow students to borrow, with interest, for non-TEC-subsidised courses.
- Regulate maximum fees, rather than fee movement. Give providers more flexibility to set higher fees in exchange for service obligations.
- Reallocate EFTS mechanistically between providers in response to student demand.
- Adjust prices, rather than EFTS allocations, to achieve other objectives.
- Make a small number of EFTS available for new entrants.
- Allow providers to experiment with, and evaluate, new models without heavy penalties for failure.

System architecture to support new models

- Make Treasury, rather than TEC/MoE, responsible for monitoring government's ownership interest in TEIs.
- Release a new Tertiary Education Strategy that articulates clear goals and a plan for change, with a performance framework to measure progress.