

FUNDING OUR FUTURE
A report on the funding of the tertiary education system
Tertiary Education Union
Te Hautū Kahurangi
 November 2018

Author
Jonathan Oosterman



TERTIARY EDUCATION UNION
Te Hautū Kahurangi o Aotearoa

Images

- p8 - source: iStock / parliament.nz
- All remaining images by the TEU



Contents

Acknowledgements	4
Funding Principles	5
The current funding system is not working.....	7
Tertiary education is a public good	9
Tertiary education must be inclusive, equitable, and barrier-free	14
Teaching, research, and human wellbeing must be prioritised	17
Funding must foster collaboration and long-term systems thinking	20
Public investment is progressive and equitable	25
Conclusion	28

Acknowledgements

Thanks to all the TEU members who shared their views on the New Zealand tertiary education funding regime. Your understanding of students, communities, and employers' needs, and of the conditions necessary to create new knowledge and innovation, is crucial to public debate about the future of education. We are all indebted to you for the commitment you show to your communities, students, disciplines, and being part of a robust and quality tertiary education sector which benefits the public. Kia kaha.

Thanks also to the Minister of Education, Chris Hipkins, for being open to hearing the voice of education staff wherever they work. As many noted in this research project, our best work is done when we work together.

About the NZTEU

The TEU is the largest union and professional association representing staff in the tertiary education sector (in universities, institutes of technology/polytechnics, wānanga, private training establishments, and REAPs). The union is made up of X,000 academic staff and X,000 general/allied/professional staff.

The TEU Te Hautū Kahurangi actively acknowledges Te Tiriti o Waitangi as the foundation for the relationship between Māori and the Crown. We also acknowledge the significance of specific reference to Te Tiriti o Waitangi in the Education Act (1) and the emergent discourse resulting from this. Finally we acknowledge the responsibilities and actions that result from our nation's signing of the UN Declaration on the Rights of Indigenous Peoples².

The following whāinga guide our Tiriti relationships and behaviours, setting our vision of how we aspire to work together:

Tū kotahi, tū kaha: we are strong and unified; we are committed to actions which will leave no-one behind; and we create spaces where all people can fully participate, are fairly represented, and that foster good relationships between people.

Ngā piki, ngā heke: we endure through good times and bad; we work to minimise our impact on the environment; and we foster ahikā – the interrelationship of people and the land, including supporting tūrangawaewae – a place where each has the right to stand and belong.

Awhi atu, awhi mai: we take actions that seek to improve the lives of the most vulnerable; we give and receive, acknowledging that reciprocity is fundamental to strong and equitable relationships; and we work to advance approaches that ensure quality public tertiary education for all.

Tātou, tātou e: we reach our goals through our collective strength and shared sense of purpose, which are supported through participatory democratic decision-making processes and structures.

1 Specifically Section 181 (b), (c), and Section 220 (2A) (a) to (e)

2 Particularly Article 14

Funding Principles

Quality tertiary education is crucial for supporting social, human, economic, and environmental wellbeing, and to play this important public good role the tertiary education sector must be provided with sustainable long-term funding.

A new funding system is urgently needed. It must be developed in collaboration with students, staff, local communities, business and senior management of institutions. The Education Minister must also bring these stakeholders together through an open and transparent process to help the government determine how funding is allocated. The Education Minister should also seek bi-partisan support for a new funding system.

The first step in this process is to clearly articulate the principles by which any funding decision will be made by the government and institutions. Thematic analysis of the views of the staff who participated in this research, as well as international and domestic research into tertiary education, reveal the following principles that must be used to guide debate about a new funding system.

Tertiary education is a public good

The funding system must reflect the enormous contribution tertiary education makes to our lives. The Education Minister also needs to frame changes to the funding system as a necessary pooling of public resources to ensure tertiary education continues to deliver the benefits we all enjoy every day. We must prioritise the social benefits tertiary education brings, and fund delivery of what students, staff and communities most value from tertiary education, including the contribution the sector makes to our collective creative, social, human, scientific, cultural, and intellectual growth.

Tertiary education must be inclusive and equitable

A new funding system must ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. This means providing for diverse learners - including, but not limited to, Māori, Pasifika, second chance learners, sole parents, mature students, students with disabilities, and LGBTI - and different learning needs. The system must be flexible enough to do this in a range of settings, including providers, workplaces and Māori settings. A new funding model must also be easy to navigate for learners of all ages, employers, staff, and community members. A new funding model must guarantee the regional

provision of tertiary education, and ensure all people can access learning opportunities in their communities across Aotearoa New Zealand.

Teaching, research and human wellbeing must be prioritised

A new funding system must deliver quality education, learning, research, and innovation. This requires a system that prioritises diversity of provision, ensures accessibility, and contributes to student and staff wellbeing. A new funding system must deliver services to meet the needs of all learners, and ensure all students have access to the support they need.

Funding must foster collaboration and long-term systems thinking

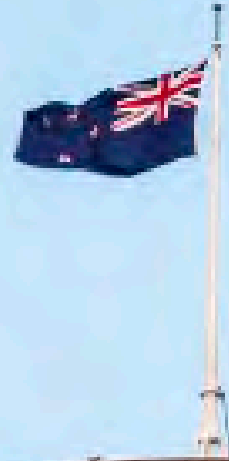
A new funding system must be based on collaboration whereby resources, specialist skills and new innovations, are shared among institutions. Collaboration should be informed by a detailed national strategy for tertiary education provision that outlines the short, medium and long-term skills and education required to meet New Zealand's social, community, environmental and economic needs. A new funding system must be designed to ensure long term sustainability, regardless of fluctuations in the economy or short term demographic shifts.

Public investment is progressive and equitable

A new funding system must be based on the understanding that it is a fair and equitable pooling of public resources to deliver education and research that meets the needs of all communities.

"We know the funding systems in tertiary education aren't fit for purpose any longer and we are committed to working together to fix the problem."

Chris Hipkins, Education Minister



The current funding system is not working

Quality tertiary education is crucial for supporting social, human, economic, and environmental wellbeing, and to play this important public good role the tertiary education sector must be provided with sustainable long-term funding.

In May 2018 the Tertiary Education Union Te Hautū Kahurangi o Aotearoa spoke out publicly about the growing hole in the funding provided to New Zealand's tertiary education sector. In a press release the union noted:

Students could be left without places to study in their local communities because of an emerging \$6 billion funding crisis, the Tertiary Education Union (TEU) warned today.

Treasury figures analysed by the TEU show that cumulative underfunding to the sector reached \$3.7 billion this year from 2009 levels. Based on current figures the funding hole will increase to more than \$6 billion over the next three years.

In a face-to-face meeting and twitter exchange on the day the 2018 budget was released, the TEU again tackled with the Minister of Education the problems of the funding model:



The TEU was pleased with the Minister's response:



Working together is the only way we will be able to ‘fix the problem’ of the current funding model identified by the Minister. It is also going to be the most effective way to design a new funding model that ensures that the tertiary education sector meets the needs of all New Zealanders.

To ensure a wide-range of staff voice is heard in this debate, TEU members were invited in April 2018 to share their ideas for funding by responding to the following open-ended questions:

Contributions from over 150 people working in the sector were analysed using thematic analysis. From this, a set of principles for reform of the tertiary education

I support changes to the funding model because:

Here you may want to tell us about the important contribution you make to teaching others the knowledge and skills we desperately need.

If I was Minister, I would change the funding model by:

Tell us what you would do to change the funding model. We'll use these to come up with a set of principles that the Minister must use to guide discussions about redesigning the funding model.

funding model was developed. These principles build from and are illustrated by comments from TEU members.³

This report sets out the thoughts of experienced tertiary education staff about how the sector should be funded and sets these in context of international and domestic research into tertiary education systems. It also describes how the current funding model fails to meet these needs – and why it needs to change.

Staff speak of the important contribution they make to

teaching New Zealanders the knowledge and skills we all need as a nation, as well as the contribution they make to advancing knowledge through research and innovation. It is through this work that we will be able to tackle many of the challenges we face as a nation.

Respondents also turned their minds to how the public good contribution of tertiary education could be upheld through a new funding system. It is evident from the report that a core part of this is to ensure the involvement of staff, students, and communities in decision-making around tertiary education funding and policy.

³ Members were given the option to remain anonymous, which some did choose.



"Increasing and improving the funding of tertiary education not only improves the lives of those who work and study in the sector, but improves the wellbeing of our whole society"

Nicole Wallace, University of Auckland.

Tertiary education is a public good

Tertiary education is a public good that we all benefit from. Whether it is because of the person that fixes our car, the nurse that cares for our loved ones, or the scientists that ensure we have clean drinking water, we all enjoy the benefits of tertiary education every day. Equally, commitments made by the current Labour-led Government depend on quality tertiary education. How else will we build the homes we need, or train the teachers we require without quality public tertiary education?

Tertiary education underpins our national wellbeing and provides a foundation for our future. Education contributes to the wellbeing of society as a whole and is, therefore, a matter of public concern. Whilst it does have private benefits, education's greatest contribution is to society and communities:

"Without education people are less likely to reach their full potential and quality of life in whatever they choose to do. I do not believe we have a choice about this. It is of absolute necessity and the right of all people from every background. Educators must be provided with every possible opportunity to pass on their skills, knowledge and care for the good of our total population." (Margaret Melsom, Wintec).

A high quality, affordable and accessible public tertiary education system gives all citizens the opportunity to participate in tertiary education and contributes to strong communities and a strong economy.

"We can create a far better economy if we increase the capability of our workforce. Currently we are not sufficiently resourced to be able to achieve this. It's not just a matter of giving students access to tertiary institutions. In addition we have to fund those institutions to deliver what's needed." (TEU member)

Ultimately as a public system, tertiary education supports the creation of a socially just, equal and inclusive society.

Research shows the public benefit of tertiary education. The OECD has calculated that each New Zealand tertiary graduate generates an average of more than US\$40,000 of net public benefits as compared with attaining upper secondary education (\$42,800 for women and \$65,500 for men, with the gender difference resulting from labour market outcomes).⁴ "The worker's educated attributes (knowledge and skills) may spill over to other workers who did not contribute to the cost of the education, helping to enhance their productivity and thereby augment the economic returns to the firm."⁵

The benefits of tertiary education for society are both economic (e.g., greater productivity) and social (e.g., less crime).

Simon Marginson describes the public good aspects of teaching and learning:

the knowledge learnt; general education unrewarded in labour markets that contributes to a shared knowledge base; education understood as a citizen entitlement to the common culture and to social opportunity; and the contribution of higher education to social tolerance and international understanding.⁶

4 OECD (2017). Education at a Glance 2017: OECD Indicators, OECD Publishing, Paris, pp. 131-132. <http://dx.doi.org/10.1787/eag-2017-en>.

5 Marginson, Simon (2011). Higher Education and Public Good. Higher Education Quarterly 65(4), p. 416. DOI: 10.1111/j.1468-2273.2011.00496.x

6 Marginson, Simon (2011), op. cit., p. 426.



Elsewhere, he writes:

The social (collective) benefits of higher education include its contribution to stable, cohesive and secure environments, more efficient labour markets, faster and wider diffusion of new knowledge, higher economic growth, viable social networks and civic institutions, cultural tolerance, and enhanced democracy.⁷

Over the last three decades the project to marketise and privatise education in New Zealand and internationally has obscured the broader social and public good provided by tertiary education. This means that the government needs to make a concerted effort to promote awareness of the public good benefits of tertiary education, clearly naming the benefits in terms of the economy, critical citizenship, democracy, and social wellbeing.

Whether it's the mechanic who gets our car back on the road, the nurse that cares for our loved ones in their time of need, or the teacher that inspires our children to learn, the benefits of tertiary education are all around us. Tertiary education is not a 'nice to have' – it is the teaching and training that connects people to their futures, and to jobs and roles in society that we all depend on.

The current funding and accountability model has caused mission drift for our tertiary education

⁷ Marginson, Simon (2014). Higher Education and Public Good. In P. Gibbs and R. Barnett (eds.), *Thinking about Higher Education*, Springer: Switzerland, pp. 53-69. DOI: 10.1007/978-3-319-03254-2_5

institutions particularly with regard to their role in social wellbeing and democracy.

"We play a role in educating a well-informed citizenry to participate in democracy." (TEU member)

Education plays a key role in building and defending democracy; it contributes to individual fulfilment and wellbeing and to community development; it is a prime mechanism for promotion of equality, non-discrimination, and understanding among people from different backgrounds. Tertiary education also provides opportunities for research development and critical thinking that contribute to our understanding of current issues and to finding solutions to future challenges. Tertiary education promotes debate, democracy, culture and expression.

To build on this core element of education, the sector should be funded, as one TEU member put it, "in the interests of social value, social participation and social justice".

Part of the public good role that tertiary education plays is in supporting the fulfillment of important national commitments. One respondent commented:

"In my role at a tertiary provider I am supporting the decolonisation of the classroom and creating a road forward for all people of Aotearoa in line with Te Tiriti o Waitangi."

In line with this commitment to Te Tiriti, Lesley Marshall of NorthTec commented of Māori students:

"Ultimately, these students' success is role modelling learning and success to their whānau, and will be a major boost to Māori education and futures."

While TEU members wrote of the need to have a long-term vision rather than being focused on perceptions of short-term employability, they also spoke of the need to recognise that there will be times that it is in the public interest to give extra funding to support the generation of knowledge and innovation to address crucial public issues and to the development of skills that are in short supply:

"New Zealand needs more skilled tradespeople in order to meet current and future demands... Students need to be actively channeled from high school level to ensure that the demand is met consistently." (Michael Armstrong, Ara Institute of Canterbury).

We also need to get other elements of research funding right, as evidenced by the following comment:

"Science funding is riddled with behind the doors politics..." (TEU member)

This is supported by a 2014 poll of scientists which suggested that National Science Challenges aren't the best way to organise research to deliver benefits to New Zealand.⁸

Research funding should be based on prioritising education and learning; however, Professor Jack

8 <http://teu.ac.nz/2014/08/quarters-scientists-dissatisfied/>

Heinemann of the University of Canterbury suggests that "Too often in our system, groups come together based on their best guess of what will get funded, rather than necessarily their best guess as to what will matter." He writes: "If New Zealand had a more nuanced and diverse funding system, we could optimise the contribution from the diverse range of personalities that do good research." He suggests that current research funding could be supplemented with something similar to National Institutes of Health intramural funding in the United States, which he said provides "baseline support...to do high risk/long term work that contestable grants just can't stomach".

Expressing cautions about the increased overhead for researchers associated with the management of any new funding scheme, Associate Professor Nicola Gaston of the University of Auckland offers the alternative of "generalised, flexible funding schemes (such as if PBRF funds were indeed distributed more organically to researchers)". She also comments in response to criticism of the National Science Challenges that the current leadership is doing the best they can in a situation they didn't create, including the threat of 'alignment of other funds' with the National Science Challenges, which initially "created widespread conflicts of interest and counterproductive behaviours".

Accountability measures need to prioritise social value. Current metrics used to measure tertiary education outputs are problematic as they obscure the social value of tertiary education. Associate Professor Wayne Linklater of Victoria University of Wellington spoke of the need to "shift reporting of academic performance from quantitative metrics that can be 'gamed' (and end



up creating metrics that distort academics purpose) to qualitative metrics that can be interpreted against the qualitative purposes of universities e.g., service to community."

Staff describe a range of negative effects of PBRF. This includes how PBRF pushes research away from the public good:

"The current model... promotes research that will get published in high profile journals over research which is relevant to problems that affect the lives of ordinary people here." (Russell Fulton, University of Auckland)

Another respondent built on this, stating:

"Change the PBRF funding model so that we... encourage academic staff to engage with their communities in meaningful projects that do not necessarily result in publication in academic journals." (TEU member)

Other respondents described how the PBRF process leads to gaming and low quality research:

"The goal has become doing well at the assessment exercise because of the funding it brings in, rather than actually undertaking socially productive research or research-led teaching." (TEU member)

Similarly, work done on EPIs shows that staff in the sector have noted the distorting effect of metrics on teaching and learning.⁹ Below are just two comments regarding the harm done by performance measures:

There is constant demand to pass and accept poor quality students. Minimum pass rate is 85% and a paper that fails to achieve is put under scrutiny and the lecturer is required to explain their failure.

Courses taught to exams, grade inflation, and dumbing down.

Respondents also described the manipulation of research results in order to secure funding.

The tertiary education system needs to be accountable to the public. To provide an accurate reflection of the role of tertiary education, new accountability measures must

9 Oosterman, Grey, and Sedgwick (2017) Education Under Pressure.

be developed that align with the public good outcomes of teaching and research. However, this is complex. Simon Marginson describes "the intrinsic difficulty of defining and monitoring the public benefits of higher education as the basis of funding", describing this as a problem for both governments and institutions.¹⁰ More work is needed on what appropriate accountability measures that support responsible autonomy for institutions might look like. However, what we do know is that accountability mechanisms can be built on a basis of trust, and that they can be developed in a holistic manner that does not require rigid quantification of public good outputs,.

A system could be developed where institutions submit "Public Accountability Agreements" every four years, in line with the model developed by the NTEU in Australia:

Like current strategic plans (or mission based compacts) it would include statements for each of its key areas of activity (teaching, research, community engagement) which outline:

- what it wants to achieve (objectives);
- how it intends to achieve it (approach); and
- how it will know whether it has achieved its objectives (quality assurance and accountability).

Our public universities should also explain what consultations they have engaged in with members of their communities (including staff, students, other educational and public service providers, professional bodies, local Aboriginal and Torres Strait Islander community [in the New Zealand context, iwi and hapū], local business and community forums, etc.) to develop these plans. Such a statement would give the government some reassurance that the direction being undertaken by any individual university is not at odds with the communities it serves.¹¹

10 Marginson, Simon (2013). Labor's failure to ground public funding. In S. Marginson (ed.), Tertiary Education Policy in Australia, Centre for the Study of Higher Education, University of Melbourne, p. 63. https://melbourne-cshe.unimelb.edu.au/__data/assets/pdf_file/0009/2564316/Tert_Edu_Policy_Aus.pdf

11 National Tertiary Education Union (2015). Towards a sustainable policy framework for Australian higher education. NTEU Budget Submission, February 2015. <http://www.nteu.org.au/library/view/id/6652>



It is clear that the evaluation of the impact of public tertiary education is complex, and current metrics used are causing mission drift for our universities, polytechnics, and wānanga. Accountability mechanisms must be consistent with responsible autonomy for institutions, and help the public see the good that comes from tertiary education. Public Accountability Agreements that include consultation with community members and collaborative decision-making are worth exploring as a method to achieve these ends.



Tertiary education must be inclusive, equitable, and barrier-free

A reformed tertiary education funding system must address inequality to ensure the fulfilment of the sector's public good role. While there are some funding streams to address inequality in the current system, these are inadequate and often confusing to access. Respondents specifically highlighted the needs of tangata whenua, Pasifika students, and those with disabilities. Other changes are also needed: ITPs have made the case that “funding settings effectively penalise them from enrolling learners who need more help to succeed”¹²

Addressing inequality means placing real value on Te Tiriti o Waitangi. For Māori the opportunity to access affordable, inclusive and equitable tertiary education through a well-funded and accessible public system is one way by which individuals and their whānau, hapū and iwi can realise their development aspirations, as well as contribute to their communities, society and the economy. Sharon Campbell (University of Waikato) highlighted the need to build “the critical mass required within the Arareo Māori/ Māori medium sector throughout Aotearoa, New Zealand”, while others called for extra funding for Tiriti o Waitangi education within the tertiary system.

12 Quoted in Productivity Commission (2017), *New models*, op. cit., p. 78.

The current funding system includes Equity Funding to support the participation and achievement of Māori and Pasifika students, and to support students with disabilities. However, these are inadequate for the need that exists. The current Equity Funding ‘top up’ at Level 7 is just \$320 a year for each equivalent full time Māori or Pasifika student.

Helen Potter notes that while providers used to invest substantially in programmes to help improve outcomes for Māori, “much of the investment in culturally-responsive teaching and student support services has been wound-back across the tertiary sector in recent years”, once government no longer supported it via a separate funding stream.¹³

Tertiary education should act as a social leveller; however, our narrowly focused funding policies have undermined equality of access to teaching and research in New Zealand. The narrow economic focus of government funding policy has led to a narrowing of who gets to study, where, and when – a clear attack on the principle

13 Potter, Helen (2016). *Māori and tertiary educational achievement*. Wellington: Tertiary Education Union, p. 3. https://issuu.com/nzteu/docs/helen_potter_research_note_2_1/e=1335165/37364814

of equality. Targeting investment towards learners aged 18-25 has led to the exclusion of mature students. The Productivity Commission comments:

Many inquiry participants suggested that retraining for mid-career workers will occupy an increasing share of tertiary education provision in coming years. But a focus on younger, full-time learners completing full qualifications, the design of the student support system, and funding rules that make recognition of prior learning difficult all present barriers to mid-career retraining.¹⁴

As discussed earlier, the government Education Work Programme makes a commitment to barrier-free access. It goes on to note that “Barrier-free access is not just about breaking down barriers, but also about actively giving all learners the same opportunities to succeed regardless of their socio-economic background”.¹⁵ The TEU applauds this commitment to active support. One option offered by Gaven Martin of Massey University is to “explore opportunities to support staircase sub-degree opportunities to address issues of equity and opportunity”.

Ron Crawford writes that “Recognition that better-off households were then benefiting disproportionately from public funding for tertiary education was one of the motivations for reform and a shift to greater reliance on private funding”¹⁶; however, the Productivity Commission has found that “Government spends twice as much on tertiary education subsidies for the well-off than on people from poorer communities”.¹⁷ The shift to marketising and privatising tertiary education has not achieved equity, and should be reversed. Public funding should be increased to remove barriers to tertiary education.

14 Productivity Commission (2017), *New models*, op. cit., p. 91.

15 Ministry of Education (2018), *Education Portfolio Work Programme*, op. cit., p. 7.

16 Crawford, Ron (2016). *History of tertiary education reforms in New Zealand*. New Zealand Productivity Commission Research Note 2016/1, p. 13. <https://www.productivity.govt.nz/sites/default/files/nzpc-rn-2016-1-history-of-tertiary-education-reforms.pdf>

17 Productivity Commission (2017). The Productivity Commission has uncovered some little-known facts about our education system for post-secondary studies, who gets the private benefits from the public investment, and what employers think of graduates. <https://www.interest.co.nz/opinion/87114/productivity-commission-has-uncovered-some-little-known-facts-about-our-education>

This is reflected in Sustainable Development Goal number 4: quality education – “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all”.¹⁸ Specifically in terms of tertiary education, the UN states: “By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university”.¹⁹ The government Education Portfolio Work Programme makes a number of commitments, including:

Barrier-Free Access: Breaking down the barriers to participation at all levels, with a particular focus on breaking down financial barriers by returning to the principle of a free public education that is available to all New Zealanders throughout their lives.²⁰

Fulfilling this commitment to free public education is essential for dismantling financial barriers to tertiary education.

Over the last decade distance has become a barrier to education. Staff in the sector have watched as accessibility to education has shrunk because of closures of courses and even whole campuses. An equitable funding system would ensure all communities have access to education as one member noted:

“A model that ensures the viability of regional polytechnics to offer courses & provide a local option: (a) so we don't have a stream of students to the main centres, paying exorbitant rents, and increased housing pressures; (b) so local whānau support & role models are available for students.” (TEU member)

Regional provision of tertiary education must be guaranteed, so all New Zealanders can benefit from life changing learning opportunities, regardless of background or where they live. As part of this, accessibility to adult and community education (ACE) and lower level ITP courses in all regional centres must be ensured through planned, managed, properly-funded tertiary education provision. A number of respondents spoke about the importance of regional provision of tertiary education and the need for the funding model to

18 <http://www.sdgfund.org/goal-4-quality-education>

19 <http://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-4-quality-education/targets/>

20 Ministry of Education (2018). *Education Portfolio Work Programme*, p. 7. <https://www.education.govt.nz/assets/Documents/Ministry/Information-releases/R-Education-Portfolio-Work-Programme-Purpose-Objectives-and-Overview.pdf>

recognise this importance. Chris Lordan of NMIT wrote:

We have highly skilled professional tutors providing Trades students with valuable skills in areas like building and construction. These students won't respond to online training and they won't travel to another centre to complete their training course. If we don't support face-to-face regional teaching provision these lost students will be at risk of costing the country a lot more in police and social services costs... The funding model should be stacked to provide more funding for regional delivery.

The government Education Portfolio Work Programme makes a commitment to "Restoring strong regional provision of vocational education."²¹

A refocusing of the funding model to ensure regional and rural education provision is about ensuring all New Zealanders have access to a basic right. When Northtec found itself forced to cut an automotive engineering course a week before semester started in 2018 (the course needed 15 students and only 11 had enrolled) the impact was felt by the prospective students immediately. Dan Needham's comments to the local paper was that "It's pretty heart-wrenching for me because I sort of had this plan."²² This shows that opportunity and hope are cut when courses in the regions are axed.

21 Ministry of Education (2018), Education Portfolio Work Programme, op. cit., p. 8.

22 Northern Advocate (2018) https://www.nzherald.co.nz/tertiary-education/news/article.cfm?c_id=341&objectid=12000314

The funding system needs the flexibility to take into account the educational profile of the community the institution serves, population concentration or spread, ethnicity, and national, regional and industry requirements. These factors will differ from region to region thus requiring any funding system to be flexible enough to meet identified national or regional needs.

In part building on characteristics of regional provision, but also extending beyond this, TEU members also described the need to recognise the greater funding needs of courses that require smaller student:staff ratios. In part, this is about recognising economies of scale. One member spoke of "Recognising the value of smaller classes for vocational and applied learning", while another stated:

"TTPs have not really been funded to deliver the kind of applied learning that typically happens in workshops, studios, which typically have smaller Student Staff Ratios than the lecture style courses delivered in universities."

Similar needs can also exist in relation to some university courses, however. Liz Beddoe of the University of Auckland gave the specific example of social workers:

"I'm teaching on professional programmes to qualify social workers. We're not funded like teaching and nursing - at a higher rate. There is no acknowledgment that we have to support clinical placements and small group skills teaching."



Teaching, research, and human wellbeing must be prioritised

Because tertiary education is a public good, funding must deliver quality education, learning, research, and innovation. This means a diversity of provision, ensuring accessibility, and funding focused on human wellbeing. Wellbeing depends on both student support and staff working conditions that reflect the time, energy and skill they put into tertiary education.

The current funding system fails to prioritise education and learning. Instead, as described in the report Education Under Pressure, "Government orientation towards commercial gain and away from the broad aims of education has manifested in continual underfunding of the sector and misguided funding via performance management tools (EPIs, PBRF)."²³

Jeremy Siau of the University of Auckland highlighted the broad social aims of education when he commented that "education should focus on educating and not what makes the most money". A corollary of this is that public money needs to go to publicly owned tertiary education providers (and, in some specific circumstances, community tertiary education providers).

Focusing public funding on resourcing public tertiary institutions reinforces the principle that education is a public good. Funding for-profit private providers with taxpayer money skews the provision of tertiary education.

In a 2008 study of New Zealand tertiary education, the OECD noted that:

[Private training establishments (PTEs)] seem to concentrate on courses where margins for profit are higher (i.e. the public subsidy is generous relative to the actual cost of provision) given that no requirements exist regarding the range of their offerings... During the review visit some public providers, in particular ITPs, expressed their discomfort over the terms of competition with PTEs in light of the fact that they had to cover a wider range of fields, often in not so "profitable" areas.²⁴

23 Oosterman, Jonathan, Charles Sedgwick & Sandra Grey (2017). Education under pressure. Tertiary Education Union, p. 22. <http://teu.ac.nz/wp-content/uploads/2017/05/Education-Under-Pressure-2017.pdf>

24 OECD (2008). OECD Reviews of Tertiary Education: New Zealand. OECD publishing. Authors: Leo Goedegebuure, Paulo Santiago, Laara Fitznor, Bjørn Stensaker and Marianne van der Steen, p. 46. <https://www.oecd.org/education/skills-beyond-school/38012419>.

Prioritising education and learning means providing a breadth of education, in terms of the subjects, learning approaches, and places where tertiary education is available. More broadly, Anthony Robins of the University of Otago commented:

"We should fund a broad range of subjects because they are academically significant, even if some subjects are currently "unfashionable" with students."

Respondents also had concern for subjects that have recently been "unfashionable" not with students, but with the government: the humanities. Thus, Steve Matthewman of the University of Auckland spoke of the need to:

"get beyond the STEM fetish to recognise the broad value of the Arts in a rapidly changing world - we need to produce students who can work collaboratively, think critically and apply themselves to a range of different work contexts."

Another respondent commented:

"The humanities are in crisis across NZ, with reductions of programmes and teaching staff. This is a direct result of the current funding model, and an unwillingness to invest in non-STEM subjects. However, there is ample evidence of the value of humanities in developing critical skills and the ability to think creatively--skills that have an impact on the long-term productivity of an educated workforce."

As Annemarie Jutel and Douglas Booth have written:

"scholars working in the humanities have discovered patterns and theories with inordinate practical implications in dealing with issues such as inequality, health and ill-health, cultural diversity, citizenship and political participation."²⁵

Delivering breadth of education also includes recognising the benefits of learning in the workplace, as

pdf

25 Jutel, Annemarie, & Douglas Booth (2018). Time to give humanities respect they deserve. Newsroom. https://www.newsroom.co.nz/@future-learning/2018/05/21/110590/time-to-give-humanities-respect-they-deserve?utm_source=Tertiary+Update&utm_campaign=b6e99abf6e-EMAIL_CAMPAIGN_2017_12_08&utm_medium=email&utm_term=0_fa4a622c53-b6e99abf6e-37342901#



expressed in the words of Virginia Toy (University of Otago), who highlighted the need to “financially support work placement and occupational training as much as possible”. Glynn Garrett of MIT also offered some thoughts in terms of the broad type of education that needs to be provided:

“Embed not just literacy and numeracy but add people relationship skills as all trades work in businesses with other stakeholders; it takes a team to build a whole building or gadget!”

Another important element of accessibility and broad-based provision is the importance of adequately funding Adult and Community Education across New Zealand’s diverse communities.

The central principle for any funding system is that learning should be at the heart of this system. Prioritising education and learning also means addressing issues such as excessive student:staff ratios in a way that recognises the learning needs of different communities. Achieving this, and the other recommendations in this section of the report, requires a base-line lift in funding.

Quality education requires quality teachers, researchers, and education support staff. Good working conditions contribute to quality learning environments. Put simply, staff working conditions are students’ conditions of learning.

Education unions have a vital role to play within the education sector because they enable staff to work together to make sure their places of work guarantee the wellbeing of staff, and in turn, deliver the best possible

learning opportunities for students. It is through the TEU that staff can collaborate and consolidate their vast expertise and experience to develop the features of an ideal education funding system.

The government Work Programme, mentioned above, commits to quality teaching: “Championing quality teaching and the importance of a respected and supported teaching profession at all levels of the system”²⁶ In tertiary education, this means funding that guarantees pay and conditions for staff that reflects their dedication and commitment to students’ education. To ensure the provision of high quality tertiary education, funding also needs to support the professional development of those involved with educating students.

On the topic of quality teaching, one TEU member commented on how the Performance-Based Research Fund (PBRF) drives perverse incentives amongst staff and therefore neglects students’ needs:

“PBRF skews the entire emphasis of universities towards research outputs. There needs to be greater balance with incentivising high-quality teaching, as that is what most students care about, and that is what will encourage and facilitate more students to get an education.”

Funding needs to deliver services that meet the needs of all learners, including student support and wellbeing. Thus, by adequate support, we mean here the provision of both student allowances and pastoral support. The Education Minister and Finance Minister should raise the parental income threshold for student allowances and progressively increase student allowances, to reach 60 percent of the average wage by 2025. The amount

26 Ibid.

student-loan borrowers can access for living costs should also be increased.

The current funding model fails to fully support education because of restrictions to student allowance eligibility. Fiona Ingram of NMIT discussed a number of aspects of this:

"Currently the funding model does not allow students to receive student allowance if they repeat a course. I think this is unnecessarily limiting as often they need more than one chance to complete a programme of work, especially in the Foundation level programmes. Often they are developing the understandings and skills but just need more time. Allowing even one repeat enrolment could help a number of students achieve the first significant qualification of their lives (breaking the pattern of a lifetime of failure).

"I also believe the funding model is very unfairly stacked against older students. Some potential students have had a long career in physical and low paid jobs and they realise they want a new career that is easier for their bodies, or better paid. However, they don't qualify for a student allowance because of their age. This is limiting our country as these students are likely to still be in the workforce for decades. They could also end up being an unnecessary burden on the health system if they continue to work in physical labouring jobs when their bodies aren't as fit for this."

This sense of inflexibility in the system was expanded on by Lesley Marshall of NorthTec:

"I teach fully online, and consequently a lot of my students are second-chance learners, people with serious mental or physical health issues, and women with major responsibilities in their families. Life gets in their way often, but the funding model doesn't allow for them to postpone their learning - it becomes a fail situation, or DNC, but these students' choice to prioritise their health or families was actually a sensible decision. Funding models need to support learners, not act as straitjackets."

Another respondent commented:

"One specific issue is removing the cap on years of funding for medical students who have done a degree previously, meaning that they are unable to access funds in the final year and cannot pay fees. Graduate doctors are the most rounded doctors in my experience and should not be disadvantaged by this old National policy."

Finally here, the Education Minister must also deliver funding that ensures health and wellbeing support services for students at all campuses. Members wrote in

various ways of the need to ensure pastoral support is adequately funded, the need for more funding to support students with learning differences. One member wrote:

"We need to be able to fund more pastoral care support for our students. If we really are to change lives, students need wrap around services to assist them to better engage with their education. This is particularly relevant for polytechnics."

The views of staff reflect research by NZUSA on student wellbeing. The Kei Te Pai? Report on Mental Health²⁷ released in July 2018 showed that 56 percent of respondents said they had considered dropping out of tertiary study. The main reasons were feeling overwhelmed, living with mental illness and fearing failure. It is clear in the report that academic and financial matters were high in the mix of what caused issues for students.

27 NZUSA (2018) https://gallery.mailchimp.com/b109fde7924adea2d9afaa28d/files/3d3cdb2b-c0ef-4191-847e-3f32b0bf21eb/Kei_Te_Pai_Report_on_Student_Mental_Health.pdf

Funding must foster collaboration and long-term systems thinking

Given that tertiary education is a public good from which we all benefit, students, staff and the local community must have a role in making decisions about the direction of the sector, including funding decisions. A more collaborative approach to the funding and management of tertiary education institutions is required.

We need a publicly planned and managed tertiary education system, to ensure it truly fulfills its public good role. The Education Minister needs to ensure broad, open and transparent consultation when developing a new funding system. Firstly, this means attention to the perspectives of tertiary staff and students. It also means “collaborat[ion] with specific communities and providers so the funding is in line with community need.”

Informed by engagement with communities and employers, and working with the Education and Finance Ministers, the sector must help determine how to allocate the funding set aside for public tertiary education.

Participatory budgeting has been used at the community level in Europe and the USA, showing that collaborative processes can meet everyone’s needs. Through the Voices from the Sector Forums co-hosted by TEU²⁸, it is clear that students, staff, chief executives, and vice-chancellors work well together, and can come up with creative ideas for how to make sure our first class education system keeps delivering for all New Zealanders. We must build on this experience to develop a new funding model for the sector.

“Too many resources are devoted to competition among universities to maximize “bums on seats” rather than concentrating our efforts on providing the best education we can.” (Marco Reale, University of Canterbury)

The marketisation and competition forced onto the tertiary education sector over the last three decades has created perverse outcomes and wasted public resources. As respondents point out, the current funding model is littered with these perverse incentives. This insight

28 The decisions from the Vocational Education and Training forum can be found at <http://teu.ac.nz/wp-content/uploads/2018/03/VET-Forum-Final-Statement-3.pdf>

The decisions from the University Education Forum can be found at <http://teu.ac.nz/wp-content/uploads/2018/03/Universities-Forum-Statement.pdf>

from staff working in sector provides clear evidence of why the funding system needs to change. Much of the critique centres on the negative impact of EFTS and performance-based funding which has been feeding competitive pressures and incentivising quantity over quality.

Grant Bush (University of Canterbury) called for “Making universities bastions of learning, not degree factories”. The current prioritising of quantity over quality can also be seen in the significant efforts put into enrolling international students. Over nine years, the previous National-led Government changed the tertiary education sector and cut funds by so much that many institutions now depend on attracting increasing numbers of international students to maintain financial viability.

Planned changes to visa rules highlights how vulnerable institutions are to a decline in international student numbers - funding from whom has been used previously to supplement inadequate baseline funding from the government.

In 2017, the OECD observed that “New Zealand has the second largest enrolment of international students as a share of all students in tertiary education: 21 percent, compared to an OECD average of 6 percent.”²⁹ In an earlier study of the New Zealand tertiary education sector, the OECD cautions about raising income through international fees at the expense of instructional quality.³⁰

Respondents described some of the negative effects of the current system for staff:

“The EFTS based system means that time spent focussing on research and teaching not on recruitment is detrimental to the future of the health of schools/ departments and jobs. We have been turned into professional recruiters and funding applicants.” (TEU member)

For students:

“The “Bums on Seats” model that institutions use for “income” doesn’t work. Some students are accepted on courses and there is little chance they will either stay to the end or pass. Some students use the loans/allowances

29 OECD (2017). New Zealand. In Education at a Glance 2017: OECD Indicators, OECD Publishing, Paris, p. 3. DOI: <https://doi.org/10.1787/eag-2017-61-en>

30 OECD (2008), op. cit., p. 46.



"Ask the sector what it needs and meet those needs. The sector knows best what resources are needed and how best to use them"

Cat Pausé, Massey University.



to finance themselves for the year and end up with a student debt and no qualification and no chance of getting employment to pay off the debt." (TEU member)

And for the breadth of education offered:

"A funding model based primarily on numbers leads to wasteful competition between institutions, and leaves important topics vulnerable to (potentially short term) fluctuations in "popularity" (Anthony Robins, University of Otago)

These comments are supported by the OECD's finding that "The funding basis – number of EFTS – encourages institutions to favour quantity of enrolments over quality of courses. This provides institutions with the incentive to deliver courses in ways that minimise expenditure (by cutting back quality)."³¹ Dirk Pons and John Kenneth Raine write:

The dominant failures of the NZ education system were observed to be destructive competition and the financial insecurity of tertiary education institutions (TEIs). These are consequences of the state distributing its entire teaching subsidy according to the student enrolment, with no constraints on where or what the student studies, and no other continuing sources of state funding being available for capital or special needs.³²

31 Ibid., p. 45.

32 Pons, Dirk, & John Kenneth Raine (2004). Re-engineering New Zealand tertiary education. Presentation to The Association For Engineering Education In Southeast And East Asia And The Pacific Mid-Term Conference 2004, Auckland, New Zealand, p. 1.

Negative effects from promoting competition in the current funding system include "Actively disincentivising cooperation amongst public institutions". To prioritise education, the funding model must be reformed to encourage collaboration.

First, the Education Minister must remove the current competitive model. It creates and upholds organisations that are obsessed with competing with each other, and even within each organisation. New Zealand is a small country. Our tertiary education institutions are small on an international scale. Forcing these institutions to compete with one another fragments the resources available.

The Minister of Education, Chris Hipkins, has already recognised the limitations of the competitive model and the "needless instability" this has created in the sector when he ended the competitive allocations of funding for Levels 1 to 4 training. But further change is necessary.

In place of the competitive model, the Minister must create a collaborative model where resources, specialist skills and new innovations, are shared among institutions. Through sharing these, our pooled expertise and resources will allow us all to make far greater progress. (TEU member)

Collaboration between providers is essential and should be informed by a detailed national strategy for tertiary education provision that outlines the short, medium and long-term skills and education requirements anticipated for our projected population. Though as one respondent noted, promoting collaboration is not the same as forcing mergers.

The funding model also needs to ensure collaboration between individuals. Cooperation supports the sort

of synergies that encourage innovation. However, the current system short-circuits any such benefits through its promotion of competition.

Nicolas Hillman, in his research on performance-based funding in the USA, found that:

*“Despite the logic, research shows that tying financial incentives to performance measures rarely results in large or positive outcomes that are sustained over time”.*³³

He describes how performance-based measures disadvantage those institutions that are already struggling. He also makes the core point that “Colleges that have more financial capacity are in the best position to serve students well; in fact, funding per student is one of the strongest predictors of college graduation.” Building from this analysis, he concludes that emphasis should instead be put on “capacity building and equity-based funding as alternative policy tools for improving educational outcomes” – “target[ing] resources to institutions serving the most underrepresented student populations.” Simply building diversity and equity into a system of performance-based funding will not be sufficient, though, he says: “By prioritizing equity, rather than embedding it within a funding formula, states will be in a better position to improve educational outcomes.”

Beyond its ineffectiveness, there are further issues with the current performance-linked funding system. Aligning funding to course completion rates has led to massive pressure on staff to pass students, overriding academic integrity, because that is the result required.³⁴ As one respondent writes:

In the past nine years under the National Government, I have seen management forcing lecturers to pass students who don't deserve to pass because if students do not complete, polytechnics do not get the funding - it's such a stupid model that even a third world country will not dare to implement it.

Fiona Ingram of NMIT added to this picture, illustrating how the ultimate aim – education and skill-development – is not necessarily reflected in completion rates:

Sometimes there are students who enrol on the programmes and then don't complete them. They don't complete because of mental health issues and/or because they have never done study before and had no idea what it

33 Hillman, Nicholas (2016). Why Performance-Based College Funding Doesn't Work. College Completion Series: Part Four. <https://tcf.org/content/report/why-performance-based-college-funding-doesnt-work/?session=1>

34 See also Oosterman, Sedgwick, & Grey (2017), op. cit.

would be like - they didn't realise the level of organisation and commitment they would need and they just weren't ready for it. But even though they don't complete, they learn sooooo much while they are with us - they develop skills and understanding and grow in confidence.

The New Zealand Institutes of Technology and Polytechnics (NZITP) and Metro Group have also said the inclusion of the Qualification Completion Rate indicator in Performance-Linked Funding calculations “militate[s] against institutions which seek to recognise student achievement in less than entire qualifications”.³⁵

In recent decades, the tertiary education system has become competitive and hostile. The competitive model and performance target approaches which create mission drift must be scrapped and replaced with planned and managed funding that ensures broad, quality provision of tertiary education across New Zealand. To prioritise education and learning, the tertiary education funding system must be built on collaborative principles, and guarantee that the quality of education provided does not suffer in an effort to maximise ‘bums on seats’ in a tertiary education ‘market’.

As well as ensuring the funding model fosters collaboration, it must also be one that looks to ensuring stable provision for future generations.

“The new funding model should provide greater certainty and stability.” (TEU member)

To provide quality tertiary education, institutions need secure, long-term funding which allows them to plan effectively for the future. This will support sustainability and resilience to external shocks. An adequate level of public funding for education must be sustained, because it is through education that our society, communities and individuals will flourish. The funding system must be designed to ensure long term sustainability, regardless of fluctuations in the economy or short term demographic shifts. In times of economic difficulty, additional funding to the tertiary education sector needs to be prioritised, because it is through investment in education and research that our society develops and maintains the necessary skills and knowledge to withstand such challenges.

“I would very much hope for a much more stable funding environment that does not only rely on student numbers and thus [is] affected by their fluctuation. Proper research,

35 Quoted in Productivity Commission (2017). New models of tertiary education: Final report, p. 135. <https://www.productivity.govt.nz/sites/default/files/New%20models%20of%20tertiary%20education%20FINAL.pdf>

and research-informed teaching, takes time, concentration and effort. It is hampered by uncertainty and needs to be supported on a long term basis." (Noam Greenberg, Victoria University)

The current, EFTS-based funding system is highly sensitive to counter-cyclical pressures; that is, people are less likely to study (particularly at ITPs) when the economy is strong. Funding must not disappear in these situations, because when it does, it has destructive effects on the long-term sustainability of the tertiary education system – and, therefore, our ability to meet the needs of all New Zealanders.

Respondents spoke about the need to reintroduce some form of core funding. Recognising that institutions are diverse in nature and sit within diverse communities is essential. While some institutions have economies of scale because of their population size, smaller rural and regional communities will always struggle in a funding and regulatory environment based on a 'one-size-fits' all approach. As one member suggested:

"[We need a] funding model that recognises the cost of running the institute, and funding for classes needed locally regardless of student numbers, especially in the provinces where large class numbers are not always achievable." (TEU member)

A further respondent suggested one way stability of funding might be achieved:

"Fund teaching according to things like the population size of the catchment area each institution traditionally serves (not an ideal measure, but better than the current model where universities spend a fortune on marketing in other

cities, to try and "poach" students from other universities), taking into account the needs of specialist teaching areas (Otago is always going to need more for its medical school, for example)." (TEU member)

Beyond these concerns, in order to ensure stability of funding, it needs to be inflation-proofed, and over-reliance on money from international students and external research funding should be avoided.

"Too much emphasis has been placed on short-term fixes, such as increasing the number of international students. This may work for a generation, but institutions will emerge in the developing world that will begin to fulfil local needs. Eventually, this will have a dramatic impact on the number of international students who study in NZ." (TEU member)

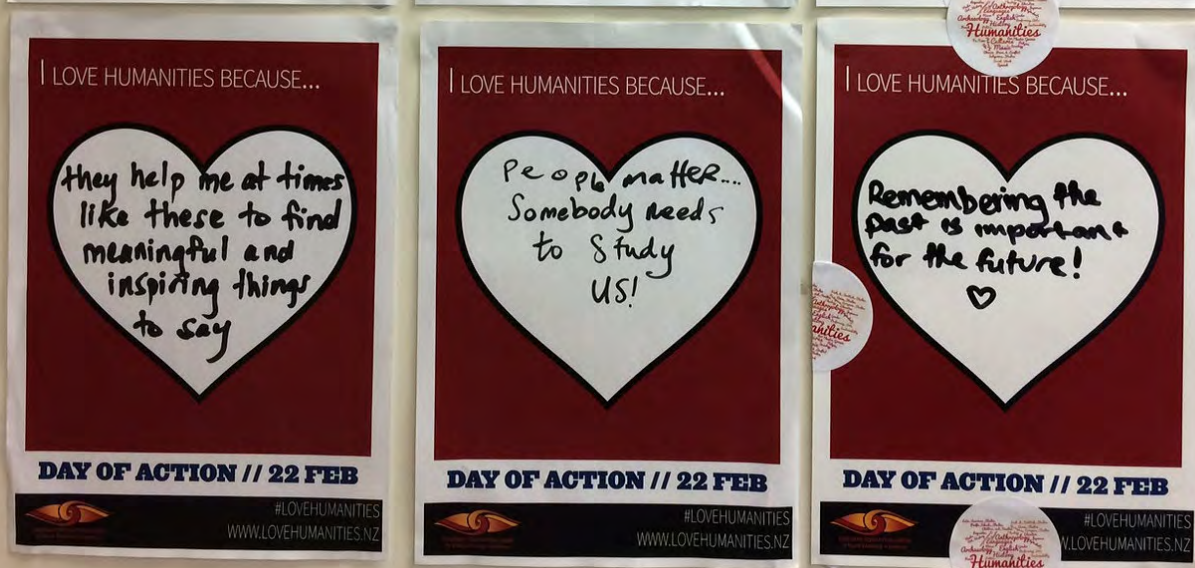
As noted earlier, New Zealand's enrolment of international students is much higher than the OECD average, which can be seen as a risk for sustainable funding.

Janet Turvey of EIT also commented in relation to another element of the EFTS system that affects stability of funding:

"Get rid of the system that removes funding when institutes go slightly under their EFTS budgeted or does not contribute to their funds if they have more students than they anticipated."

Funding stability promotes the long-term development of a quality tertiary education sector, and therefore must be made a core element of funding reform.





Public investment is progressive and equitable

Investment is crucial to ensure our tertiary education system is accessible, affordable, and high quality for all New Zealanders. Pooling our public resources to build a tertiary education sector that meets the needs of all learners and communities will enable us to work together to address the core social, political, economic, and environmental issues facing New Zealand. Inadequate investment and a system that forces institutions to compete means we all lose out - because it will hamper the sector's ability to contribute to the wellbeing of all New Zealanders.

Funding of tertiary education institutions needs to be maintained at levels that ensure providers can provide quality learning experiences for a broad range of students.

Maintaining adequate levels of funding also includes providers having sufficient resources to ensure that working conditions for staff support the provision of high quality teaching, research and support services for students and the institution.

Maximising the contribution tertiary education makes to the public good requires sufficient funding. Noam Greenberg of Victoria University of Wellington clearly addresses important issues around the reform of funding models:

"The funding model is only part of the issue, and perhaps not even the greater part. We focus on the funding model when we want to stretch a thin budget further. But the main problem for universities is not the funding model but simply budgets that are too small. A serious and sustained increase in funding of tertiary education, even in the

current model, would go a long way toward strengthening the universities and producing better research and better teaching."

The focus of government deliberations so far – the vocational education and training review and the ITP Roadmap project – has been on the structure of the tertiary education sector and how we might use resources differently. Broad changes to the systemic structures and policy regime of the sector are needed; but attention to systemic and structural changes should not divert attention away from the need to fund the sector adequately:

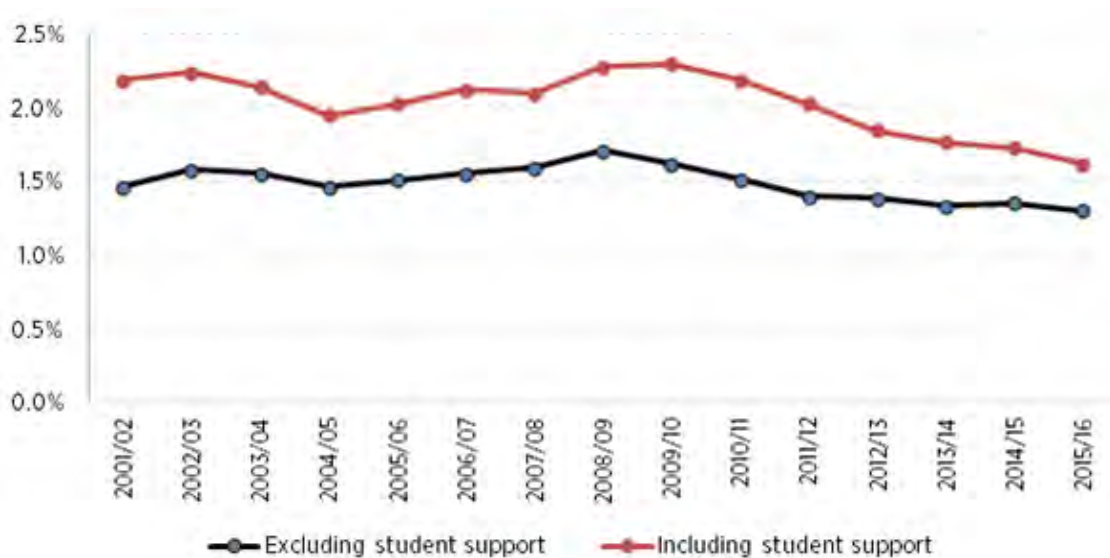
"We need more money. That's the bottom line... The tertiary sector has been run into the ground, and will take considerable investment of time and thought to get back up and running." (Abigail Smith, University of Otago)

"Resource our sector appropriately so we can do our jobs." (Glynn Garrett, Manukau Institute of Technology)

As a percentage of gross domestic product, total government expenditure on tertiary education (including student loans and allowances) rose slightly from 2.2 per cent in 2001/2002 to a high of 2.3 per cent in the year ended June 2010, before decreasing to 1.6 per cent in the year ending June 2016.³⁶

36 <https://www.educationcounts.govt.nz/statistics/indicators/data/resource/3828>

Government funding of tertiary education as a percentage of GDP



https://www.educationcounts.govt.nz/statistics/indicators/main/resource/government_funding_of_tertiary_education

Funding to tertiary education has been held constant since 2009, meaning that as the costs of running the sector have increased public institutions have not been able to keep up. Over the last 9 years this has led to a shortfall of \$3.7 billion.³⁷ Based on current figures the funding hole will increase to more than \$6 billion over the next three years.

While just over half of tertiary education funding comes from public sources in New Zealand, the OECD average is close to 70 percent.³⁸ This can be seen in differences in student fees. Simon Marginson notes that “In two-thirds of the OECD countries state-dependent institutions charge domestic students under USD \$1,500 per year. In the five Nordic countries, the Czech Republic and Turkey, public students pay no fees.”³⁹ OECD data shows that New Zealand expenditure per student on tertiary education is US\$15,088, below the OECD average of US\$16,143, and noticeably less than Australia (US\$18,038), the UK (US\$24,542), and the US (US\$29328).⁴⁰ The student:staff ratio in New Zealand, 17 students per staff member, is also worse than the OECD

average of 16.⁴¹

How much, then, should the tertiary education sector be funded? The simple answer is that it should be funded to the degree necessary to provide an accessible, equitable, and inclusive tertiary education system that contributes to the social and economic well-being of New Zealand. We know the impacts of underfunding⁴², and we know the public good benefits of a quality tertiary education sector. While further work needs to be done to cost fees-free tertiary education for all, adequate staffing, and the maintenance of buildings, we estimate it will require at least 2.7% of GDP (currently with public and private investment in tertiary education taken into account New Zealand spends about 2.0% of GDP on tertiary education, lower than many other OECD nations⁴³).

There are a number of savings that can be made in the current tertiary education system; many involve shifting away from the current competitive system to a more collaborative one. This will save large amounts of money in marketing costs and the costs of bureaucracy.

37 <http://teu.ac.nz/2018/05/6billion-funding-hole/>

38 OECD (2017). New Zealand. In *Education at a Glance 2017: OECD Indicators*, OECD Publishing, Paris, p. 4. DOI: <https://doi.org/10.1787/eag-2017-61-en>

39 Marginson (2014), op. cit., p. 61.

40 <http://dx.doi.org/10.1787/888933560035>

41 OECD (2017), *Education at a Glance*, op. cit.

42 See, e.g., Oosterman, Sedgwick, & Grey (2017), op. cit.

43 For example see OECD https://www.oecd.org/els/soc/PF1_2_Public_expenditure_education.pdf and OECD <https://data.oecd.org/eduresource/spending-on-tertiary-education.htm>

The promotion of competition in the current funding system has a number of negative effects, including, as one TEU member stated, that “Tax payer funds are wasted on competition, rather than education”. Funding is currently wasted in major marketing budgets – tens of millions of dollars wasted annually on advertising to encourage students to enroll. This funding should be re-directed to teaching, learning, and research. One TEU member commented:

At the moment we have a competitive, rather than a cooperative, tertiary education funding model. This is wasteful and inefficient, because money is being spent on marketing to attract students from other universities, rather than students simply attending the programme of their choice at their nearest university.

Another stated:

The university sector (and I think the tertiary sector more generally) has become far too competitive. This has resulted in massive amounts being spent on scholarship wars and on shiny new buildings that are supposed to attract the student dollar. This has been funded by large-scale restructuring and erosion of pay and conditions for staff.

Currently institutions seeking competitive funding have to enter a tendering process which takes up staff time and public resources. Added to this, a range of auditing and compliance approaches used in tertiary education during the last few decades are cumbersome, costly, and damaging to the core functions of the tertiary education sector.

One TEU member commented at length about the time and cost-intensive nature of the PBRF process:

Much needs to change but I think we should do away with the extremely labour-intensive PBRF exercises. The university uses great amounts of its budget to employ staff to assist, verify, proofread, cajole, coerce and otherwise interact with staff... Staff are expected to devote 100 plus hours to gathering the information, reading the documents, drafting their EPS and undergoing several rounds of wasteful internal review... Far too much of staff's quality research time goes on an exercise that largely produces the same outcomes for the universities every round. Surely there are better ways for universities and staff to spend their time and resources than on what has become a pointless compliance exercise.

In a separate TEU review of PBRF and Educational Performance Indicators staff noted a range of ‘positive’ outcomes from these performance tools such as:

Certainly makes everyone get organised and keep records of everything we do - helps show where all the time goes!

My university now values research, and not only expensive research that brings in grants with lots of overheads.

Research success is celebrated and rewarded--believe it or not older staff can remember when some department chairs thought research was a waste of time.

These effects are not reliant on resource intensive performance exercises but should be part of regular and ongoing interactions between staff, students, and academic leaders.

The benefits gained by competitive tendering processes and time-intensive metrics approaches to accountability are not significant enough to keep them in place. The Productivity Commission notes that “the proportion of total government funding that shifts between providers year to year is very small”⁴⁴. It seems much money is wasted on unnecessary evaluative measures, rather than focusing of formative evaluations which add to the quality of tertiary education, research, and innovation.

Added to the cost-savings that could come from reducing ‘compliance’ and auditing which adds nothing to the intensive peer review processes used in the tertiary education sector, there is a range of other cost savings that may also be made within institutions. Members highlighted the unsustainability of the “continually expanding layers of university management” – something which institutions also bear responsibility for, but which is shaped by the context provided by government policy. To help address this, Government could set a requirement for receiving public funding of the highest salary at an institution being no more than five times that of the lowest salary.

The savings described here are significant, but they will not be enough to fully meet the cost of running an inclusive tertiary education system that contributes to the social and economic well-being of New Zealand. We cannot meet our goals for a high quality public accessible tertiary education system that meets the needs of all New Zealanders without spending money. This should not be achieved by cutting other important social services, however, but rather through progressive taxation. New Zealand has to rebuild its tertiary education system by making its tax policy more progressive and lifting the top tax rate on the highest income earners. A high quality accessible democratic tertiary education system that

44 Productivity Commission (2017), New models, op. cit., p. 3.



meets the needs of our communities is an investment that we must be willing to make through a more progressive tax system. As part of this system, given the significant degree to which large companies benefit from the tertiary education that graduates have received, New Zealand could explore a version of the Business Education Tax proposed by the University and College Union in the UK.⁴⁵

The fiscal and budget responsibility rules of New Zealand governments will need to be adjusted if the nation is to meet social, economic, and environmental wellbeing. Of course we want governments to be careful with our

money, to spend it well. The question is: when tight fiscal responsibility is placed as being more important than social responsibility, have we got the balance right? When children are living in poverty, nurses are overworked, polytechnic courses are being closed, there is a teacher shortage, university classes are overcrowded, and tertiary students are living in cars because of housing costs, have we really got the expenditure right?

45 <https://www.ucu.org.uk/BET>

Conclusion

Building from recognition of tertiary education as an important public good and a commitment to collaborative decision-making for tertiary education funding, a new funding system can be built on the principles discussed in this report:

- **Tertiary education is a public good**
- **Tertiary education must be inclusive and equitable**
- **Teaching, research, and human wellbeing must be prioritised**
- **Funding must foster collaboration and long-term systems thinking**
- **Public investment is progressive and equitable**

A new funding system for the tertiary education sector is both necessary and possible. The TEU looks forward to working with the government in creating this new

system, building on the principles described here, and thereby ensuring that our tertiary education sector meets the needs of all New Zealanders.

We look forward to working with iwi, communities, students, employers, and the government to design a funding model that ensures tertiary education meets the needs of all New Zealanders.



