



*B u s i n e s s V i t a l i t y*

**New Zealand Chambers of Commerce (Inc)**

**Submission to the Ministry of Education**

**Draft Tertiary Education Strategy 2010 – 2015**

**October 2009**

## **Introduction**

The New Zealand Chambers of Commerce (Inc), 'NZCCI', is an umbrella organisation serving the interests of 30 Chambers of Commerce nationwide. These, in turn, represent over 24,000 businesses around the country. While many of our members are in the SME category our membership includes most of the largest corporations in New Zealand.

We welcome this opportunity to provide input into the Draft Tertiary Education Strategy 2010 – 2015.

This submission focuses on the role that the tertiary education sector plays in the achievement of economic growth and the government's goal of economic transformation, and how the Tertiary Education Strategy should reflect that.

## **General Comments**

We are pleased to see the document's recognition of the importance of economic growth and tertiary education's vital contribution to that.

Notwithstanding the important wider role tertiary education plays in New Zealand, more developed skills across the New Zealand workforce will be a major driver of the improved productivity that is needed to achieve higher levels of economic growth that both business and the government want. Tertiary education will be crucial in providing those skills and addressing the shortage that New Zealand is still suffering from.

NZCCI generally agrees with the strategic direction and vision for the tertiary sector. We are also pleased that the strategy highlights the importance of literacy, language, and numeracy skills. These are crucial skills and competencies for the needs of business. NZCCI notes this is an issue for the education sector as a whole not just the tertiary sector.

NZCCI has a number of concerns and comments regarding the remainder of the document which are set out below.

### **The Role of Business and Industry**

Business and industry are integral in the government's achievement of its economic goals and tertiary education is crucial in the success or otherwise of New Zealand business. As stated in the document, 'tertiary education plays a key role in improving the skills and knowledge of the workforce' it also helps to develop business leaders with the entrepreneurial and management capabilities to make New Zealand firms grow.

Businesses need a highly skilled workforce that is sufficiently trained to meet their needs. The sector needs to be more flexible and 'relevant' to the needs of employers in providing them with the workforce they require.

The best way to ensure this relevance is through direct and meaningful engagement between the business and tertiary education sectors. There is much that these sectors can learn from each other. Increased linkages and direct dialogue between the two should be encouraged.

We are pleased that the strategic direction in the strategy clearly acknowledges the importance of the tertiary sector meeting the needs of business and the market. However, we believe there could be more emphasis given to the role of businesses throughout the document.

NZCCI submits that meeting the needs of the labour market and greater engagement with business should constitute a short term priority in their own right – rather than be treated as merely a means through which the other priorities can be achieved. Having such a short term priority will be extremely beneficial.

Business is in the prime position to know what skill sets are required to meet market demands as well as what the expectations are of specific qualifications. Accordingly, direct dialogue between business and the tertiary sector will help increase the relevancy and quality of qualifications.

The strategy sets out the desire to focus on a performance based assessment and funding system. It is our submission that business should be directly involved in the assessment of tertiary institutions as they can accurately report on the quality and relevance of qualifications from a labour market perspective as well as comment on how quickly institutions are responding to market and industry needs.

With its network of chambers across New Zealand and membership covering all sectors of the business community, NZCCI would be happy to help facilitate such engagement where appropriate.

### **Improved Educational and Financial Performance**

NZCCI notes that the six education priorities outlined in the strategy are not weighted. We consider that the priority of improving the educational and financial performance of providers is fundamental to the success of the tertiary sector and should be given precedence. Improving the performance of providers will benefit the providers

themselves, students, employers, and taxpayers. Accordingly, the tertiary sector should strive for excellence in all areas.

It is vital to improve the educational performance of providers, especially in light of the other priorities in the strategy that centre on increasing the number of people attending these institutions. Failure to improve the educational performance and quality of qualifications will result in little or reduced benefit from increasing the overall number of students.

A balance needs to be struck between the quality of our tertiary education and the number of people participating in that system. Otherwise there is a danger that tertiary qualifications will lose their status and value. This is especially relevant to universities where currently there is a danger of a 'dumbing down' of some degrees. Both employers and students need to be able to place reliance on tertiary qualifications in terms of quality and content.

We would like to emphasise the need for non-university tertiary institutions, such as polytechnics, to enhance the quality of their educational programmes and relevance of their qualifications. These institutions play a crucial role in vocational training and therefore are essential for providing businesses with the skills they need. Policies around this issue should be considered and included in the strategy.

The strategy's proposal to link funding with performance is potentially a good way to help achieve this. However, care must be taken that the correct elements of tertiary institutions are measured. We would again like to emphasise the valuable role business could play in accurately assessing the quality, content and market relevance of qualifications.

Public and private spending on tertiary education is significant and funds should, in both good and bad economic times, be used as efficiently as possible. Although the strategy recognises the importance of efficient spending, NZCCI submits that there should be greater consideration and detail on how tertiary institutions are to achieve efficiency.

Increasing the efficiencies of tertiary institutions themselves will improve their financial viability at no additional cost to government or students. Thought should be given to the decentralisation of institutions and forms of cooperation between institutions that could remove duplication and lower overheads.

Removing or increasing fee caps could go a long way in helping tertiary institutions to become financially viable. This option should be discussed.

Proper targeting of government funding to the tertiary sector is crucial and the correct balance between funding institutions directly as opposed to individual students needs to be struck. Funding to institutions must focus on providing students with the best quality education possible. There is currently too much tertiary education spending on superfluous items.

We are very concerned about the student loan scheme because of its fiscal cost and the array of negative incentives it provides students around maximising or failing to discharge their debt. We think the policy should be renewed urgently. We note that government seems to be limiting student numbers with a view to containing the cost of

student loans. While we support policies that encourage more emphasis on improved academic performance and better research outputs as opposed to an increase in student numbers (as discussed elsewhere in this submission) we think the student loan scheme needs to be reformed in its own right. We do not think limiting the number of students applying for student loans should be the driver for policies designed to cap or reduce student numbers.

We also need to think laterally of other ways to improve our performance. For example, there should be a discussion of the benefits that would flow from the amalgamation of tertiary institutes. We would be far more comfortable if New Zealand had only two or three universities all ranked in the top 100 globally rather than the current situation with only one New Zealand university ranked in the top 100 in the world.

### **A Narrow Focus**

NZCCI is concerned with the narrow focus of the strategy regarding the age demographic of those being encouraged to participate in tertiary education. Two of the strategy's six priorities target those under 25 years of age. Namely, the priority to increase the number of young people achieving tertiary qualifications and the priority to increase the number of people moving from school into tertiary education.

We acknowledge that these are important goals, however, we are troubled that the strategy makes no express mention (beyond improving the improvement of literacy, language, and numeracy skills) of any other age demographic. The strategy must reflect the need to and benefits of increasing the number of people over 25 furthering their education. These people, who are most likely already in the workforce, should be encouraged to retrain, up skill and become more productive members of society. Education should be life long experience. This is especially vital in light of New Zealand's ageing population if we are to have a workforce with the skill sets to meet the requirements of businesses in the future.

### **Rationalisation of the Tertiary Industry**

There needs to be more focus in the document on recognising the different but complementary roles that universities, polytechnics and other tertiary institutes play in tertiary education sector. Ensuring qualifications are taught at the appropriate institutions and that the student population is rationalised between different institutions and qualifications is important for the efficiency of the sector and having a population with the skills to satisfy all employers.

Crucial to the achievement of this is maintaining the status of non-university tertiary qualifications in the eyes of potential students. There seems to be an increasing uptake of university students who may be better suited to other tertiary education options.

A balance needs to be struck between university degrees and other vocational qualifications to avoid a disproportionate number of university graduates relative to graduates from other tertiary providers such as polytechnics. This will help to ensure that there are sufficiently skilled graduates to cover all areas of the workforce. For example, there is often a skills shortage in trades and maintaining the status of polytechnics will help address this issue.

NZCCI submits that the strategy must clearly recognise and support the importance of vocational and applied training at all relevant levels of the qualification framework. Often this capability lies with the polytechnic sector and accordingly there should be specific emphasis on the important role this sector will play in meeting the needs of business in the strategy.

### **An International Outlook**

The significant contribution of international students to the economy and the value of improving the strength of international links in terms of both international students and overseas institutions are acknowledged in the document. New Zealand has one of the highest proportions of international students in the OECD. There is a competitive global market for those students and so the New Zealand system needs to be geared to continue attracting them and meeting their needs.

The flow-on effects of improving the performance of our tertiary institutions, as discussed above, will be greater international recognition of our tertiary institutions and graduates making us more internationally competitive thereby attracting greater numbers of international students.

### **A Competitive Education System**

A strong degree of competition (including competition between public providers) is healthy. Competition drives improved performance and customer service and should be further encouraged in the strategy. A more competitive tertiary education system is in the interests of both students and employers.

NZCCI considers the proposal to increase the accountability of tertiary education providers through the publication of performance information will be beneficial to competition and is likely to improve the performance of tertiary providers.