



CHAPTER ONE

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AN OVERVIEW

The *Tertiary Education Strategy 2007-12* was released in December 2006. This second strategy continued the broad and inclusive approach taken by the first strategy. It has a sharper focus on the expected contribution of the tertiary education system to government's national goals. The strategy describes how the tertiary education system is expected to contribute to the success of all New Zealanders through lifelong learning; creating and applying knowledge to drive innovation; and strong connections between tertiary education organisations and the communities they serve.

The new strategy is complemented by a set of reforms of the funding, steering and quality systems that drive our system.

New Zealand's Census of Population and Dwellings was held in 2006. Its findings confirm not only that those with tertiary qualifications earn more than those without qualifications but that differences in earnings between men and women and among ethnic groups decrease as their qualification level increases. The census information also showed that those with higher-level tertiary qualifications earn more, on average.

Another census finding showed that younger adults – those under 35 years – held proportionately more higher-level qualifications than people in older age groups. One in seven New Zealanders now has a bachelors or higher qualification – our knowledge and skills base showed steady growth in recent years.

After rising rapidly for many years, the number of students in provider-based education fell in 2006, while the number of learners in industry training continued to increase. Fewer domestic students completed formally recognised qualifications in 2006. On the other hand, a low unemployment rate attracted some young people into employment, lowering the first-year retention rate of students in 2006. Forty-two percent of domestic students studied at bachelors level. The number of people studying doctorates increased, principally because of the government's decision to treat international doctoral students as domestic for funding purposes – meaning lower fees for doctoral students from other countries. The proportion of Māori and Pasifika students with tertiary qualifications and higher-level tertiary qualifications showed the strongest growth from 2001 to 2006 among all the ethnic groups.

THE 2007 YEAR

In 2007, tertiary education organisations and the government have worked on the implementation of the reforms to the systems that steer and fund New Zealand's tertiary education system. They have also spent time on developing the approach to quality assurance and monitoring.

The new system for tertiary education is built around 'investing in a plan'. Investment in most tertiary education organisations is to be on the basis of a plan from 2008 onwards with some private training establishments moving to the new system in 2009. The Tertiary Education Commission carried out discussions in 2007 with stakeholders and tertiary education organisations on the detail of their expected contribution to the new system. These negotiations were also based on the government's priority outcomes for tertiary education as set out in the strategy for the years 2008 to 2010.

More information about the development of the new tertiary education system is outlined in the postscript to this report and in the forward-looking commentaries included in the chapters that follow.

Statistics and research

Profile & Trends 2006 has an associated set of statistical tables available on the Education Counts website. These statistics are used to inform the analysis contained in this report. These tables provide comprehensive coverage of the key trends in the sector's performance. The topics covered are: resourcing, financials, human resources, research, student support, targeted training programmes, the Secondary-Tertiary Alignment Resource, adult and community education, industry training, enrolments, equivalent full-time student units, participation rates, completion rates, retention rates, progression rates, and outcomes.

More information on tertiary education providers and students can be found on the Education Counts website and on the websites of the Ministry of Education and the Tertiary Education Commission.

The statistics in Profile & Trends 2006 are for the year ended 31 December 2006 and have been sourced from the Ministry of Education, unless otherwise stated.

Tertiary education in New Zealand

New Zealand's tertiary education sector makes a wide range of learning available, from foundation skills to doctoral studies. The sector is a major contributor to the nation's innovation through its research activities. More than 60 percent of all New Zealand's research papers come from the tertiary education sector.

A key feature of the New Zealand system is the integration of funding and provision across vocational education and training, higher education, workplace training, adult and community education, and tertiary education that takes place within the senior secondary school.

A large proportion of tertiary education in 2006 was funded through the Student Component Fund, covering all levels of tertiary education, from second-chance education to doctoral studies. Industry training provides workforce skills to a significant number of people. This training is designed by, and delivered in conjunction with, industry and leads to nationally recognised qualifications. There are also targeted training funds that provide fully subsidised education and training to disadvantaged groups.

The government also funds such learning as foundation education, adult literacy and English for speakers of other languages. It also provides funding to adult and community education organisations to support their work and development.

The results of learning through tertiary education can be viewed in terms of improving competencies and attainment, or progress towards attainment, of recognised qualifications. A competency includes the skills, knowledge, attitudes and values needed to perform important tasks. The Ministry of Education has developed a New Zealand framework for key competencies for the tertiary education sector. The government has also established a Learning for Living programme to build adults' fluency, independence and range in language, literacy and numeracy so that they can use these competencies to participate effectively in all aspects of their lives.

The New Zealand Register of Quality Assured Qualifications incorporates all tertiary qualifications. It provides a standard structure for naming and describing qualifications across levels and types of provision. It includes 10 levels of qualification from entry-level certificates to doctorates.

ENROLMENTS IN 2006

In 2006, there were 491,000 students enrolled in study programmes at tertiary education providers. Forty-three thousand of these were international students. In addition, over 176,000 trainees were engaged in industry-based training, including 9,470 modern apprentices. There were also 65,800 enrolments in short courses in 2006. Non-formal education such as adult and community education attracted an estimated 260,000 enrolments. It is estimated that approximately 19 percent of the population aged 15 years or over participated in some form of tertiary learning with a tertiary education provider during 2006, including 5 percent undertaking formal learning in the workplace.

After rising rapidly for many years, the number of formally enrolled students fell by 2.5 percent in 2006. There was a decline of 4.7 percent when the numbers enrolled at tertiary education providers are converted to equivalent full-time student terms. A major factor contributing to the strong growth in enrolments over the period from 2000 to 2004 was the increase in international students. This count trebled from 16,600 in 2000 to 50,500 in 2004. But in 2005 and 2006, the number of international students fell by 3,080 and 4,170, respectively. Domestic enrolments actually increased by 20,600 in 2005 while they fell by 7,770 in 2006. In contrast, the number of industry trainees increased by 8.1 percent in 2006.

In 2006, 274,000 domestic students, or 56 percent, enrolled in government-funded tertiary education organisations participated in certificate-level study. This compared to 58 percent of domestic enrolments at the certificate level in 2005. The number enrolled in diplomas was 72,600, or 15 percent of enrolments, while 149,000, or 30 percent, undertook bachelors-level study, and 35,600, or 7 percent, were enrolled for postgraduate study. However, when converted to equivalent full-time student units, then bachelors-level study had the highest proportion at 42 percent.

In 2006, 110,000 domestic students completed 114,000 formally recognised qualifications. This represented a 7.6 percent decrease on the previous year in the number of completed qualifications. An estimated 44 percent of domestic students who had started a qualification in 2002 had completed it by the end of 2006. The first-year attrition rate of students in government-funded tertiary education organisations who started a qualification in 2004 was 34 percent, up from 29 percent in the previous year. The relatively low unemployment rate was a contributing factor to the lower retention rate of students.

OUTCOMES OF TERTIARY EDUCATION

The number of people in the New Zealand population with a tertiary qualification is rising. In 2006, more than one in three New Zealanders was tertiary qualified, while the proportion without a qualification has fallen significantly. The proportion of people with a bachelors or higher qualification has increased in all ethnic groups, although in some groups the proportion has increased more than in others. The proportion of women who are tertiary qualified is increasing.

A strong economy, coupled with a tighter labour market, has significantly reduced unemployment at all qualification levels. Nevertheless, the tertiary qualified have a higher level of participation in the labour force. As more women become tertiary qualified, their participation in the labour market is likely to increase.

The earnings premium for those with a tertiary qualification decreased in 2006, compared with those with no qualification. This fall in the tertiary qualification premium reflects the strength of the labour market which currently is providing greater access to employment for those with no or lower-level qualifications. Despite the strong labour market, a significant earnings advantage continued to exist in 2006 for those with tertiary qualifications.

The findings of studies using the integrated dataset for *Student Loan Scheme Borrowers* suggest that participation in tertiary education can lead to a significant earnings advantage in the years following study. In particular, completion of a qualification increased earnings. Recent studies showed that the earnings advantage persisted over time. A summary of these studies is included in chapter 4.

Information from New Zealand's latest population census confirms that an increasing proportion of people hold a tertiary qualification. The higher knowledge and skill levels of the New Zealand population in 2006 – reflecting an increase in the human capital of the economy – was due to a higher participation rate in tertiary education over the last decade, coupled with higher levels of migration. The census data showed that younger adults – those under 35 years – hold more higher-level tertiary qualifications than people in older age groups. One in every two people aged 25 to 34 years in 2006 held a tertiary qualification. Proportionately, there were also more women than men with a tertiary qualification in this age group in 2006. Also, proportionately more women than men held a higher-level tertiary qualification in this age group. In all the ethnic groups, younger people were also more qualified than those in older age groups.

The unemployment rate in the population with higher-level tertiary qualifications has fallen to below 3 percent. The 2006 census data showed that earnings disparities between ethnicities and between men and women decrease as their qualification levels increase. A summary of the 2006 census information is provided in chapter 4.

WORKPLACE-BASED LEARNING

The number of learners in industry training has continued to increase at a steady rate in recent years, even while the increase in the numbers in provider-based education has been slowing. One driver of the rise has been funding increases from both government and industry, reflecting a shared commitment to solve long-term skills shortages in key New Zealand industries and improve workplace productivity.

The number of learners in industry training increased significantly between 2005 and 2006, while there was a decline in student enrolments in provider-based study at equivalent levels over the same period. This growth also surpassed the rate of increase in workers in the labour force, so that the proportion of workers involved in industry training was higher in 2006 than in 2005.

The significant growth in participation in the Modern Apprenticeships scheme, a part of industry training, can be attributed to government funding increases and to its popularity with both industry and young people. Gateway, established in 2001 to broaden educational options for senior school students by offering them workplace-based learning, has also continued to expand. Over 6,700 secondary school students participated in Gateway in 2006. There are prospects for further growth in Gateway because the programme will be expanded to all decile 7 to 10 integrated and state secondary schools from 1 January 2008.

Industry training, Modern Apprenticeships and Gateway programmes are all linked to the National Qualifications Framework. This means that participants can earn credits towards national qualifications. In the case of Modern Apprenticeships and the majority of industry training programmes, participation is linked to the completion of national certificates and diplomas. Learners in industry training can gain credits through flexible, limited and supplementary credit programmes, or study towards qualifications such as national certificates, national diplomas and, less frequently these days, trade certificates. All three programmes saw significant increases in credit achievement over 2006, while national certificate and other qualifications attainment also grew at a steady rate.

LEVEL 1 TO 3 PROVIDER-BASED QUALIFICATIONS

Enrolments in level 1 to 3 qualifications have peaked. After rising strongly in recent years, enrolments in levels 1 to 3 decreased significantly in 2006. The number of students in foundation education has been decreasing since 2004. Student numbers in level 1 to 3 vocational education qualifications have started to decrease. The numbers in short courses also decreased in 2006. Youth training numbers have continued to decline. However, training opportunity numbers have increased for the first time in several years.

The improved labour market is one of the reasons for the decrease in student numbers. Most students coming into study at these levels were employed in the previous year. Students are less likely now to complete or continue in study after a year and, of those who do complete their study, fewer are going on to higher-level studies. These trends are likely to be influenced by the improved employment opportunities that make employment a more attractive option than study. The stronger labour market also tends to reduce the need to complete a qualification once a student has attained the skills or knowledge sought from study.

The Tertiary Education Commission conducted several reviews of provision in 2005 which resulted in reductions and/or reallocations of provision in 2006. The largest in terms of the amount of provision affected was the review of A1 and J1 classified courses. This review resulted in a reduction in the number of students in A1 and J1 courses and an increase in the numbers enrolled in courses in other classifications. A third of private training provider provision was also reviewed, with the aim of strengthening quality provision within this sub-sector. Dive-related courses were also reviewed. An article on *Improving the relevance of tertiary education provision* is included in chapter 7.

Provision at levels 1 to 3 was also affected by policy changes to restrict funding available for short awards. This resulted in a significant drop in the number of students taking courses of one week or less.

The large number of students who participated at this level over the last five years provides an opportunity to look in more depth at their pathways and progression to further education. Students enter study from a range of different backgrounds, including school, other tertiary study, employment and unemployment. Most just study towards one certificate. About a third of these go on to further study and most of them end up studying at a higher level. Different subjects lead to

different levels of study, with trade-related subjects feeding into level 4 certificates and more professionally oriented subjects leading to diplomas and degrees. A study of the pathways and progression to further education of students in level 1 to 3 certificates is included in chapter 7.

NON-DEGREE LEVEL 4 TO 7 PROVIDER-BASED QUALIFICATIONS

After five years of significant growth in the number of students enrolled in level 4 to 7 non-degree study, there was a decrease in 2006 of students enrolled in both level 4 certificates and level 5 to 7 certificates and diplomas. While international student numbers have been declining since 2003, the number of domestic students decreased for the first time in recent years in 2006.

There were decreases in the number of domestic students enrolled in level 4 to 7 non-degree study across all types of providers in 2006, except private training establishments. Despite a decrease in domestic students enrolled in polytechnics in 2006, a significant increase in numbers between 2003 and 2005 has resulted in polytechnics providing more than half of all level 4 to 7 non-degree study. The number of domestic students aged 25 years and over declined in 2006; however this age group continued to dominate this level of study with two-thirds of all domestic students aged 25 years and over.

The number of domestic students completing a level 4 certificate decreased significantly in 2006. While the number of domestic students completing a level 5 to 7 certificate or diploma also decreased, the rate of decrease was less than that for level 4 certificates. The five-year completion rates increased, with almost two in five domestic students who had started a level 4 to 7 non-degree qualification in 2002 completing that qualification by 2006.

BACHELORS AND POSTGRADUATE QUALIFICATIONS

For the first time in recent years, there was a decline in students enrolled in bachelors-level and higher study in 2006. While numbers in bachelors and masters-level study decreased, there was a significant increase in doctorate students. The main contributor to the overall decline in numbers was a decrease in international students, particularly from Asia, for the first time since 1998. In comparison, domestic student numbers remained relatively unchanged in 2006.

Universities continued to dominate bachelors-level and higher provision in 2006, with four in every five students studying at a university. Universities and private training establishments were the only types of providers to experience an increase in students in 2006. There was a continued decline in domestic students aged 25 years and over enrolled in bachelors-level and higher study in 2006. In comparison, the number of domestic students aged under 25 years continued to rise.

The number of students completing a bachelors-level or higher qualification increased slightly in 2006. This was due in part to an increase in the five-year completion rate for those domestic students who started study in 2002. Level 8 qualifications¹ experienced the largest increase in domestic students completing qualifications. The five-year completion rates were highest for European and Asian domestic students in 2006.

The University of Auckland economist Dr Sholeh Maani recently explored the relationship between parental income during adolescent years and the tertiary education choices of New Zealand youth at age 18 years. The study by Maani showed that while parental income did not have a statistically significant influence on participation in tertiary education overall, it did significantly influence participation at university. Academic performance at school and peer influence were the most important influences on participation in tertiary education. A summary of Dr Maani's study is provided in chapter 9.

STUDENT SUPPORT

In 2006, student allowances uptake increased, after several years of decline. Between 2001 and 2005, the number of recipients fell each year – largely because, for most students, eligibility for allowances depends on their parents' incomes. As incomes have risen, the number of students whose parents' income fell below the thresholds was declining. From the beginning of 2005, the government began a series of increases in the parental income thresholds. These thresholds are now indexed – they move each year with inflation. In addition, in 2006, there was an increase in the personal income limit – the amount a student can earn from part-time work while still retaining eligibility for an allowance. These policy changes led to a 4.6 percent increase in the number of allowances recipients in 2006. The total paid out on allowances also rose in 2006 – by 8 percent – again, the first rise after several years of reductions.

The uptake of student loans increased in 2006 – the first full year of the interest-free student loans policy. The number of borrowers rose by 8.4 percent on 2005. Around 5.2 percent of the New Zealand population aged 15 and over borrowed from the loan scheme in 2006.

The uptake rate – the proportion of eligible students who choose to use the loan scheme was 56 percent, up from 49 percent in 2005.

Another consequence of interest-free student loans is a change in repayment patterns. Loan repayments for the year to 30 June 2007 were no higher than in the previous year, despite there being a larger number of borrowers. The amount repaid – \$487 million – was about 5 percent below the amount collected in the year to 30 June 2005. While it will take some time for new repayment trends to emerge, the expectation is that repayments will start to increase from 2008 and that they will rise steadily from then.

RESEARCH CONTRIBUTION

The research performance of the tertiary sector improved in several areas in 2006. In the area of research training, enrolments in doctoral degrees increased substantially. This was driven by a significant rise in international enrolments which occurred in response to a change in government funding policy that funds international doctoral students on the same basis as domestic students. The number of people completing a doctoral degree decreased slightly in 2006, with men and international students especially showing a noticeable decline.

In the area of research output, the universities showed improvement in a number of areas. The external research contract income earned by the universities per academic staff member rose in real terms between 2004 and 2005. Total research output increased at four out of the six universities that reported research outputs in 2006. The academic impact of research by the New Zealand universities, relative to the world average, increased between 2000-2004 and 2001-2005 in four out of ten broad subject areas monitored. Two subject areas, 'health' and 'medicine and public health', had an academic impact above the world average in 2001-2005.

SECTOR CAPABILITY

The collective financial performance of the public tertiary education institutions has declined since 2004 as the operating environment has changed. The aggregate operating surplus fell to 1.9 percent of revenue – below the benchmark of 3 percent. At the same time, while the indicators of liquidity and cash flow remained above the benchmark set for prudent operation of a tertiary education institution, both worsened in 2006, for the second year in a row.

In large part, this decline in financial performance reflected factors such as the continued reduction in international student enrolments, increases

1. This category covers bachelors degrees with honours, postgraduate certificates and postgraduate diplomas.

in the costs faced by institutions and the slowdown in the growth of enrolments in the wānanga. These were all factors that made the operating environment more difficult.

There was considerable variation among the tertiary education institutions, with some recording strong performance, while 12 of the 33 institutions had an operating deficit in 2006, compared to nine in 2005, six in 2004 and none in 2003.

Overall, the universities performed more strongly than the other sub-sectors. They experienced a relatively smaller decline in international students and their income was more diversified than that of the other sub-sectors. The universities' collective surplus – 3.3 percent of revenue – was above the benchmark.

By contrast, the polytechnics experienced a fall in income as international enrolments dropped, as they experienced the effects of changes made to community education funding in 2005 and 2006 and as they moved to reposition their provision. While income fell, the polytechnics' costs continued to rise, with cost per student increasing by 14 percent as they shifted out of shorter courses and as they experienced the effects of the reduction in international students. Their combined operating surplus in 2006 was less than 1 percent of revenue, compared to 1.6 percent in 2005, 4.4 percent in 2004 and 7.7 percent in 2003. Seven of the 20 polytechnics recorded an operating deficit.

Capital expenditure in the tertiary education institutions exceeded the operating cash surplus generated from operations for the second year running, leading to a reduction of cash reserves.

The number of staff employed by tertiary education institutions fell in 2006 after having risen for several years. In private training establishments staff numbers also decreased.

The decrease in the number of academic staff was greater than that for the non-academic staff in the public tertiary education institutions. In private training establishments this situation was reversed with the fall in number of non-academic staff significantly exceeding the fall in the number of teaching staff.

The latest fall in student numbers exceeded the fall in the number of teaching staff, lowering the 2006 student to academic staff ratio in the polytechnics and wānanga. However, the number of students per academic staff member remained higher in 2006 in these sub-sectors than five years earlier. The universities' student to academic staff ratio has remained at a very similar level over the past five years.

The number of university staff eligible for research funding from the Performance-Based Research Fund increased from 2003 to 2006 and the average age of the eligible researchers also increased in 2006.

Total expenditure on personnel in public tertiary education institutions rose in 2006 and personnel costs also increased as a percentage of total expenditure.

Information from the 2006 Population and Dwellings Census confirmed some of the trends facing the tertiary education workforce identified in 2005 by the Strategic Review of the Tertiary Education Workforce. For example, the number of people with postgraduate qualifications in the academic workforce has increased more rapidly than that in New Zealand's other industries. And, as expected, there were proportionally twice as many postgraduate qualified people in the technical and higher education academic workforce in 2006 than in all other industries. An important finding confirmed by the census data is that New Zealand's academic workforce is ageing. An in-depth analysis of the 2006 census information on the tertiary education workforce is included in chapter 15.

INVESTING IN KNOWLEDGE AND SKILLS

Government spending on tertiary education increased by 8.5 percent in the year ended June 2007. Total government spending on tertiary education, including operational costs and capital expenditure, was \$4.2 billion in 2007, compared to \$4.1 billion in 2006. As a percentage of gross domestic product, total expenditure increased slightly while operating expenditure remained unchanged in 2007. Total tertiary education expenditure accounted for 2.7 percent of gross domestic product while operating expenditure accounted for 1.9 percent. The main difference between the operating and total expenditure was the amount of Student Loan Scheme lending that was treated as a capital expense.

The number of equivalent full-time student places funded by the government continued to decrease in 2006. Despite the decrease in student numbers, government spending on tuition subsidies continued to increase in 2006, due to an increase in the base funding rates.

In 2006, the average domestic fee per full-time equivalent student at the public tertiary education institutions increased by 10 percent. This increase largely reflects a continued move away from enrolments in low-cost courses or zero fee courses. In the universities, where there has not been widespread fee discounting, average fees rose by 4.6 percent. The number of international students continued to fall in 2006 and as a result total international fees revenue also continued to fall in 2006.

THE YEAR 2006 IN BRIEF

January

The government announces the appointment of Dr Karen Poutasi as the New Zealand Qualifications Authority chief executive. Dr Poutasi, the current Director-General of Health, will take up her new role at the beginning of May.

A consortium of industry representatives and associations, professional bodies, and tertiary education institutions, with funding from the Tertiary Education Commission, develops a new Postgraduate Certificate in Professional Development (Electronics and ICT).

The Tertiary Education Commission allocates \$6 million from the Business Links Fund to the institutes of technology and polytechnics to help them build closer ties with business.

February

The Tertiary Education Commission awards a total of \$6 million in the latest round of the Bright Future Scholarship Scheme. Seventy-two graduate and postgraduate students receive Enterprise Scholarships and 47 students are awarded Top Achiever Doctoral Scholarships.

The government announces its review of funding for medical and dental study is under way.

The government announces a further \$15 million will be spent in the next financial year on 21 projects to improve e-learning and foster innovative ideas in the tertiary sector, as part of the Innovation and Development Fund and the e-learning Collaborative Development Fund.

The Tertiary Education Commission is to phase in a new funding system for adult and community education over a three-year period. The new system will support the Tertiary Education Commission's work with the sector to ensure high-standard adult and community education.

Thirty new schools join the Gateway programme, taking the total to 206. The programme provides learning opportunities in the workplace for senior school students.

The Strategic Review of the Tertiary Education Workforce seeks feedback on the major projects that should be carried out in Phase 2 of the review. The two-phase review, announced by the government in 2003, includes a stock-take of the tertiary education workforce and current issues; provides advice on major supply and demand trends of the tertiary education workforce over the next 20 years; and provides advice on a framework for describing and understanding future workforce requirements.

The Tertiary Education Commission announces a new project called Foundation Learning Progressions that will help New Zealand adults improve their literacy and numeracy skills.

March

The student loan interest rate for the 2006/07 tax year – for those who still have to pay interest – is set at 6.9 percent, down from 7.0 percent.

The government is to award almost \$11 million over the next three years to 12 tertiary sector-based projects aimed at commercialising new ideas. The projects have been funded from the Tertiary Education Commission's Growth Pilot Initiatives.

The New Zealand Vice-Chancellors' Committee and the Association of University Staff release *University staff remuneration and resourcing: a comparison of New Zealand and selected international data*, a report on university funding and salaries prepared by accounting firm Deloitte.

Leading tertiary education experts from six countries attend a three-day forum in Wellington to discuss current trends and

issues in tertiary education policy. The forum is hosted by the Tertiary Education Commission.

The Tertiary Education Commission announces the process for private training establishments to apply for additional student component funding for 2007 under their reinvestment process.

The Tertiary Education Commission makes further funding available from the Foundation Learning Pool for projects to build learners' skills in literacy, numeracy and language.

April

Changes to student loans take effect from 1 April, with no further interest to be charged on student loans for those who live in New Zealand. Students who borrow from that date will only have to repay what they borrow. Those with existing loans will not be charged any further interest. All the interest charged after 1 April 2006 will be written off under interest-free student loans. The new legislation does not cover interest charged before this time. The first interest write-offs will happen in April 2007.

The government announces the next steps in the tertiary education sector reforms. They include a move to a differentiated system that defines the distinctive contributions of tertiary organisations and better aligns funding with government priorities and stakeholder needs, changing to multi-year funding, and developing a better quality assurance and monitoring system that focuses on outcomes.

The National Centre of Excellence in Wood Manufacturing (the Radi Centre), based at Rotorua's Waiariki Institute of Technology, receives a \$5 million boost to develop its training and research programmes.

The government renews its education cooperation arrangement with China.

The Tertiary Education Commission reports that more than 161,000 people participated in industry training in 2005 (up 16 percent on 2004) and the total number of Modern Apprentices increased 17 percent to 8,390. Latest figures, as at 31 March 2006, show that the number of modern apprentices has risen further to 8,840. As at December 2005, around 2,000 apprentices had completed their Modern Apprenticeships training.

The Institutes of Technology and Polytechnics of New Zealand announce that Martin Eadie, a group manager with the New Zealand Qualifications Authority, will be its new executive director. He will take up the position in May.

A research report is published by the Ministry of Education on the *Engagement of key stakeholder groups with tertiary education providers*. This research looks at the level of contact between New Zealand's tertiary education providers and their stakeholders and the quality of that contact.

May

A Ministry of Education report shows that people with higher levels of student debt are more likely to go overseas post-study, but student loans and their size are not the only factors associated with the decision to live overseas. The report *Do student loans drive people overseas – what is the evidence?* finds that factors such as level and field of study, age, ethnic group and citizenship status also influence the likelihood of people living overseas.

The government announces the start of public consultation on mergers of the two remaining colleges of education, in Christchurch and Dunedin, with the University of Canterbury and the University of Otago, respectively.

Budget 2006 provides new funding for several tertiary education initiatives. It includes:

- \$50.0 million over four years for industry training, including \$34.4 million to increase

the number of Modern Apprenticeships to 14,000 by 2008 and \$15.6 million to increase participation in industry training

- \$8.1 million to expand the Gateway programme to all state and integrated secondary schools in 2007
- \$47.3 million over the next five years to improve research capability and research and development linkages between tertiary education institutions and industry, including \$7 million to increase research capability in areas identified as important to New Zealand's social and economic growth, and \$40.3 million to fund six projects as part of the government's Partnerships for Excellence initiative
- \$23.7 million over four years to increase the size of the Performance-Based Research Fund
- \$33.5 million over four years for a range of initiatives to improve the literacy, numeracy and language skills of the workforce
- \$31 million over four years for a range of student support initiatives
- \$12.7 million over four years to further establish Career Services as the authority for trade training and career information, and
- aligning existing student loans and student allowances with government-funded qualifications.

The New Zealand Education Consortium signs a five-year deal with Oman to provide course content to universities in that country. The consortium will be providing content for several business and information technology degrees and English language courses. Consortium members include the Academic Colleges Group, the Auckland University of Technology, the University of Waikato, Victoria University of Wellington, the University of Otago, and Polytechnics International New Zealand Limited.

June

The New Zealand Qualifications Authority is to extend the 'approved subjects' list for university entrance, following consultation with universities and the New Zealand Vice-Chancellors' Committee. Changes include the addition of health education, technology and dance to the list, and modifications to music studies and computing.

Education counsellors are to be appointed to Chile and South Korea. The positions will be the sixth and seventh in a network of counsellors who operate from New Zealand embassies and high commissions around the world.

The government confirms it will support the centres of research excellence beyond 2008, the term for which they are currently funded. There are seven centres, hosted by Massey, Auckland, Victoria and Lincoln universities.

The 2006 tertiary teaching excellence awards are announced. Karl Dodds, principal lecturer in mathematics, physics and computing at the Christchurch Polytechnic Institute of Technology, took the Prime Minister's Supreme Award.

The government announces universities will get a funding boost of \$26 million over the coming year. The announcement follows the tripartite forum discussions between the government, university vice-chancellors, and unions over the past year, and a report on university funding prepared earlier this year by the accounting firm Deloitte.

July

The government announces the outcome of an independent review into relationships in the plumbing, gasfitting and drainlaying industries. A key recommendation from the review was the establishment of a working group, led by the Tertiary Education Commission, to better align the training and

registration systems to enhance outcomes for learners, industry and government.

The government announces that the Ministry of Education's Tertiary Advisory Monitoring Unit (TAMU) will transfer to the Tertiary Education Commission on 1 September 2006. The decision to move the unit to the commission follows last year's Education Sector Review.

The government announces the details of key decisions on the tertiary education reform package. Under a package of measures aimed at improving quality in the sector, tertiary institutions will be funded on the basis of three-year plans outlining how they will meet the education and training needs of students, employers and communities. The changes are the first part of reforms that will see the new system introduced incrementally across the sector from 1 January 2008.

August

The Tertiary Education Commission lifts the current moratorium on the approval of new short awards. The moratorium was placed on short awards last year while the commission investigated how these qualifications should be funded in a way that will meet industry and government objectives.

The Tertiary Education Commission announces it will hold an assessment process this year for funding for providers affected by the recent student loans and allowances policy change. This will allow the 43 non-student-component-funded private training establishments, whose access to student loans and allowances is to be withdrawn from January 2007, to apply for government funding.

Centres of research excellence are to receive extra funding and up to two further centres are to be established. The government decided in June that the centres would be supported beyond 2008. An additional

\$10 million in operating funding and a one-off capital funding of \$20 million from 2007/08 have now been allocated.

Twenty-four scholars are awarded Top Achiever Doctoral Scholarships. In total, the scholars will get almost \$2.8 million over the next three years of their study.

A Massey University-led consortium wins the contract to establish the new National Centre for Tertiary Teaching Excellence. The government will spend \$4 million a year on the centre, which will be hosted by Massey University in collaboration with the Auckland University of Technology, the University of Canterbury, Christchurch College of Education, the Universal College of Learning and Manukau Institute of Technology.

The government outlines a new direction for the international education sector. The four goals that form the basis of the new agenda are: New Zealand students will be equipped to thrive in an interconnected world; education providers will be strengthened academically and financially through international links; international students will be enriched by their educational and living experiences in New Zealand; and the direct economic and social benefits to New Zealand from international education activities must grow to their full potential.

The government approves the merger of the two remaining colleges of education. The Dunedin College of Education will become part of Otago University while Christchurch College of Education will merge with the University of Canterbury.

The Tertiary Education Commission approves an increase to base rates for Training Opportunities, Youth Training, and Skill Enhancement programmes from 1 January 2007.

The government releases a discussion document for *Developing the second tertiary*

education strategy. The consultation will contribute to the new Tertiary Education Strategy 2007-12. Detailed priorities will be published in the next Statement of Tertiary Education Priorities 2008-10 in December. The consultation document is accompanied by four new Ministry of Education analytical reports – the *Tertiary Education Strategy 2002-07 monitoring report 2005*, a report on the progress towards the goals of the first tertiary education strategy; two studies evaluating the first strategy, *Lining up* and *Making use*; and a synthesis of evidence on the *Outcomes of the tertiary education system*.

A further 92 schools are to join the Gateway programme next year. The programme provides senior school students with workplace learning opportunities.

The government launches the Kiwi Advanced Research and Education Network (KAREN), a next generation telecommunications link for New Zealand educators, researchers and innovators. It provides high-capacity, ultra high-speed connectivity among New Zealand's tertiary institutions, research organisations, libraries, wānanga, schools and museums, and the rest of the world.

Up to 100 Turkish students will be eligible for places in New Zealand tertiary education institutions under a new Turkish government sponsorship programme.

September

The Ministry of Education's Tertiary Advisory Monitoring Unit (TAMU) becomes part of the Tertiary Education Commission. All government monitoring of tertiary education institutions will now be carried out by one government agency, with educational outcomes monitored alongside financial, governance and leadership indicators.

The Royal Society announces the results of the 2006 Marsden Fund round. A total of \$39.1 million is awarded to 78 new

projects, 26 of which are Fast-Start grants for outstanding new researchers.

The research assessment process begins for the 2006 Performance-Based Research Fund quality evaluation.

The government decides that, in certain circumstances, it will reimburse some course fees of domestic students following the failure of private training establishments.

October

The Tertiary Education Commission publishes the draft report *Foundation learning progressions for listening, speaking, reading, writing, and numeracy*, as part of the government's Learning for Living project. The learning progressions are designed to help tutors shape teaching programmes that will meet the learning needs of their students.

The most recent industry training figures are published. They show that as at 30 June 2006 there were 9,170 modern apprentices, almost 13 percent more than in June 2005. Total industry trainees numbered 123,000, just over 11 percent up on June 2005.

The *Student Loan Scheme Annual Report* is tabled in Parliament. It shows student loan borrowing was \$971 million in 2005, and 154,000 students took out a student loan in 2005.

The government awards 40 International Doctoral Scholarships to students, from a diverse range of countries, who will be carrying out doctoral studies in New Zealand. The scholarships will provide full funding for course and living costs for up to three years.

The Ministry of Education publishes an analytical report *Getting started: report on stage 1 of the evaluation of the Tertiary Education Strategy 2002-07*. The evaluation focuses on how effective the strategy has been in creating change in the tertiary education system.

November

Education projects focusing on opportunities in Asia and the Middle East receive extra funding from the latest funding round of the Export Education Innovation Programme. The projects will help provide medical training in the Middle East, new ways of delivering education in India and Vietnam, and aviation management courses in South East Asia.

The government announces new rules for student loan borrowers who are overseas. The changes, effective from 1 April 2007, include an extension to the amnesty for non-resident borrowers who are in arrears, a repayment holiday of up to three years for borrowers going overseas, basing repayment obligations for overseas borrowers who are not on a repayment holiday on the size of their loan balances, and other simplification and fine-tuning of rules.

Sir Paul Reeves will chair the 2006/07 contestable funding round for the centres of research excellence.

The Court of Appeal overturns a High Court decision that the government acted unlawfully in its treatment of Unitec New Zealand's bid for university status.

The government announces tertiary education sector legislation changes to reduce compliance costs within the sector and streamline planning and reporting requirements. Any changes will be made in a new Education (Tertiary Reforms) Amendment Bill and are intended to come into effect from 1 January 2008.

Two research reports are published by the Ministry of Education, *Passing courses* and *A changing population and the New Zealand tertiary education sector*. The first report finds that many students pass all of their courses without necessarily gaining a qualification, suggesting that many people have course-related rather than qualification-related

study goals. The second report notes the implications of demographic change for the size and make-up of the tertiary student population and the network of providers.

December

The government announces that undergraduate medicine and dentistry education and training will get \$24.6 million of additional annual funding from 2007.

Almost \$16 million is awarded to about 90 foundation learning providers through the 2007 round of Foundation Learning Pool funding, the Tertiary Education Commission announces. The funding is for 240 programmes to be delivered throughout the country.

The Tertiary Education Commission approves an exemption for Massey University to increase its fees above the standard maxima.

The government announced that a Crown Commissioner is to be appointed to run the New Plymouth-based Western Institute of Technology in Taranaki.

The government publishes its second tertiary education strategy, which sets the government's expectations and priorities for the sector for the years 2007 to 2012. Incorporated into the strategy is the Statement of Tertiary Education Priorities 2008-10. The priority outcomes include more people achieving qualifications at level 4 and above by age 25; increasing literacy and numeracy levels for the workforce; increasing the achievement of advanced trade, technical and professional qualifications to meet regional and industry needs; and improving research connections and linkages to create economic opportunities. From 2008, the new system will include three-year plans which will be agreed between individual tertiary education organisations and the Tertiary Education Commission.