Implementation of the reforms

The TES is part of a set of tertiary education system reforms aimed at creating a more focused, coherent and collaborative tertiary education system. The reforms are directed at ensuring that the system is better aligned to the nation’s goals and is actively identifying and meeting the needs of the communities it serves. They are intended to change the culture of both tertiary education agencies and the sector as a whole. As part of this push, the reforms create a number of regulatory and resourcing changes.

Key to enabling these reforms was the Education (Tertiary Reform) Amendment Act 2002, which came into effect on 1 January 2003. This Act enabled the establishment of the TEC which is responsible for the allocation of funding, and building capability and relationships in the tertiary education sector. It also provided the statutory basis for the TES, the STEP and the system of charters and profiles, and set the basis for a new integrated funding framework.

In August 2003, the first STEP to be issued under the Act was gazetted. This STEP articulates the government’s priorities and is designed to realise the TES in the short to medium term, by providing a focus on particular aspects of the TES. The key priority for the period covered by this STEP is continuing to develop the infrastructure and processes that will support the new tertiary education system.

Improving planning and accountability

A key aspect of the reforms is the introduction of charters and profiles for all TEOs that receive public funding. Charters and profiles articulate the strategic direction and activities of these organisations and show how they will contribute to developing the strategic focus and capability of the system as a whole, and how they will contribute to the achievement of the TES. Approval of a TEO’s charter and profile will be a prerequisite for access to public funding.

A charter is a high-level governance document that provides a broad description of a TEO’s mission and role in the tertiary education system and indicates the type of activities it is likely to undertake. A profile is developed annually. It reports on recent performance and sets out the plans and targets for the following three years. It also specifies the activities for which the TEO seeks TEC funding.

Charters and profiles are being implemented over the following timeframe:

- In 2002, 35 TEOs took part in a trial of the charters and profiles process.
- By 30 September 2003, all currently government-funded TEOs were required to submit a charter for assessment by the TEC, and approval by the Minister. A total of 97 organisations, receiving 85 percent of all government funding for tertiary education, were required to submit a profile.
- In 2004, all TEOs will be required to complete profiles to enable the TEC to approve their funding.

The integrated funding framework

Another key aspect of the reforms is to develop an integrated funding framework to support the development of system capability and focus in areas that are important to the future development of New Zealand and New Zealanders.

The funding framework will have three broad elements which are being implemented progressively as follows:

Funding for teaching and learning

Additional funding has been provided to expand industry training, Modern Apprenticeships and the Gateway programme. Policy work is underway to look at how a performance element can be introduced to funding for teaching and learning. The Technical Working Group has provided a report on options to Ministers.

Funding for research

The PBRF is being implemented, with the first round of assessments having been completed. There will be a gradual introduction of the new funding structure over the next five years. $32.9 million was appropriated over four years to ensure a real funding increase of $20 million from 2006.

Targeted funding for strategic development

New funds were introduced in 2002 for e-learning and polytechnic regional development. Additional strategic development funding was made available in 2003. New funding is also available for building quality and capability in Adult and Community Education (ACE).

There have also been funding changes with regard to managing enrolment growth and fee maxima to ensure that the tertiary education system remains affordable for government and students.
Cross-strategy indicators

This section provides a set of cross-strategy indicators which provide information on the overall state of tertiary education in New Zealand as at 2002.

These indicators provide baseline information on the state of the tertiary education system, against which broader changes resulting from the TES can be monitored. Changes in these indicators will also provide an alert to possible unintended consequences (positive and negative) of the changes implemented under the TES.

Educational attainment in the adult population

More people have tertiary qualifications...

The proportion of the adult population with a tertiary qualification has gradually increased, from 43 percent of the adult population in 1997, to 46 percent in 2002. This pattern reflects increased participation in tertiary education over this time.

Over this period, the number of people with degrees grew by nearly 29 percent, while the number of people whose highest qualification is a tertiary qualification below degree level grew by nine percent. (These figures are based on highest qualifications, so they do not count the number of other tertiary qualifications held in addition to degrees and, therefore, undercount the number of qualifications below degree level.)

The number of people with no qualifications decreased by 8.5 percent over the same period.

...but differences between ethnic groups persist.

The distribution of school and tertiary qualifications varied across ethnic groups. In 2001, Māori and Pasifika peoples were less likely to have a tertiary qualification than people in other ethnic groups. They were also more likely to have no qualifications. Asians were more likely to have a tertiary degree than other ethnic groups and less likely to have no qualifications.

The gender differences within ethnic groups were fairly small. Māori and Pasifika women were more likely to be tertiary qualified than their male counterparts. In the European and Asian populations, men were slightly more likely to hold a tertiary qualification.

People in younger age groups are more likely to have tertiary qualifications

Attainment of highest qualifications by age and gender shows the changing pattern of engagement in tertiary education over time. It is affected by the historical participation of men and women in tertiary education, as well as the current participation across age groups.

In 2001, people aged 25 to 55 were more likely to hold degrees than people in older age groups. For those under 30, there was a greater proportion of women than men with degrees. This was reversed in the older age groups where men were more likely to hold degrees than women.
For other tertiary qualifications, the gender differences were less marked overall. People between 30 and 55 were more likely to hold one of these qualifications as their highest qualification than those in other age groups. In those aged under 30 years, women were more likely than men to hold one of these qualifications as their highest qualification. In the older age groups there was a fairly close parity between genders.

Figure 11: Percentage of each age group and gender by highest qualification, 2001

Tertiary education attainment in New Zealand is close to OECD average

New Zealand is close to the OECD mean for the proportion of the population with tertiary degree qualifications. The proportion with tertiary qualifications below degree level is somewhat higher than the OECD mean3.

Outcomes of tertiary education

Tertiary education achieves outcomes in a number of areas for individuals who participate and achieve qualifications. These outcome areas include progression to further education, improved labour market status and also improved social and family outcomes.

At present, the main data sources that show relationships between tertiary education and individual outcomes focus on employment, income and economic living standards.

Information on progression to further education will be available from the Ministry of Education’s longitudinal dataset of student enrolments and completions. Further work is required to look at outcomes in other areas. To a large extent progress will be reliant on research. The work that Statistics New Zealand is conducting to improve the integration of social statistics may also provide a basis for monitoring outcomes across a range of areas.

Outcomes of tertiary education can also be considered at a national level in the relationship between the outputs of tertiary education (people with qualifications and research output) and national economic and social indicators. Again, this is an area where further work is required to develop indicators that can be readily reported against.

Tertiary education increases the chances of having a job...

Over a ten-year period, people whose highest qualification was a tertiary qualification below degree level, had unemployment rates 1.5 to 2.5 percentage points lower than those with school qualifications only. People with degrees had unemployment rates that were 0.7 to 3.4 percentage points lower again. There was much less fluctuation in the unemployment rate for those with degrees than for those with lower-level tertiary qualifications or school qualifications only.

Figure 12: Unemployment rates by highest qualification, 1990–2001

…but employment chances vary with field of study.

In 2001, unemployment rates for people with tertiary qualifications varied greatly by the field of study of the qualification. The highest rates of unemployment were in information technology. This coincided with a slump in demand in the information technology sector. The lowest rates of unemployment were in health and education. In most areas, women had higher rates of unemployment than men.

3 *Education at a Glance, OECD Indicators, 2003.*
It should be noted that this is a snapshot view of employment outcomes at a particular point in time. It is also not adjusted for the levels of qualifications in each field, the length of time since graduation or the age profile of graduates in different fields. All of these factors would need to be considered in developing an accurate picture of employment outcomes at the subject level. The effect of labour market conditions on decisions to participate, or not, in tertiary education also needs to be examined further.

People with tertiary education earn more on average

From 1997 to 2002, the average weekly income for those with tertiary degrees was more than double that for those with school qualifications only.

People with tertiary education have generally better living standards

In 2002, the Ministry of Social Development released a report which provides a broad description of the living standards of New Zealanders. A new social measurement tool, the Economic Living Standard Index (ELSI), was developed to consolidate large amounts of information about different aspects of economic well-being, into a single score.

The ELSI scale is made up of seven bands which describe the living standards of the New Zealand population from 'very restricted' to 'very good'.

The research found that there is a broad correspondence between level of education and living standards across ethnic, age and occupational groups. In aggregate, it shows that people with tertiary qualifications are less likely to be in the lowest two categories than people with only school qualifications. Those with degrees are much less likely to be in the lowest three categories than those with school or other tertiary qualifications. At the other end of the scale, people with degrees are much more likely to be in the very top category.
The raw data from the study shows that people with school qualifications only, are more likely to have better standards of living overall than those with tertiary qualifications below degree level. This is influenced by people in older age groups having lower levels of qualifications and reasonably good living standards. When the mean scores are standardised for age, it shows a small increase in living standards for people with tertiary qualifications below degree level, compared with those with school qualifications only. The age-standardised scores confirm that holding a tertiary degree significantly improves living standards. It also shows that having no qualification significantly decreases living standards.

### Table 1: Mean ELSI scores and mean ELSI scores standardised for age by highest qualification of those aged 18 years and over, 2000

<table>
<thead>
<tr>
<th>Highest educational qualification</th>
<th>Mean ELSI score</th>
<th>Mean ELSI score standardised for age</th>
</tr>
</thead>
<tbody>
<tr>
<td>No qualification</td>
<td>41.0</td>
<td>39.2</td>
</tr>
<tr>
<td>School qualification</td>
<td>43.1</td>
<td>43.0</td>
</tr>
<tr>
<td>Other tertiary qualification</td>
<td>42.8</td>
<td>43.1</td>
</tr>
<tr>
<td>Tertiary degree</td>
<td>46.7</td>
<td>47.6</td>
</tr>
</tbody>
</table>


**Participation in tertiary education**

The main measure of participation in this report is enrolment in formal tertiary study, which covers all students studying towards a recognised qualification, irrespective of how their study is funded.

Participation in industry training is also referenced, not only because it is an important and distinct activity within the tertiary education system but also because it includes a large proportion of trainees receiving on-the-job training, who are not included in formal tertiary study.

Participation figures for specific programmes (such as Youth Training) are used where they are relevant to the topic.

**Rapid growth in participation in the last four years...**

There had been a substantial increase in the total number and proportion of people enrolled in formal tertiary education. From 1999 to 2002, the total number of students enrolled in formal tertiary study had increased by 29 percent. Over the same period, participation rates (ie students as a proportion of the population) had also increased by 25 percent. The growth had largely been the result of increased enrolments in public tertiary providers, particularly wānanga.

**...but varied growth across ethnic groups.**

There were substantial differences in participation rates between ethnic groups. Māori had the highest participation rate, which is continuing to grow. This was largely due to the success of the wānanga in attracting first-time students. Pasifika participation rates were lower than for other ethnic groups (when allowance is made for differences in

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4 See Technical and Data Definitions for the definition of formal tertiary education.