AN OVERVIEW

Early in 2006, the government announced changes to the quality, steering and funding of New Zealand’s tertiary education system. The proposals aim to align the tertiary sector more closely with national development goals, to build increased public confidence in the sector and to give the government and the sector more certainty. More detail on the proposals was announced by the Minister for Tertiary Education in August 2006. Implementation is expected to be completed in 2008.

New Zealand’s second tertiary education strategy was developed in 2006. The strategy sets the government’s goals and priorities for 2007 to 2012 and consultations on the strategy were concluded in October 2006. The strategy is expected to build on the benefits of the process of reforms that began with the creation in 2000 of the Tertiary Education Advisory Commission – an independent body set up to advise the government on future directions for tertiary education. The Tertiary Education Strategy 2007/12 is expected to be published in December 2006.

Changes to the Student Loan Scheme Act 1992 enacted in December 2005 led to interest-free student loans from 1 April 2006.

In the area of research and innovation, Budget 2006 provided funding for building research capability in strategically relevant areas, and increased funding under the Performance-Based Research Fund. It also provided further funding for the Partnerships for Excellence initiative.

Budget 2006 also included funding to upskill the workforce as a means of increasing labour productivity. In addition, the government committed funding to roll out the Gateway programme to all secondary schools by 2008, expand Modern Apprenticeships, increase the number of trainees in structured workplace learning and enhance the provision of careers.

New information from the 2006 enrolment collections shows that the number of students in formal tertiary study programmes decreased between January and August 2006, compared to the same period a year earlier. Converting the enrolments to equivalent full-time student units revealed a slightly larger decline in participation in 2006. The decrease was due mainly to lower enrolments at 1 to 3 certificate-level while there were also smaller declines at bachelors- and masters level. In contrast, there were more students studying for level 4 certificates, diplomas, doctorates and honours and postgraduate certificates.

TERTIARY SYSTEM CHANGES

On 4 April 2006 the Minister for Tertiary Education made an announcement on significant changes in tertiary education policy. The main objectives of the changes were:

- a greater focus on government, regional and developmental priorities
- increased public confidence in the tertiary sector, and
- greater financial certainty for government and tertiary education organisations.

To achieve these objectives, the government is to invest in plans agreed between tertiary education organisations and government. This approach will build on the existing tertiary education profile system. As with profiles, plans will include information about what education will be provided, and they will set out the organisation’s performance commitments. The key difference will be linking funding with the delivery of the plan. Funding will be committed by government for more than one year.

The Minister identified that the next steps will revolve around the following three key areas:

- Better differentiation of organisations – with the roles and distinctive contributions of different types of tertiary education organisations better defined, and the different parts of the sector working together in more complementary ways. The government wants organisations to play to their strengths.

- Designing an alternative to the current student component funding system. The government wants to invest in institutions based on plans agreed between the organisation and government. These plans will build on existing profiles, but funding will be closely linked to the plan so government can be assured that investment is channelled into the highest priority areas. There will also be a move to multi-year funding to increase certainty for the government and organisations.

- Developing an outcome-focused quality assurance and monitoring system; enabling organisations to demonstrate how they meet specific student and stakeholder needs, and playing a robust role in ensuring quality teaching and learning.
On 29 August 2006 the Minister released the tertiary education strategy discussion document which sought feedback on the proposed content and structure of the Tertiary Education Strategy 2007/12.

The tertiary education strategy sets out the government’s goals and priorities for New Zealand’s tertiary education system from which the more detailed and shorter-term statement of tertiary education priorities are developed. The new tertiary education strategy and statement of tertiary education priorities intend to continue the broad and inclusive direction of the Tertiary Education Strategy 2002/07, but with a sharper focus on the shifts required in tertiary education to achieve greater quality, relevance and value for money.

Consultation on the document included workshops and meetings led by senior officials which took place from late August to late October 2006. The feedback the government received will help inform the next tertiary education strategy and statement of tertiary education priorities which is due for release in December 2006.

Together with the announced tertiary reforms, the tertiary education strategy and statement of tertiary education priorities will support the tertiary education sector in its crucial role in improving the performance of the economy and contributing to New Zealand’s social and cultural development.

**STUDENT SUPPORT CHANGES**

On 21 December 2005, Parliament passed legislation to amend the Student Loan Scheme Act 1992, to enact its interest-free student loans policy. This policy is designed to cut the costs of tertiary study for many people. The interest-free policy will be complemented by an amnesty designed to encourage those borrowers who are overseas to return to New Zealand to contribute to the future growth of the economy.

**Interest-free student loans**

Key points:

- From 1 April 2006, student loans are interest-free for borrowers living in New Zealand for 183 or more consecutive days (about six months) – whether they are studying or not.
- All interest charged from 1 April 2006 will be written off automatically after 31 March 2007 and then again at the end of every tax year.
- Even if a borrower doesn’t satisfy the 183-day requirement, he or she may qualify for an exemption that would also make the loan interest-free, providing they meet certain conditions and provide proof to support an exemption application. For example, if a borrower is studying full-time at postgraduate level overseas, or if they are working for the government of New Zealand, they will qualify for interest-free loans.
- Interest-free student loans do not cover interest charged before 1 April 2006.
- The first interest write-offs under the new policy will happen in April 2007.

**Student loan non-resident amnesty**

Inland Revenue is administering an amnesty from 1 April 2006 to 31 March 2007 on student loan late payment penalties for borrowers who were non-resident on 31 March 2006.

Borrowers are eligible for the amnesty on student loan late payment penalties if:

- they are non-resident for income tax purposes on 31 March 2006, and have student loan non-resident arrears and penalties at the start of the amnesty period (1 April 2006), or
- they are overseas at the start of the amnesty period, but have not advised Inland Revenue of their absence, and have student loan arrears and penalties when their correct residency status is established.

If a borrower is accepted into the amnesty, Inland Revenue will write off any student loan late payment penalties up to the date the application was received. A borrower will also be required to keep their payments up to date for a two-year period from the date their amnesty application is accepted by Inland Revenue.

Further details on these student loan policy changes can be found at www.ird.govt.nz/studentloans

**Other student support policy changes**

As part of Budget 2006, the government announced the following student support changes. From 1 January 2007:

- The number of Bonded Merit scholarships will be expanded from 500 to 1,000 in order to meet a government manifesto commitment.
- Doctorate students’ eligibility for student allowances will be increased with the recognition of Doctor of Philosophy
degrees and professional doctorates as Long Programmes under Regulation 21 of the Student Allowances Regulations 1998. The policy will provide eligible doctorate and professional doctorate degree students with 156 weeks’ (three years’) student allowances, in addition to the standard 200-week entitlement available to eligible students over a lifetime.

- The student allowances parental income threshold will increase by 10 percent. From 1 January 2007, eligible students whose parents earn approximately $39,270 or less will be entitled to a full student allowance. This will have a consequent effect of raising the cut-off point (the level of parental income at which students become ineligible for student allowances) to approximately $69,413 for those living away from home and approximately $63,383 for those living at home.

- Students undertaking qualifications that do not receive student component funding will no longer be able to get student loans and allowances. Courses funded through other government streams such as Ministry of Health medical training will not be affected by this change in policy.

**RESEARCH AND INNOVATION**

**Additional funding for the Performance-Based Research Fund**

The Performance-Based Research Fund allocates research funding to tertiary education organisations on the basis of their research performance. Its primary focus is on rewarding and encouraging excellence in tertiary education research. As part of Budget 2006, the government has agreed to expand the pool of funding for allocation to providers under the Performance-Based Research Fund. The initiative will give additional incentives for providers to strive for research excellence and it will further the government’s commitment to increasing the average quality of research in the tertiary education system.

During the 2005 election campaign, the government made a manifesto commitment to increase the fund to a total value of $250 million by 2010. The additional funding for the Performance-Based Research Fund in Budget 2005 represents the first stage of the increased funding required to achieve that goal and will bring the total value of the fund to $226 million by 2009/10.

**Building research capability in strategically relevant areas**

In Budget 2006, the government committed $7 million over four years for building research capability in strategically relevant areas.

This initiative allows the Tertiary Education Commission to work with public tertiary education institutions to respond to the results of the 2003 Performance-Based Research Fund’s evaluation of research quality in the tertiary sector. The focus is on building research capability in the following subjects of significance to New Zealand, where there are nationwide gaps in high-quality research:

- nursing and associated disciplines related to primary health care and rehabilitation and health maintenance
- veterinary and large animal science, and
- information and communications technology.

The commission has worked with other government agencies and the sector to identify these key areas for investment.

**Partnerships for Excellence – 2004/06 proposals**

The Partnerships for Excellence initiative aims to build and support capability in public tertiary education institutions to develop comprehensive and sustainable linkages with industry. The initiative also helps encourage private investment in tertiary education research and development as funding provided by government is matched dollar for dollar by the private sector. Funding is provided for partnership projects that enable a clear advance in capability for the tertiary education institution and the sector as a whole.

In July 2005, Cabinet agreed in principle to fund six programmes identified through the third round of the Partnerships for Excellence initiative. The government has now approved capital funding of $40 million over five years for the following programmes:

- Agriculture and Life Sciences Partnership (Massey University and Lincoln University)
- National Institute of Innovation in Information and Communications Technology (University of Canterbury)
- Institute of Technology TradeFIT (Christchurch Polytechnic Institute of Technology)
- Towards a Future-Focused New Zealand Equine Industry (Massey University)
The fostering of linkages between tertiary education institutions and industry is expected to contribute to the goals of increasing the research and teaching capability in New Zealand’s tertiary education system, and enhanced innovation, as well as supporting national and regional development goals.

WORKFORCE SKILLS AND LABOUR PRODUCTIVITY

Upskilling the workforce

The government committed funding of $33.5 million over four years for initiatives to upskill the workforce as part of Budget 2006. The funding is for priorities that form part of a longer-term approach to increase the literacy, numeracy and language skills of the workforce at the low-skilled end. This approach is expected to make a contribution to lifting New Zealand’s productivity.

The priority areas for action are:

– shifting workplace practices in key New Zealand industries, sectors and enterprises to help employers improve the literacy, numeracy and language skill levels of their employees and make better use of skills to lift productivity, profitability and pay
– developing ways of motivating and assisting individuals to take up and continue literacy, numeracy and language training, and
– developing the capability and quality of training providers and tutors and increasing the supply of effective and focused literacy, numeracy and language provision that meets the needs of the workplace and learner.

Expanding Gateway to all state secondary schools

In Budget 2006, the government committed additional funding of $8.1 million over four years to extend Gateway opportunities to include all decile 7 to 10 state and integrated secondary schools. Once the roll-out is complete, Gateway will be available to approximately 400 schools and over 13,000 students.

Gateway integrates school-based learning with structured workplace learning for senior students (years 11 to 13). Students achieve credits in the workplace that are recognised on the National Qualifications Framework. The Gateway programme builds links between schools and businesses and in 2005 was available in 176 decile 1 to 6 schools. This is around 70 percent of all decile 1 to 6 schools covering over 5,600 students.

In 2006, Gateway will be available in 206 decile 1 to 6 state and integrated secondary schools. By 2008, Gateway will be available to all state and integrated secondary schools.

Building skills for life – expanding Modern Apprenticeships

Another government commitment in Budget 2006 was additional funding of $34.4 million over four years to expand the number of Modern Apprenticeships to 14,000 by December 2008.

Modern Apprenticeships is a pathway for young people into vocational training and qualifications. Demand for Modern Apprenticeships among young people and interest among employers in Modern Apprenticeships remains high. A total of 1,679 Modern Apprentices were reported to have completed their qualification at December 2005.

The current funding provides for 11,000 Modern Apprenticeships to be achieved by December 2007. The extra provision will fund 3,000 additional Modern Apprenticeships by December 2008.

Funding industry training growth

Additional funding of $15.6 million over four years was appropriated in Budget 2006 to increase participation in industry training. It is expected that this will assist the achievement of the government’s participation target of 250,000 trainees in structured workplace learning.

Industry training provides employees with access to structured training arrangements, both on-job and off-job, linked to the Register of Quality Assured Qualifications. Industry training is delivered by way of a direct link to industry through industry training organisations.

Industry training provides a means of increasing skills in the New Zealand workforce. Systematic industry training enhances the productivity and flexibility of the workforce while improving the ability of individuals, firms and industries to compete in the international economy.

Volume growth in industry training will assist in entrenching a training culture within New Zealand’s firms. Industry training raises the skill level, productivity, flexibility and efficiency of the New Zealand workforce. It also promotes and supports a
more skilled, dynamic and flexible workforce that is able to react quickly to changing industry needs.

**Better tertiary education and trade training decisions**

The government has committed $12.7 million over four years to enable Career Services to put in place a ‘one-stop-shop’ to expand and enhance the existing Career Services website. The provision also aims to increase the availability of quality, personal advice to learners and their ‘influencers’.

The website will expand and enhance training and course material, with an emphasis on improved trade training information, and include enhanced labour market information and linkages to tertiary and trade training.

In addition, Career Services will expand support and assistance through its freephone service to find, interpret and personalise information for users and provide face-to-face assistance for targeted individuals.

Improving access to information held by Career Services will help learners to make better assessments of the quality and relevance of the tertiary education courses and qualifications on offer.

**2006 TERTIARY ENROLMENTS**

Between January and August 2006, there were 437,000 students enrolled in study programmes at tertiary education providers. Forty-one thousand of these were international students. In addition, preliminary information indicates that the number of trainees engaged in industry-based training is likely to be higher in 2006, compared to 2005 when the number of trainees totalled 161,000.

Between January and August 2006, around 9,000 fewer people studied at tertiary education providers, compared to the same period in 2005. Before this fall in enrolments, participation in tertiary education had risen steadily over the past 10 years. Enrolments were 2 percent lower between January and August 2006, compared to the same period in 2005, and when this number is converted to equivalent full-time student units, the fall is slightly larger, at 3.5 percent. The equivalent full-time student unit count had also fallen slightly from 2004 to 2005. Enrolments of international students also fell in 2006 for the second consecutive year, following strong growth in recent years. Between January and August 2006, there were just over 4,000 fewer international student enrolments, down by 9.5 percent on the same period in 2005.

The latest available information shows that 222,000 students, or 51 percent, enrolled in government-funded tertiary education providers participated in certificate-level study, compared with 62,000, or 14 percent, in diploma study, 148,000, or 34 percent, in bachelors-level study, and 35,000, or 8.2 percent, in postgraduate study. However, when converted to equivalent full-time student units, then bachelors-level study had the highest participation at 45 percent. The decrease in the number of people studying from January to August 2006 was mainly at 1 to 3 certificate-level. Study at bachelors- and masters-level has also declined, while it increased for level 4 certificates, diplomas, doctoral study, honours degrees and postgraduate certificates.

Formal enrolments at universities decreased by 1.8 percent for the period January to August 2006, compared to the same period in 2005. Over the same period, enrolments fell at institutes of technology and polytechnics by 0.3 percent, at colleges of education by 1.6 percent and wānanga by 21 percent. The decrease in enrolments at wānanga was mainly in level 1 to 4 certificates while Wānanga enrolments also fell in bachelors-level study. In contrast, enrolments at private training establishments increased by 2.7 percent for the period from January to August 2006, compared to the same period in 2005.