

# 17 POSTSCRIPT: THE YEAR 2009

## AN OVERVIEW

In 2009, the new National-led Government began to set its direction for the tertiary education system. Its priorities for the tertiary education system are to reduce compliance and administration costs by simplifying the funding and planning system; strengthen quality and require accountability; support and encourage students; and improve the interface between schools and tertiary education institutions.

The proposed strategic direction was released in September 2009 in a draft of New Zealand's third tertiary education strategy. A period of consultation preceded the publication of the new strategy, expected by late 2009. For a more detailed discussion on the draft strategy refer to chapter 2.

In the wake of the global recession, New Zealand's economic conditions weakened late in 2008 and when the economy continued to contract in 2009, government's response included changes to manage tertiary education expenditure. This included a reprioritising of some pending commitments. Consequently, a number of tertiary education programmes were discontinued and some other tertiary education expenditures were reduced. The savings from these moves were used to ensure that funding rates for 2010 were adjusted for inflation and that other high-priority programmes could be supported. Also, in 2009, there was additional demand for tertiary education enrolments as a result of the weaker labour market. The government provided for some additional places.

In response to the Prime Minister's Job Summit held in March 2009, a number of new initiatives are being introduced. The Youth Guarantee programme is planned to commence in 2010, and aims to provide a range of educational pathways for 16 and 17 year-olds, who are at risk of unemployment during a weak labour market.

Two election manifesto commitments aimed at providing additional student support were introduced in 2009. The first involves a voluntary bonding scheme for graduates in selected professions, aimed at filling important gaps in the workforce. This scheme rewards people working in those professions in hard-to-staff areas by writing off some of their student loans. The second concerns a 10 percent bonus on student loan repayments for borrowers who repay \$500 or more over their minimum repayment obligation in a tax year.

New information from the August 2009 enrolment collections shows that the number of students in formal tertiary study programmes increased overall, compared with the same period in 2008. The increase was due to significantly higher enrolments in level 5 to 7 diplomas, bachelors degrees, honours degrees and postgraduate certificates and diplomas. Level 1 to 3 certificate enrolments fell in 2009. Converting the enrolments to equivalent full-time student units revealed a considerably higher increase in participation in 2009.

Early indications are that the number of international students also increased in 2009. The economic value of New Zealand's international education sector is estimated at \$2.1 billion in terms of fees paid, living expenditures and flow-on effects through the wider economy. In 2009, government announced a reduction in the International Student Levy from \$900 to \$420 per student, from 1 January 2010. It also announced a \$2 million increase in generic promotions for the international education sector.

## A new direction for the tertiary education system

The new National-led Government set its direction for the tertiary education system in 2009 and sought changes to this to manage its response to the effects of the global recession. New Zealand's economic conditions weakened late in 2008 and, at the time of writing, the recession is still underway.

Following the general election held in 2008, the government initiated changes to the tertiary education system in order to meet its priorities to:

- simplify the tertiary education funding system
- reduce central administration
- strengthen quality and require accountability
- support and encourage students, and
- improve the interface between schools and tertiary education institutions.

The government's new strategic direction was set out in a draft of New Zealand's third tertiary education strategy published in September 2009. This release initiated a period of consultation and the new strategy is expected to be finalised and published late 2009. Government's expectations and priorities for this strategy are discussed in chapter 2. Further changes are planned and these will largely take effect from the next investment cycle for tertiary education organisations, which starts in 2011.

## Budget 2009: reprioritisations

One of the first actions taken by the new National-led Government was to conduct a series of 'line-by-line' reviews of expenditure across all funding allocations. The focus of these reviews was to improve the quality of spending across the public sector.

An additional pressure for tertiary education was that the previous government had signalled its plan to increase spending in tertiary education and other innovation portfolios in Budget 2008. However, these proposals were not funded; the previous government planned to charge them against future budgets.

The new government undertook to assess each of these intentions against its own priorities. It also aimed to manage each portfolio within its existing baseline. This meant that many of the increases planned by the previous government – which would have added more than \$500 million to the baseline over four years – were discontinued. Where the new government wishes to pursue one of the previous government's plans, money has to be found from existing programmes.

The budget package for 2009 was, therefore, made up of the following:

- removing planned inflation adjustments for the student achievement component and tertiary education institution base investment from 2011 (and updating the estimated inflation for 2010)
- removing planned inflation adjustments for industry training and adult and community education from 2010
- reducing some of the planned increases in funding for language, literacy and numeracy initiatives
- reducing tertiary education organisation component funds including:
  - removing Priorities for Focus and the Universities Tripartite Adjustment Fund from 2011
  - halving the Encouraging and Supporting Innovation fund from 2010, and
  - halving the Industry Training Organisation Strategic Leadership Fund from 2011
- discontinuing the Skill Enhancement programme and a number of other small funds
- reducing adult and community education funding for schools and other community providers from 2010, and tertiary education institutions from 2011
- removing student achievement component funding for regulatory compliance qualifications worth fewer than 40 credits
- removing Bonded Merit, Step Up and Top Achiever Doctoral scholarships, and
- reducing the Tertiary Education Commission's operating budget.

## The response to the global recession

When the continuing contraction of the New Zealand economy in 2009 led to additional demand for tertiary education enrolments, government sought to find new ways to enable the workforce to re-skill in order to better respond to the needs of the labour market.

The growth in the number of enrolments at tertiary education providers during 2009 was, in part, due to adverse employment conditions. There was some capacity within the capped-funding system to meet these pressures, because participation in 2008 had tracked below that funded within the cap.

The Prime Minister's Job Summit was held in March 2009. The main actions taken by government in tertiary education to support the objectives of the Job Summit were to:

- introduce elements of the Youth Guarantee programme in 2010, which is aimed at providing a range of educational pathways for 16 and 17 year-olds, who are at risk of unemployment during a weak labour market
- increase funding for workplace literacy initiatives in 2010
- provide Māori trade-training initiatives and pre-police training programmes through wānanga
- provide a \$2 million increase in 2009/10 for international promotions to aid the recruitment of international students
- match the funding by universities to provide on-campus employment over the 2009/10 summer months, and
- extend the timeframe from six to 12 weeks, in which industry training subsidies apply after termination of employment, so that industry training organisations will be funded to support trainees to find new work.

## Student support

In 2009, the government introduced a 10 percent bonus for voluntary student loan repayments. From 1 April 2009, borrowers who make voluntary student loan repayments of \$500 or more in a tax year will have an extra 10 percent of their voluntary loan repayment credited to their student loan account. The bonus will be credited after 31 March 2010 following legislative and systems changes.

The government also introduced a workforce supply initiative that provides a voluntary bonding scheme for new doctors, midwives, nurses, veterinary professionals and teachers working in hard-to-staff or understaffed areas or specialties. The purpose of this scheme is to fill gaps in important workforce areas, using an incentive of student loan repayments, or cash payments (for those without loans).

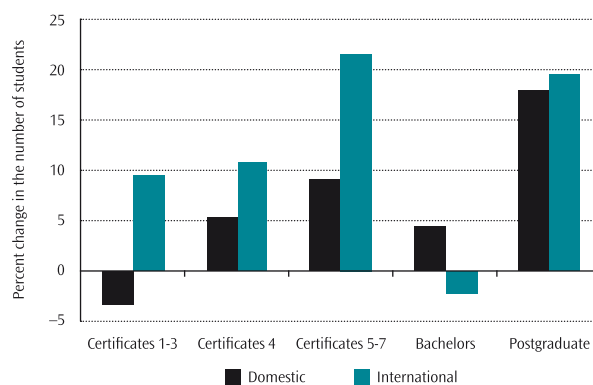
## August 2009 enrolments snapshot

Between January and August 2009, there were 432,000 students formally enrolled in study programmes at tertiary education providers, including 38,600 international student enrolments. Compared with the same period a year earlier, there were 3.1 percent more domestic enrolments and 7.4 percent more international enrolments. In contrast, preliminary information indicates that the number of trainees engaged in work-based training is likely to be lower overall in 2009 than in 2008. The number of industry trainees in 2008 was 195,000.

The 2009 increase in the number of students at public tertiary education institutions was 10,300 overall. The number of students increased by 8,610 at universities, 667 at institutes of technology and polytechnics, 1,110 at wānanga, and 4,920 at private training establishments.

When the 2009 enrolments are converted to equivalent full-time student units, and compared with the same period a year earlier, the increase was 7.2 percent. This was more than double the increase in the student headcount of 3.5 percent, indicating that students are undertaking longer qualifications. At universities the enrolments increased, in terms of equivalent full-time student units, by 5.8 percent in 2009. At institutes of technology and polytechnics the increase was 9.4 percent, at wānanga 9.7 percent, and at private training establishments 6.4 percent.

**Figure 17.1: Percentage change in the number of students by qualification level (August 2009 compared with August 2008)**



The latest available information (August 2009) shows that the increase in enrolments was in level 4 qualifications and above. In the period to August 2009, 31 percent of students (134,000) were enrolled in government-funded tertiary education providers in level 1 to 3 certificate study. This compared to 33 percent in the same period in 2008. There were 61,600 students enrolled in level 4 certificates, up 5.6 percent on the same period in 2008. Students undertaking diploma study numbered 74,300 in 2009 (17 percent). At bachelors level there were 150,000 enrolments (35 percent) and there were 45,400 students (11 percent) in postgraduate study. In terms of equivalent full-time student units, bachelors-level study had the highest participation – representing 43 percent of all enrolments in the period January to August 2009.

## International education

Information for the first four months of 2009 shows that the overall number of enrolments by international fee-paying students rose by 7 percent, compared with the same period in 2008. The early 2009 data for tertiary education shows that international student enrolments increased significantly at all qualifications levels except for bachelors degrees.

In 2008, New Zealand's international education sector enrolled a total of 88,600 international fee-paying students, a slight decrease from the 91,300 recorded for the 2007 year. However, the underlying trend appears to be moving upwards as the number of international first-year students increased by 4.4 percent in 2007 and 8.6 percent in 2008.

About 55 percent of the international students enrolled in 2008 came from the three North Asian countries of China, Japan and South Korea, with another 11 percent from Europe. Over half of international students enrolled with education providers were located in Auckland (57 percent), followed by Canterbury (16 percent), Waikato and Wellington (6 percent each) and Otago (5 percent).

In 2008, 15,600 international students were enrolled with schools, 29,100 with public tertiary education institutions, and 43,800 with private training establishments (including English language schools). Following a relatively stable period, the number of enrolments in schools has been growing since 2006, while enrolments at tertiary education institutions declined from 2004 to 2008 due to the outflow of many Chinese graduates.

On the other hand, there has been a marked increase in enrolments of international doctoral students at New Zealand universities, rising from 692 students in 2005 to 1,960 in 2008. This increase is believed to be due to the 'domestic fees for new international doctoral students' policy, introduced from 2006.

The economic value of the international education sector to New Zealand was estimated at \$2.1 billion during the 2007/08 financial year, including the fees paid by the international students (\$600 million), their living expenditures, and multiplier factors throughout the wider economy.

Key policy changes during the 2008/09 financial year included a decision to reduce the rate of the International Student Levy applied to state and state-integrated schools, from \$900 to \$420 per student, from 1 January 2010. Government also announced additional investment in generic promotions for the international education sector.