

Submission

By



To the

Ministry of Education

On the

Draft Tertiary Education Strategy

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PO Box 1925
Wellington
Ph: 04 496 6555
Fax: 04 496 6550

1. INTRODUCTION

- 1.1. Business New Zealand welcomes the opportunity to make a submission on the next Tertiary Education Strategy.
- 1.2. Business NZ recognizes that the tertiary education sector has made, and will continue to make, a huge contribution to our growth as a country and as individuals.
- 1.3. We have consistently argued that relevant, responsive, and efficient tertiary education is one way of raising productivity and increasing the living standards of all New Zealanders over time.
- 1.4. We believe that the voice of business has to be strongly reflected in the Tertiary Education Strategy, its execution, and in outcomes monitoring.
- 1.5. This submission is broken up into 7 parts, namely:
 - Introduction
 - Summary of key points
 - General comments
 - Strategic direction and vision and vision for tertiary education
 - Priorities and how they will be achieved
 - Expectations of providers and students
 - Monitoring.

2. SUMMARY OF KEY POINTS

2.1. Key points in the submission are as follows:

- Business NZ supports the overall direction and vision of the draft Tertiary Education Strategy
- We are concerned that the direction and vision of the sector are not reflected in any of the short-term priorities
- Raising skills and productivity levels to enable New Zealand to compete in a global economy and achieve GDP per capita parity with Australia are key priorities of the Government's economic growth plan and should be reflected in the final Tertiary Education Strategy priorities
- Achieving GDP per capita parity with Australia by 2025 will not happen by focusing on young people alone. There is a need to focus both on young people and on people already in the workforce
- The final Tertiary Education Strategy should recognize and support vocational education and training at all levels of the qualifications framework

- Given the clear focus on incentivising rewarding performance and providing incentives for providers to respond better to student and market signals, care will need to be taken to ensure the Tertiary Education Strategy, Tertiary Education Commission, and Investment Plans do not create barriers to responsiveness or unnecessary compliance costs
- A strong outcomes focus is required for the system, including on the contribution a comprehensive tertiary system makes to improved living standards
- Government should be clear about the long-term outcomes it seeks from the tertiary education system and discussion is needed on what the system should provide for and who should pay for that provision
- The move to a performance and monitoring system focused on outcomes, student needs, employer needs and labour market needs is welcomed but it must be acknowledged that this will require considerable change
- Employers are able to make a valuable contribution to the proposed outcomes-driven focus and their input should be given greater weight when assessing outcomes
- The success or otherwise of the Tertiary Education Strategy will depend on the way it is executed and implemented
- Systematic engagement between industry and employers and the tertiary education sector is critical
- The role of ITOs in relation to all providers should be strengthened, particularly wananga and universities
- Outside the Tertiary Education Strategy, a range or wider fundamental reviews should be considered, focusing on the role of government and how to best balance choice, diversity and efficiency in a tertiary education system responsive to employer needs.

3. GENERAL COMMENTS

3.1. In general, Business New Zealand believes that the overall direction and vision for the draft Tertiary Education Strategy is good, with a clear focus on tertiary education and research that meets the needs of the economy, the needs of the labour market, and the needs of individuals.

3.2. The Tertiary Education Strategy will be only as effective as those who implement it. The *execution* of the Tertiary Education Strategy will be critical to realizing the Government's vision and the broad direction for tertiary education, as well as to making real progress in each of the priority areas.

- 3.3. We welcome the clear focus on raising the levels of literacy, language and numeracy skills. Employers have been concerned for a long time about New Zealand's levels of functional literacy, language and numeracy. Raising the literacy, language and numeracy levels of the population is essential to building higher skills, improving productivity, reducing social disparity, and enhancing workforce resilience.
- 3.4. That said, Business New Zealand wishes to flag five broad areas of concern that deserve further attention before the final Tertiary Education Strategy is published.
- 3.5. The first issue is that the vision articulated is not reflected in the priorities. We would like to see the final Tertiary Education Strategy explicitly seek to increase in the contribution tertiary education makes to enhanced productivity and growth.
- 3.6. The Tertiary Education Strategy should recognize that New Zealand needs a wide range and diverse mix of skills and for these skills to be applied in the workplace. ò .
- 3.7. Second, while the Government's focus on young people (e.g. those aged 25 years and under) is to be welcomed, the document fails to address the importance of the need for those already in the workforce to upskill. In our view, the focus of the strategy must be both young people and those in the workforce.
- 3.8. Sixty percent of the workforce today will be in the workforce in 2020. In this context, the final tertiary education strategy must focus on more than pre-employment education and training. The strategy is silent on the upskilling of the workforce. The shortage of skilled workers we face through demographic change and the demands of global competition means that there is a high need to upskill the existing workforce. What the tertiary education system should provide and what government should pay for with regard to workforce upskilling needs to be addressed.
- 3.9. The third issue is that systematic business engagement is vital for all tertiary education organizations . not just Institutes of Technology and Polytechnics (ITPs) and Industry Training Organisations (ITOs). We also believe that industry strategic training plans and sector skills strategies should be used more widely across the entire system.
- 3.10. The fourth issue is that the focus on degrees must be balanced by the importance to industry and firms of vocational education and training qualifications. The final Tertiary Education Strategy must ensure that vocational qualifications have parity of esteem with university based degree qualifications. This requires a broad range of education and employment pathways that are visible to secondary school teachers and students. Achieving parity of esteem and a broad range of pathways will support the priority of increasing the number of young people moving successfully from school to tertiary education to work.

3.11. Care must be taken to ensure the focus on participation in degrees does not become an end in itself. The knowledge, skills and competencies of degree holders must produce value for employers and individuals. This also applies to the statements in the ~~monitoring~~ section where more people, more students, more Maori, more Pasifika are cited. Skills and skills utilization not only benefit those who acquire skills but enable firms to meet their business goals and to increase productivity and drive innovation. The contribution of skills and education to improved productivity and increased innovation should be strengthened in the final Tertiary Education Strategy.

3.12. Finally, Business New Zealand believes that the Tertiary Education Strategy and its priorities, must integrate the contribution skills, education, and research make into the Government's economic growth plan and social objectives.

4. Strategic direction and vision and vision for tertiary education

4.1. Broadly speaking, the overall strategic direction and vision for tertiary education appear to be appropriate from a business perspective.

4.2. It is unfortunate that the Government's longer term vision for tertiary education, *Relevant and efficient tertiary education provision that meets the needs of students, the labour market and the economy*, is not reflected in any of the identified 3-5 year priorities (nor reflected in ~~monitoring~~). This is a key issue and should be addressed.

4.3. Improved skills across the workforce and the creation of a system that reflects the needs of individuals and employers are essential for increasing productivity and promoting economic growth. Employers want an increase in *value* produced for industry and firms from tertiary education investment and provision, by having a continuous supply of the skills firms and industries need to create value, innovate, and maximize opportunities for growth . creating wealth and prosperity for all New Zealanders.

5. Priorities and how they will be achieved

Priorities

5.1. New Zealand cannot succeed in the global economy without a well educated and skilled workforce. This requires a strong tertiary education system and ongoing opportunities to prepare today's workers as well as the next generation of workers for the ever-changing economy and workplace demands.

5.2. All New Zealanders need programmes to develop and maintain the skills required for the higher-skilled service and manufacturing jobs that increasingly characterize the New Zealand economy. Relevant and quality vocational education and training to the level required by employers and industry is required. In addition, the *utilization* of these skills is critical to improving overall wellbeing. Far too many people exit the tertiary system inadequately prepared to be successful in the workplace. The final Tertiary

Education Strategy should recognize that people need a range of skills as well as the ability to apply these skills in the workplace.

The Tertiary Education Strategy does not focus on the key issues that need to be addressed

5.3. In a constrained fiscal environment, a discussion of the wider role of government in the tertiary education system should have been considered.

5.4. Sub optimal investment in tertiary education has the capacity to constrain economic and social performance. By sub optimal investment we refer to too much, too little, and inappropriate kinds of tertiary education and to the inefficient provision of tertiary education.

5.5. In this context, the role of government is to provide a framework which encourages both investment in optimal tertiary education (e.g. type, quality, quantity) and its efficient provision (e.g. promotes performance at the lowest possible level of compliance costs, allows public funding to move to areas of best performance, encourages stronger engagement between employers and tertiary education organizations). Such an approach is likely to maximize the contribution the tertiary education sector makes to our economic and social wellbeing.

5.6. The emphasis on targeted priorities, for example, *increasing the number of young people achieving qualifications at Level 4 and above, particularly degrees*, is not accompanied by a wider discussion of measures aimed at priority target groups or the trade-offs that may be necessary given limited resources.

5.7. The draft Tertiary Education Strategy implies that the government gives preference to young people but fails to be explicit about the consequences of what it proposes. There is no discussion, for example, of how this preference would be implemented (e.g. level of subsidy, entitlement to access public subsidy, scholarships). This is a key issue and should be addressed.

Increasing the number of young people (aged 25 and under) achieving qualifications at level four and above, particularly degrees

5.8. Success should not be defined by the number of young people achieving qualifications at level four and above, particularly degrees. It is the diversity and mix of skills in the workplace that when utilized produce value for individuals and firms, and therefore for New Zealand. Tertiary education is not an end in itself.

5.9. Employers and industry require a significant number of skilled workers with level 2 to 4 qualifications. There is a disconnect between the emphasis in the draft tertiary Education Strategy on higher level qualifications and degrees, and the jobs that are available.

5.10. Government should focus on the need to provide opportunities for vulnerable workers (many of whom are older than 25 years of age) to lift their

skill levels and ensure they have skills and competencies that are valued in the labour market. Level 2 to 4 qualifications have a role moving unskilled people into the category of skilled employable workers.

Assisting Maori and Pasifika people to achieve at higher levels

5.11. All tertiary education organizations should assist Maori and Pasifika people to achieve at higher levels.

5.12. Improving both the transition of Maori and Pasifika people from school to tertiary and their pathways within the tertiary education sector is important to the achievement of this priority.

Increasing the number of young people moving successfully from school into tertiary education

5.13. The priority relating to increasing the number of young people moving successfully from school into tertiary education is welcome. However, we think this priority also extends to moving young people from education (school or tertiary level) successfully into work.

5.14. Strengthening pathways requires getting the basics right and broadening thinking about the diverse learning and career opportunities available to students today. This requires trades and new professions to achieve parity of esteem with traditional academic pathways and an increased coordination of initiatives in this fragmented area (e.g. Trade Academies, Gateway, Trades Training, Youth Guarantee). Stronger linkages between industry, tertiary education organizations and schools will be critical to successful transition and progression outcomes.

Continuing to assist adult learners to gain literacy language and numeracy skills for higher level study of skilled employment

5.15. The priority of continuing to assist adult learners to gain literacy, language and numeracy skills for higher level study or skilled employment is welcomed. Business New Zealand believes that raising these critical foundational skills has the potential to make the biggest and best change that the sector could make.

5.16. Nonetheless, we question why there is no reference to some of the literacy activity in the workforce that is currently outside the government funded sphere. Given the scale and nature of the issue, efforts must continue to partner with the private sector to develop efficient and effective approaches to addressing workforce literacy, language and numeracy issues.

Improving the education and financial performance of providers

5.17. Improving the educational and financial performance of providers is a key priority so that the system is sustainable and more effective and efficient in meeting the needs of individuals, employers and the economy.

5.18. Business, the public, and students expect that tertiary education organizations will not only deliver quality and relevant education, and where appropriate, research outcomes, but will be properly organised to make the best use of scarce resources.

5.19. It is fundamentally important for productive and competitive businesses to have a tertiary education system that equips people with the skills and knowledge necessary to contribute to individual well-being and New Zealand's long term social and economic success. Improving the educational and financial performance of providers is important in this regard in that this will improve outcomes for learners, communities and the economy.

Strengthening research outcomes

5.20. Stronger linkages between research producers and industry is the key to driving change.

How priorities will be achieved

Execute, execute, execute

5.21. The *execution* of the Tertiary Education Strategy will be critical to realizing the Government's vision and broad direction for tertiary education, as well as ensuring real progress is made in each of the priority areas.

5.22. The proposed focus on incentivising and rewarding performance and providing incentives for providers to respond better to students and market signals is welcomed.

5.23. Care will be needed to ensure that the Tertiary Education Strategy, the Tertiary Education Commission, and Investment Plans do not create barriers to improved responsiveness and the achievement of the Government's vision and priorities. Providing relevant outcomes performance information upon which families, individuals and employers can make informed choices remains a priority and must include information on labour market outcomes.

Targeting priority groups

5.24. Business NZ would recommend that where the Government does attempt to target priority groups in the tertiary sector, it does so via the setting of subsidy rates, rather than through the use of quantity (volume) limits based on Investment Plans. For example, any move to have young people progress to higher level qualifications could be encouraged through pricing (using lower levels of EFTS funding, or not funding at all, for non-priority groups).

5.25. In view of the significant changes associated with targeting priority groups we would have expected there to be a discussion of possible consequences.

5.26. To support priority groups, ongoing research is required to explore the relative effectiveness of different learning pathways in promoting learning,

achievement, successful transitions and progressions, and employment. All results would need to be published and widely disseminated.

Improve system performance

- 5.27. The focus on improving system performance is welcomed although this would have benefited from a discussion on the role of government, including the role of public funding, private funding, governance and management of the system, and quality assurance and qualifications.
- 5.28. Regarding quality assurance, the extent and nature of industry and employer connections will be significant in meeting identified needs.
- 5.29. Rather than just making ~~business consultation~~ one of the requirements of investment plans and NZQA qualification processes, we consider that substantive tertiary-business engagement should be promoted.
- 5.30. The intention to allow public funding to move to the areas of best performance is welcomed. Performance elements should include completions, graduate outcomes and satisfaction, and employer and or industry satisfaction. Consideration of performance elements for the wider social and economic impact of tertiary education and research is also required.

Support high quality research that helps drive innovation

- 5.31. We would stress the point that engagement between industry and education needs to be as direct as possible. Innovation will tend to happen once the needs of employers and industry in general are better understood. Incentives for stronger engagement between tertiary education providers and the private sector may be required. This extends to the commercialization of research and development which requires amending the PBRF to provide incentives for more commercial research.

6. Expectations of providers and students

- 6.1. We welcome the draft Tertiary Education Strategy's expectation that the entire sector will supply skills that are relevant to the labour market and its view that providers need to make better connections with industry and ensure they are aware of the likely demand for skills. In this regard, consideration should be given to utilizing industry strategic training plans and sector skills strategies where they are available.
- 6.2. The discussion of expectations of provider types fails to include clear statements that all tertiary education providers should be expected to engage with employers and industry. We would continue to stress the need for all parts of the tertiary education sector to engage with employers and industry and to be responsive to their needs.
- 6.3. Increasingly students and employer are requiring a mix of vocational and academic skills development. In this regard, it is inappropriate to suggest that vocational education and training remains only linked to certificate and

diploma level training and education. Consideration should also be given to programmes and qualifications that blend academic learning with work.

- 6.4. In our view, this section could be strengthened by the inclusion of a discussion of the expectations and role of a comprehensive tertiary education system, and of what tertiary education organizations, students, employers and industry can expect from the government and government agencies.

7. Monitoring

- 7.1. Business New Zealand welcomes moves to improve the publication of tertiary education organization performance information. Published performance information should be clear and in a form that is easily understandable. In our view the publication of performance information, including labour market outcomes and employer satisfaction, facilitates informed student decision making.
- 7.2. Monitoring and performance information should not be confined to participation, progression, and qualification completion rates; it must also include indicators of quality and relevance (e.g. graduate satisfaction, employment outcomes, employer satisfaction). This requires a greater use of performance measures relevant to students, employers and communities.
- 7.3. We believe that employers can bring a unique and useful perspective to the assessment of progress made towards achieving the Government's direction, vision and priorities for tertiary education (provision and research).
- 7.4. We hope to see the development of performance and monitoring criteria for tertiary education organizations that reflect the needs for more effective links with industry and employers. Engagement between industry and education needs to be as direct as possible in order to drive change. We would also like to see stronger engagement in the research and development area.
- 7.5. We stress that the final Tertiary Education Strategy should include an intention to involve employers and industry in the identification of appropriate KPIs and in monitoring the tertiary education strategy. In our view, the monitoring and performance system will be strengthened by input from employers.
- 7.6. There is a role for employers and industry in helping to shape the Government's performance system since industry and employers can bring a unique and useful perspective to assessing the outcomes of tertiary education (i.e. more than completions . education and skills that enable successful business strategy execution).

Appendix 1

BACKGROUND INFORMATION ON BUSINESS NEW ZEALAND

Business New Zealand is New Zealand's largest business advocacy organisation.

Through its four founding member organisations . EMA Northern, EMA Central, Canterbury EmployersqChamber of Commerce and the Otago-Southland Employersq Association . and 70 affiliated trade and industry associations, Business NZ represents the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, Business NZ contributes to Governmental and tripartite working parties and international bodies including the International Labour Organisation, the International Organisation of Employers and the Business and Industry Advisory Council to the Organisation for Economic Cooperation and Development.