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New Zealand
Vice-Chancellors'
Committee

28 June 2010

Dr Don Brash
Chair
2025 Taskforce
P O Box 3724
WELLINGTON 6140

Dear Dr Brash

The New Zealand Vice-Chancellors' Committee (NZVCC) welcomes the invitation in your letter of 12 May to make a contribution to the 2025 Taskforce's second report.

The NZVCC will take the opportunity to comment on two of the particular issues that you identified. By way of background, we refer you to our earlier submission of 29 October 2009 - the comments that follow supplement our earlier submission.

How important are human capital issues in explaining the movement of New Zealanders to Australia and our productivity gap? What role has New Zealand's education system played?

Alongside infrastructure, human capital is the single most important contributor to productivity. Universities develop human capital in two ways. First, they educate skilled professionals and second, they develop the research scientists who will provide the insights and innovations that fuel economic growth and social development.

There has been a tendency to view New Zealand's skill shortages as an issue specific to the trade occupations. There are also major skill shortages in many professional areas. The vast majority of the professional workforce is university educated. Architects, doctors, dentists, lawyers, pharmacists and veterinarians are exclusively university graduates and most accountants, auditors, information technology professionals and engineers are also university educated.

Universities make a further contribution to meeting New Zealand's human capital needs by bringing international students to New Zealand, a growing number of who become skilled migrants on graduation. Ministry of Education research indicates that students studying sciences, medicine and education are more likely to seek permanent

residence in New Zealand and all three of these professional areas have experienced workforce shortages.

The contribution the universities make in drawing skill to New Zealand is critical because the New Zealand diaspora is one of the largest globally, with almost a quarter of New Zealand graduates living outside New Zealand. Our first submission detailed the issues New Zealand universities face in recruiting academic staff in the competitive international market.

The NZVCC has commissioned an analysis of the economic contribution of the universities which will quantify the increased productivity generated by university research and education. We will be releasing that report later this year and will make it available to the Taskforce.

What has Australia done well that we can learn from in terms of policies and are there perspectives from other countries that we can learn from?

As NZVCC Chair, I attended a Universities Australia meeting earlier this year at which Vice-Chancellors and officials were struggling to meet the challenge set them by the Australian government which allocated additional funding to boost the proportion of 25 to 35 year olds with a bachelor's or higher degree from its current level of 30% up to 40% by 2025. New Zealand and Australia are currently roughly on a par, but in New Zealand the proportion of the tertiary student population that is enrolled at universities is declining. I returned to New Zealand to an NZVCC meeting at which Vice-Chancellors and officials were struggling with how to restrict any more young people enrolling in our universities because the government is unable to subsidise their places.

Not only is the overall number of funded student places restricted in New Zealand, so too is the funding per place. Analysis completed by the University of Auckland demonstrates the difference in resources available to Australian universities and those available to New Zealand universities. In purchasing power parity terms (expressed in US dollars) and focussing only on domestic students and domestic revenue, Australian universities receive \$13,970 per EFTS and New Zealand universities \$9,300. Student fee income is more than twice as high per EFTS in Australia and government funding is about 25% higher.

We want to make it quite clear to the Taskforce that the NZVCC believes that the New Zealand government invests in tertiary education at an appropriate level. Where the problem lies is that too high a proportion of government investment is devoted to student financial support and too low a proportion to the provision of their educational programmes. The average OECD distribution is around 20% of government funding devoted to student financial support and 80% devoted to institutional provision. In Australia the split is 31%/69%, but New Zealand is the international outlier allocating 42% to students and 58% to institutions.

The proportion of tertiary education funding in New Zealand that is devoted to qualifications at Levels 1-3 is also still too high and its contribution to increased productivity is questionable.

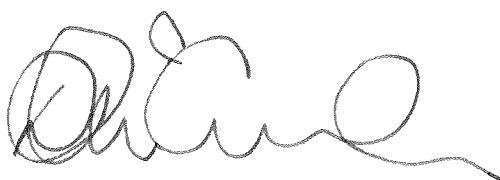
The NZVCC was pleased that the Taskforce identified the distortionary effects of the interest free student loans policy in its first report last November. We welcome the steps that the government took in Budget 2010 to introduce academic performance requirements for continued eligibility for student loans and we encourage the Taskforce to make further recommendations for reform of this unsustainable policy.

We would also ask the Taskforce to recognise that New Zealand is one of the most efficient providers of high quality university education internationally. The Taskforce's first report commented unfavourably on the international rankings of New Zealand's universities. However, analysis of the universities ranked 1-200 in the world by one of the most commonly cited ranking systems¹, indicates that the three New Zealand universities within this ranking – Auckland, Otago and Canterbury – have amongst the lowest expenditure per student in the group, but relative to their expenditure, very high rankings. There are no universities that have lower expenditure but higher rankings.

I would like to conclude by linking our responses to these two Taskforce issues – New Zealand's universities are more than up to the challenge of increasing New Zealand's productivity by providing quality education for our skilled professionals and quality research outcomes, but only if the levels of investment per student enable them to do so. If the issues we raise are not addressed the gap with Australia, and the loss of skilled and educated workers, will continue to grow.

I trust that the Taskforce will find these comments helpful in its deliberations and we are happy for them to be made available on the Taskforce website. Please contact Penny Fenwick, Executive Director of the NZVCC if you require any elaboration.

Yours sincerely



Derek McCormack

Chair

New Zealand Vice-Chancellors' Committee

¹ 2008 Times Higher Education-QS World University Rankings