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THEMATIC REVIEW OF THE FIRST YEARS OF TERTIARY EDUCATION

COUNTRY NOTE: NEW ZEALAND

This Country Note was prepared by a Secretariat-led review team as input to the first stage of the OECD Education Committee's Thematic Review of the First Years of Tertiary Education. The views expressed are those of the review team. They do not commit the OECD or the countries concerned.

A comparative report for the first stage of the thematic review will be published by the OECD in the last quarter of 1997. Inquiries may be directed to OECD Publications.

Executive Summary

Tertiary education has been embraced within the new policy directions affecting all aspects of life in New Zealand. The sector is in a dynamic phase as a result of the reforms and wider social, economic and political changes. The need for change to bring tertiary education into the mainstream of national development has been apparent. Evidence from the review demonstrates that the will to take new directions is strong and the structural impediments to change are regarded as surmountable. Although change has been difficult and there is some disquiet in the tertiary education sector, there is no going back. Instead, there is cause for greater effort to be made by Government, Ministry of Education and institutional leadership to both broaden and strengthen the existing dialogue on reform and future policy directions in tertiary education. Such a dialogue should aim to find ways to encourage all stakeholders -- learners, providers, employers, government departments and agencies among them -- to seize the new opportunities and build on the progress achieved thus far. A concentration of effort is needed to continue the expansion and to maintain and strengthen both the quality and relevance of initial tertiary education.

This is the broad assessment of a team of reviewers which, within the framework of the OECD Education Committee's Thematic Review of the First Years of Tertiary Education, undertook an examination of developments in New Zealand through a review of extensive documentation, a detailed background report and an intensive study visit in June 1995. Similar examinations have been carried out during 1995-96 in Australia, Belgium (Flemish Community), Denmark, Germany, Japan, Norway, Sweden, United Kingdom and the United States (State of Virginia). A comparative report will be published by the OECD in 1997.

The reviewers identify -- and discuss implications for policy -- of five key issues for the future development of the first years of tertiary education in New Zealand: sustaining the reform agenda; 'seamlessness'; management and governance of institutions; teaching and learning, curriculum and assessment: the quality issue; and costs and financing.

Introduction

At the invitation of the Ministry of Education, in 1995 a team of OECD reviewers visited New Zealand to examine and report on developments in tertiary education. The focus of the review was "the first years", those leading to the degree of bachelor or its equivalent. New Zealand is one of ten OECD countries participating in an international comparative study of trends, developments and issues arising in the first years of tertiary education; the other countries are Australia, Belgium (Flanders), Denmark, Germany, Japan, Norway, Sweden, United Kingdom and the United States (State of Virginia). The findings of the reviewers in their visit to New Zealand, complemented by information provided by the authorities at the time of the visit and since have been drawn upon in the overall report of this comparative study, to be published by the OECD in 1997.

With the benefit of a very comprehensive and detailed background report, in the course of a relatively short visit the reviewers were able to address a wide range of issues and to discuss them with many different organisations and institutions. We are very grateful for the courteous reception we received everywhere, for the frankness with which positions were presented to us and, especially, for the assistance throughout of our "mentor", Dr. George Preddey, and Ms Kay Nicholls-Millar, both of the Ministry of Education.

Given the nature and pace of change in New Zealand, it has not proved easy to form conclusive impressions and to make clear-cut suggestions. New Zealand has, over several years, adopted dramatic reform policies which have created what are, in many respects, the makings of a new society and economy. The changes have been profound. Not surprisingly, both overall directions and specific instances have been the subject of intensive debate. We were privileged to be able to observe some aspects of the debate, insofar as it continues in relation to tertiary education, and we learnt a good deal about the impact of change on the institutional landscape, as much on students as on staff since student life has, by no means, escaped the impact of new policy especially in the financial sphere.

This report serves the dual purposes of focusing on trends and issues specific to New Zealand and drawing attention to developments which have a significance beyond the borders of the country. Prudence dictates that the conclusions that are drawn be provisional, when so much in the New Zealand educational environment is so recent and still evolving. The reviewers were fascinated alike by the energy and vigour of reforms and by the at times strongly drawn lines of opinion, especially in the tertiary education sector. In New Zealand, there is as much interest in the process of change as in the substance of policies and the outcomes that are being sought. Our report, therefore, raises a number of process issues particularly in the relationship between institutions/providers and government.

Context: Reforming Again -- and Yet Again

Within the OECD membership, it is difficult to identify a country, unless it be the United Kingdom, which has during the past decade embarked upon such a sustained and radical reform agenda as New Zealand. The starting point was what commentators have characterised as the economic crisis in the mid 1980's, whose severity provoked a far-reaching appraisal of long-established assumptions and practices. This has led in turn to fundamental redirections of policy, as described in the OECD Jobs Study follow-up of New Zealand (to be published): the Employment Contracts Act, for example, introduced in 1991 a new legal framework for a highly decentralised wage-bargaining system, and there has been a transformation in the tax and benefit system with major cuts and a tightening of eligibility for unemployment-related benefits, a shift to indirect taxation and a flattening of the schedule of income tax

rates. More generally, there has been a major emphasis on the need to open up all sectors of the economy to competition, particularly through a substantial reduction in tariff protection. New Zealand has left its shelter and joined the global economy.

Accompanying these changes in overall policy direction, successive governments have resolutely set about to transform public institutions and their mode of operation. The 1989 Public Finance Act is a key piece of legislation, reorienting the management of public finances and re-defining the roles and responsibilities of senior government managers from what might be termed an administrative to an enterprise culture: public functions targeted to politically-determined objectives; services delivered by departments of state to ministers on a contract basis; and full accountability for performance defined as both outcomes and impact and at all levels of decision taking, management and governance. What the New Zealand Treasury termed 'a quiet revolution' has taken place.

For the education sector, this has meant far-reaching structural and organisational changes in a sustained effort to devolve operational decision making to individual institutions and to increase overall efficiency. Devolution is within a strongly defined and firmly controlled national framework which sets goals, defines standards and presents accountability procedures. In particular, strict financial controls are exercised and, in common with a number of other OECD countries, tertiary education institutions in New Zealand have experienced considerable and growing financial pressure.

New policy directions and new conditions and methods of work have been introduced at every educational level, from pre-school education to post-graduate studies, and in research funding and procedures. Just as, in the early years of the twentieth century, New Zealand was at the forefront of democratisation and social welfare policies, as the century draws to a close it is pioneering new forms of public sector enterprise and public-private partnerships. The impact of these changes was in the late eighties and early nineties severe and disturbing to many established values and procedures. Thus, alongside the indications of a revitalised economy are new challenges, including the tertiary education sector where many structures have been dismantled and established procedures changed. The reforms in tertiary education appear to be of a similar order in breadth and depth to those undertaken in other education and training sectors or other public or private fields of endeavour; they are no less sweeping than changes underway elsewhere in the economy and society.

For education policy and practice, the reform process has emphasised a strategic, direction-setting and monitoring role for government and its new national agencies, greater public scrutiny of policy-making and implementation, closely targeted use of resources including new kinds of service delivery contracting, local decision-making coupled with accountability and a new framework of national goals and standards against which performance is regularly monitored and assessed. Several committees, reporting in the late 1980s, had a drastic impact on the then Department of Education, a large and amorphous body with a complex set of regional offices and associated boards, councils and committees. It was replaced by a scaled-down Ministry of Education, and responsibility for a myriad of decisions was devolved to the local and individual school levels. Several new central agencies in addition to the Ministry of Education were established, a mixture of services providers (e.g. Careers Service and Early Childhood Development Unit) and of bodies (three) with considerable power to influence overall policy: the Education Review Office, for establishing and undertaking quality assurance procedures for schools and schooling; the Education and Training Support Agency, for the funding of government labour market training programmes and industry training organisations (ITOs); and the New Zealand Qualifications Authority, with responsibility for setting up and monitoring a new assessment and qualifications system.

One of the most critical set of interventions arose from a report in 1988 on educational administration: The Report of the Task Force to Review Education Administration (Picot Report). The Picot Committee vigorously attacked the centralised character of the school system, its complexity and lack of transparency and the apparent powerlessness of people to make informed choices. The dominance of centralised and binding rule-making, as a characteristic mode of government operation, was seen to be a fundamental weakness and subsequently the Education Act was revised to place greater emphasis on self-management, a national curriculum framework and national standards of student learning: "The self-managing school was at the heart of the system" (Three Years On... p.16). Individual boards of trustees replaced the tangled central, regional and district control that had grown up over a century.

In the tertiary sector, as for schools, there has been a plethora of reports seeking a change of direction or emphasis. This collection of reports was brought together by an officials' group which produced a base-line document: Report of the Working Group on Post Compulsory Education and Training (the Hawke Report, July 1988). The Hawke Report recommended a wide repertoire of changes in the organisation and delivery of tertiary education. A year later, in Learning for Life Two: Policy Decisions (August 1989), the government responded to the Hawke Report by enumerating a set of principles. These entailed:

- greater devolution of operational and management decisions to tertiary institutions,
- the monitoring of efficiency, together with accountability in resource utilisation,
- policy advice to the sector directly from the central Ministry of Education,
- bulk funding with the government remaining the principal provider but supplemented by increased private contributions,
- a co-ordinated national qualifications system,
- wider participation in tertiary education and the removal by institutions of barriers to access.

On the one hand, the government and Ministry of Education took a more decisive, strategic role in the sector; on the other, institutions were charged to deliver to targets, under conditions of greater operational freedom but with accountability for results, both to the government and to the 'market'.

The effects and implications of these and other changes are still being worked through. They have set very significant directions for all levels of education for many years to come and there are, within the system, aspirations and growth points which could result in further significant changes. Mention may be made of one, namely the (still uneven) tendency of institutions in the binary/trinary system of universities, polytechnics and colleges of education to establish partnerships and amalgamations and other collaborative arrangements. Further, although it has been possible since 1990 for polytechnics to offer degrees, some polytechnics are seeking to be established as universities (or considering such a move). A more recent development is the move by polytechnics as a group to form the New Zealand University of Technology (NZUT), through which individual departments in polytechnics would be able to offer degrees. It is not clear whether the NZUT will take hold, or whether some polytechnics will obtain university status. Behind the ideas, however, is a determination to achieve further change through re-positioning.

In tertiary education, funding policies seek to balance the need to meet the demand for increased student places against the intent to control public expenditure. With regard to funding policies, three principles are significant: first, that regardless of setting or type of institution, the system of funding enrolments according to a calculation of equivalent full-time student (EFTS) would be adopted; second, that tertiary education institutions were granted greater autonomy over their management (particularly for polytechnics and colleges of education), coupled with accountability requirements; and, third, that students would be expected to make an increased contribution through a tuition fee. The EFTS system was progressively introduced and is now in place for all institutions. The tuition fee, which was to have been complemented by a private sector loan scheme, was further modified in 1992, whereby institutions were empowered to set their own tuition fees and a subsidised, income-contingent loan scheme was introduced. The subject of tertiary costs and financing is taken up in more detail below ('Costs and Financing').

Note should be taken of other forms of delivery of tertiary education, through private training establishments (PTEs) and within the Industry Training Strategy. The Industry Training Strategy aims to promote increases in the quality, relevance, and amount of structured training undertaken whilst in employment. Under the Industry Training Act, industry training organisations (ITOs) are responsible for setting national standards linked to the National Qualifications Framework (NQF) and for arranging training. Government funding, some previously allocated to polytechnics, has progressively been transferred to ITOs to enable them to administer training arrangements and to purchase training from providers. The strategy enables many existing arrangements to continue, while permitting new ones to develop. It also transfers to the ITOs the responsibility to purchase training for employees to meet national qualification standards. An Industry Training Fund subsidises ITOs, but requires both industry and the Government to contribute.

The 1990s reforms introduced common systems of governance, reporting, funding and accountability for all state tertiary institutions. The legislative prescription for council composition requires a council of 12-20 members, having due regard to gender, ethnic and socio-economic balance, and comprising four ministerial appointees, the chief executive, academic staff, general staff, students, representatives of employer and worker central organisations and the remainder chosen at institutional discretion. Reporting and accountability include requirements to prepare output-based objectives, information on performance, annual audited financial statements and, on a voluntary basis, projections of future outlays and commitments.

Further proposals for change include giving institutions full control over their resources and greater management flexibility, accompanied by clear accountability and monitoring mechanisms. Several individual tertiary education institutions are large, complex enterprises. All institutions operate in an environment of increasing uncertainty and pressures, in which smaller institutions are generally more vulnerable to shifts in student choices and to the competitive behaviour of larger institutions. Against these factors, the Crown -- as both purchaser of education, training and research and as the ultimate owner -- asserts an interest in ensuring the effective management and efficient operation of each institution and in minimising its own exposure to financial risk.

In order to provide government with that assurance, there are proposals to clarify: the relationship between the Crown and councils of the institutions; the role and functions of the councils; and the appropriateness of their size and composition in relation to meeting those functions. With respect to the latter, the government seeks to increase the proportion of ministerial appointees and to emphasise expertise rather than representation of wider institution and community interests in selecting members. Ownership monitoring would be changed specifically to embrace a forward-looking business planning

process similar to that already operating in other parts of the public sector, e.g. for Crown Research Institutes.

These developments represent significant challenges to the ethos and culture of many institutions, universities especially, and are the subject of lively debate in New Zealand as in other countries where ownership, governance and accountability procedures have been under review.

Among other elements in the New Zealand reform agenda, particular mention may be made of the efforts to bring about a closer inter-relationship of education and labour market training policies. This has been effected, for example, through the transfer of responsibility for apprenticeship and long-term training of the unemployed from the Ministry of Labour to the Ministry of Education and the Education and Training Support Agency (ETSA). Specifically, ETSA purchases industry training, apprenticeship and second-chance education and training programmes -- including TOP and Skill Enhancement -- under contract to the Ministry of Education. However, overall responsibility for interventions to assist the long-term unemployed rests with the New Zealand Employment Service.

Many aspects of the funding and management of tertiary education have been the subject of relatively recent policy initiatives by government, with the advice of high status committees and task forces. Policies resulting from these sources have an effect; nevertheless, the volume growth of the sector is governed primarily by individual demand. While government caps the overall number of 'funded' (subsidised) places, institutions through selection policies and internal allocations of resources have scope to respond to demand (see 'Costs and Financing' below). Provision by each institution reflects student demand, judgements about social and economic needs and the capacity of the institution to provide resources for particular programmes.

These policy initiatives need to be set against longer term trends in the system to which the reform process is partly a response, partly contributory, but which have their own momentum nonetheless. Many are comparable to trends in some other countries not experiencing the fundamental changes in national structures and policy which characterise New Zealand.

The tertiary education reforms have generated a great deal of controversy, not all of it productive according to local testimony, and imposed pressures and strains which at times have caused considerable difficulty. The reviewers were made aware of turbulence which had occurred in the system at the time when the pace of change was at its peak. In the light of continuing debate and the pace of change, it is not surprising that when the review team visited a number of issues remained to be settled. We understand that considerable progress has been made since then. Steps have been taken on both sides to reduce a gap between the culture of the institutions providing tertiary education and that of reform-minded governments whose agenda has moved towards a critique of institutional governance, greater emphasis on monitoring, the possible introduction of capital charges on tertiary education institutions' equity and the inclusion of university diplomas and degrees in a national qualifications framework. The latter concept, whereby qualifications may be obtained and used for credit purposes regardless of the provider and of internal institutional procedures for awarding qualifications, is the subject of a more recent report to which we return below ('Teaching and Learning, Curriculum and Assessment: The Quality Issue'). Government and its agencies, including NZQA, will be strengthening the information base by monitoring all tertiary education students who receive government support and by maintaining a universal Record of Learning.

Although only a brief overview of some, and by no means all, of the changes of the past decade, the foregoing gives the flavour of the transformation of the New Zealand education system from a protected and highly regulated domestic market to a more open, strategically directed, de-regulated and

internationally-attuned sector. Essentially, this represents the transformation of a centrally-administered and rule-bound educational system into a devolved, largely self-managing one which is challenged by government and market-place alike to deliver the desired new products and services. These changes should not be thought to have diminished so much as changed the form and focus of government and public sector roles and responsibilities in education. There is an even stronger influence at the national level, manifested in the criteria introduced in financing mechanisms and the arrangements established for accountability. New Zealand has followed, indeed pioneered, the path of strategic frameworks, targeted funding, monitoring and performance appraisal with positive incentives and penalties. The need for change has been apparent, the will to take new directions is strong and the structural impediments to change are regarded as surmountable. Even though there have been, and remain, clear disagreements between government and the sector groups on specific issues, the general lines of development for the next few years and perhaps beyond are firmly in place.

Growth in Demand: Features of Access and Admission

The evolution of enrolments in tertiary education has been characterised by expansion and diversification in the past twenty-five years. The growth is partly a natural consequence of the ageing of relatively larger birth cohorts through the early 1980s and partly a reflection of greater individual aspirations and well-publicised social demand from the mid-1980s on. It reflects the consequences or pipeline effects of supporting policies aimed at increased rates of retention through senior secondary 7th form (the latter rising from 11.2 per cent in 1970 to 35.3 per cent in 1990 to 51.5 per cent in 1993, with a slight fall to 48.3 per cent in 1994). The expansion of tertiary education has become a significant policy objective. By 1993, 45 per cent of school leavers continued into some form of tertiary education. Nevertheless, several other countries participating in this thematic review have already exceeded these figures.

The growth itself -- a doubling from 1985 to 1993, with the rate of increase accelerating to an annual average of 10.2 per cent during 1990-93) -- reveals responsiveness on the part of institutions and the system as a whole. That responsiveness extended beyond accommodating increased rates of enrolment from the 'traditional' pool of tertiary education entrants, i.e. those aged 18-24. In fact, the number of those aged 25+ in tertiary education continues to increase in absolute and relative terms (accounting for 24 per cent of overall enrolment in 1994), a trend which is observable in many of the countries participating in this comparative review.

There has been significant growth in participation in programmes outside of tertiary education institutions. As of mid-1996, almost 24 000 were undertaking industry training of various levels and kinds, reflecting a more than 50 per cent increase in volume over a three-year period. The growth restores training volume that had been lost in the process of economic restructuring, more specifically the reduction in employment in secondary industries which until the 1980s were major investors in industry training.

In spite of the quantitative growth and an interest by the government to steer that growth into vocational as well as technical and science fields (through the allocation of additional subsidies for enrolments in these fields), a key question is whether the number and distribution of places by field align closely with student interests and aspirations as well as the needs of the economy and society. This is an important issue in a system which to a considerable extent incorporates 'market forces' into its steering -- whether directly from fee-paying learners, through incentives introduced in funding mechanisms for providers, learners and third-parties, or through signals from the labour market. Do the 'market forces'

function effectively? If not, what steps can government take to put in place the conditions for (or remove the obstacles to) their effective operation? Such evidence as was made available to us is weak or non-generalisable on these points and requires considerable caution in its use. We were not aware of analyses which have looked into the extent to which preferences of current or potential learners and the needs of the economy and society are not (or are) being met. A key concern in this respect is the adequacy of information for decision-taking for all stakeholders (a point to which we return below).

Increased demand for and participation in tertiary education, of course, are not only matters of quantity. We have already referred to the changing age profile; women are also much better represented than hitherto. Increases in participation rates have been most noticeable among Maori students who have typically been under-represented in all forms of education beyond the compulsory years of schooling. There is speculation that the dramatic improvement in the unemployment rate in New Zealand might reduce the holding power of schooling beyond the compulsory years and in tertiary education, but other developments (not least, the demands from a restructured economy and the increased aspirations of young as well as mature age people) are likely to continue the long-term trend of growth (Table 1). There are interesting parallels with Sweden and Belgium (Flemish Community) in the peaking of student interest in commercial and business studies and in other countries as well in the difficulty government is finding in persuading students to enter the national priority fields of science and technologies as noted above. Such peaks are not uncommon and by themselves cannot be taken as evidence of a long term trend. Of the various types of tertiary education available, the university continues to attract the interest of a substantial proportion of students, as is the case in many other systems, although the polytechnic sector is also large (Table 2).

While school leavers qualify for admission to tertiary education institutions through a national entrance examination taken at the end of studies, New Zealand is unusual if not unique among member countries in its legislative guarantee to mature age students of provisional entry to university for a first degree, regardless of the level of qualification already held. Universities can refuse entry to specified course on the grounds of insufficient resources, and some disciplines (medicine, dentistry, veterinary science) have restricted entry as a norm, as is common in many other countries. Nevertheless, there is a sense of open access to tertiary education institutions which serves as a safety valve for pressures at the point of entry direct from secondary school. For the polytechnics and colleges of education, there are no nationally prescribed minimum entry requirements; institutions set their own. Transfers from polytechnics and colleges of education to university are possible and special arrangements exist in a number of institutions in the three sectors.

Notwithstanding progressive reductions in the level of public funding per student, and concerns on the part of the students and student representatives whom we met relating to the financial difficulties being encountered, demand continues to rise. This is not only because of lack of alternatives for young people in the labour market: youth unemployment, although not among the highest in the OECD area (see Table 3), stood at 15 per cent in 1994. It has apparently dropped during the period to March 1996, to 13.5 per cent. But, other factors also contribute to a constant progression into tertiary education: as in many other countries, young people are increasingly recognising the value of tertiary level qualifications, not least in terms of relatively greater employment and salary prospects over their adult lives; there are many, diverse avenues of study; access policies have always been very liberal for adult learners; and levels of participation in a full secondary level education are rapidly increasing. Thus it is to be expected that there will be a steadily increasing proportion of each generation seeking and gaining entry to tertiary education. A general conclusion of the ten-country study is that, increasingly, some form of tertiary education -- whether full- or part-time, immediately post-school or later, institution- or enterprise-based is becoming a normal expectation in OECD countries.

Although growth is primarily demand-led, the government significantly influences the speed and extent of growth through its EFTS funding system as described above. To the year 2000, the government has agreed to increase the number of funded places by two per cent per year (1 per cent new intake growth plus 1 per cent 'pipeline' effect of growth in intake), even if at reduced levels of funding relative to calculated costs per student. Institutions can, and do, enrol more than provided for through EFTS-funding; students, their families or third parties (employers, agencies or other Ministries, for example) thus far have been willing and able to pay the fees. We do not know whether young people or adults who otherwise might have enrolled are now discouraged from enrolment due to fees (see 'Costs and Financing', below).

However, for many disadvantaged New Zealanders, the first years of tertiary education begin with, or are provided fully through, the Training Opportunities Programme (TOP). TOP is intended to assist people with low skills to obtain employment and recognised qualifications (or earn credit toward qualifications). The programme is highly targeted, with a primary focus on early school leavers and the long-term unemployed with low or no qualifications. TOP has a budget of \$186 million per year, exclusive of income support, and provides about 16 000 to 17 000 training places at any particular time. TOP trainees do not pay fees. The programme and its providers are evaluated against outcomes (entry to employment or to further education). TOP includes life skills, vocation and work-based options, and is funded through a regionally-based competitive purchasing system administered by ETSA. PTEs provide 90 per cent of TOP provision.

Relations with the Labour Market

Evidence from labour market surveys indicates a changing and complex pattern of initial employment of tertiary education graduates. The immediate decline in employment arising from the implementation of the economic reforms has now been reversed, with the improvement being observed, for example, in decreases in the proportion of recent university graduates (all degrees) seeking initial placements within one year of graduation (down from 15.9 per cent for 1992 graduates to 12.6 per cent for 1994 graduates, according to data supplied by the New Zealand Vice-Chancellors' Committee, NZVCC). The time series may not, however, pick up possibly significant changes in the functioning of the labour market for newly-qualified graduates, in terms of time to first placement, employment destinations, experiences of those with first years, advanced or multiple qualifications and the situation of graduates from polytechnics or colleges of education as well as those who followed tertiary education through other means of provision. The chances of tertiary education graduates for employment are lower than those faced by their predecessors, but are still relatively good: unemployment rates for those with degrees were 1.25 per cent in 1986 and 3.19 per cent in 1994; unemployment rates for those with other tertiary qualifications were 1.86 per cent in 1986 and 6.90 per cent in 1994.

The figures may help to explain the choices which students in tertiary education appear to be making. First, the relatively more favourable position of traditional degree holders vs. those with other tertiary qualifications may account, in part, for continuing student preferences for established degrees. We were told that students simply 'do not trust' new degrees because they appear to believe that the labour market is not rewarding such qualifications; others told us of a view that although the 'new degrees look practical, they will be obsolete'. These perceptions, which in any case must count as anecdotal evidence, may be related as much to new providers of degrees as to new degrees per se. Second, the somewhat greater risk of unemployment for the highly qualified in 1994, when compared to 1986, may reinforce these preferences because an academic degree is believed to provide the basis on which to acquire more specific technical and vocational skills -- initially and throughout a working life likely to be characterised

by more varied career paths in the more dynamic service sector. This consideration refers to the nature and contents of first years study programmes, regardless of sector.

Such a pattern of student choice has already emerged: significant proportions of 'first years' graduates continue on for additional degrees in the field of specialisation (the most academically talented), while others undertake complementary studies of a technical/vocational nature in order to improve their immediate prospects on the labour market. This trend is also observable in other countries participating in this thematic review. One implication of the pattern is that the labour market experiences of 'first years' graduates provide an imperfect view of the link between study programmes and employment. As just suggested, those entering employment immediately upon securing first degrees disproportionately come from professional as distinct from more general or academic fields. As for the 'new degrees', if there is a continuing problem of their acceptability, greater efforts may be required to develop and promote them on the labour market.

On the part of institutional providers, there are examples of more or less spontaneous adaptations to changing environmental conditions. Academic departments at universities as well as colleges of education have adapted curricula to provide students with broader 'generic skills', and they report a wider range of occupational destinations in management and administration. Polytechnics cater to needs of local employers, and in engineering (among other fields) they have developed contents, methods and contexts of teaching and learning to correspond with learning outcomes and skill standards set down by Industrial Training Organizations (ITO's) operating within the government's Skills New Zealand strategy.

Employer responses to these trends and developments are difficult to gauge and are variable. Although in principle supporting many of them, employers differ on the details according to their firm's own circumstances. A view we heard is that university graduates have sufficient 'academic' knowledge, but they may not have 'people' or generic skills, a criticism which has been echoed in most other countries participating in this review. Some firms may prefer to undertake their own employee development, but this does not relieve tertiary education providers from the need to be attentive to changes in the nature of work and careers; nor would it preclude contracting with a local tertiary education institution to provide workforce training.

In the context of a policy framework seeking to encourage 'client'-driven, responsive provision, a key issue to be addressed is the extent to which students (and their families), tertiary education providers and employers have access to sufficient and appropriate information on employment prospects -- both short and long term -- and the competencies, abilities and dispositions which graduates offer on the job market. The guidance and liaison function may not be sufficiently up-to-date. More generally, it may actively discourage students from pursuing certain tertiary education options (when teachers, counsellors or representatives of different sectors lack knowledge of the range of options or promote established links). Not all tertiary education institutions (or individual programmes or departments) actively seek to develop information on the experiences of graduates. The information which is now shared (NZVCC report on destinations of graduates) is less useful in the present economic and labour market setting. Reforms in the purchase and delivery of careers information and guidance, undertaken in the past year, will help to address this gap.

Overall, although there are many examples of active and effective relations between institutions and the labour market, the dynamism or fluidity of the latter call for better strategies and structures. Not least, the concept of "enterprise culture" implies change in the form, content and setting of tertiary education. These are needed in order to orient students towards a world in which they will increasingly make their own careers and create their own jobs. This does not imply a purely instrumental function for

tertiary education curricula which are designed to meet a variety of needs and expectations, but it does underline the challenge to tertiary institutions and employers alike to forge partnerships and improve the dialogue.

The Tertiary Education System: Institutions and their Responses to Change

There is a considerable measure of specialisation in the tertiary system, not only through the sectors which comprise it (universities, polytechnics, colleges of education, Wananga -- specialist Maori institutions -- and private training establishments -- PTEs) but also within each of the sectors. The universities, for example, while offering a broad range of programmes, specialise in certain fields.

A common governance structure applies to all tertiary institutions, with some differences in detail. The universities are controlled by their own councils, academic boards and committees and set their own programmes. As in Australia and the United Kingdom, and by contrast with continental European practice, the chief executive officer and administrative head, the vice-chancellor, holds an appointed (not an elected) post and is supported by a senior executive and administrative team in whose appointment he or she often plays a key role. Similar features are observable in the polytechnics and, to a lesser degree, the colleges of education. External membership of polytechnic councils, e.g. from industry and commerce, local government, universities, women's and ethnic groups and the wider community is now preferred to internal academic dominance, reflecting the close ties the sector has with its clients, especially employers and local and regional communities. As noted previously, government proposals aimed at obtaining assurances that institutions are well managed are the subject of criticism and debate. In no institution, as yet, has a wholly or largely collegial style of governance been replaced by a wholly managerial one; indeed, the trend is towards a fusion of them.

There are several thousand private training establishments (PTEs) in New Zealand, of which more than eight hundred are registered with NZQA. Private training establishments offer a wide range of courses of various kinds and levels, in niche markets, but tend to specialise in particular subject areas. They actively participate in, and are funded for, about 90 percent of the delivery of the Training Opportunities Programme (already described). The Education and Training Support Agency (ETSA) allocates funding for this programme through competitive tendering by a wide range of providers, mostly private training establishments. The funding allocated to the Training Opportunities Programmes is currently about 17 per cent of the funding pool available for tertiary education institutions, and provides for about 24 000 EFTS. Private training establishments also may apply for government funding from a contestable pool under arrangements similar to those for tertiary education institutions. However, the funding in this pool is currently less than one per cent of the funding pool available to tertiary education institutions. Private training establishments receive funding for about 2 000 EFTS through this means, offering both some competition for the state tertiary education institutions and, in provincial towns, improved access to tertiary education and training.

Although the private training establishments (PTEs) play an increasing role in facilitating access to tertiary studies, private providers do not on the whole operate on the same scale and are not perceived as having the same status and recognition with regard to degree-granting programmes as the public sector tertiary education institutions. However, the national Qualifications Framework is strengthening the role for private providers across a range of education and training provision, and one private institution which the review team visited is offering recognised degrees. Despite the interest of this venture, especially the close links of its staff with industry, it was not obvious that it foreshadowed a trend. The public institutions are still the norm for first-years tertiary education qualifications and, notwithstanding the

pressures and difficulties they are experiencing, seem set to continue in that capacity. This reflects both present funding and regulatory arrangements and the preference for the established degree structure in the universities, polytechnics and colleges of education.

In the delivery of tertiary education, although the campus-based institution providing full time courses in a range of subjects still sets the pace, part-time study is a significant element and there is a well-established tradition of distance education. One university, Massey, has for many years delivered large parts of many of its programmes through distance means and one polytechnic is a single-purpose open learning institution. Recent reduction of funding discrimination against distance education is encouraging other institutions to offer parts of their programmes through distance means. There is scope for greater development of these "alternatives", including more flexible mixes of on- and off-campus, part- and full-time study.

As for qualifications offered, the major innovation already noted is the establishment by the government in 1990 of the National Qualifications Framework (NQF) and its administrative body, the New Zealand Qualifications Authority (NZQA). The 8-level national NQF is intended to be comprehensive, spanning general and vocational qualifications across the post-compulsory sector, including the senior secondary school. It is based on 'outcomes' or 'standards'-- statements about what learners know and can do. Expressed as outcomes, registered qualifications can potentially be offered in a range of learning environments -- tertiary institutions, secondary schools, private providers or in the workplace.

To date, all the qualifications registered on the Qualifications Framework have been based on 'unit standards', i.e. outcomes specified in a particular format with associated performance criteria which are intended to assist valid assessment. Over 7 000 unit standards had been registered to September 1996, and the number is growing. Qualifications thus comprise collections of such outcome statements; they do not prescribe a curriculum although they do have curriculum implications which require careful consideration. Interpreted in this way, qualifications can be acquired in any learning setting. To date, 180 such qualifications have been registered, most of which are industry related rather than generic. Attention is being given to proposals for a generic senior secondary school qualification in general education.

The NQF has as a goal the interrelationship of qualifications in traditionally separate areas of education and training. It is structured in such a way that outcomes, levels and credit serve as the points of commonality. This challenges established institutional prerogatives and procedures for assessment and certification. While some sectors, notably industry, have generally supported the development of the NQF, others such as universities have to date been reluctant to participate for reasons which are discussed below ('Teaching and Learning, Curriculum and Assessment: The Quality Issue').

Under the challenge, or threat, of many of the foregoing changes, the institutions have responded in various ways and in differing degrees to the new policy agenda. In responding to progressive funding reduction per EFTS, the council of each tertiary education institution has scope within legislation to determine how the institution will meet the shortfall between costs and the government EFTS subsidy, through a mix of fee income, foreign student income, investment, contract work and productivity improvement (increasing student/staff ratios and other efficiency measures). In exercising its powers to set tuition fees, the council must ensure that the institution does not discriminate unfairly and that a standard of integrity, conduct and concern for the well-being of students attending the institution is set. Increased student awareness and engagement on the issue of tuition fees is putting some pressure on councils to limit increases. An example, subsequent to the visit of the review team, is the challenge by a students' association in the courts to the fees policy of a prominent institution.

The maintenance of quality in the universities is addressed by a standing committee of the New Zealand Vice-Chancellors' Committee, namely the Committee on University Academic Programmes, which is responsible for quality assurance of programmes, and by the New Zealand Academic Audit Unit, established by the Vice-Chancellors' Committee but independent of it, which is undertaking periodic reviews of quality assessments by the institutions. For the polytechnic sector, the New Zealand Polytechnic Programmes Committee under delegated authority from the NZQA performs an accreditation function for its 25 members. In addition, through audits of performance relative to institutional charters and work plans, the Office of the Controller and Auditor-General assesses the cost-effectiveness of tertiary institutions.

We have already referred to the very limited information available on unsatisfied demand. Data on attrition and completion rates, re-enrolment, and changes of orientation by students are in New Zealand, as in other countries, inadequate for purposes of systematic analysis of trends, let alone of contributory factors and effects (for example in the labour market). Mitigating factors in what, anecdotally and in individual department/institution settings, is known to be a problem area are careful selection procedures at entry, counselling and other forms of support once students are enrolled.

There is a growth of interest by students in polytechnic study subsequent to or in parallel with university. Recognition, facilitation and encouragement of this trend are worthy of further consideration. They may be a more effective way of achieving a greater orientation towards vocational programmes than such government measures as the allocation of additional EFTS-funded places to declared priority areas which, as already noted, do not appear to have had a significant impact on overall enrolment in these fields.

On the part of the polytechnics, there are some indications of an 'academic drift' toward university-like programming. The quest for university status and name changes to convey an impression of advanced technical or 'university-like' programmes and activities should be seen in relation to pressures within industries and the professions, but also in the light of existing cross-crediting and articulation arrangements of some polytechnics and colleges of education with universities. The tendency for the polytechnics to achieve a university image also reflects international trends, and is paralleled by developments in Norway, Sweden and to some extent, Denmark. More definite government policies may be needed if the distinctiveness of the sector is not to be lost. We return to this point under 'Seamlessness' below.

The national Qualifications Framework is expected to open up possibilities for credit transfer across sectors. But the continuing discussion about incorporating those QF qualifications which are not based on unit standards (as would be the case for university degrees) means that credit transfer arrangements will need to be worked out almost on a case by case basis (see 'Teaching and Learning, Curriculum and Assessment: the Quality Issue', below).

In all sectors, increased attention to work experience is a clear signal of the interest by students and the institutions in the graduate employment market. In several of the professional programmes (e.g. medicine, dentistry, engineering) in the universities, clinical experience, practicum, etc. have long been required. Similarly, in the college of education and polytechnic sectors, there are well-established arrangements for work placement, block-release for off-the-job training for trainees employed full time in trades and other links with the working world. Yet, from at least some quarters of government, private-sector employers and students, there is a view that education and training are still not sufficiently practice or client oriented.

Issues and Future Directions

We have identified five key issues for the future development of the first years of tertiary education in New Zealand: sustaining the reform agenda; 'seamlessness'; management and governance of institutions; teaching and learning, curriculum and assessment: the quality issue; and costs and financing. Each is discussed below.

Sustaining the Reform Agenda

The main issues facing New Zealand tertiary education may be, from the perspective of this review, how to sustain the impetus of the major reform strategies and procedures, to ensure their continued development and implementation and to gain, maintain or strengthen their broad acceptability to the New Zealand public, to industry and the professions and to the tertiary education sector. Given the at times high level of tension encountered by the reviewers particularly in institutional settings (students as well as staff) and academic peak bodies, and a policy which favours contestability, the reform agenda in some respects is, or has been, quite problematic.

For the government, the Ministry of Education and the country generally, a continuation of the reform impetus and the quest for broad agreement over implementation seem to be essential. They are so because, despite the comprehensiveness of the policy framework and the scope and progress of initiatives within it, and notwithstanding the risks of "innovation fatigue", the changes require sustained effort over more years if they are to take root and thrive. But the pace and particularly the presentation of the processes of change have created difficulties in tertiary education. A new level of stability and steady development --as distinct from a rapid succession of at times contentious changes --had, at the time of the review visit, still to be achieved. Policy adjustments that have been made since the time of the review team visit are positive in this respect, building on dialogue and involvement of the stakeholders and representing as they do 'fine tuning' rather than further deep reforms.

Without question, leadership by successive governments, the Ministry of Education and the national agencies has been decisive in launching and driving the reform agenda, even though the initial impetus was provided by economic crisis. Moreover, other actors than government have also played and will continue to play crucial roles. Continued leadership and support from the centre are needed to sustain the new arrangements affecting resourcing, governance, decision-making, quality assurance and shifts in the orientation of curricula and teaching.

Although a major thrust of the reforms has been to devolve responsibility, strengthen local decision-making and stimulate institutional initiatives, these changes themselves depend upon practical working relations within a strong, clear, well understood and agreed national framework of policy and central resourcing, monitoring, evaluation and feedback. Whilst further adjustments in approach would be beneficial and improvements in relations between government and the institutions are highly desirable, neither the government nor the Ministry, nor other national agencies, nor the institutions should resile from the responsibility that falls upon them to sustain the momentum built up during the past decade. There is no going back; this is a reform agenda in which much business has yet to be finished. While directions have been set and many structural changes put in place, there are still some missing pieces and many details have yet to be settled. Thereafter, careful guidance and monitoring, with the support of a strong research and evaluation base, will be needed as the institutions themselves achieve more

entrepreneurial and creative roles. It is also necessary to balance the demands arising from monitoring and accountability procedures and the costs, both direct and indirect, that they entail.

That much is necessary but of itself is still not sufficient. Tertiary education plays a major role in generating, mediating, developing, and diffusing knowledge, and knowledge in a multitude of forms assumes ever greater importance in social and economic activity. Within tertiary education, the needs of students and the conditions that govern the meeting of those needs become more complex as the numbers and the diversity of participants increase. The experience, expertise and values of the academic community must always be to the fore in addressing these needs, but they need to share this responsibility more widely with others. Policy must, therefore, be a matter of discussion, debate and negotiation with close attention being paid by national policy makers to the academic point of view. But other actors have crucial roles to play in this reform process: the electorate, obviously, but also various major interest groups -- the employers, professional bodies and unions, local government, students, community groups and, at present in a more limited way, local development bodies or interest groups.

The ground work for reform in New Zealand has been distinguished by widespread consultation and discussion over many years, a difficult process to sustain but a necessary one in developing widespread understanding of the need for change and in informing change with a broad experience. It is not clear, however, that this participatory process -- with its inevitable uncertainties and demands on time and resources -- has always been sufficiently sustained as the reforms have been put into practice. In New Zealand, there is a strong tradition of consultation between government and tertiary education institutions. Nevertheless, the institutions expressed a strong wish for better and more efficient lines of communication with the national agencies, Ministry of Education and government. Employers seek closer links with the institutions, and there appear to be relatively few incentives for local government, community and professional bodies to enter into close working partnership with the institutions.

Although the origins of the reform lie in the need to make profound economic adjustments, their scope extends far beyond the economy to impinge upon every aspect of life. For the tertiary education sector, this implies a profound challenge not only to long established practices in institutional life but to some fundamental values. In their institutional visits and meetings, the reviewers became aware of rather higher levels of dissonance and tension than in some other countries, although reform measures everywhere are generating anxiety in some sectors and can be expected to stimulate opposition. While it is normal for the academic community, in exercising its role as "social conscience" and intellectual critic (important roles that need to be recognised within as well as outside of tertiary education), to take an oppositional line to major policy changes that directly affect its own way of life, the nature of opposition was such that we believe there is cause for greater efforts to be made, by government, Ministry of Education and institutional leadership both to broaden and strengthen the dialogue. Better understanding of the underlying rationale for reform, more sharing of ideas and especially of alternative solutions to agreed problems and a great sense of common effort are needed if the many valuable features of the reform process are not to be dissipated. Here, the continued and even strengthened position of consultative fora, such as the Tertiary Consultative Committee, Tertiary Lead Group, Tertiary Action Group, Tertiary Reference Group, represent important bases for the further development of meaningful dialogue and co-operative effort.

Seamlessness

Turning to more specific issues we mention, first, changes in educational structures and the efforts to create a "seamless" system. The present structure of universities, polytechnics, colleges of

education, Wananga and some specialist institutions is a compromise between stability and change. There are trends in the system which could produce greater convergence among sectors. In some countries participating in this thematic review, unification of previously separate sectors has taken place. While strong arguments have been adduced, for example in Australia and the U.K., in favour of unified systems, there are no less compelling arguments to maintain system diversity. And no-one challenges the case for greater diversity at the institution and programme levels within all systems. The issue therefore is not so much the merits of a multi-layered vs. a unified system as the capacity of either system to provide a diverse range of avenues of learning in an effective and efficient way.

In New Zealand, the intention of policy towards institutions is clear: to provide diverse learning opportunities between and within the sectors and also to bring about closer interrelationships among them, e.g. more co-operation in course provision, resource sharing, cross-crediting and more visible pathways for students. There is a growing overlap of functions, a move towards closer relationships for example in mutual recognition of qualifications and credit transfer, and a determination by government to focus resource allocation procedures more on the student and rather less on the particular type of institution attended. The national qualifications framework provides an important means to extend the concept of 'seamlessness' to all forms and locations of learning. The debate about how existing qualifications, especially degree programmes, are to be recognised needs to be brought to a constructive and mutually acceptable conclusion.

Given the existence of a separate -- and recently restructured -- polytechnic sector, the single-purpose colleges of education in this situation seem somewhat anomalous as a free-standing sector. Welcome moves are being made to strengthen relations between them and the universities and polytechnics. The case for incorporation of teacher education in the universities or polytechnics, as has happened in several countries and can be found in the mergers already realised in New Zealand (e.g. into Waikato, Massey), should be examined. The institutions are small and there are benefits for students and staff alike in being part of multi- rather than single-purpose institutions.

But this observation immediately raises another issue, that of the relative standing of the colleges, the universities and the polytechnics. Some polytechnics have been experiencing difficulty in attracting students, a symptom partly of the standing of that sector in public esteem -- and hence student perception of relative advantage. For particular polytechnics, other factors may be at play, e.g. regional location, course offerings and individual reputation. In the light of the ancient distinction drawn in Western cultures between theoretical or "liberal" and applied or "vocational" activities and their association -- often quite misleading but real nonetheless -- respectively, with universities and technical institutions, it is not at all easy for a whole sector designated "polytechnics" to achieve the parity of esteem that is rightly sought in public policy. It appears that these long established status differences are being compounded, in New Zealand, by student resistance to many technical courses and their preferences for social sciences and humanities and for professions traditionally prepared for through university study. Such preferences also may reflect, as we have already suggested, the patterns of actual or perceived relative returns in the labour market rather than underlying differences in the quality of institutions or programmes.

It is not a question of fundamental inequalities or insuperable barriers. The steps already taken should help: equality in funding "student units" regardless of sector; efforts to improve the facilities and the overall quality of campus life in the polytechnics; site-based bargaining (and, in some posts, individual salary negotiation) which permits greater overlap of salary and compensation packages across sectors; the proposals to incorporate qualifications into a common national framework (NQF) and development of arrangements for credit transfer, among others. One of the arguments for maintaining separate sectors is

that diversity can be more readily achieved and innovations introduced than in a university-dominated unitary system. Moreover, the polytechnic and college of education sectors have close and long-established professional and industrial links. While university professional programmes have these as well, the institution as a whole is not as consistently oriented towards working life. The advantage the other sectors have in this respect should not be lost.

To achieve diversity in practice, however, structural differentiation at the sectoral level is not enough. Given the increasing diversity of the student population and the benefits of stronger focus and greater concentration in the academic work of different institutions, a broad division between sectors is not sufficient and may not be the way of the future. Full-time students in several fields are accustomed to moving from home to study, so for this and other reasons there is opportunity as well as need for institutions to specialise. This would not preclude a core of common studies -- a point we take up below -- but would help to develop specific institutional strengths and to raise the profile of smaller and newer institutions which might otherwise compare themselves or be compared adversely with the most prestigious in the country. For students who are not mobile, greater use could be made of dual-enrolment arrangements and distance education.

Finally, there would be benefit in putting in place a stronger unitary national framework within which sectoral differences might gradually dissolve while diversity of learning provision and pathways increases. Such a framework would provide both for a sense of common purpose and many kinds of arrangements for co-operation and complementarity. Among the countries participating in the OECD thematic review, perhaps Sweden offers the kind of unitary framework, encompassing different types of institutions, which would be of greatest interest to New Zealand in this regard.

Management and Governance of Institutions

We have referred above to the policies being considered which could have the effect of changing many established patterns of governance and decision-making in institutions. Together with concern over funding, and the proposals for including university degrees on the Qualifications Framework, the new directions being sought in institutional governance and management have given rise to considerable controversy in the tertiary education sector. This is to be expected since they represent an external challenge to long-established internal procedures. The issues and the debate are similar to those in several other countries which have moved or are moving in the same general direction.

The changes under consideration to recapitulate -- have as their aim to assure the Crown's interests -- as purchaser of education, training and research and as ultimate owner of tertiary education institutions -- by ensuring effective management and efficient operation. To advance this interest, councils would be reduced in size, with more representation of the government 'ownership interest' partly through the involvement of outside interests with business and management expertise. A further consideration in moving away from a representative council to one based on expertise is the concern about conflict of interests which can arise with the former, for example with student representatives deciding on student fees and academic and general staff reviewing the performance of their employer, the chief executive. The thrust of reform comes from the government and opposition is strongest among university teachers and students, but there has also been concern among chancellors and councils; less so, vice-chancellors who have mixed views about changes which could strengthen a more managerial style of leadership.

Large governing bodies, dominated by internal interests, often find difficulty in reaching conclusions, taking decisions swiftly and incisively and finding effective linkages with other social,

cultural and economic actors. However, various other considerations arise and require attention in moves to scale down governing bodies. They include the plurality of interests, the value of shared responsibility for decision-making in an academic environment where quality of thought and experience are widely dispersed, the complexity of many issues, and the academic propensity for detailed analysis and seeing several sides to issues. On the other hand, the vice-chancellor has not always been privileged to act as chief executive with extensive delegated powers, and the authority of other senior executives such as registrars, finance officers, deans, and department heads is frequently constrained. It is increasingly in the interest of the institutions, as of government and the numerous bodies with which institutions have dealings, that clear, unequivocal and timely decisions are made and institutional positions communicated. Complex relations with the wider environment, including university-industry partnerships, contract research and the increasingly elaborate networks of international relations, require simple structures and direct operating procedures. Moreover, the roles of governing bodies and executive officers are closely interrelated and must be examined together: reform of institutional governance and of management go hand in hand. These issues are being addressed, partly through enacted legislation and partly through proposals under review.

Experience in several countries suggests that there is a compelling case to review governance and management, but to do so in full acknowledgement of the particularities of the academic environment and institutional culture and history. Reformed structures need to incorporate procedures for widespread consultation and dialogue; the interests and the expertise of the whole organisation need to be systematically drawn upon and reflected in decision-making; and agreed procedures for determining policy, monitoring performance and communication should be transparent.

Perhaps of greatest importance is the need for institutions to fully understand, accept and come to "own" new structures of governance and management. For this purpose, close attention is needed to the nature of decisions and the relationships between types of decisions and structures for working and implementing them. Academic decision-making, the context and organisation of studies, evaluation of learning, research procedures, staff appointments and staff development belong to the academic staff, to academic, faculty and department boards and committees. Here, the collegial principle reigns. Its exercise does not preclude streamlining of structures, greater use of delegated authority and the development of institution-wide plans.

Nor does the collegial principle stand in the way of improved procedures for the councils or supreme governing bodies which -- notwithstanding the government's specific interest in managerial efficiency -- must reconcile the multiplicity of interests and concerns of a modern institution and forge policies that do justice to them all. Governing bodies of 10 or 12 for large universities accustomed to governance by senates or councils of 20 or more, are probably too small. They cannot incorporate all of the major interests, both internal and external. But bodies of more than 30 may be unnecessarily large, bringing into question the institution's capacity to define and articulate functions and diversify structures accordingly. A slight majority of either internal or external members -- and there are good arguments for each -- is preferable to an overwhelming majority of one or the other since that precludes or diminishes rich and effective dialogue between the institution and its environment. The chief executive and senior managers need authority in order to exercise their increasingly demanding and onerous responsibilities but must be fully accountable to the governing body for the exercise of that authority. The modern management style of limited-term contracts and a performance element in remuneration can be quite consistent with the collegial tradition and the principle of peer-based academic leadership.

The debate over these matters in New Zealand is not confined to that country and is informed by the trends and experience in those systems which have moved or are moving in the directions proposed.

The reviewers, for their part, believe that the nature and scale of changes now in process require a strengthening of the policy-making and monitoring role of governing bodies and clarification of the authority to be exercised by senior institutional executives on the lines indicated above.

Teaching and Learning, Curriculum and Assessment: the Quality Issue

One of the most visible manifestations of large volume tertiary education is the increase in staff-student ratios as institutions struggle to teach larger numbers of students with only slightly increasing, stable or declining resource levels. Curricula devised with the needs in mind of smaller and more highly selected groups of students are being revised and whole new subjects and fields of study introduced. The practice of teaching correspondingly requires adjustment or modification to take account of these changes and to draw upon the resources and potential of multimedia technology and the multiplicity of settings in which learning takes place. More and more these include home, community and work place. Unless vigorous action is taken on all of these fronts mass tertiary education can have the ironic effect of increasing access for many more students while diminishing the significance and value of the learning opportunities available to them.

Less often remarked is the parallel shift in the working conditions and roles of staff and career pathways. In the larger institutions, from a situation where students are known and supported in both their intellectual and personal development, there is a perceptible change towards a "mass" reality where a teacher may no longer gain satisfaction from guiding student growth but instead encounters a substantial volume of assignments and examination papers to grade as well as large numbers of students crowded into inadequate lecture halls. Of course, in some systems, even in the era of small enrolments, staff-student ratios in certain subjects resulted in large, impersonal lecturing. Conversely, in some institutions, strenuous efforts have been made to individualise teaching and build up supportive patterns of interpersonal relationships (for example, through well-planned assignments, tutorial groups, and well-phased assessments with timely feedback to students). Those countries and institutions are doing best by their students which have not taken a *laissez faire* approach and consequently allowed the student experience to become impersonal. Instead, in their policies and programmes they have identified teaching as the subject of concentrated attention, introduced staff appraisal and development programmes and in various ways used incentives to foster a climate in which quality of teaching, curriculum development and new approaches to assessment are recognised and valued.

In New Zealand, there are moves in these directions: the recently established national quality appraisal programme of the Vice-Chancellors' Committee is one example; it has an important role to play not only in reviewing quality but in stimulating development. The problems, however, are real in several institutions and they seem to be growing: already big and ever larger classes, crowded facilities, reduced opportunities for one-to-one contact between teachers and students, a government policy of reduced per-student funding and many expressions of concern by students and staff over the direction that events have taken. The problems are mitigated in the relatively small institutions, especially the polytechnics and colleges of education where there is a strong emphasis in practical work, much of it in small groups. We were impressed by the positive attitudes of students we met in the polytechnics and colleges of education, who valued the small group approach and their relations with their teachers. Problems of impersonality seem to be greatest in first and second year classes in main line, popular subjects in the larger universities. This, of course, raises a question about amalgamation. If the administrative, financial and overall intellectual gains of amalgamation are singled out, attention also needs to be given to the issue of quality of teaching and learning and the need, as institutions grow larger, to maintain or strengthen rather than weaken this quality.

Policies designed to achieve goals other than improved teaching and better quality courses -- such as encouraging entrepreneurial activity through consultancies, R&D partnerships with industry and the sale of services -- may stimulate good teaching, but will not necessarily do so. They can have the effect of drawing academic attention away from teaching where rewards are less clear cut and there is frustration over volume growth and resources. The creation of the Industrial Training Organisations (ITO's), with authority to design and set specifications for training programmes and resources to fund them, reflect the entrepreneurial climate in the country. They are stimulating fresh thinking about the kinds of knowledge and skills the economy needs and they can respond better than hitherto to individual demand. However, the tertiary education institutions that tender to provide such training must do so within the specifications set out by the ITO's. This can mean cutting back on components they deem important and focusing on competency-defined unit standards rather than broader course objectives. Restraints and directives such as these can serve a useful purpose and were introduced for good reasons, but their implications need to be worked through rather more systematically than seems to have been the case. Government, the ITO's, the institutions and the NZQA need to be ready to make adjustments to produce well co-ordinated and carefully integrated programmes.

There is considerable value in the partnerships between industry and academic institutions in course design and delivery when purposes are shared, roles and relationships well understood and results monitored. There are welcome moves in these directions across the sector generally and considerable scope for further development.

An Outcomes Model

One of the many striking innovations of recent years is the New Zealand Qualifications Authority. This body has been charged with responsibility for co-ordinating all nationally recognised qualifications from senior school through degree level, and for developing a single, accessible qualifications system to meet the needs of all young people and adults in New Zealand. A major difficulty has concerned the recognition of university and polytechnic degrees which fall within the terms of reference of the Authority. The primary issue in the context of our review, rather oversimplified, is how degree programmes should be recognised and listed on the overall framework. A second issue is whether the format of unit standards, including performance criteria, is useful in expressing the outcomes desired across the whole range of vocational and general learning. The debate has been fierce, and although at the time of the review visit unresolved, more recent developments indicate progress on this matter.

The outcomes model of learning is a valuable challenge to many unexamined assumptions and routines in the definition of learning goals and valid assessment. Outcomes also give substantial information to learners and employers about qualifications, enabling them to make better purchasing decisions. These are the chief merits of the model. Nevertheless, the reviewers have reservations about the extent to which the achievements expected of learners at the tertiary level can be satisfactorily encapsulated in outcome statements either at the level of the whole qualification or at the level of component parts (such as a course paper, module or unit standard). Knowledge domains are complex structures; knowledge is articulated and its elements are interrelated. While the New Zealand framework is in intricate ways based on standards which relate to assessment rather than knowledge content, such standards may have a tendency in practice to drive curriculum, and could over-simplify learning which is essentially culturally-defined and constantly evolving. This poses a challenge to teachers and programme developers to manage the extent to which the New Zealand framework is treated as a framework for assessment only, and not a curriculum.

Practical difficulties arise when learning outcomes (whether in unit standard format or not) are treated as building blocks for a curriculum and are used rigidly to prescribe learning, or when well-integrated and articulated degree or diploma curricula are required to be wholly described by individually-specified performance criteria. Where this occurs (contrary to the policy intent), the task threatens to become unmanageable, and requires that the transition from the old to the new system is carefully managed. Developments subsequent to the visit of the review team suggest that agreement may have been reached on the need to recognise qualifications which are not based on unit standards (Joint CEO statement from the Ministry of Education, NZQA and ETSA, April 1996). It is proposed that, to be registered, qualifications would be required to have clearly defined learning outcomes, quality assurance and specified level and credit values which relate to the framework. Substantial technical details remain to be worked out. Some of those strongly committed to the implementation of a unit standards based framework are concerned that their investment in the development of such standards may be undermined, and that the full benefits anticipated by the implementation of the framework may be compromised. Others are concerned to see a broad range of qualifications such as national examinations and degrees accommodated within the framework, claiming that the credibility of a broad-based qualifications system is at stake. We think it preferable to aim to accommodate different approaches rather than polarise the issues into over-simplified extremes, as we saw occurring. This will require continued, sustained effort and good will on all sides. Other countries are likely to be very interested in the results of this exercise, on which there has already been significant progress.

It should be possible to meet the commendable objectives of the Qualifications Framework for broadening access, fostering innovation in teaching and learning, and improving comparability of standards, while, at the same time, recognising that the institutions have the means to maintain both a high standard in their qualifications and a readiness to work as part of a broad-based movement to improve teaching and learning opportunities.

Teaching and Learning

Over the qualifications issue, the role and influence of the ITO's and related aspects of national policy, there has been an intensive debate and at times conflict in New Zealand. Greater attention is needed to policies that will build on the existing strengths of the institutions and encourage them to engage in more broad-based curriculum analyses and development, new ways of assessing learning and improved teaching. Some institutions are very active in all of these areas, making senior appointments to oversee them and introducing appropriate staff development programmes. The sway of the research culture is still very powerful in the universities and should, of course, remain so. But, the effect should not be to play down the importance of undergraduate teaching and learning. Stronger leadership is needed at both the national policy and institutional levels to challenge the academic community to think more deeply about: the fundamentals of student learning; the kinds of things undergraduates need to know and be able to do as citizens, economic actors and individuals (as distinct, for example, from the latest trend or fashion in conceptions of the subject); the relationships among the different subjects or topics students are studying both horizontally and vertically; contemporary and likely future uses and applications of what is being learned; and the conditions in which learning is occurring. We did not sense that either the institutions as a whole or the quality assurance procedures are giving sufficient attention to this broad repertoire of student-centred needs. The progressive introduction of the new information and communication technologies provides impetus to change. Without a critical reappraisal of teaching procedures, relationships between teachers and learners and curricula, these technologies will not of themselves bring about qualitative benefits even if they result in greater efficiency.

As a consequence of renewed efforts to focus on teaching and learning at the 'first years' stage, there should emerge a healthier regard for the teaching-learning function in the institution, a greater appreciation of the qualities of good teaching and better rewards in career terms, for high quality teaching. This is not to suggest that such regard does not exist; rather it is to point to the need for a clearer focus on it as a major objective of policy. This is doubly important in a period when the weight of numbers, the pressure on resources, the claims of research and consultancy and constant demands from government for evidence of results can all too easily erode the quality of the teaching environment and hence of student learning.

The Vice-Chancellor's Committee has taken an important step in developing and maintaining a clear focus on high quality teaching with the establishment and activities of its Academic Audit Unit. This Unit has set its policies and procedures firmly within the international movement for quality assurance. It could play a significant role in advancing both the understanding of quality issues and procedures for strengthening the quality of teaching and learning. Ultimately, however, these are matters for the institutions themselves to address.

Costs and Financing

The main features of recent development in the costs and financing of tertiary education are: (i) a continuation of growth in public funding, if at a lower rate than in the late 1980s (less than 1 per cent per year, on average, as compared to an average 14 per cent per year in the six-year period to 1991) and than the increase in student numbers; (ii) owing to relatively greater enrolment at the tertiary level, a decline in public funding per student (of the order of 1.5 per cent per year in the 1990s); (iii) evidence of some reduction in unit costs, as implied by increases in the student-staff ratios for all sectors; and (iv) an increase in the amounts provided by or on behalf of students (to cover a reduction in the level of per student funding of 15 per cent of the estimate of student costs in 1993, 20 per cent in 1994, projected 25 per cent by 2000, up from 3 per cent in 1991). See Tables 4 and 5.

Institutional Funding: EFTS

Subsidies to institutions/providers follow an approach now found in several European countries (Belgium - Flemish Community; Denmark; Sweden; Netherlands among others). Funding per student varies according to differences in 'base rates' per equivalent full-time student. The 'base rates' were established in 1988 and 1989 in line with patterns of historical costs, but it is acknowledged that these 'rates' bear only loose links to actual costs of delivery (apart from the question of which costs of delivery would be relevant, average, least cost, at a given scale, etc.). Nonetheless, the 'base rates' probably do broadly reflect differences across groups of fields, in that, e.g. the sciences have a higher 'base rate' than do the social sciences. As already noted, 'extramural' (off-campus, to include distance education) study is eligible for funding at a 'base rate'.

Once the totals are calculated, funding is provided as a lump sum to each institution which has considerable discretion over its allocation. There are eleven 'base funding' categories, consisting of three broad groupings of fields plus separate categories for advanced degrees, health and teaching professions and programmes in private training establishments (PTEs). Funding to institutions, as we have noted, is demand-led in that institutions receive funds on the basis of student enrolment (in the categories and with the adjustments noted). However, the absolute number of EFTS places funded by the government in any

one year is set. In recent years, there has been substantial expansion of funded places, and the government has agreed to increase the number of such places by two per cent per year to the year 2000. These increases have been accompanied by reductions in the level of subsidy per EFTS (about which, more below).

To receive funding, institutions make proposals to the Ministry of Education which are then agreed (or not). Institutions are free to enrol more equivalent full-time students (more EFTS) than are funded by the government, but these additional enrolments must be accommodated within the resources available to the institution. The number of actual EFTS has exceeded funded EFTS, on the order of 2-3 per cent. Partly, the 'over-enrolment' has been the result of the settling in of the new funding mechanism, as institution, faculty and programme managers become more familiar with application and show-up rates and the cycle of proposal and notification is better managed. Partly, too, it reflects the implicit incentives built into the funding mechanism: 'over-enrolment' is taken into account in funding in subsequent years, even though no explicit commitment is made by the Ministry of Education; 'under-enrolment' in relation to agreed targets obliges the institution to return that part of its lump-sum funding provided for the targets not delivered (or take in unfunded students in the next year).

As already noted, the government does not fully fund EFTS at the 'base rate', let alone the costs of tuition:

- i) per student funding within categories and as adjusted is provided at 95 per cent of the 'base rate' for students eligible for Study Right (those under twenty-two years old and enrolling for the first time in tertiary education, eligibility extending up to three years). Students who do not meet the criteria are funded at 75 per cent of the 'base rate'. Institutions receive bulk funding and, subject to agreements on targets, are free to allocate the funds as they see fit.
- ii) the government expects -- and institutions generally recognise -- that the funds provided through EFTS funding will need to be supplemented by other sources of revenue, most specifically tuition fees. A key feature of policy in New Zealand is that each institution is free to establish its own fee schedule. Thus far, institutions have differed in the approaches used: some have increased fees less than the difference between the 'base rate' and the (lower) per student tuition subsidy provided by government; some have chosen a differentiated fee structure (corresponding more or less to the differentials in 'base rates'); some have chosen a single, flat fee rate for all students (on the argument that there is to be 'cross-subsidy', by which is meant some implicit reallocation of fee revenue across faculties and departments within institutions).

As in other countries (e.g. Denmark), the approach to formula funding (and, in New Zealand, the position on fee levels and differentials) introduces incentives or disincentives for institutional managers to expand or contract course offerings at the margin. In the first instance, these incentives are introduced by the choices of learners and serve to encourage responsiveness within institutions and also, as the same funding regime applies to all tertiary education institutions (with exceptions already noted), for the system as a whole. On the other hand, the funding formula has weak incentives to reduce course length or time to degree completion and, arguably, institutional costs. On these aspects, however, we heard no indication that there are problems (perhaps, among several other reasons, because incentives introduced through student participation in financing tertiary education, as a complement to institution funding, may be having some effect).

Where scale provides for lower unit costs, expansion will generate surpluses (or reduced need for additional resources); alternatively, relatively low enrolment in some departments/programmes will encourage internal mergers or discontinuation. Where existing 'base rate' differentials fail to reflect fully the cost structures for courses, provision may move toward those fields in which subsidies plus fees are most favourable relative to costs. Although this was not a main point of discussion, we heard concerns expressed about the viability of small programmes which, while productive and arguably responsive in terms of employability of graduates, appear to be threatened under the present funding regime. Whether or not all such programmes should be maintained, it would seem that the government and Ministry of Education might wish to consider how to promote complementarities and jointly-offered programmes within as well as among sectors (including industry training and PTEs) where such co-operation could serve to enhance efficiency while addressing the adverse consequences of the parameters and mechanisms of public funding. We return to this point below.

Tuition Fees and Loans

With respect to tuition fees, our view is that students are becoming, indeed have become, more sophisticated about the 'economic' dimensions of study at the tertiary level -- both in terms of future employment prospects and immediate financing demands. With mass participation and broad changes in the economy, acquisition of a tertiary education qualification is no longer a 'sure thing'. Quite apart from the increased difficulties in initial placement (immediate unemployment), careers for those with qualifications are likely to be more variable and uncertain than in the past. At the same time, students seem very much aware of the new financial costs they (and their families or third-party payers) are shouldering and of the sharp edge of new financing approaches for the institutions they attend.

A student allowance scheme provides parental and student means-tested support for living costs to about one-third of enrolled students each year (1995 levels: for a single student living at home, up to \$89.78 per week; for a single student living away from home, up to \$112.23). The scheme was established in its present form in 1989, when levels were increased (in comparison to the bursary it replaced) and allowances were made subject to means testing. The volume of funds provided to students has increased over recent years, reflecting in part annual increases in allowance levels. Subject to eligibility, students may receive allowances for five years of study. Allowances are not intended to cover tuition fees or course-related costs.

A student loan scheme was introduced in 1992 as part of its reform of tertiary assistance policies. In introducing this loan scheme, the Government aimed to provide access to finance to minimise financial barriers to participation in tertiary education and training whilst, at the same time, containing costs to the Crown. Under provisions of the loan scheme, any student can borrow to cover the compulsory fee charged by the tertiary institution attended; up to \$1 000 per year for course-related costs; and up to \$150 per week for living costs, less any entitlement to student allowances that the student may have. Repayments are made through the tax system, and are income-contingent in that the repayment amount is 10 per cent of every dollar earned above the income threshold (currently \$14 300). The interest rate (currently 8.4 per cent) is made up of two components: a base interest rate (currently 6.2 per cent) and a CPI-linked adjustment rate (currently 2.2 percent). If a borrower's compulsory repayment is insufficient to cover the base interest charge for that year, the difference is written off and the loan balance remains constant in real terms.

The take up of student loans is high (about half of those eligible in 1994), and there is no evidence of a decline. As in other countries, there has been a concern about the effects of student debt on

access and/or choices of fields of study. The potential adverse consequences are somewhat mitigated by the particular features of the loan scheme just described: below-market interest rate charged to students (less than the interest rate charged on unsecured personal loans), the threshold for repayment, and interest write-off (under certain circumstances). These features, for which there are parallels in many countries, have the effect of minimising the disincentive to enrol in tertiary education, and particularly in study programmes which do not normally lead to occupations and careers with relatively high pay but whose graduates generate a range of additional benefits in their work and adult lives which are valued by the society but cannot otherwise be captured or paid for by the individuals concerned or other parties. They also implicitly introduce a subsidy component into the loan, and in some form subsidies can be found in most student loan schemes. In the United States, for example, the combination of such features in the government loan programmes are said to lead to implicit subsidies which represent up to 50 per cent of the amount of the generated loan. In New Zealand, government estimates suggest an implicit subsidy amounting to 8-11 per cent of the loan volume.

It is too early to ascertain the effects of the changes in financing with respect to tuition fees and loans on the behaviour of actual and potential students. All this needs to be seen in the context of the substantial restructuring still underway in the economy. A press release from the Ministry of Education (19 July 1995) reported results of a survey commissioned by student associations which found that less than 1 per cent of university and polytechnic students were 'considering dropping out of their courses prematurely because of tertiary fees'. Less than 10 percent of those surveyed indicated that fees had an influence on their choice of course. But, these results apply to students at the time of the survey. Student participation in financing their studies is set to increase, with anticipated increases in fee levels and associated increases in accumulated student debt. In this respect, while we are concerned with longer term impacts (about which, more below), we are also concerned about effects in the near term. They include the possibilities that potential tertiary students may choose not to enrol, that the conditions under which students undertake first years' studies (related to perceived or actual financing difficulties) may be affected and that choices that students make among fields, programmes and in pursuit of further studies may be altered. Quite apart from the experience in other countries, there is a self-evident need to monitor effects of these financing changes.

Student debt may have a longer term impact, and we are aware that the Ministry of Education, Treasury and Internal Revenue Department have made use of a microsimulation model to gauge impact, including the so-called 'flat spot' when a borrower's repayment is insufficient to reduce the loan principal. Higher levels of accumulated debt by tertiary graduates and non-completers may impact upon the timing and levels of other individual investments and savings (to include consumer durables, housing, etc.). On all of these matters and after viewing the potential trade-offs, the government believes that the present loan scheme remains reasonably optimal for meeting its objectives. We note here that the impact on household consumption and investment behaviour has figured in the debate in countries with considerable experience in student and family financing of tertiary education expenses (e.g. Japan and the United States). It will be useful to track actual effects as the individual level and overall volume of tuition fees and funds originated through the loan scheme increase. The results of such analyses will be of wide international interest.

Finally, any mix of financing sources and mechanisms such as introduced in New Zealand can usefully be seen in relation to the implementation of a lifelong approach to learning -- a strategy welcomed by OECD Ministers of Education at their January 1996 meeting. Among other features of interest, the government might consider whether accumulated student debt arising from participation in 'first years' of tertiary education (the 'foundation') affects participation in continuing learning during working and adult life. The Study Right provision, described above, works in this direction. This could be taken further through consideration of a different balance in or mechanisms for tertiary education financing or a

changing balance in the organisation of teaching and learning (e.g. more part-time and distance education). Estimates of the impact of such changes on the patterns and timing of first years' tertiary level studies and participation in adult learning could be useful and would be of international interest.

The 'Market'

Provision at the tertiary education level is demand-led, with programmes expanding or contracting in line with student interests (partly reflecting prospects for employment and careers and partly reflecting perceptions of quality) and driven by funding which follows the student (EFTS subsidies and tuition fees). Such a demand-led approach can work under a number of supporting conditions which take into account particular aspects of demand and supply in this market, some of which appear to be weak or lacking. An over-arching question is: who is the 'client' to be served -- employers, students, the broader economy and society? Or, as seems likely, some combination which builds on complementarities and minimises the competition of the interests. Among our concerns:

First, we have already referred to some information gaps and imbalances (for policy-makers, institutional managers, potential tertiary students and third-party payers). Government has the key role in this area.

Second, we note that the competition among institutions/providers encourages a 'client' orientation and certain strategic alliances in the form of co-operative agreements. We were informed during our visit of several examples of linkages between polytechnics and secondary schools and polytechnics and universities. These linkages concerned 'feeder' arrangements, which certainly extend the reach of all of the institutions involved, if not also improving the efficiency of the system. This co-operation could go further, within as well as among sectors, to improve the choices and quality of teaching and learning for students. Such co-operation could be used to sustain small, high-quality offerings (mentioned above), but other forms of co-operation in teaching and learning might be advantageous. The government could consider incentives and supporting conditions to encourage, at the margin, more jointly-offered programmes or 'linkages' which encompass a larger number of institutions/providers, e.g. a group of polytechnics with a group of universities. EFTS funding is neutral on this matter, raising the possibility of a type of 'prisoner's dilemma': the sum of the gains for institutions from maintaining a competitive position is less than the gains to be realised for the system from co-operation, yet individual institutions are reluctant to pursue the potential gains from co-operation if it is perceived to place at risk certain gains to each from the current position or to foreclose the potential gains from squeezing out the competition (enlarging the size of programmes, so as to make other programmes less viable). The issue here is not whether institutions co-operate; as we have indicated, there is evidence of considerable and growing co-operation, in terms of articulation agreements, credit transfer and some jointly-provided degrees. Rather, we raise the question: should the government explore the use of additional targeted funding incentives specifically to promote the development of further co-operation -- within as well as between sectors -- which could improve efficiency in the broadest sense?

Third, the policies in place in New Zealand to encourage response to student demand as well as to 'manage' supply (through decisions on institutional proposals for funding within categories and on priority fields) may have the effect of limiting the scope and speed of responsiveness both to students and to the labour market. The difficulty is that adjustment to shifts in student demand may not be immediate if institutions lack capacity. This applies with greater force to the demand for graduates for occupations such as teaching, where a change in government policy may lead to a significant and immediate increase in demand. The recent experience with regard to the balance in teacher demand and supply in New

Zealand would be familiar in other countries. There would appear to be merit in considering adjustments in the mechanism through which funds are provided to institutions, perhaps to allow for a rolling-cycle of EFTS funding or a larger fixed 'base grant' component in the lump sum to institutions, to take into account the need to allow for gradual adjustments in institutional capacity in all (or most) fields. Such an approach would also provide a margin for management within individual institutions to better sustain programme quality and effectiveness (beyond the 'base grant'). Arguably, such adaptations in the provision of subsidies to institutions would introduce no greater mismatch of places by field with student interests and employer demands. Examples of approaches which incorporate such adjustment features exist in Finland (negotiated four-year plan for universities), France (contracts negotiated over a four-year period, rolling cycle) in the Flemish Community of Belgium (part of the institutional subsidy is fixed, part is variable; in the college of higher education sector, a weighted average of enrolment over the most recent years is applied).

Conclusions

The two underlying forces in the changing landscape of tertiary education in New Zealand are, first, the transformations in the economy and society which have followed the crisis of the mid 1980s and, second, ideas and developments in the international arena of tertiary education in which the New Zealand system is an active participant. The tensions which appear to us to have been such a marked feature of the context of policy-making and implementation are very largely a consequence of the meeting of these forces. It is not, as is sometimes suggested, a matter of defensive attitudes or a disregard for the values and achievements of the tertiary institutions. Some of our interlocutors in the course of institutional visits adverted to a culture clash. If such there be, it can be so handled as to have positive outcomes and potential for the continuing evolution of tertiary education.

There is, as we have already remarked, no going back: The reform agenda has been constructed and progressively implemented over the past decade and, overall, the indicators are positive for New Zealand and its people. The momentum must be sustained but there is need to steady the pace, to continue to seek consensus and commitment and to show a readiness to modify and adjust measures in the light of experience. The government is indeed showing a readiness to do this and is listening to the reactions of the tertiary education community. This is most evident, for example, in the efforts being made to reconcile the conflicting views about the place of degrees on the qualifications framework, the merits or otherwise of capital charging and restructured governing bodies, and the issue of costs that fall directly or indirectly on students and their families. Government also has a role in creating a positive climate in which reform and change are clearly seen to have real benefits. Efforts by the various players to respond to the reform agenda need to be acknowledged and where pressures for change fall too heavily, there is need for flexible policy implementation.

It is clear that continuing efforts are needed to monitor and assess the impact of the changes already made or in process of implementation, to be ready to make adjustments and to strengthen dialogue. As in many other systems, despite the increasing volume of information, there remain important gaps. All the players need better and more timely information.

We have drawn attention to the need for regular monitoring of the effects of the changing pattern of charges and debt on students and for better information about attrition rates and the rates, forms and consequences of transfer of students between institutions. Further, there would be considerable value for future policy purposes in strengthening information sources on graduate destinations, and on the attitudes of graduates towards their study programmes and on employers' and the professions' perceptions of the

quality and relevance of undergraduate studies. The purpose of strengthening these latter information sources -- involving processes which can be quite exacting -- is not merely to monitor, useful as that is. We believe that better quality of analysis and of policy making will result from a well-informed dialogue including graduates, undergraduates, teachers, administrators, employers, the professions and other major interest groups. Where radical change on a system-wide basis is occurring, the need is all the greater for such dialogue and for partnerships and consultations in decision-making. Moreover, in the case of a system which is intended to be guided in part by market forces, all those concerned will require access to timely, relevant, useful and accurate information.

These are some of the directions in the wider environment to which we have suggested further attention might be given. For the tertiary institutions themselves, we have also made a number of comments and suggestions. The institutions have been passing through what is probably an unprecedented series of changes. That they have met, and met so successfully, many of the challenges is very much to their credit. We were struck by an openness to ideas and a readiness to debate issues which are vital to the health of tertiary education. The institutions are under great pressure to accommodate overall growth and field-specific variation in demand but with shrinking per capita subsidies and constrained budgets; to diversify programmes and courses in face of changing needs of students and the community; to introduce structural managerial innovations whilst maintaining a recognisable collegiate atmosphere; to improve the quality and relevance of curricula and teaching whilst raising research profiles. All of this testifies to a dynamic and energetic tertiary education sector which is contributing, with improved efficiency, a key part of the base of New Zealand's economic, social and cultural development. Care will be needed to ensure that there is no loss of quality in teaching and learning and no increase in the adoption of more impersonal methods with increasing numbers of students.

We believe that the overall direction being taken by tertiary education institutions in relation to the quality and relevance of their educational offerings is right. Continual emphasis on quality monitoring and appraisal, through a combination of internal and external procedures is highly desirable. But monitoring and appraisal should lead to adjustment and change as necessary. Quality improvements are an appropriate goal, with improvements geared to client needs and expectations. Moreover, where teaching is found to be weak or mediocre, steps beyond those already in common use need to be taken. A more systematic approach to fostering a climate supportive of good teaching is needed, not only in New Zealand but in all the countries participating in the thematic review. This should include specific guidance, training and other support mechanisms across the whole tertiary education sector.

The challenges to the institutions are considerable. Firm and expert leadership at all levels from the single department to chief executive to governing council is essential. Similar requirements exist for the Ministry and the various national-level bodies, including the Vice-Chancellors' and Polytechnic Directors' Committees which together are the mouthpiece of the institutions.

We have indicated that as far as the basic structure of the system is concerned, the principal concern is not whether or not it is binary, but the ability and readiness to maintain diversity. What might this mean? In essence, diversity is needed -- first, to ensure a wide range and variety of courses and kinds of study arrangements; second, to maintain distinctive institutional priorities that reflect regional, cultural and other differences in the community; and third, to respond to the different requirements of the society and economy. Diversity in these senses is inhibited, rather than fostered, by archaic rankings or hierarchies and gross sectoral distinctions. Resolute efforts are needed by the institutions, mostly co-operative and with positive support from government, to change perceptions and practices which no longer serve a useful purpose.

Funding, together with quality, is a key issue in all countries as they continue to expand their tertiary education systems. In common with several other countries participating in this review, New Zealand is shifting a greater share of costs of tertiary education to the primary client, the student. The reasons have been well aired; our concern is with the consequences. A specific question still to be addressed is whether the national objective is an indefinite increase in participation in some form of tertiary education. Difficult as it can be to achieve consensus or even clarity over a longer term growth objective, there are good reasons to do so. It seems likely that demand will continue to grow; moreover, demand can be stimulated, not least by governmental action. Even with the growth experienced thus far and planned growth to the year 2000, we suggest that New Zealand is still short of a level of participation in tertiary studies that would match the ambitions of a knowledge-intensive, high-skill economy. While there is no fixed formula which provides a guideline, tertiary education participation by half or more of a generation is approaching the 'norm' in OECD countries; Finland aims to have 60 to 65 per cent of the age group in tertiary education in the early 2000s. However, participation in New Zealand may approach a point where substantial additional costs (without further adaptations in financing) cannot be shouldered by those additional students or their families. While good progress has been made in bringing in students from a much wider range of backgrounds, it remains the case that significant elements of future demand are likely to come from economically less favoured sectors of the population. Furthermore, continuing consideration has to be given to the wider economic and social implications of high personal debt levels in a particular sector.

From the perspective of a lifelong learning strategy, consideration also needs to be given to the possible impact of further increases in charges on the ability or willingness of graduates to finance their own continuing education later in their adult lives. The issue is not "charge or don't charge." Rather, it is a matter of a continuing resolve to work out more efficient and more effective ways of attributing and meeting costs which, at the same time, encourage and enable higher levels of participation overall and minimise adverse effects on participation from particular groups who have not participated previously.

New Zealand has demonstrated a remarkable capacity, in face of adversity, to regenerate and renew many of its structures and practices. The tertiary education institutions have an opportunity, not always readily taken up in the past, to make a fundamental contribution to this movement of national regeneration. A stronger partnership of a more mutually supportive kind between them and the state is, we suggest, a worthwhile ambition. Does this mean co-option and, if so, what of the traditions of free inquiry and the intellectual autonomy of the university and other tertiary education institutions? The answer is that a partnership is all the more successful if the distinctive qualities and characteristics of the partners are retained. In the healthy environment of debate, not to say contestability, that is so characteristic of New Zealand, we see no threat to those traditions. It is nevertheless important that as the policy agenda continues to be developed and refined, the intellectual and moral virtues in which the best of tertiary education practice is grounded remain prominent among the national social and economic goals.

Table 1**Average Annual Growth Rates in Tertiary Enrolments**

	1975-85	1985-90	1990-93	1993-94	1994-95
Total	2.3	3.4	10.2	2.8	5.2
Polytechnics					
full-time	8.6	17.4	21.5	8.0	10.6
total	2.4	-.3	14.4	-2.6	9.6
Colleges of Education					
full-time	-9.6	15.2	.8	7.2	4.7
total					1.4
Universities					
full-time	2.9	7.6	6.2	5.0	4.8
total	3.4	6.0	7.4	5.4	1.4
Wananga					
full-time				-	120.5
total				-	82.4
Private Training					
Establishments					
full-time				63.4	20.6
total				57.2	26.9

Sources: New Zealand contribution to 'Individual Demand for Access and Participation in Tertiary Education', OECD, 1995 (data from Todd Report); Ministry of Education, *Education New Zealand 1995*, 1995 and additional data supplied by the Ministry.

Table 2**Number of Students in Tertiary Education, by Sector: 1992-95**

	1992	1993	1994	1995
Total	203 058	198 470	204 068	214 733
Polytechnics - formal programmes				
full-time	33 589	34 051	36 770	40 685
part-time	65 057	54 376	49 358	53 704
Colleges of Education - formal programmes				
full-time	5 583	5 839	6 257	6 550
part-time	4 732	5 033	6 217	6 095
Universities - formal programmes				
full-time	58 745	59 270	62 238	65 256
part-time	34 439	38 565	40 849	39 269
Wananga				
full-time			200	441
part-time			79	68
Private Training Establishments (receiving government grants)				
full-time	869	1 215	1 986	2 396
part-time	44	121	114	269

Source: Ministry of Education, *Education New Zealand 1995*, 1995; and additional data supplied by the Ministry.

Table 3**Youth Labour Force Participation and Employment: 1994
(ages 15-24)**

	Youth Unemployment Rate	Youth Labour Force Participation Rate	Youth Employment/Population Ratio
North America			
Canada	16.5	62.9	52.5
United States	12.5	66.4	58.1
Pacific Area			
Australia	16.2	68.4	57.3
Japan	5.5	47.6	45.0
New Zealand	15.0	66.0	56.1
European Community			
Belgium(1)	18.4	34.4	28.1
Denmark(1)	14.6	70.5	60.2
France	27.5	30.7	22.3
Germany(1)	8.2	56.9	52.2
Greece(1)	28.8	38.6	27.5
Ireland(1)	25.1	46.9	35.1
Italy(1)	30.6	39.9	27.7
Luxembourg	4.4	47.7	45.6
Netherlands	10.2	61.7	55.4
Portugal(1)	12.0	48.3	42.4
Spain	42.8	49.1	28.1
United Kingdom(1)	17.3	71.1	58.8
Other Europe - OECD			
Finland	30.9	44.6	30.9
Norway	7.4	55.4	51.3
Sweden	16.6	49.6	41.4
Switzerland	5.7	63.7	60.1

Notes: (1) 1993

Source: OECD, *Lifelong Learning for All*, Paris, 1996 (Table A.48).

Table 4
Tertiary Education Enrolment and Funding 1991-1996

	1991	1992	1993	1994	1995	1996
EFTS Funded Places	114 109	124 125	131 519	137 224	139 916	142 962
Actual EFTS	119 072	126 125	134 819	140 727	144 817	na
Funding per Funded EFTS	\$8 704	\$8 535	\$8 338	\$8 022	\$7 970	\$7 807
Funding per Actual EFTS	\$8 342	\$8 376	\$8 134	\$7 822	\$7 700	na
Estimated Tuition Fee per full-time student			e\$1 600	e\$1 900	e\$2 100	e\$2 300

Sources: New Zealand background report, 'OECD Review of Tertiary Education Policies', Table 5 (from Ministry of Education, Tertiary Charters and Funding Section); Ministry of Education, *Education in New Zealand*, 1996; and additional data supplied by the Ministry.

Tuition and fee data come from the Ministerial Consultative Group (Todd, Chair). *Funding Growth in Tertiary Education and Training*, p. 208, and additional data supplied by the Ministry. Figures are based on an analysis of posted tuition and fee charges for full-time study; in 1994, tuition fees were estimated to account for 18-19 per cent of funding for state institutions. Note that the average fee is very hard to measure, as it varies widely between institutions and within institutions that do not set a standard fee. It is also hard to identify what is included (excluded) from the fees charged. The average figures reported here should be taken as indicative.

Table 5

Student-Staff Ratios in Universities: 1988-95

1988	14.1
1989	15.7
1990	16.1
1991	16.8
1992	17.8
1993	18.5
1994	18.5
1995	18.5

Source: Ministerial Consultative Group (Todd, Chair). *Funding Growth in Tertiary Education and Training*, p. 222; and additional data supplied by the Ministry.

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