

Put tertiary funding where it gets best results

by Norman LaRocque

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New Zealand's strong economic performance over the past 15 years has put a premium on ensuring schools and tertiary institutions produce graduates with skills relevant for the job market. But is the education system focused on the areas that get the best results?



Unemployment is at a 20-year low, and according to a recent Business New Zealand report, skill shortages are at a 30-year high. Several local surveys have found skill shortages are a significant business issue and a recent OECD study found New Zealand employers rate the skilled worker shortage as a greater impediment to business than employers in 23 other OECD countries.

To help combat these issues, New Zealand needs policy that helps the sectors that are effective in boosting skills.

Reports in recent years suggest that many private training establishments (PTEs) are getting results in this area and in an adaptable and flexible manner.

A 2005 Massey University study of businesses around Auckland found that 93 percent of employers thought private education was relevant to the workplace, as did 74 percent of employers in relation to Industry Training Organisation training. This compared to around a quarter thinking that about schools, universities and polytechnics.

A report for the Ministry of Education released last month said industry found PTEs far more responsive than public institutions and had a greater service-like attitude towards industry that manifested itself as "you're the mountain and we'll come to you".

In the report, PTEs were described by industry "as much more service-oriented, flexible and accountable".

It's not just a New Zealand thing either. In Australia, a strong preference for private training shows in figures from Queensland last year where 67 percent of training was done outside the public sector, and students seemed happy to pay – 86 percent was done on a fee-for-service basis without government assistance.

The government's proposed tertiary education changes, announced last month by Tertiary Education Minister Michael Cullen, emphasise the quality, relevance and outcomes of

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In recent years, however, we have seen considerable back-tracking on government policy toward PTEs: a cap on funding, reduced per-student subsidies, the centralising of funding allocation decisions and restricting PTEs' ability to operate in areas where public institutions operate. From a business perspective, it is concerning that government policy works against the very institutions that are meeting industry needs.

A better tertiary education funding policy would put government money where it gets the best results – irrespective of whether the provider is public or private.

The upcoming reforms must move New Zealand toward a more responsive and equitable regulatory and funding framework than currently exists. They must recognise the valuable role PTEs play in giving opportunity to New Zealanders and getting skilled workers into the workforce.

Over the past decade the number of people in tertiary study has increased by more than 80 percent. Much recent growth has come at certificate level from people who have not previously participated in tertiary education.

And it is this type of course that is found largely in PTEs, most of which play a crucial role in making work-ready many people who might otherwise never have found work.

A recently released Ministry of Education report prepared as an input into an OECD review of New Zealand tertiary

education acknowledges PTEs' success. It says their specialised tuition, use of technology and capital structures have often led to better cost structures than public providers.

It mentions computer graphics and trades training as being examples of study areas where PTEs have succeeded and now complement public institution courses.

It also praises public and private institutions sub-contracting alliances to provide courses in areas where there would not be a big enough population to make it worthwhile for public institutions to do so on their own.

The report says the tertiary education funding system needs more focus on quality and value for money.

A sensible start would be not to penalise institutions simply because they are privately owned, but to let those that provide quality and value have an equitable stake in government funding so they can further advance the national interest.

This article does not necessarily reflect the views of the Education Forum

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