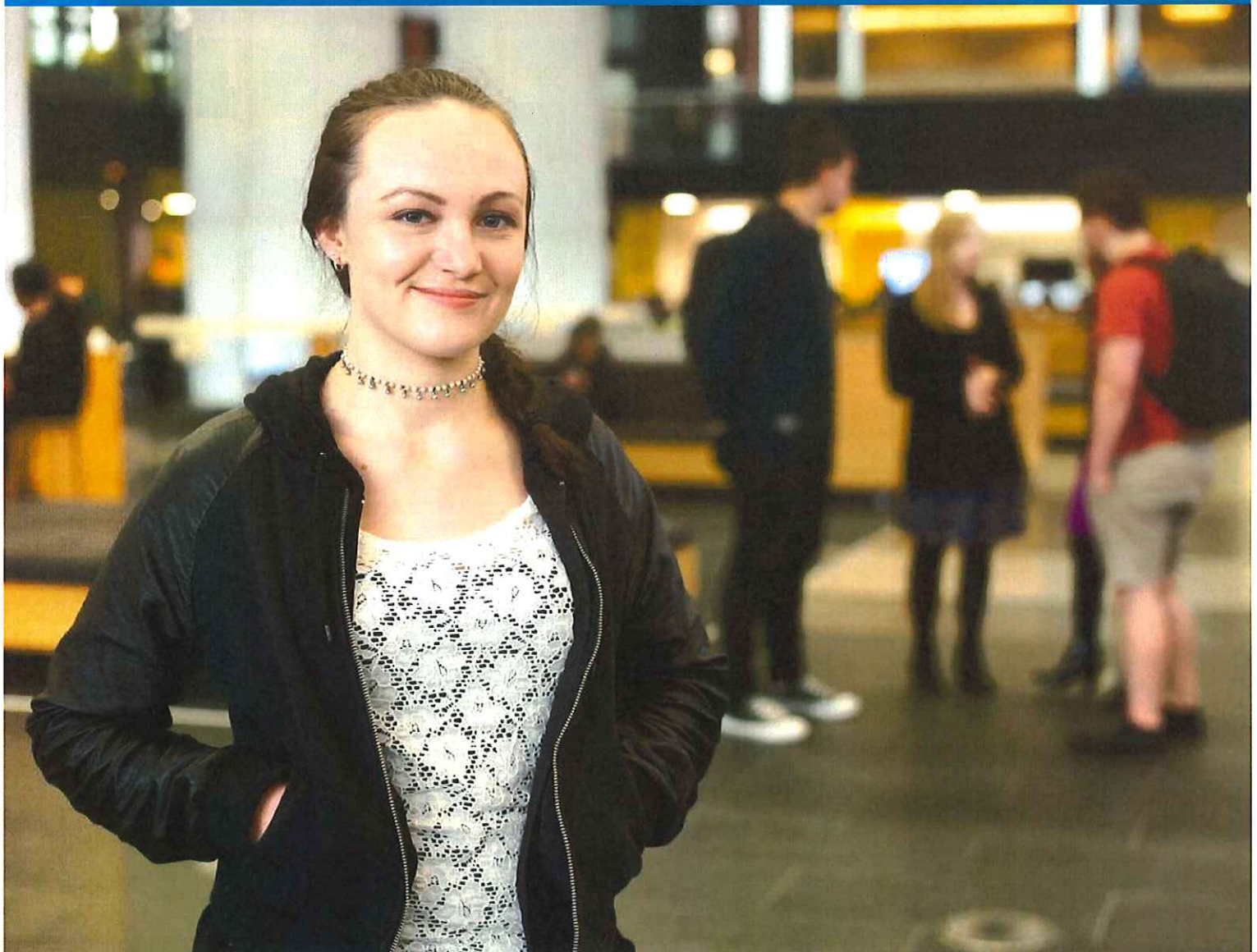


Briefing for the Incoming Minister for Tertiary Education, Skills and Employment

Volume 2: Key decisions for the next 3-4 months

Prepared by the Ministry of Education

December 2016



Contents

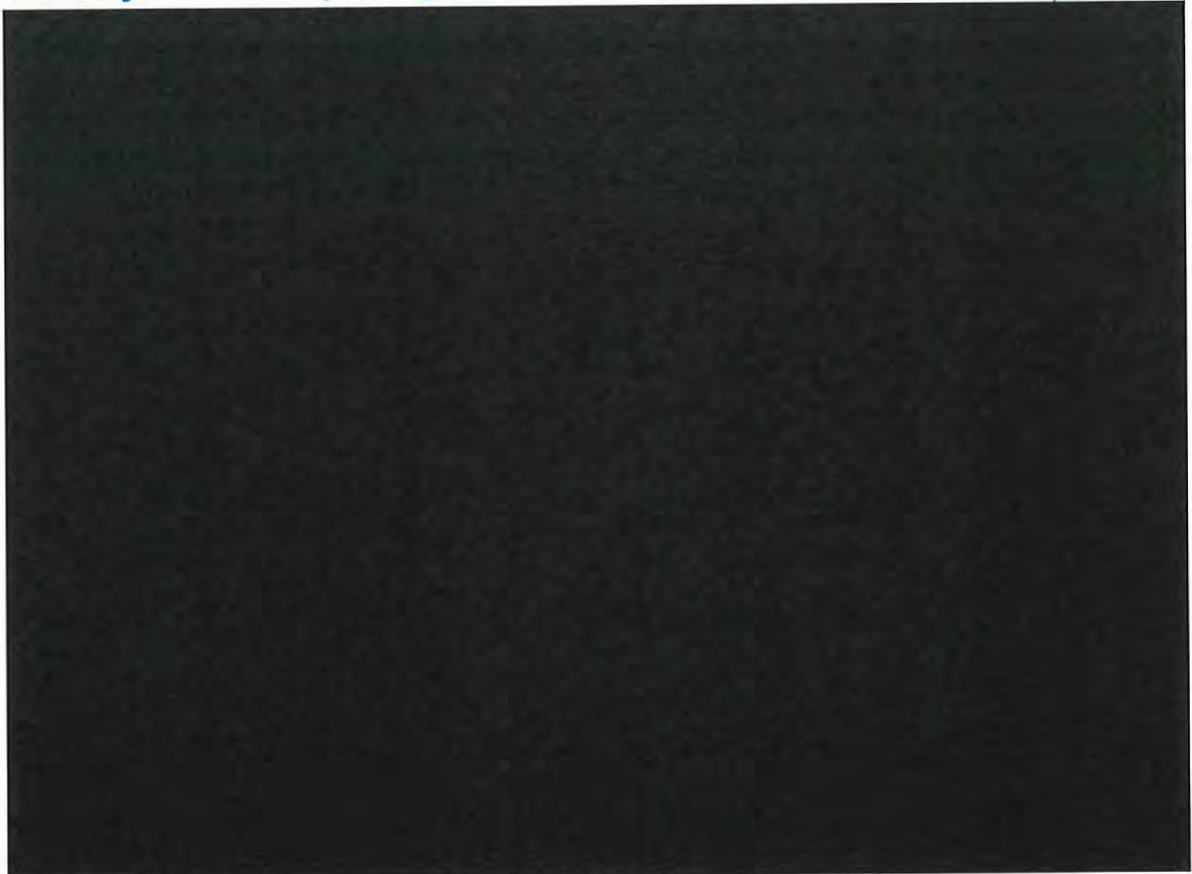
Key decisions over the next 3-4 months	3
<i>Progressing your priorities through the Budget 2017 Vote Tertiary Education package</i>	3
<i>Supporting the Government's tertiary and international education legislative programme</i>	4
Education (Tertiary Education and Other Matters) Amendment Bill	4
The Education (Update) Amendment Bill – changes to Careers Services	4
<i>Addressing barriers to innovation and new models of tertiary education</i>	5
<i>Ensuring international students experience high quality education, and feel welcome, safe, and well in New Zealand</i>	6
<i>Enabling successful transitions for young people progressing from school to further study or employment</i>	6
s 9(2)(f)(iv) OIA [REDACTED]	7
<i>Using data to improve tertiary outcomes for New Zealanders and drive better tertiary education investment</i>	8
Annex 1: Tertiary and international education strategic context	9
<i>The Government's Tertiary Education Strategy steers our work programme</i>	9
<i>The Leadership Statement on International Education is being reviewed</i>	9
<i>What next? Key opportunities and challenges</i>	10
Annex 2: How tertiary and international education measure up	12
<i>Above average participation, skill levels and qualification attainment</i>	12
<i>Above average completion rates at higher levels; work to do on sub-degree</i>	13
<i>New Zealand has an internationally respected system, particularly in higher education research and international education</i>	14
<i>So... focus on student outcomes, in particular employment and wellbeing outcomes</i>	15
<i>And... on equity of access and opportunity, through improving transitions and pathways into and from tertiary education</i>	16
<i>Investment is your major lever for change</i>	17

Key decisions over the next 3-4 months

1. This supplementary briefing paper provides further advice on issues and key decisions that will require your consideration in the next 3-4 months, such as current Budget and legislative proposals. It is structured as follows:
 - › Progressing your priorities through the Budget 2017 Vote Tertiary Education package
 - › Supporting the Government's tertiary and international education legislative programme
 - › Addressing barriers to innovation and new models of tertiary education
 - › Ensuring international students experience high quality education, and feel welcome, safe, and well in New Zealand
 - › [REDACTED] s 9(2)(f)(iv) OIA
 - › Using data to improve tertiary outcomes for New Zealanders and drive better tertiary education investment.
2. Annex 1 and 2 provide additional information about the context and current performance of New Zealand's tertiary education and international education sectors.

Progressing your priorities through the Budget 2017 Vote Tertiary Education package

s 9(2)(f)(iv) OIA



Key decisions over the next 3-4 months

Supporting the Government's tertiary and international education legislative programme

8. Two current Bills affect the Tertiary Education, Skills and Employment portfolio. In the New Year, we will provide Ministers with materials for bids for both in the 2017 Legislation Programme, which are due with Cabinet Office by 27 January.

Education (Tertiary Education and Other Matters) Amendment Bill

9. The Education (Tertiary Education and Other Matters) Amendment Bill is awaiting introduction. It proposes changes to:
- › increase funding flexibility in the tertiary education system
 - › strengthen the accountability and monitoring of tertiary education organisations
 - › ensure consistent treatment of public and private tertiary education providers
 - › boost protections for international students (with implications for schools, meaning that policy responsibility crosses into the Minister of Education's portfolio).

Next steps

10. We will provide you with a draft Legislation Programme bid in January. The international education provisions are high priority, to ensure student health, safety and wellbeing. These provisions respond to uncertainties recently identified by the High Court, about international student behaviour outside school hours.
11. We intend to recommend a priority 3 for this Bill – to be passed within the year.
12. In order to pass the Bill before the 2017 election, it could be introduced in early February 2017. If the Education and Science Select Committee was given the minimum time to consider submissions (4 months and 1 day), the Bill could be reported back by mid-June and progress through the remainder of the legislative process in July.

The Education (Update) Amendment Bill – changes to Careers Services

13. The Minister of Education's Education (Update) Amendment Bill includes provisions to transfer Careers New Zealand's functions into the Tertiary Education Commission (TEC). These changes aim to improve connections between educators and employers, to support students to successfully transition to further study and employment. The new functions for TEC recognise the TEC's ability to work with tertiary providers and employers to provide better careers information to schools, and coordinate with schools and employers on skill needs.
14. The Education and Science Committee is considering 216 submissions received on the Bill, [REDACTED]

Next steps s 9(2)(f)(iv) OIA



15. [REDACTED] s 9(2)(f)(iv) OIA
- [REDACTED] The Bill is due to be reported back to the House on 13 March and is expected to pass into law by mid-April.

Key decisions over the next 3-4 months

Addressing barriers to innovation and new models of tertiary education

16. The Productivity Commission is undertaking an inquiry into how New Zealand's institutional and policy settings help or hinder the adoption of new models of tertiary education, and looking broadly at what new models there are or what might emerge.
17. This is the largest and most comprehensive external review of the tertiary education system in 15 years. The terms of reference were set by Minister of Finance and Minister for Tertiary Education, Skills and Employment (the referring Ministers).
18. The Commission has engaged and consulted extensively with the public and with sector and industry organisations. The draft report was wide-ranging and its draft findings and recommendations have also attracted significant public attention and some controversy. Sector organisations have differing views on the draft report:
 - › The Commission is critical of current funding and regulatory settings. It argues these encourage inertia and inhibit innovation, competition and the emergence of new models of delivery, threatening the sustainability of our system in the face of emerging trends and potential future shocks.
 - › Initial media attention focussed on a draft recommendation to return to charging interest on student loans, and a proposal to replace the current tertiary education funding system with a system of individual Student Education Accounts. The referring Ministers dismissed these ideas, encouraging the Commission to develop evidence for reforms to increase innovation and responsiveness in the tertiary education system.
19. We and the Ministry of Business, Innovation and Employment (MBIE) made a joint submission encouraging the Commission to develop practical recommendations for reforms that could encourage greater innovation and responsiveness within the existing architecture of the tertiary education system.¹ We noted that in promoting innovation and new models, government also needs to protect students from poor quality programmes, ensure value for money and protect the international reputation of the sector.

Next Steps

20. The Commission's final report is due to the referring ministers by 28 February 2017, and must be tabled in Parliament as soon as practicable. s 9(2)(f)(iv) OIA
21. 
22. 
23. There is considerable interest in the Productivity Commission's work from the tertiary education sector peak bodies, tertiary providers, industry organisations and many community groups. We will include briefings on sector organisations' positions on the Productivity Commission inquiry to support your upcoming meetings with sector stakeholders.

¹ All submissions are available online at: http://productivity.govt.nz/view/submissions/2683?field_submission_type_value=Submissions+on+draft+reports&=Apply. We will provide links to key submissions in our forthcoming advice on issues raised in submissions.


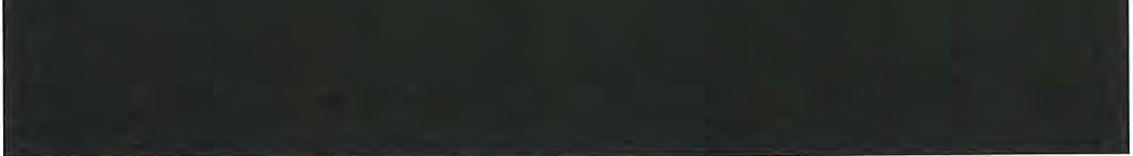
Key decisions over the next 3-4 months

Ensuring international students experience high quality education, and feel welcome, safe, and well in New Zealand

24. We are enhancing agency capabilities to respond to provider risk and ensuring international students experience high quality education:
- › The new Education (Pastoral Care of International Students) Code of Practice 2016 (Code of Practice), introduced 1 July 2016, places new requirements on education providers relating to the pastoral care of international students. NZQA has new powers to enforce the code.
 - › The Education (Tertiary Education and Other Matters) Amendment Bill (see paragraphs 9 to 12 above) includes changes to: strengthen offence provisions relating to false qualifications and credits; and enable schools to manage international students' misconduct outside school hours.
 - › A new data collection for unfunded international tertiary providers will enhance monitoring and performance information.
25. We have developed a draft Wellbeing Strategy for International Students with input from students, communities and education providers in Auckland, and support from ENZ and the Human Rights Commission. This aims to ensure all students feel welcome, and are safe and well while studying in New Zealand.

Next steps

s 9(2)(f)(iv) OIA

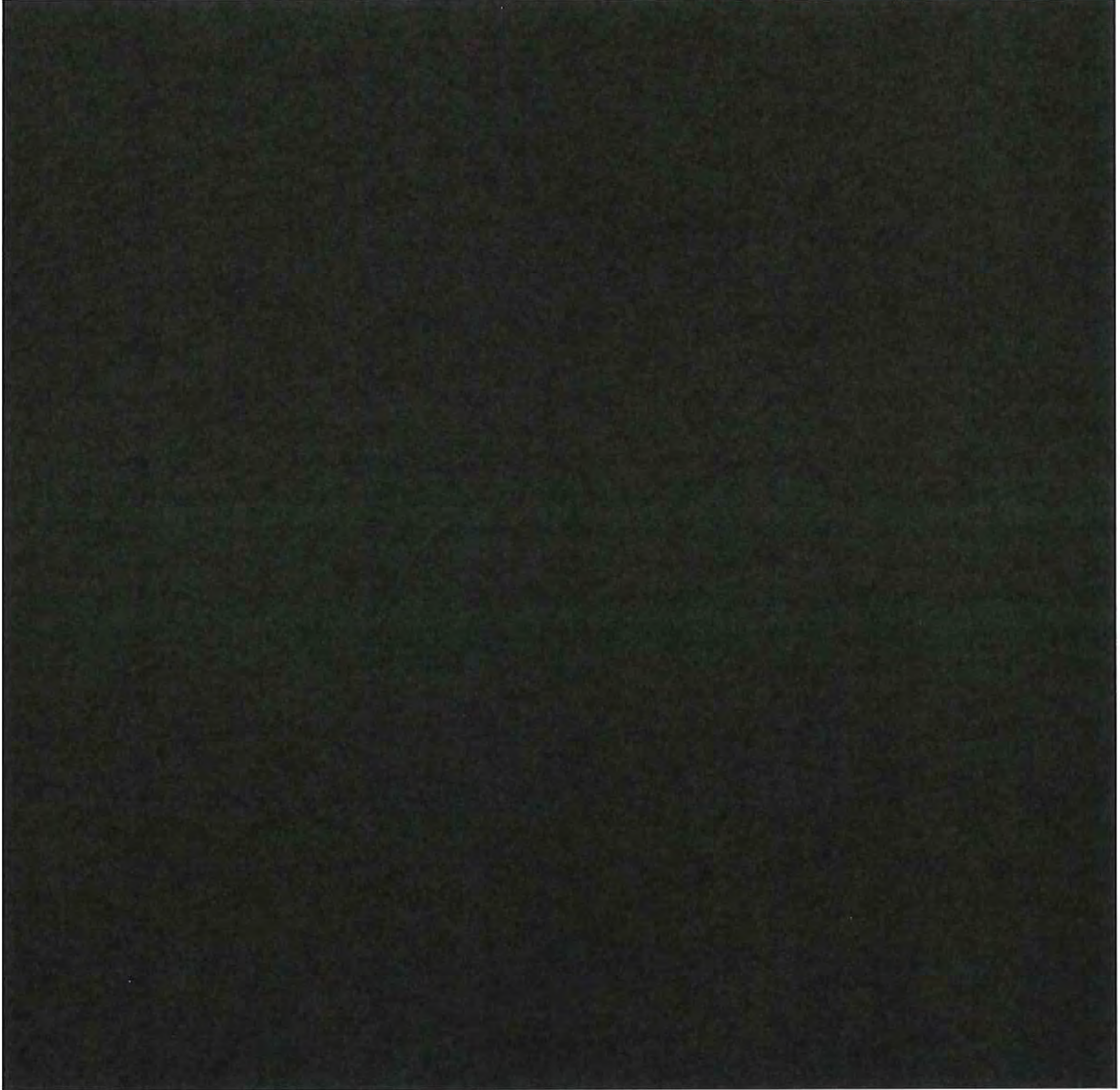
26. 
27. 

Enabling successful transitions for young people progressing from school to further study or employment

28. We are focussed on improving the transition from school to further study or employment. We have a particular focus on those at risk of not achieving NCEA Level 2, and the 70% of young people who do not progress to degree-level study.
29. The Youth Guarantee programme is important in improving transitions of at-risk school leavers to tertiary education and work. Youth Guarantee comprises: Trades Academies; Vocational Pathways; Youth Guarantee Fees-Free; Gateway; Achievement, Retention and Transition; and the new DualPathways Pilot. These initiatives link to other education programmes – such as careers education in schools and alternative education.
30. We provide advice on secondary-tertiary policy and funding, develop curriculum resources, and support frontline implementation of secondary-tertiary programmes working with schools and tertiary providers and employers (through our Secondary-Tertiary Leads in the Ministry's regional offices).
31. You and the Minister of Education have overlapping interests and formal responsibilities in this area, as do the Ministry and the TEC. Links with the Minister of Social Development, and agency links with the Ministry of Social Development's Youth Service, are also important.

Key decisions in the next 3-4 months

s 9(2)(g)(i) OIA, s 9(2)(f)(iv) OIA

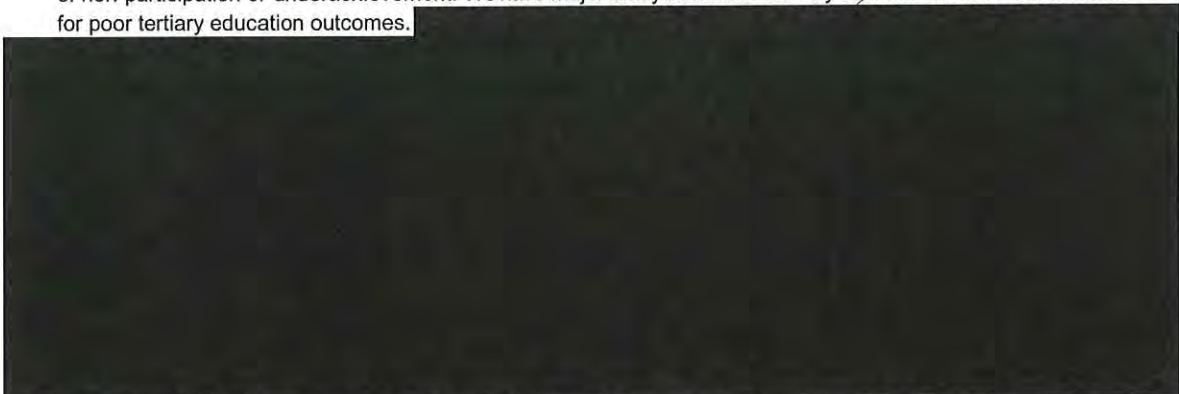


Key decisions in the next 3-4 months

Using data to improve tertiary outcomes for New Zealanders and drive better tertiary education investment

40. There is more to do to boost the impact of tertiary education for all New Zealanders and to ensure that the system performs well for those most at-risk of poor tertiary education outcomes. We are working to achieve these results, in line with the Government's focus on data-driven and evidence-based tertiary education investment.
41. We are a major user of the Statistics New Zealand Integrated Data Infrastructure, developing the Employment Outcomes of Tertiary Education (EOTE) dataset, which provides information about graduate employment outcomes by qualification level and field of study. This dataset is internationally recognised as an exemplar.
42. We now seek to maximise the benefits of national- and provider-level information about graduate employment outcomes to:
 - › support student study and career choices
 - › incentivise tertiary education providers to improve graduate employment outcomes through programme design, delivery and mix
 - › inform Government investment in tertiary education.
43. Well-targeted and effective policy also requires a strong understanding of the characteristics of learners most at-risk of non-participation or underachievement. We have major analytic work underway to better understand risk factors for poor tertiary education outcomes.

s 9(2)(g)(i) OIA, s 9(2)(f)(iv) OIA

- 
45. Our analytic work programme on risk factors for non-participation and underachievement at Level 4 and above will provide the basis for future advice to you on:
 - › The Tertiary Education Strategy – Priority Two: Getting at-risk young people into a career; and Priority 3: Boosting achievement of Māori and Pasifika
 - › Better Public Service Result 6: Increase the proportion of 25 to 34-year-olds with advanced trade qualifications, diplomas and degrees (at Level 4 and above).

Annex 1: Tertiary and international education strategic context

46. Our priorities are shaped by Government strategies for tertiary and international education. This annex introduces these strategies and key opportunities and challenges in achieving their priorities.

The Government's Tertiary Education Strategy steers our work programme

47. The Tertiary Education Strategy is the government's central tool for signalling its priorities and focusing the tertiary sector's efforts. The current 2014-2019 Strategy signals a shift towards building a more outward-facing and engaged system, with strong links to industry, community and the global economy. It sets out three long-term goals:
- 1) Building international relationships that contribute to improved competitiveness
 - 2) Supporting business and innovation through development of relevant skills and research
 - 3) Improved outcomes for all.
48. The Strategy has six priorities:
- 1) Delivering skills for industry
 - 2) Getting at-risk young people into a career
 - 3) Boosting achievement of Māori and Pasifika
 - 4) Improving adult literacy and numeracy
 - 5) Strengthening research-based institutions
 - 6) Growing international linkages.
49. While the Tertiary Education Strategy is the key statutory document for the sector, tertiary education is also shaped by and contributes to other Government strategies and priorities, including the Business Growth Agenda (BGA), the Māori Education Strategy Ka Hikitia and the Pasifika Education Plan, and the Better Public Service (BPS) targets.

The Leadership Statement on International Education is being reviewed

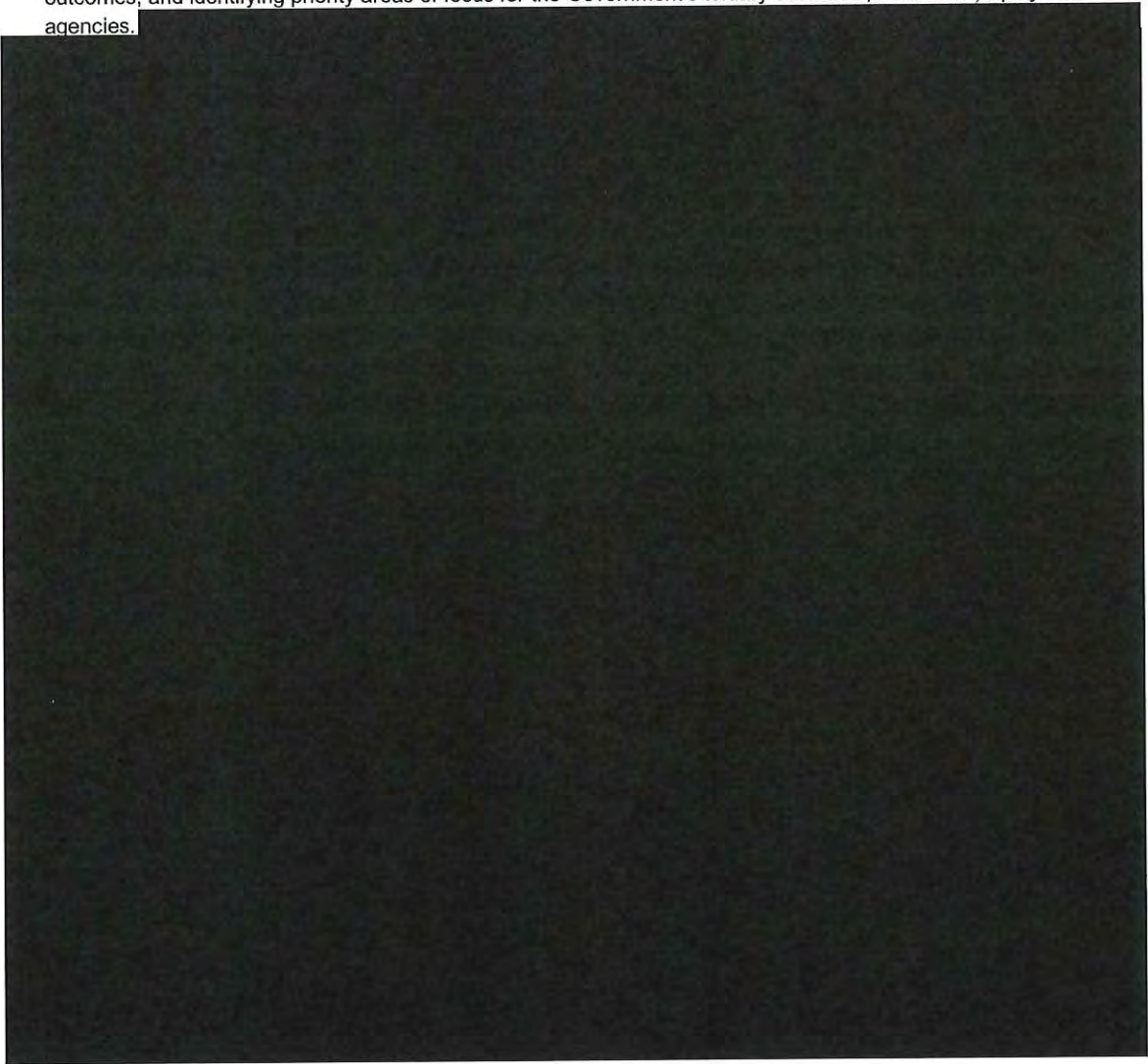
50. Together with the Minister of Immigration, you lead the International Education Senior Officials' Group (IESOG) work programme. Government's development agenda for the international education industry is set out in the Leadership Statement for International Education released in 2011. This is part of the Business Growth Agenda's 'Building Export Markets' strand. Government has an ambitious goal to increase the value of international education to \$5 billion by 2025.
51. The Leadership Statement has three goals:
- 1) New Zealand's education services delivered in New Zealand are highly sought after by international students
 - 2) New Zealand's education services in other countries are highly sought after by students, education providers, businesses and governments overseas
 - 3) New Zealand makes the best possible use of its international education expertise to grow research capability and to foster wider economic connections between New Zealand and overseas firms.
52. In August 2016, the then Minister for Tertiary Education, Skills and Employment announced that the Leadership Statement will be refreshed and a new International Education Strategy developed. The new strategy aims to broaden the scope of growth targets to incorporate sustainability and the wider economic, social, educational and cultural benefits to New Zealand from international education. It will develop objectives for international education through to 2025.
53. ENZ is working with us to write the new International Education Strategy. Consultation is underway now and will be completed by the end of February. The new strategy is to be finalised and launched in mid-2017.

Annex 1: Tertiary and international education strategic context

What next? Key opportunities and challenges

Tertiary Education Strategy – tracking progress and preparing the next strategy


s 9(2)(f)(iv) OIA

54. Two years into the current Tertiary Education Strategy, we are monitoring progress against its priorities for improved outcomes, and identifying priority areas of focus for the Government's tertiary education, skills and employment agencies.
- 

Annex 1: Tertiary and international education strategic context

s 9(2)(f)(iv) OIA



55. The Education Act 1989 requires the Minister to issue a new Tertiary Education Strategy "from time to time", setting out the Government's long-term strategic directions and current and medium-term priorities for tertiary education. The current Strategy expires in 2019
- 

s 9(2)(f)(iv) OIA

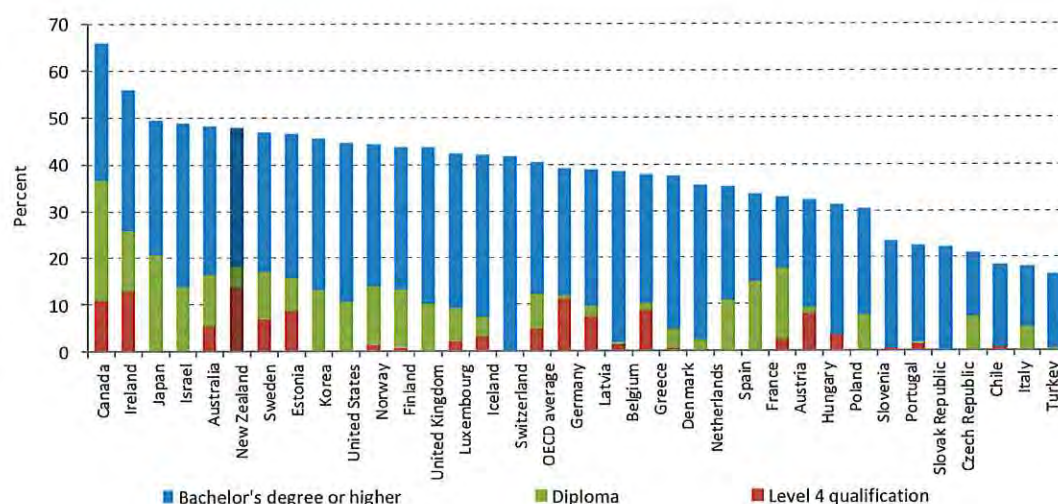
Annex 2: How tertiary and international education measure up

56. New Zealand tertiary education performs well when compared internationally. We have high degree- level completion rates, our students have high skill levels and we have high participation rates for older students. Compared internationally, New Zealand tertiary education is both high quality and cost-effective.

Above average participation, skill levels and qualification attainment

57. At tertiary levels, participation remains higher than the Organisation for Economic Cooperation and Development (OECD) average for ages under 20, about average for ages 20-29, and higher than average for older ages. New Zealand has one of the highest rates of adult learning. Participation in non- formal education is particularly high (64% of adults, compared with the OECD average of 46%).
58. The share of adults aged 25-64 with Level 4 or higher qualifications are also high; in the top six (Figure 1). However, at degree level or higher, our share is closer to the middle, just about the OECD average.

Figure 1: Educational attainment of the population aged 25-64 at Level 4 and higher in 2015



59. Tertiary education contributes to Better Public Services Result 6: the proportion of 25 to 34-year-olds with advanced trade qualifications, diplomas and degrees (at Level 4 or above).² Over 56% of 25-34 year olds have qualifications at NZQF Level 4 and above. Growth in this indicator is a proxy for an increase in the level of skills available to our labour market. It reflects the ability of New Zealand's education system to develop the skills of our domestic population; and migration outcomes including our ability to retain domestic talent, and our success in attracting highly skilled and talented people to New Zealand's workforce.

² We also contribute to Result 5: NCEA Level 2 achievement by age 18, through tertiary education delivery of NCEA Level 2 or equivalent. In 2015, around 4,200 learners achieved NCEA Level 2 or equivalent in tertiary education (6.5% of all 18 year olds achieving NCEA Level 2 or equivalent).

Annex 2: How tertiary and international education measure up

Figure 2: Progress against BPS Result 6: that 60% of people aged 25-34 have qualifications at Level 4+

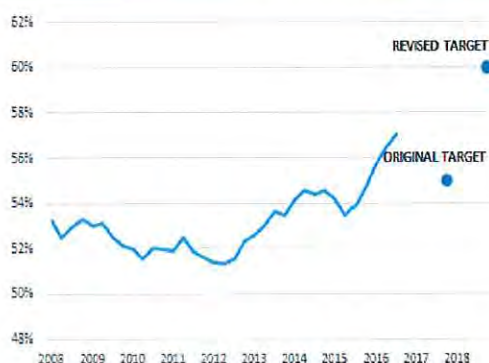
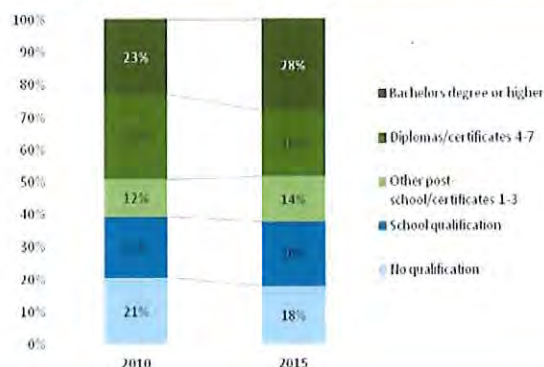


Figure 3: Proportion of population (aged 25 to 64) by highest qualification, 2010 and 2015



60. The qualification attainment of our population is reflected in adult skill levels. In the OECD's 2015 Survey of Adult Skills, New Zealand had the highest proportion of adults in the top category of ICT-based problem solving, and ranked in the top six countries for high levels of literacy and in the top ten for high levels of numeracy skills. The skill level of tertiary-qualified New Zealand adults is high relative to the skill levels of tertiary-qualified adults in other OECD countries; and New Zealand is one of few countries that have seen significant increases in adult literacy scores in the past ten years, although numeracy rates are flat.

Figure 4: Changes in average adult literacy scores over time

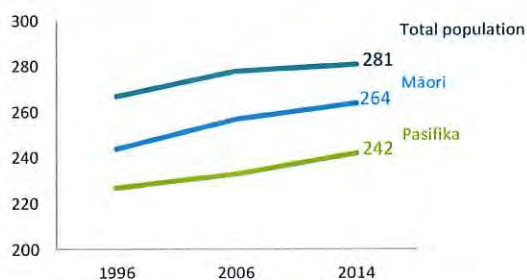
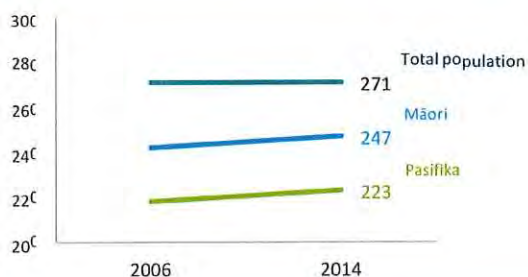


Figure 5: Changes in average adult numeracy scores over time

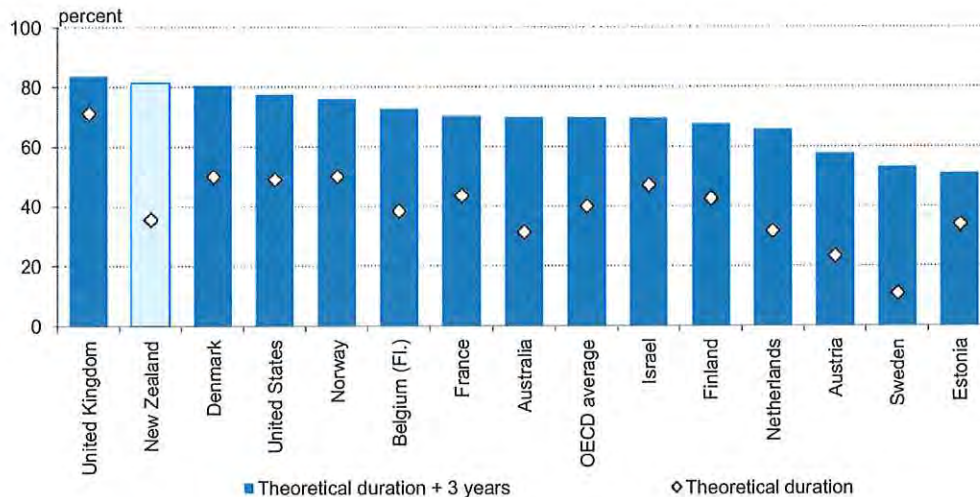


Above average completion rates at higher levels; work to do on subdegree

61. New data on tertiary degree completion rates (for 15 OECD countries with available data) shows that full-time New Zealand students had the second highest degree completion rate (after the United Kingdom) at 81% (Figure 6).
62. Completion rates are lower for certificate and diploma students, at 41%, while completion rates at degree level remain low for Māori and Pasifika students. Improved completion rates would signal stronger and more cost-effective system performance.

Annex 2: How tertiary and international education measure up

Figure 6: Qualification completion rates for students in full-time bachelor's degree programmes



New Zealand has an internationally respected system, particularly in higher education research and international education

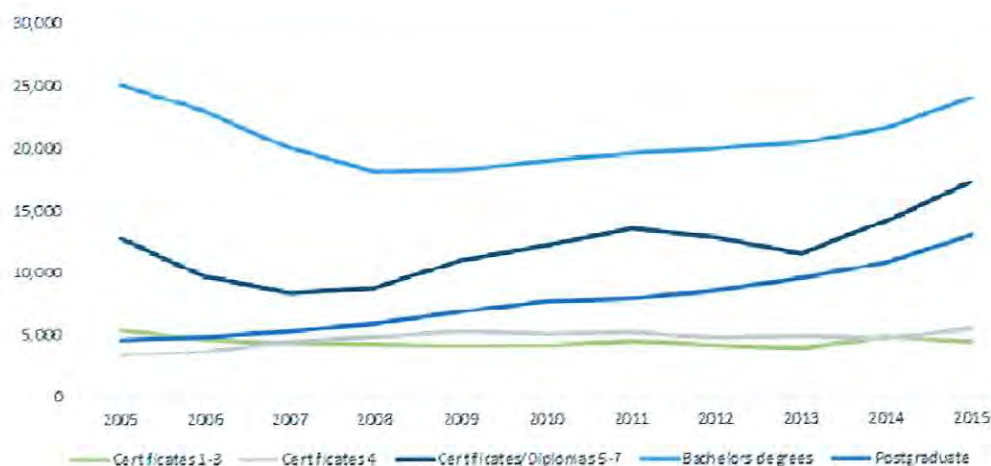
63. International benchmarks of tertiary education quality tend to focus on higher education research and teaching and in particular on universities. The QS 2016-17 university rankings saw all eight New Zealand universities in the top 500.
64. The research done in tertiary education research organisations helps deliver economic, social, cultural and environmental benefits both through research outputs and also in developing research-capable graduates. It also attracts skilled researchers and postgraduate students to New Zealand.
65. We are seeing progress in both the quality and quantity of research done in tertiary institutions in New Zealand. Compared to the world average, both the academic impact of our universities' research and its share of indexed world research publications have been rising. Universities account for over half of basic research expenditure in New Zealand, and 40% of New Zealand's applied research. Their research contributes to the BGA Building Innovation workstream and delivery on the National Statement of Science Investment.
66. The Performance-Based Research Fund (PBRF) continues to ensure that excellent research in the tertiary education sector is encouraged and rewarded. Changes made to the PBRF and the addition of four new Centres of Research Excellence (CoREs) in 2015 are expected to have impacts on research indicators in the future.
67. The quality of our tertiary education system has been recognised by the growth of international education, which has become one of New Zealand's most valuable exports. It is now our second largest service export industry and our fourth largest overall export industry. A recent Infometrics/NRB report for Education New Zealand estimated international education's total contribution to GDP at \$4.28 billion in 2015/16 – a 50% increase from \$2.85 billion when the sector was last formally measured in 2014.³

³ <http://enz.govt.nz/news-and-research/research/the-economic-impact-of-international-education-201516/>

Annex 2: How tertiary and international education measure up

68. New Zealand has also experienced high growth in the numbers of international students over the last 3-4 years; in 2015, around 124,000 international students studied in New Zealand. Most international students (86%) study in tertiary institutions, with 14% in schools. In 2015, there were 106,440 international students in New Zealand tertiary education (including unfunded providers) – a record high. International enrolments at degree level and above in funded tertiary providers were 36,440 in 2015, up 23% from 29,655 in 2005. International students graduating from our education system also support New Zealand's economic growth by becoming skilled migrants who can grow our overall skills base, and connect their skills, knowledge and international networks with local opportunities.

Figure 7: Number of international students at government-funded tertiary education providers



So... focus on student outcomes, in particular employment and wellbeing outcomes

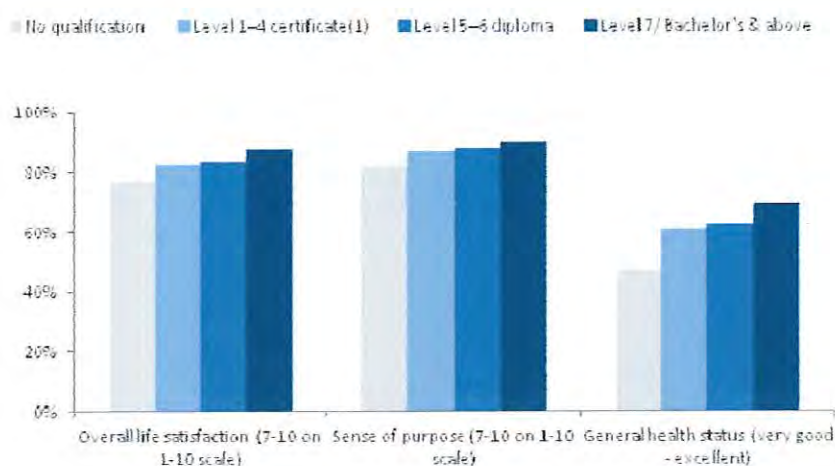
69. The relatively good performance of tertiary education at achieving qualifications has led us to shift our focus to the outcomes of tertiary study, to ensuring qualifications are relevant to industry and to how we can broaden access to the system.

Achievement and outcomes

70. Higher levels of tertiary education are associated with better pay and employment outcomes. There are substantial social outcomes associated with educational qualifications. People with higher-level tertiary qualifications have higher living standards, better health, and greater satisfaction with life.

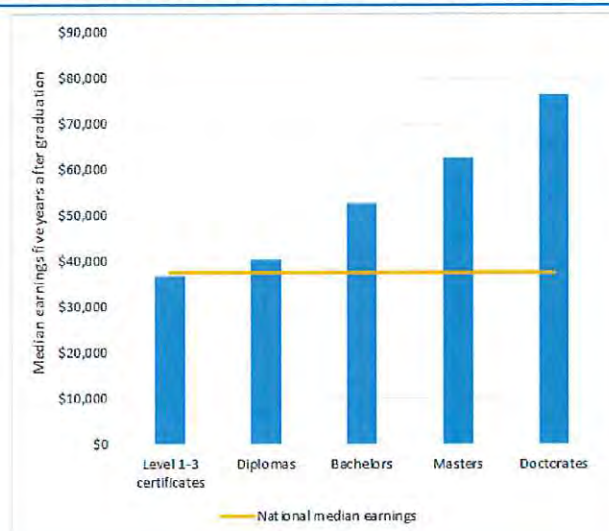
Annex 2: How tertiary and international education measure up

Figure 8: Highly self-rated wellbeing, March 2015



71. Employers value New Zealand qualifications. Our analysis of young graduates' earnings shows that young people who complete a diploma in the New Zealand tertiary system earn 8 percentage points above the national median earnings five years after completion. For those with a bachelor degree, the premium is 40 percentage points while the premium rises to 104 percentage points for those with a doctorate.

Figure 9: Earnings premiums for qualifications: median earnings five years after graduation for young domestic graduates for selected qualifications levels, compared to the national median earnings in 2014



Annex 2: How tertiary and international education measure up

And... on equity of access and opportunity, through improving transitions and pathways into and from tertiary education

72. A group of young New Zealanders miss out on the benefits of tertiary education because they do not have effective pathways from secondary education, or do not see the value or relevance of education. Our work on risk factors for non-participation in tertiary education, described above, signals the importance of achievement at school in shaping pathways through tertiary education. In addition, our analysis of transitions to tertiary education shows that many young people enter tertiary education with school qualifications, but in effect repeat study at the same level, or below, their school qualifications.
73. Our Youth Guarantee initiatives aim to improve young people's transitions from compulsory education into further education, training and employment. They provide a wider range of learning opportunities, making better use of the education network, and creating clear pathways from school to work and study; supporting schools, tertiary education organisations and employers to work together in new ways.
74. Early results show areas of promise and areas for further improvement. Some results do not yet appear to last long enough to affect longer-term learner outcomes. Key results are:
- › Fees Free places and Trades Academies engaged a group of young people who would otherwise be NEET. Participants had higher levels of NCEA Level 2 achievement than a comparison group. Trades Academy participants were less likely than a comparison group to be NEET following the programme. Almost 80% of Trades Academy students who achieved Level 2 remained in further study or moved to employment in the following year. The programmes appear to have an effect on raising starting earnings for participants, as well as increased earnings over a two-year period.
 - › But there is a need to lift performance on other measures. Fees-free participants were more likely to be NEET than a comparison group one or two years following the programme. Young people who participated in Trades Academies had no better rates of progression to Level 4 and above within one or two years than the comparison group.

Investment is your major lever for change....

75. Government's tertiary education expenditure is approximately \$4.2 billion per annum. Of this, around \$3 billion is spent through Vote Tertiary Education (primarily through funding to tertiary education organisations) and \$1.2 billion is spent on Student Loans and Allowances (administered by the Ministry of Social Development and Inland Revenue). Expenditure on tuition and research is capped, whereas student support expenditure is demand driven (although it is significantly influenced by the cap on funding for tuition).
76. New Zealand sits in the top six countries in terms of total tertiary education expenditure as a percent of Gross Domestic Product. Tertiary institutions receive 52% of their funding from public sources compared with the OECD average of 70%. The split between public and private funding puts New Zealand in line with other Anglophone countries that support higher private tuition costs through student support.
77. Since the Global Financial Crisis, the Government's focus in tertiary education has been on improving value for money through performance incentives and reprioritisation. In Budgets 2011 to 2014, much of the focus was on improving value from student support settings and investing the resulting savings into Vote Tertiary Education teaching and research. In Budgets 2015 and 2016, the Government has used forecast falling demand for provider-based tertiary education to reprioritise funding to meet cost pressures and fund new initiatives.
78. A stronger labour market continues to drive changes in demand for tertiary education, with less demand for provider-based education forecast until 2021 and greater demand for apprenticeships and other industry training.
79. Economic shifts, technological changes, and improvements in school achievement are also changing the nature of demand for tertiary education. Examples of this changing nature of demand include:
- › Increased demand for provision to support people in the workforce to upskill or retrain.
 - › More people in the workforce looking to upskill or retrain, and are looking at technology-based provision.
 - › Increasing retention and achievement by school students, and employer expectations, are also shifting demand to higher levels of the tertiary education system, and for economically relevant fields of study.
80. Our performance is good, especially given the overall level of investment in tertiary education. There are ongoing opportunities to fine-tune existing investments (their size, shape, and performance expectations) and to target reprioritisations and new investments to areas of particular need.

Lifting aspiration and raising educational achievement
forevery New Zealander



www.education.govt.nz

New Zealand Government