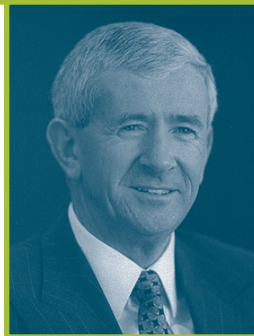


## Tertiary Education: Who Knows Best?

by Roger Kerr

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**In early April, tertiary education minister Dr Michael Cullen announced the government's latest plans for 'fixing' tertiary education in New Zealand.**



According to Dr Cullen, the way forward for the tertiary education sector involves three key elements:

- defining the 'distinctive contributions' of different types of tertiary education institutions (TEIs), so that the different parts of the sector are 'complementary';
- introducing a more centralised funding system that would see TEIs and the government negotiate 'plans' to ensure that funding went into the highest priority areas; and
- developing better quality assurance and monitoring systems that focus on outcomes.

The overall objective of the changes is to make the tertiary education sector more flexible and 'relevant' to the needs of the economy. The government is now consulting on the proposed changes which won't be implemented until 2008 at the earliest.

It is hard to disagree with the objectives of the government's announced changes. We all want a tertiary education system that is of high quality, is flexible and delivers

skills that are relevant (although we should beware of an overly 'instrumental' approach to education). It is no secret that, despite spending billions of dollars a year on tertiary education, New Zealand is suffering from acute skill shortages.

Will the proposed changes work? I doubt it. The government's plan is predicated on the belief that Wellington bureaucrats can make better decisions than students and TEIs about what programmes should be offered or what programmes students should undertake. That is a heroic assumption and goes against the extensive history – in New Zealand and elsewhere – of failed government interventions (think post-war Soviet Union).

The reason for this is straightforward yet fundamental – central planners have neither better information nor better incentives than students and TEIs as to which skills are, or will be, in demand in the economy or what studies will give people most personal satisfaction.

Even in a country as small as New Zealand, information can be costly or impossible for the government to obtain – especially in a timely manner. And planners' informational handicaps are becoming more acute over time – given globalisation, the more diversified nature of the tertiary student body, the advent of mass education and technological developments.

Does anyone really believe that the Tertiary Education

Commission, whose performance in recent years has hardly been exemplary, would have a better handle than students and TEIs on how many software engineers, linguists, forestry workers, nurses or carpenters New Zealand should be graduating? And how well placed is the TEC to respond to rapid changes in demand brought on by internal or external events?

Dr Cullen has argued that students' choices are not always rational. It is always hazardous to base policy on the premise that most people behave irrationally and do not understand their best interests. One should first examine the incentives students face (such as high government subsidies, low interest loans, and capped funding for apprenticeships). In any case, the appropriate question is whether students' decisions were better or worse than those that would have prevailed under more centralised decision-making.

Another reason to expect central decision-making to be inferior is that it is far more likely than a decentralised system to be influenced by ideologies and vested interests (including the government's own interest as owner of the network of TEIs). This is a real risk given the government's anti-competition/anti-private sector stance, which has manifested itself in a number of policy areas, but particularly in education.

A recent report prepared for the Ministry of Education argued that private training establishments (PTEs) were far more responsive to the needs of business than were state-owned polytechnics and universities. For any government interested in the national interest, that should be a tick in PTEs' favour and the government ought to be encouraging them. Instead, it has spent much of the last five years trying to shrink the PTE sector and introduced changes that have discouraged private participation in tertiary education. Dr Cullen's tertiary

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education announcement seems to foreshadow more of that, with its talk about 'distinctive contributions' and a 'niche' role for PTEs.

PTEs have found favour with both employers and students and now represent real competition for institutes of technology and polytechnics. This is reflected in the fact that they now represent about 15 percent of tertiary enrolments in New Zealand.

Why restrict them to 'niche' provision? Seen in this light, the government's proposed focus on institutional 'differentiation' is likely to be nothing more than code for protecting state-owned TEIs from private sector competition.

A more competitive and more decentralised tertiary education system is more likely to be in the interests of students and employers. Universities and other institutions should be given more autonomy, not less. The government has a role to play in structuring such a system, but detailed micro-management is not part of it.

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

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