

Bums on seats approach flawed

by Norman LaRocque

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The Minister for Tertiary Education, Dr Michael Cullen, is championing a new tertiary education framework that aims for a more 'planned' and 'strategic' approach – and he is indeed right to be concerned about the sector's performance.



Despite an additional \$1 billion in tertiary spending over the 2001–2007 period, a host of policy changes and a significant expansion of industry training, skill shortages remain a significant issue for business and concerns linger about the quality and relevance of tertiary education in New Zealand. Unfortunately, much of the recent public comment has focused on a handful of high profile 'sideshowes', rather than on a systematic assessment and discussion of the system's strengths and weaknesses.

Most observers would support the government's policy objectives in putting forward its proposed changes to the tertiary education funding framework. Students, employers and the government all want an education and training system that delivers high quality education and produces

skills that are relevant to the rapidly changing needs of the modern economy.

Some aspects of the government's proposed funding policy are welcome. In particular, the increasing emphasis on quality assurance, institutional performance and accountability for outcomes is useful. These changes will build on the government's earlier reforms such as improvements in labour market information, the introduction of Modern Apprenticeships, the general expansion of industry training and the establishment of the Performance-Based Research Fund (PBRF).

Two of the key principles underpinning the reforms are of concern, however. First, much of the rationale for the new framework is that the so-called 'bums on seats' approach to funding is flawed and a more 'strategic' approach is needed.

Although this concern has often been raised, it has rarely been clearly articulated or supported by any evidence. While not perfect, an enrolment-based funding system provides an objective starting point for allocating tertiary education funding. It can be combined with other criteria – course cost, quality and institutional performance – to ensure that institutional funding is effective, transparent and fair.

The Minister's plan to differentiate funding by institutional type – without any link to what institutions deliver or their

performance – hardly seems a step forward over the current system. If, for example, there is good reason to pay universities more because they deliver different outputs (eg. research) than some other types of institutions, then surely the answer is to put additional money into the competitive PBRF, rather than to build it into ‘core’ funding.

Dr Cullen’s plan involves the identification of national priorities and the negotiation of institutional plans, which raises a second concern. The proposed framework assumes that a system of centralised decision-making with priorities, strategies and plans will yield better outcomes than a decentralised system where students, institutions and employers are the key drivers. That is a heroic assumption and goes against the extensive history – in New Zealand and elsewhere – that central planning does not work.

There is little evidence that the increased centralisation of funding in recent years has achieved much, if anything, in terms of increased quality and relevance, although it has significantly increased the amount of red-tape faced by institutions.

The reason for this is straightforward – central planners have neither better information nor better incentives than students and institutions as to which skills are, or will be, in demand in the economy or what areas of study 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.

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It is highly improbable that the TEC – or any other body – would have a better handle than the market on how many software engineers, linguists, forestry workers, nurses or carpenters New Zealand needs. A centralised system is also more likely to be subject to the influence of ideologies and vested interests (including the

government’s own interest as ‘owner’ of public institutions).

The current mechanism for determining the ‘strategic relevance’ of qualifications provides a case in point given that some of its criteria appear to have more to do with protecting public institutions from competition than with improving the relevance of tertiary education. For that reason, it is hardly surprising to see support for the proposed changes among some public sector stakeholders.

A competitive and decentralised tertiary education system is more likely to be in the interests of students and employers. Tertiary institutions need more autonomy, not more form-filling or centralised plans and strategies. The government has an important role to play in structuring such a system, but detailed micro-management should not be a part of it.

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

Norman LaRocque is a consultant and an advisor to the Education Forum.

Education Forum

P.O. Box 10 539

The Terrace

Wellington, New Zealand

Telephone: +64 21 607 636

Fax: +64 4 471 1304

Email: info@educationforum.org.nz

Web: www.educationforum.org.nz