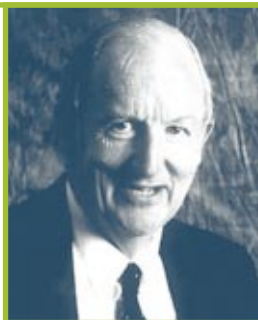


Making tertiary education work

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A key objective of the government's growth and innovation framework is to return New Zealand's per capita income to the top half of the OECD rankings. As many commentators have noted, that will require growth of at least 4 percent per year for an extended period. An important tool for achieving that, as recognised in the government's February 2002 growth and innovation framework document, is the development of New Zealand skills and talent.



Education clearly has an important role to play in lifting economic growth. It contributes directly to growth by making workers more productive, with some studies suggesting that as much as one-fifth of growth in output per worker is explained by educational attainment. Education can also affect growth indirectly, with studies showing that higher levels of human capital are associated with significantly larger physical investments and higher rates of technology transfer – both of which are critical to developing an innovative New Zealand.

How does New Zealand's tertiary education sector stack

up in terms of delivering the kind of skills we need to lift our growth potential? A number of indicators, including widespread skill shortages, poor institutional governance, talk of academic staff brain drain and low international rankings for our tertiary institutions, suggest there is considerable scope for improvement. The government's response to these concerns is the Tertiary Education Reform Bill (TERB), which is currently being considered by a select committee. The hallmark of the TERB is the introduction of a system of 'central steering' where key decisions on resource allocation are made in Wellington by the Tertiary Education Commission (TEC).

I have some deep concerns with the notion of 'central steering'. While it may look persuasive on paper (the country is full of armchair education ministers who know they have the answer!), it generally fails in the real world – witness the recent dismal failure in predicting school roll growth in Auckland. But the way the TEC is implemented will be just as important as its underlying principle. If the TEC attempts to 'micro-manage' the tertiary sector, it will likely involve increased red tape for institutions, less choice for students

and more scope for arbitrary funding decisions.

If, instead, the TEC provides broad guidance to the sector, supports institutions, institutes measures to improve the quality of delivery and provides information to students – in other words if it supports informed choice and healthy competition in the sector, it could add value. The

government has already taken some valuable steps to provide students with better information about career prospects.

A key area of focus for TEC could be promoting greater commercialisation of tertiary institution research. This is a worldwide concern, not one limited to New Zealand. For example, United States lawmakers are asking the same of state institutions there and are promoting ventures between state institutions and for-profit companies. An example of how TEC could support institutions comes from Britain, where the Patent Office recently published a guide for universities on managing intellectual property (see www.patent.gov.uk/about/notices/manip/index.htm).

A weakness in the TERB is that it does not address areas of much-needed reform in the sector – including weak governance and student finance.

But education can't do it alone. The wider policy and investment environment – including intellectual property, immigration, fiscal, trade and regulatory policy

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– needs to support growth and innovation if we are to prosper as a nation.

The government has initiated some useful measures to lift growth, including immigration policy changes that will help business to plug skills gaps. The pursuit of more open trade arrangements, particularly with Singapore and Hong Kong, through

the WTO and – fingers crossed – with the United States, will promote a healthy exchange of innovations and ideas.

Despite that, more can be done, as noted by the IMF in its recent report on New Zealand, which argued that further reforms, including a lower, flatter tax system and changes to superannuation and welfare policies, are required to lift New Zealand's growth potential (www.imf.org/external/country/NZL/index.htm).

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

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