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## **Private Tertiary Education: A New Zealand Perspective**

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## **PRIVATE TERTIARY EDUCATION: A NEW ZEALAND PERSPECTIVE**

Thank you for the opportunity to address the Australian Council for Private Education and Training Conference 2005. I hope that the three perspectives you will hear in this conference session give you a better sense of the road that the private tertiary education sector has travelled in New Zealand since the reform period that began in the late 1980s.

I will begin with a broad overview of the evolution of the tertiary education sector and tertiary education policy in New Zealand during the 1990s. I will then provide a brief description of the private tertiary education sector in New Zealand. I will conclude with a description and assessment of policy directions since late 1999.

In most industries, a discussion of the role of the private sector would be greeted with a yawn. This is because the private sector plays a significant, indeed dominant role in most industries in virtually all countries. And this role has been increasing in recent years as countries – particularly those in the former Soviet Union – have moved to return inefficient state-run enterprises to the private sector.

This of course is not the case in education generally or in tertiary education specifically. In most countries, education remains predominantly state financed, state delivered and state regulated. This was certainly true of the New Zealand tertiary sector prior to the reforms of the late 1980s and, despite significant gains – as I will discuss shortly – remains true today.

Prior to the reforms of the late 1980s, the New Zealand tertiary sector was very much 'traditional' in nature, with a clear demarcation between universities and other providers, 'free' tertiary education, low levels of tertiary participation, students receiving full living allowances and a small private sector.

This changed as a result of the Learning for Life reforms of the late 1980s, which significantly altered the complexion of the New Zealand tertiary sector. The reforms were extensive:

- Tuition fees were introduced – and later deregulated – at public institutions;
- Tertiary institutions were given much greater freedom to manage;
- The tertiary sector was ‘unified’, with less demarcation between different types of providers;
- The student loan scheme was introduced and student living allowances were targeted on the basis of income; and
- Policy focused on lifting participation in tertiary education.

Many aspects of sector regulation – including the ability of new providers to enter the marketplace and the scope for non-university providers to offer degrees – were improved.

In addition, and of most interest to this conference, is that a series of regulatory and funding changes were introduced that allowed – indeed encouraged – the expansion of the private tertiary education sector in New Zealand. These changes included:

- The above mentioned introduction of tuition fees at public providers;
- The extension of eligibility for student loans and allowances to students in the private tertiary education sector;
- The establishment of a regulatory environment that treated both public and private providers in a relatively neutral manner, especially in important areas such as entry and accreditation of new providers; and
- The introduction of state subsidies for private tertiary education providers – small in the beginning, but culminating in a system that saw public and private providers receive the same levels of funding for similar courses.

All of these reforms combined to provide a much more level playing field for private training establishments (PTEs) in New Zealand to compete with their public sector counterparts.

The PTE sector in New Zealand has significantly expanded since the late 1980s and doubtless these reforms have played a role in fostering that growth. The number of registered PTEs grew rapidly until the mid-1990s and has remained at around 800 since then.

The number of formally enrolled domestic students in PTEs grew from around 28,000 in 1997 to over 70,000 in 2003. Overall, PTEs account for approximately 15 percent of tertiary education enrolments in New Zealand.

Growth in the sector has been spurred by an increase in the number of funded Equivalent Full Time Students (EFTS) in PTEs, which increased from zero in 1991 to a peak of over 25,000 in 2002. It has since declined and stood at around 20,000 in 2003. Government funding of PTEs grew from around \$2 million in 1992 to over \$160 million in 2002. It has since declined, in line with the fall in the number of funded EFTS, to around \$120 million. Not all PTEs access government funding.

PTEs generally teach a small number of qualifications. These qualifications range from certificates and diplomas through to Bachelors and Masters degrees. However, the vast majority of PTE provision is at the certificate and diploma level. In 2003, over 70 percent of enrolments at PTEs were in 'lower level' qualifications (ie. Level 1-3 certificate courses), while only 3.1 percent of PTE qualifications were at the Bachelors level or above.

Thus, PTEs compete – and compete quite strongly – with polytechnics and Wananga (Maori tertiary institutions), rather than with universities in New Zealand. The focus is on vocationally oriented courses such as travel and tourism, hairdressing, computing and nannying, rather than on academic programmes.

PTEs come in a range of organisational forms, including incorporated societies, trusts and limited liability companies (LLCs). Much of the growth in the 1990s was in this last group. Between 1995 and 2001, the proportion

of PTEs that were LLCs grew from 46 percent to 64 percent. Most PTEs are small, with the largest having somewhere around 2,000 students. The top 10 percent of PTEs enrol around half of all students.

It is clear from the above that the 1990s were a period of great optimism and growth for the PTE sector, characterised by a strongly supportive policy environment. Alas, the 'noughties' have not been nearly as positive for the PTE sector, although we have not seen a 'great leap backward' to the situation that existed prior to the 1990s.

However, since 2000, PTEs have been subject to a number of adverse policy changes that have chipped away at their ability to compete with public tertiary education institutions (TEIs). These have included:

- The imposition of a moratorium on funding of new PTEs and new qualifications from existing PTEs (2001);
- The capping of EFTS subsidies to PTEs at \$146 million (2002);
- A 9.5 percent reduction in the per-student subsidy to PTEs (2002);  
and
- The imposition of an effective tuition fee freeze in 2001, followed by a system of tuition fee maxima in 2004.

In addition, there has been a worrying lurch back toward centralisation in funding decisions. In contrast to the demand driven funding system that was put in place in the late 1990s, funding of PTEs is now based on bureaucrats' abstract assessment of the 'strategic relevance' of courses and other factors, rather than student demand. 'People power' is being supplanted by bureaucrat decree. Funding only flows if the PTE can 'justify' it on the grounds that the training is somehow aligned with the country's national goals, whatever that means.

The burden of red tape and government intrusion into the operation of PTEs is growing. For example, PTEs must now provide the bureaucracy with evidence to prove their financial viability if they wish to qualify for government funding. Of greatest concern is the re-regulation of tuition

fees, which will affect private tertiary education providers more than public ones. Funding seems to attract additional regulation. In this context, it is useful to recall Davy Crockett's point that a government big enough to give you everything you want, is big enough to take away everything you have.

PTEs are increasingly being seen as providers of last resort, whose role is merely to fill in 'gaps' in public provision – whether geographic or programme-based – rather than as an equal player in the sector. Here too the playing field is tilted. As part of the process of determining the 'strategic relevance' of courses, PTEs must make the case to the bureaucracy that there is a need for their service if there is an existing public provider in an area. The same is not true of public polytechnics, which seem to have a prior right to exist, whether they are delivering what the market wants or not.

The government has also moved to rein in public tertiary institutions contracting out delivery to private providers. This, despite that fact that such public private partnerships are exactly in line with the government's desire for more sector collaboration.

Government does not only provide a tilted playing field for public institutions at the top of the cliff. It also does so at the bottom. Successive governments have provided financial assistance of one sort or another to at least half a dozen public polytechnics since the mid 1990s – to the tune of more than \$100 million. The tradition of bailing out public institutions continues. Earlier this month the government provided a \$9 million 'loan' to rescue a financially troubled public polytechnic in Wellington.

The anti-private sector flavour of the post-1999 policy agenda in New Zealand is not confined to the tertiary education sector. It can also be found in the early childhood education, where the Minister of Education referred to commercial childcare centres as 'Kentucky Fried Childcare' and the schools sector where the government has capped subsidies to independent schools. It also extends to other sectors, with the government ending the private management of public prisons.

One ray of light was the government's recent decision to extend additional subsidies under its early childhood education '20 free hours' policy to commercial childcare centres. Prior to its recent decision, the additional subsidies under the '20 free hours' policy (to come into effect in 2007) would have been limited to community-owned childcare centres. No justification was ever given for such a limitation. Whether this change of heart represents a 'panicked U turn', as the opposition education spokesperson called it, or a 'Road to Damascus' conversion to a more pro-private sector policy in education, only time will tell.

One hopes it is the latter.

While the 1990s policy direction in tertiary education was decried by some, it was strongly supported by successive governments and by many across the various parts of the sector. The reforms, while wide ranging and fundamental, were not 'radical' as some would describe them. For example, countries such as the US and Canada had long had tuition fees and student loan schemes. In many respects, the reforms mirrored those in the wider New Zealand public sector.

The dichotomy between public and private education – at any level – is a false one. Public and private tertiary institutions both work toward the same policy ends – improving lifetime opportunities, lifting skills, etc. The bias against private, profit-making institutions does not hold water either. Opponents of private involvement in education should remember that for-profit institutions pay the taxes that are used to fund public tertiary institutions.

Policy Luddites – and we have many in New Zealand as you do in Australia – will remain implacably opposed to private involvement in education – despite its long history and the positive contribution it makes to the country's educational, social and economic goals. Private tertiary education, in the form of commercial colleges, has existed in New Zealand since at least the 1890s.

Opponents of private involvement in education seem to forget that the private sector can only flourish if it delivers what people want. And – unlike public institutions – it will disappear if it does not.

They also seem to forget that the private sector plays a critical role in providing opportunities for those from traditionally disadvantaged backgrounds in New Zealand. There is much evidence in support of this:

- Maori and Pasifika students are well represented in PTEs;
- A 2002 report commissioned by the New Zealand Ministry of Education argued that PTEs offer a “culturally welcoming environment for [Pacific] learners, many of whom have had predominantly negative experiences at school”;
- Another study showed that a greater proportion of students at PTEs than at other TEIs were eligible for income-targeted student allowances; and
- Ministry of Education data from 1999 show that nearly half of all first-year students at PTEs had been on a benefit prior to enrolling in tertiary education (versus 18 percent for public TEIs).

For many New Zealanders, PTEs represent a future of hope and opportunity. Yet, in recent years they have faced an increasingly adverse policy environment. The bulk of the post-1999 policy changes relating to PTEs appear to have been driven solely by ideology and a desire to protect public providers from competition.

It is incumbent upon opponents of private involvement in education to explain why their industrial age ideologies should deny so many people the opportunity to improve their lives.