

27 October 2017

Hon. Chris Hipkins
Minister of Education
Parliament Buildings, Wellington

cc:

Hon. Kelvin Davis, Associate Minister of Education (Māori Education)
Hon. Jenny Salesa, Associate Minister of Education
Hon. Tracey Martin, Associate Minister of Education
Hon. Dr Megan Wood, Minister of Research, Science and Innovation

Dear Minister

Universities New Zealand – Briefing to the Incoming Minister

Congratulations on your appointment as Minister of Education. My fellow Vice-Chancellors and I look forward to working with the coalition government to progress key priorities to benefit New Zealand and New Zealanders.

We want to take the opportunity to brief you on New Zealand's universities – including their achievements, opportunities to support the priorities of the coalition Government, and the challenges the sector is facing.

Achievements

The New Zealand university system is a key part of the social and economic success of this country and its people. This can be seen across areas such as:

- **Opportunity and social mobility**

32% of New Zealand's youth now start university within a few years of leaving school. Though still under-represented in university study, 12% of Māori youth and 19% of Pasifika youth start university from school. Given this gap, we welcome the appointment of an Associate Minister for Māori Education to help address this disparity in achievement at secondary level.

Relative to those with only a high school leaving qualification, graduates earn more (by an average \$1.4m over their lifetime after costs of study are accounted for), enjoy better employment and health prospects and produce a range of social and economic benefits for their families and communities. With just 2% of graduates on benefits and 89% in jobs that require a degree-level qualification, we have some of the best graduate outcomes of any developed country.

- **Quality teaching and learning**

Our excellent graduate outcomes reflect the high quality of learning and teaching in universities. Surveys consistently show student satisfaction with teaching to be well in excess of 80%. In addition, New Zealand universities have the best qualification completion rates of any similar country.

- **Research**

Universities carry out about a third of this country's research. In 2016, NZIER calculated that 8.2% to 9.7% of NZ's GDP can be attributed to knowledge generated

in New Zealand universities. Our research contributes to social, environmental and economic outcomes across a huge range of disciplines.

- **International Education**

Universities generate 28% of the revenues associated with international education – New Zealand’s fourth largest export market – and attract genuine, high-quality students. 40% are studying at the postgraduate level.

On average, each international student that universities bring to this country spends \$168,000 on fees, accommodation, and other living expenses while they study in New Zealand. At least 4,500 jobs exist in New Zealand directly because of international students studying at our universities.

- **Jobs and economic activity**

Universities directly employ around 20,000 people and turn over \$3.6 billion annually (approximately 1% of GDP). There are further significant economic, social and cultural benefits that flow through to the communities in which universities are located, including the role of universities in creating high quality public infrastructure.

Opportunities

There is a lot more that New Zealand’s universities could do to support the priorities of the coalition Government. This includes:

- Working with schools to improve social mobility – particularly improving access for those who are first in family to attend university.
- Research to support Government policy (including better educational, health and social outcomes).
- Growing the regions by lifting educational attainment of groups traditionally under-represented at university and by generating and transferring knowledge that benefits regional communities and their economies.
- Implementing migration changes that preserve the flow of high value international students and that also ensure employers continue to be able to get genuinely skilled migrants when they need them.

Challenges

University funding has slowly declined in real terms over the past two decades and New Zealand universities are now funded per student at around 97% of the OECD average. By contrast, Australia has 22% more in funding per student, the United Kingdom 51% more, Canada 55% more and the United States 81% more.

A unique feature of the New Zealand university system has been the fact that all eight universities have been ranked in the top 500 of universities globally. However, this is now at risk.

New Zealand universities dropped an average of 79 places in the Times Higher Education rankings between 2009 and 2017. In 2017, NZ universities were an average of 12 places lower in QS rankings than they were in 2009. Both rankings systems provide an assessment of aspects of universities put at risk by under investment.

As a consequence of these funding levels, the ability of the New Zealand university system to attract and retain world-class academics from around the world, to provide New Zealanders with a world-class education, to widen access to university study and to target support to students who might otherwise struggle, to carry out research of international quality, and to attract international students, are all jeopardised.

This long-term underfunding has made the university sector completely reliant upon international students to remain viable. International student income represents 11% of

income for a university sector that is required to generate an average 3% surplus annually. In essence, all the operating surplus of universities – required for reinvestment – comes from international students. Our domestic teaching and research operation barely breaks even.

Universities have come under further financial pressure over the past decade through a proliferation of costly initiatives and unfunded mandates. These include:

- Initiatives with high overhead costs – such as the National Science Challenges, Centres of Research Excellence, ICT Graduate Schools and the Entrepreneurial Universities scheme. While beneficial, all have onerous requirements around governance, travel, administration and reporting that divert funds from core teaching and research activities.
- Unfunded mandates – such as lifting participation and achievement rates of Māori and Pasifika within the compulsory education sector, and dealing with a massive growth in young people reporting mental health issues (for which universities are neither the cause nor the most appropriate solution).
- Compliance exercises – such as Educational Performance Indicators, Rate My Qualification, and the publication of the Key Information Set. (None has real statistical validity.)

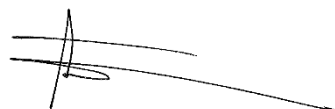
Universities have responded to this gradual erosion of per-student funding (which correlates with rankings) by becoming more efficient and particularly by reducing investment in support staff.

Because they suffer years of deferred maintenance, and, in order to accommodate growth, comply with health and safety standards, or tackle the consequences of natural disasters, universities have had to invest significantly in new and refurbished buildings in recent years, which in turn increases their depreciation and servicing costs.

Universities have now reached the situation in which they are unable to make further significant savings or to invest in new initiatives without additional and recurring funding. Given our common interest in ensuring that universities are able to make the greatest possible contribution to the well-being of New Zealanders, we are keen to discuss with you how you plan to address these issues.

We look forward to working with you. Your key point of contact is the Executive Director, Chris Whelan: chris.whelan@universitiesnz.ac.nz; 04 381 8511; 027 242 5886; www.universitiesnz.ac.nz.

Yours sincerely



Professor Stuart McCutcheon
Chair, Universities New Zealand

Appendix – Universities New Zealand

Universities, along with other tertiary education institutes (i.e., polytechnics and Wānanga) are autonomous Crown Entities (Section 7 of the Crown Entities Act 2004).

Universities New Zealand (as the New Zealand Vice-Chancellors' Committee), is a statutory body under Part 19 of the Education Act. Our key responsibilities include the quality assurance of university programmes, and granting undergraduate and postgraduate scholarships. In addition, we co-ordinate international education policy, provide sector coordination, and inform and influence decision-making.

Universities New Zealand is made up of the eight university Vice-Chancellors. It is Chaired by Professor Stuart McCutcheon, Vice-Chancellor of the University of Auckland.

Key facts and stats about New Zealand universities

Students

- 173,880 total students (132,915 full-time equivalent students)
 - 30% (51,600) are studying at postgraduate level.
- 146,190 domestic students, including
 - 16,800 Māori (11%)
 - 12,00 Pasifika students (8%).
- Māori bachelor's degree EFTS have increased by 28% in universities since 2008
- Pasifika bachelor's EFTS have increased by over 50% in universities since 2008
- 43,000 + graduates each year
 - 91% at bachelor's level and above
- 27,690 international students (16% of all students)
- 93% of international students choose to study in NZ because of the strong reputation of our universities.

Universities

- Home to 70% of all of New Zealand's researchers
- NZ universities produce outputs for only 81% of what it costs in Australia and 64% of what it costs in Canada.
- Annual expenditure per student (in equivalent USD)
 - OECD average 16,674
 - NZ 16,219
 - Australia \$ 19,972
 - Canada \$25,185.
- University income
 - 48.5% of university income from government (tuition grants, PBRF, research grants etc)
 - 29.2% from student tuition fees
 - 22.3% from other income.