UNZ BRIEFING TO THE INCOMING MINISTER OF TERTIARY EDUCATION

Universities New Zealand is pleased to welcome you as our Minister of Tertiary Education.

This briefing paper provides an overview of the key contributions, challenges, and opportunities facing the university sector.

The Vice-Chancellors have typically met with your predecessors several times each year. This has enabled us to better understand and work through mutual goals and challenges. We hope such meetings can continue with you and that we can find a time to meet with you in the near future as you work up your priorities.

As you may know, the Vice-Chancellors take it in turns to chair Universities New Zealand. Professor Cheryl de la Rey of the University of Canterbury is chair in 2023 until the end of 2024.

If you would like more information on any matter in this briefing paper, please contact Chris Whelan, Chief Executive of Universities New Zealand – chris.whelan@universitiesnz.ac.nz, 027-242-5886.

Overview of the university sector

New Zealand has eight universities – Waipapa Taumata Rau the University of Auckland, Auckland University of Technology, the University of Waikato, Te Kunenga ki Pūrehuroa Massey University, Te Herenga Waka Victoria University of Wellington, the University of Canterbury, Lincoln University, and the University of Otago.

New Zealand has a relatively strong and effective university system that, by any measure, performs well in international terms. A range of key statistics is attached.

Before the 1960s, New Zealand universities were small, socially and culturally isolated finishing schools for an upper middle-class elite.

Post-World War 2 reforms began the process of opening up universities and increasing their relevance and contribution. This was accelerated under the Fourth Labour Government of the 1980s.

In 1900, 0.1% of the population was enrolled at university. In 1950, this had risen to 0.6%. As of 2020, it was 3.4%. In 1991, 8.3% of the working age population had a degree. By 2018 this was 26% and around 32% of young people are now starting university within a few years of leaving school.

In 2023, universities are large, complex organisations – closely connected to, underpinning and enhancing most aspects of culture, society and the economy. They continue to evolve in line with the developing needs and expectations of New Zealand and its peoples across a range of overlapping and complementary areas.

Universities:

- are a key source of the **human capital that will drive New Zealand socially, culturally and economically in future**. In Census 1996, 33% of jobs had titles that, if advertised today, would

probably require applicants to have a degree to get a serious look-in. By Census 2018, that had risen to 67% – reflecting New Zealand's continuing evolution as a knowledge economy. In a nation of mainly small to medium-sized enterprises based on services and knowledge, universities produce the ideas and people that will drive innovation, productivity, wellbeing and prosperity. In 2017, Deloitte Access Economics estimated New Zealand workforce productivity was 3–6% higher due to university graduates across the economy. Universities contribute far more than teaching and research – they actively contribute to entire professions and communities, driving outcomes in areas such as health, wellbeing and culture.

- are directly responsible for **25% of all research** carried out in New Zealand[1]. Of that 25%, more than half (56%) is the basic research that ultimately underpins and informs more applied research. University research returns around $5.10 for every dollar invested. The stock of knowledge generated by universities and adopted over time accounts for around 8.2–9.7% of GDP – or $25.9 billion in 2017. Research investment by New Zealand universities between 1984 and 2015 was estimated to have increased real GDP by $129 billion by 2017.

- contribute to a more **equitable and prosperous society**. People who are university-educated are substantially more likely to volunteer, participate in community organisations, donate, be more interested and engaged in democratic processes, trust others, be more open-minded and tolerant. They are also more likely to promote these values to others and to imbue them in their own children. Their children are far more likely to end up well educated and employed. Notably, Māori and Pacific students who graduate from university enjoy the same employment and earnings benefits as non-Māori and non-Pacific graduates.

- **drive economic activity** that creates jobs and enriches the communities in which they are located. The university sector accounts for more than 26,000 jobs in the wider economy (around 1.0% of New Zealand's total labour force). Pre-Covid, international students at New Zealand universities accounted for around $1.25 billion of economic activity. University direct and indirect expenditure is an average of 2.33% of the GDP of the regions that house them. Staff and students contribute extensively to local economies as purchasers of accommodation, food, entertainment and other services. Universities themselves spent $4.2 billion in 2021– the majority of which went into local economies in the form of salaries and locally procured goods and services.

- **are integrators**, bringing people and ideas together across communities, industries and sectors. Universities and their academic staff do research with and for a range of end users. All the professional disciplines work closely with professional bodies to inform practice and help maintain and grow the skills of practitioners in their fields.

- **contribute to understanding**. Academics play an active role in public discourse and understanding through their 'critic and conscience' function. Where an academic has expertise, they are expected to contribute to evidence-based debate and understanding where there is public interest. Universities are also repositories of knowledge, expertise and capability. In the Covid-19 period, the sector provided extensive support to government in designing and implementing the public health strategies that underpinned this country's successful response. The sector was a source of testing and personal protection equipment. It also provided extensive public commentary to help New Zealanders understand public health options.

[1] Of the remainder, 55% is done by business and 20% by government, including local government and the Crown Research Institute sector.

- **foster global connections**. As a small, geographically isolated nation, New Zealand needs a multi-cultural workforce that knows how to collaborate and trade globally. Our research and innovation system depends on our ability to connect and collaborate across borders. We have just 0.06% of the world's researchers but we produce 1.4% of the world's most highly cited research. Our cross-border collaborations have a 15-year NPV of $2.46 for every dollar invested. University earnings from international students represent 1.68% of all of New Zealand's exports. Each international student represents an average of $243,000 of economic activity. International students who graduate continue to maintain a range of connections with this country –researching and trading with us in many cases or promoting us to others as a destination for education and tourism.

There is a lot more universities can do as our society and economy deals with the headwinds of the post-Covid recovery period. We can be a key part of work to restart the economy – as a source of skills, knowledge and insights for government, industry and communities.

New Zealand university operating context

Universities are mainly differentiated from other tertiary education subsectors by their focus on research and research-led teaching.

In addition to university researchers doing 25% of this country's research, nearly all of the remaining 75% is done by people who gained their research skills at a university.

Other tertiary education subsectors are mainly focused on research-informed teaching – teaching that references current research and knowledge. The university sector is focused on research-led teaching – teaching that involves students in developing knowledge and growing the skills that make them innovative, problem-solving, productive contributors socially, culturally and economically.

The sector materially advances knowledge – particularly the fundamental knowledge other industries then take and develop through more applied research. A significant proportion of university infrastructure is dedicated to research – laboratories and specialist research facilities. The vast majority of the university academic workforce is PhD qualified where, by comparison, only a small proportion have similar qualifications in other subsectors.

New Zealand universities must balance a number of competing expectations around their role and mandate. These include:

- **Teaching** – providing a good learning experience for diverse student groups which produces graduates ready for a wide range of careers and lives.
- **Qualifications** – producing graduates with skills and knowledge required by employers and with qualifications that employers understand and value.
- **Research** – producing high-quality research that has value economically, socially and/or culturally.
- **Service** – transferring knowledge and ideas to inform understanding, policy and practice across communities, government and business.
- **Equity** – overcoming barriers that prevent some learners from being able to pursue or succeed at university study.
- **Flow-through benefits** – supporting the economic, social, cultural and soft-power returns from international education.

And, to deliver on these, universities must also successfully foster the following:

- **Academic capability** – recruiting and retaining top teachers and researchers, many of whom can work anywhere in the world and who will work only for institutions that do both research and teaching and that conform to broad international norms for what is and isn't a university.
- **International reputation** – maintaining rankings and other indicators that both staff and students rely on to inform where they choose to work and/or study.
- **Study/work experience** – ensuring that both students and staff enjoy positive, satisfying, supportive and safe study/work experiences.
- **Governance** – ensuring universities remain viable in the long term and are able to retain the staff and infrastructure that underpin all other goals and objectives.

All these requirements are interdependent and universities must balance them with finite resources.

Universities cannot fail in even one of these areas and must therefore operate in ways that deliver the greatest value possible to as many competing stakeholders needs as possible without compromising long-term viability.

The sector normally budgets to generate a 2–3% annual surplus. This amount is seen as the prudent minimum necessary to cover typical cost increases in the next year. Over the past 15 years, university operating costs have risen around 68% during a time when CPI rose just 36%. Salaries are the largest cost for the sector at 57% of total operating costs. Salary increases over the past 15 years have been exactly in line with salary increases across New Zealand – averaging a little under 2% on average per annum.

Priorities for the university sector

For our sector, we see a number of opportunities and challenges that can only be fully addressed with your support.

1. *Challenge* - Financial headwinds

77% of all university income is controlled by government. This is both funding provided by government through tuition subsidies and research funds and limits on tuition fee increases.

Until Covid, university funding had spent nearly a decade mostly keeping up with inflation through a mix of (a) increased rates of tuition funding, (b) growth in student numbers, and (c) a long-term trend of students seeking higher level qualifications and staying longer at university.

During the Covid period, universities saw a decrease in international student numbers.

The decrease in international student numbers was largely offset by an increase in domestic student numbers. Domestic student numbers increased over the Covid period mainly because borders were closed and the 15% (approximately) of school leavers that would normally have gone overseas for their university studies were unable to do so. With borders open again in 2023, domestic student enrolments have returned to pre-Covid levels.

Though domestic numbers are down from the Covid period, international students are returning. First year international student enrolments in 2023 were higher than first year enrolments pre-Covid in 2019. Those 2023 first years will move to second year in 2024 and to third year in 2025,

but it will take at least three or four years for us to completely rebuild our international student pipeline.

At the same time, universities are dealing with high inflation with costs rising much faster than per-student funding from domestic student fees and the tuition subsidy DQ7+[2].

In June 2023 the Government announced a $128m package of financial support for the university sector. This will see DQ7+ funding increase by 4% in 2024 and 2025 on top of a 5% increase in DQ7+ funding in 2023.

This funding increase was welcomed by the sector, but it still leaves sector funding slipping relative to inflation.

Over the ten years from 2014 to 2024 domestic student fees and DQ7+ funding will have increased by 20% at a time when inflation will have been a little more than 32%.

At the same time the $128m financial support package was announced, the Government also announced a review of Higher Education funding.

2. *Opportunity* - Higher Education Funding Review

Officials will be providing you with advice on the potential scope of a Higher Education Funding Review before the end of the year. We ask you to keep four things in mind as you consider whether this review is needed and its potential scope.

1. Our university system is not broken. We have one of the world's best university systems by every metric. In terms of teaching, we enjoy some of the best progression rates, best completion rates, highest graduate employment rates, and lowest rates of graduate unemployment. By international standards our research is high quality and impactful. Every university is ranked in the top 500 internationally.
2. The problem is not the number of universities or duplication across universities. As a small geographically dispersed country, it is a strength that we have eight geographically dispersed universities (a) all of uniformly high quality, and (b) mostly comprehensive and (c) with significant duplication of offerings. Most of our young people do not have to leave their home region to get a high-quality university education within or across the disciplines of their choice. Going to the local university is never a bad choice for a student. The universities are major feeders of skilled capable graduates for local employers.

   The core mission of our universities must be preserved. If our universities are to (a) engage in knowledge exchange and research collaborations, and (b) attract international staff and international students and (c) produce domestic graduates with qualifications recognised internationally, then our universities must conform to the norms of what is an international university. Key norms for universities internationally include:

   - That teaching is research-led and that the large majority of academic staff are research active.
   - That there is a high level of academic freedom – the ability for academics to test and question ideas in advancing knowledge and understanding.

[2] DQ7+ = Delivery of Qualifications at Levels 7+ previously known as Student Achievement Component (SAC)

- That there is a high level of institutional autonomy – the ability for universities to stay above politics or other external agendas and to focus on excellence and quality in teaching, research, and the advancement of knowledge.

3. The main problem is the quantum of funding. There has always been a gap between DQ7+ increases and CPI, but significant inflation over the past three years has seen it widen. The rate at which that income has been increased in the past three years has been well below the much higher rate of inflation. Funding is not indexed to inflation. If it had been linked to inflation, there would not be problems now. The system needs an injection of catch-up funds then ongoing CPI-driven increases.

The Vice-Chancellors have provided advice collectively to officials on the potential scope of a Review. Our advice is included as Attachment 1.

3. *Opportunity* – Harnessing education to foster a fair, equitable and cohesive society

Education can play a vital role in creating an equitable, cohesive society, but access to higher education itself is inequitable and hampered by deprivation.

The inclusive benefits of education across a lifetime for graduates are manifest in earnings, quality of life, longevity and societal contribution. But the opportunity cost of higher education and the long-term benefits it brings are too high for those confronting immediate poverty. This correlates unacceptably with ethnicity, as 57% of European New Zealander/Pākehā secondary school students get University Entrance (UE) and can go on to higher education, compared with 31% of Māori students and 34% of Pacific students.

Significant focus and investment are required to address this.

All universities are currently running learner success programmes. These are aimed at systematically improving opportunities for a wider range of students to get to university and to succeed there. This work is being done with significant input and ownership by our sector's Māori and Pacific leaders.

There are several practical steps you could take if you would like to support significant performance in this area. These include:

- Funding to put more cultural and personal support around students who are more likely to struggle at university. Universities could accept either a lower UE standard or an increased number of Discretionary Entrance students (without UE) with extra funding to put academic and culturally appropriate support around them. Typically, this requires an average of 70–80 hours of mentoring and additional tutoring.

- Dedicated networks of student achievement advisers – people based in regions either geographically far from a university or where university participation is well below national averages. These networks would work with families, schools and other influential community organisations (including marae and churches) to help make degree-level education an aspiration and reality for high-potential young people who would otherwise miss out.

- Scale up initiatives to support specialist curriculum delivery at schools. At present, many capable bright students attend schools that lack the student numbers, specialist teaching spaces and/or trained teachers to deliver science, mathematics and technology curricula all the way through to Year 13. This means these capable students end up unable to get access

to fields such as medicine, engineering and the sciences. There are a number of initiatives that have been successfully developed in this area, but they need the support and investment to be rolled out nationally.

4. *Opportunity* – Supporting an innovative economy

Research-savvy and highly skilled employees and a strong and resilient research ecosystem are critical components of a resilient and successful society and economy. New Zealand lags behind its OECD peers on most of these metrics, including the fact the country has half the number of postgraduate qualified people in its workforce.

More postgraduate students working across New Zealand and conducting research within industries will be critical in lifting our productivity and economy. Incentivising and increasing the number of postgraduate students is an investment in New Zealand's future.

We recommend:

- Reinstating and strengthening student support for postgraduate study.
- Formal secondment and internship programmes with industry and the public sector.
- A substantial increase in the Performance-Based Research Fund (PBRF). PBRF funding has not increased in five years and over that period inflation has been nearly 25%. PBRF is used to support doctoral students financially, to support early career research, and to maintain and grow research infrastructure and resources. The effect of flat funding and inflation means we are effectively supporting 25% less across these areas in real terms.
- Significantly scale up the MBIE-led Applied (Industry) Doctorates programme so a much greater proportion of doctoral research is done with and for end users.
- A national fellowship scheme, along with funds, for research institutions to support new early career positions each year, to ensure New Zealand attracts, nurtures and retains the future leaders of our research workforce.

There is more information on these matters in the Briefing to the Incoming Minister of Research, Science, and Innovation that will be copied to you.

5. *Opportunity* – Reviving International Education

We support your goal of reviving international education to boost export revenue, create job opportunities, and strengthen global connections that will drive economic growth in New Zealand.

The current New Zealand International Education Strategy (2022-2030) was developed by officials without input from providers. It focusses on some high level goals but does not have any actual strategy or plan for realising them. In its current form, we do not see it providing the policy and operational settings necessary for rebuilding international education as a $5 billion export industry or for fostering the people to people and system to system connections that underpin so much of our university research system.

We recommend:

- Refreshing the International Education Strategy so it better reflects the goals and settings that will rebuild our international education export industry.
- Immigration and other policy settings that will help the sector successfully diversify to new markets and products.

- Coordination and collaboration in priority setting between ministerial portfolios – particularly Tertiary Education, Education and Immigration - but also Research, Science, and Innovation along with Foreign Affairs and Trade. We are very pleased to see that the portfolios of Immigration and Education will be held by one Minister.
- We recommend adopting models used successfully over many years in Australia and the United Kingdom to bring ministers, senior officials, and provider representatives together to agree priorities, and to navigate key opportunities and obstacles.

Attachment 1: Advice from the Vice-Chancellors as to the potential scope of a Higher Education Funding Review

We do not know if a Higher Education Funding Review will be a priority for your Government. If you do decide to proceed with a review or if you are looking for areas to improve the performance of the system, the following reflects the agreed views of the eight Vice-Chancellors.

Any future funding system must deliver on four goals:

1. **Protect the core mission of universities** – Ensure universities continue to conform to international norms for what they do and how they operate so they can continue to attract and retain the best staff and students and continue to generate world-class teaching and research. There is more on the core mission and its elements in the body of this paper.
2. **Provide financial sustainability** – Even universities with relatively strong enrolments are struggling financially at present. The system is now underfunded. Any funding review that just tries to move funding around or to do more with the same amount of money will not achieve much.
3. **Preserve core capability** – Universities are being forced to make savings to reduce or head off losses. In some cases, these savings will result in much greater loss of capability for the country or have adverse impacts socially, culturally, and economically for the cities and regions served by the university. Cuts need to be looked at in a wider context so that things that make universities more financially sustainable do not flow through to significant lost value for their communities and regions.
4. **Remain simple, predictable, and stable** – A funding system needs to avoid uncertainty. Universities need to be able to invest in staff, programmes of study, technology systems, and built infrastructure with as much certainty as is possible as to likely funding streams for the foreseeable future.

In addition to these four goals, the following statements have also been agreed by the full Vice-Chancellors' Group.

1. **We currently lack a strategy for our overall education system – both compulsory and post-compulsory.** We have National Education and Learning Priorities (NELPs) and a Tertiary Education Strategy (TES) – both of which lay out a series of high-level priorities and goals but that lack any clear sense of what the system should look like, how it should be working, and what arrangements need to be in place for it to work well. This is a particular issue for 'higher education'. There is no clear understanding of what a 'higher education system' is relative to other forms of post-compulsory education and training. As a consequence, it is not clear what the nation should be looking for from its higher education system and what it should be deliberately encouraging and investing in.
2. **A strategy for higher education should encourage but not force collaboration and partnership.** Do not consider forced mergers/amalgamations. Though our universities all appear superficially similar with their common focus on teaching, student experience, and research, each does this with massive variety in programmes, systems, processes, structures, and cultures. This variety has evolved very much in line with the particular communities served by each university and the priorities of each university over many decades. The competition for tuition and research funding has directly contributed to each university being highly focussed on the relevance and quality of their qualifications, student experience and research. The disruption, cost of change, and loss in value arising from differentiation and competition is likely to greatly exceed any likely savings or cost reductions even in the long term.

By contrast, encourage collaboration and sharing of resources in areas that don't undermine sensible differentiation and the competition that underpins quality and relevance. Current settings either impede or do not incentivise collaboration and sharing in areas such as (a) joint subject delivery, (b) joint provision of support services, and/or that (c) encourage sharing of research infrastructure.

3. **We are talking about a Higher Education Funding Review at a time when there is not a lot of real opportunity to lift investment in the higher education system.** The following are areas that would help make existing funding go further:

    3.1. **Direct proportionally more resources to the front line from policy and support functions.** Between 2017 and 2022 the number of students in compulsory and post-compulsory education grew by just 1.9%. By contrast, staff numbers at the Ministry of Education increased by 55%, MBIE grew by 74%, and the TEC grew by 26% (after accounting for Careers NZ). In real 2022 dollars, the funding for these agencies increased by 28% or $1 billion – 50% of the $2 billion that went to delivery. Even 20% of that $1 billion would be enough to bring the university and ITP sector back to a long term sustainable financial position.

    3.2. **Address bottlenecks caused by work-placement requirements of some qualifications**. Fields such as nursing, clinical psychology, and social work require students to complete work-placements as a condition of registration or graduation. In some cases, work can be done to grow the number of placements through a single web-driven clinical placement system nationally. In other cases, practicum/work placement requirements could be reduced where they appear to exceed international norms and/or do not recognise proven alternatives to practicums, such as simulations. Addressing these would reduce bottlenecks that determine how many students universities can take on at any given time and produce greater numbers of capable graduates. We support work currently underway through the Health Workforce Strategy.

    3.3. **Allow universities a one-off correction to address historical fees anomalies.** When the current Fee Maxima system was introduced in 2002 individual universities were charging quite different rates for studying the same subjects – often rates that did not accurately reflect the cost of provision. For example, some universities had been discounting or holding fees in place as a deliberate short-term strategy to assist with student recruitment. Universities have only been able to increase fees by the permitted Fee Maxima rates every year since. A period of targeted adjustment would allow programmes that are currently being offered with fees well below national averages to be brought in line with other comparable offerings nationally. An exercise to fully re-baseline funding would also be sensible.

    3.4. **Deregulate fee setting for some taught post-graduate subjects**. In general, the Fee Maxima system serves students well, particularly at undergraduate level. We suggest that some deregulation of fees be permitted particularly for direct-entry masters-level programmes where most or all students are already working and are likely to have a much clearer sense of the value likely to be derived where the quality of the offering justifies higher tuition fees.

4. **DQ7+ (previously SAC) is generally working well**. It is simple and predictable though there are many opportunities to fix issues in the margins. For example, some subjects should be moved to different bands to reflect changes in professional registration requirements that have taken place over time. Overall, if DQ7+ increases had been indexed to inflation, the higher education system would not be in its current financial position.

5. **The current Education Performance Indicators (EPIs)** cause more harm than good and should be replaced. The EPI measures are (a) first year retention rate, (b) cohort-based qualification completion rate, (c) course completion rate, and (d) qualification progression rates. The TEC currently use the EPIs to compare and rank providers on their EPIs even though the profile of

students within and between institutions varies significantly. Where EPI measures are materially worse than sector averages, the TEC has used this to penalise providers through a number of measures – including investment plan terms of less than the full three years.

6. **The Unified Funding System** has adversely affected university provision. In particular it has undermined goals around equity and supporting more at-risk students. All sub-degree programmes that prepare students for success in higher education should be within DQ7+ (SAC).
7. **Unfunded mandates** have been a major contributor to the financial challenges facing universities. Universities keep getting additional targets imposed on them, such as pastoral care requirements, parity outcomes for Māori and Pacific, etc. Though they are all worthy and desirable, they have not come with additional resourcing. Government must not impose additional requirements without some sort of costed business case – what benefits will be created and for who, and what it will cost and how it will be paid for.
8. **Where governments have priorities beyond quality teaching and useful qualifications,** they should be incentivised through separate funding streams and investment levels sufficient to drive real change. A good example of this is equity funding aimed at improving outcomes for Māori, Pacific, and students with disabilities. The concept of having a separate funding stream to incentivise outcomes was good, but funding levels have been inadequate to support change at the level really needed.
9. **Some things could be direct-funded** outside of DQ7+ (SAC) and other volume-based funding streams. Government could assist universities financially by picking up ongoing costs of items that (a) typically increase in price well in excess of DQ7+ rate increases but that (b) could potentially deliver additional value in line with Government priorities. For example, investment in ICT infrastructure that would help with both teaching and pastoral care and help realise the wider societal returns of bringing Māori and Pacific achievement in line with other groups.
10. **Funding for the Performance Based Research Fund (PBRF) needs to be increased.** The 2020 independent review of the PBRF found it was a highly effective and administratively efficient fund and recommended both an immediate increase and ongoing increases to maintain funding in real terms. The Vice-Chancellors also agree that funding needs to increase. PBRF funding is used by all universities for (a) doctoral scholarships – to support doctoral students with living costs while they study, (b) early career fellowships and research grants – to support post-doctoral staff in gaining the research experience and profile to enable them to successfully generate their own sources of research funding as mid-career researchers, and (c) purchase of research equipment and infrastructure in new and emerging fields of study. PBRF funding has not increased since 2018 despite inflation of nearly 25% over the same period. The lack of increased funding effectively means universities are investing nearly a quarter less now than they were in 2018 in basic research and developing our research workforce.

Attachment 2 - The New Zealand university sector at a glance

Overview	• New Zealand has eight universities – seven are 'comprehensive universities' meaning they provide a wide range of courses and subjects for students. • The number of universities in NZ per capita is on par with Australia, UK and Canada - one university per 640,000 people. • Altogether, NZ universities had 136,270 equivalent full-time (**both domestic and international)** students (EFTS) enrolled in 2022. These EFTS were made up of 177,495 actual students.[3] • Combined, the universities had 118,095 equivalent full-time **domestic** students (EFTS) enrolled in 2022. These EFTS were made up of 152,895 actual students.[4] • Combined, the universities had 18,175 equivalent full-time **international** students (EFTS) enrolled in 2022. These EFTS were made up of 24,600 actual international students.[5] • All New Zealand universities were placed in the 2024 QS World University Rankings top 500. Three universities were in the 2023 Times Higher Education World University Rankings top 350, and all eight in the top 800[6] • Individual NZ universities appear in the 2023 QS World University Rankings by Subject for courses in: Anthropology, Archaeology, Anatomy & Physiology, Civil & Structural Engineering, Dentistry, Development Studies, Education, English Language & Literature, Geography, Library & Information Management, Pharmacy, Sports-related Subjects, Veterinary Science[7] • There is at least one (and typically more) NZ universities ranked in the top 200 for all but seven of the subjects considered by QS.[8]
Economic impact	• Universities employed around 21,888 FTE staff in 2022, which is about 1.0% of New Zealand's total labour force. The flow-on effect of university employment accounts for another 2,190 to 4,380 jobs in the wider economy.[9] • The university sector spent $4.4 billion in 2022 on staff, capital and the purchase of goods and services[10], this is equivalent to about 1.6 percent of GDP and 46.7% of country's expenditure on education and training in 2021. [11] • Universities make a significant contribution to the regions that house them, their contribution representing up to 5.9% of regional GDP counting University and student spending that contributes directly to regional GDP[12].

[3] Ministry of Education, Education Counts Statistics, Provider based enrolments and provider based equivalent full-time enrolments (Custom table supplied to UNZ) Updated April 2023.
[4] Ministry of Education, Education Counts Statistics, Provider based enrolments and provider based equivalent full-time enrolments (EFT.9 and ENR.31 tables) Updated April 2023.
[5] Ministry of Education, Education Counts Statistics, Provider based enrolments and provider based equivalent full-time enrolments (EFT.9 and ENR.31 tables) Updated April 2023.
[6] From the Master Longitudinal QS & THE World Rankings spreadsheet – 2023 results
[7] From the Master Longitudinal QS & THE World Rankings spreadsheet – 2023 results
[8] From the Master Longitudinal QS & THE World Rankings spreadsheet – 2023 results
[9] NZIER, Economic Impact of NZ's Universities, 2022 update.
[10] Master University Finances spreadsheet, Annual accounts of Universities 2021.
[11] Statistics New Zealand, GDP December 2022, GDP 271,272 million, expenditure on education and training ; - 9,587 million.
[12] NZIER, Regional activity of universities, June 2022 update

	For example, University of Auckland and their student spending contributes to 2.1% of Auckland's regional GDP. This is 5.9% for University of Otago and their students[13] • International education generates at least $742 million for New Zealand and New Zealand universities' earnings from export education represent 0.9 percent of all New Zealand's exports of goods and services.[14] • There were 14,630 international EFTS at NZ universities in 2022,[15] with NZ having one of the highest proportions of international students in the world (21% at Bachelor's level, 21% of all tertiary-level programmes).[16] • International education generates at least $742 million per year for New Zealand.[17] <u>Research and the transfer of knowledge</u> • The stock of all knowledge generated by universities and adopted over time across the wider economy accounts for around 8.2 percent to 9.7 percent of GDP.[18] • A 10% increase in higher education research spending will eventually increase GDP by 1.75% to 1.84%.[19] • Universities generate around a quarter (24%) of all research in NZ.[20] • In 2021, universities spent about $1.19 b on research.[21] • According to the most PBRF results (2018), 35% of the university sector's active researchers are in STEM subjects.[22] • According to the 2018 PBRF results, 17% (N=1,077) of all university researchers (N=6,299) are emerging researchers, 42% were in STEM subjects.[23]
Societal Impact	<u>Graduates and human capital[24]</u> • Graduates with bachelor's level qualification earn about 52% more than people with a secondary school education. This rises to 87% for an honours level qualification, 86% for master's and 129% for doctorate degree level qualification.

[13] NZIER, Regional activity of universities, June 2022 update
[14] NZIER, Economic Impact of NZ's Universities, 2022 update
[15] Calculated by adding international student numbers reported in each of the eight universities audited annual reports. From the Master University Finances Spreadsheet.
[16] Education at a Glance 2022: OECD Indicators Table B4.1. EAG 2022 is based on 2020 first-time entrants' numbers.
[17] NZIER, Economic Impact of NZ's Universities, 2022 update.
[18] NZIER, Economic Impact of NZ's Universities, 2022 update.
[19] NZIER, Economic Impact of NZ's Universities, 2022 update.
[20] Statistics NZ "Research and Development Survey: 2022".
[21] This in the Master University Finances Spreadsheet – row 67.
[22] Used TEC definition of STEM subject from 2018 Evaluation report. STEM subjects were defined as Architecture, Design, Planning, Surveying; Agriculture and Other Applied Biological Sciences; Chemistry; Computer Science, Information Technology, Information Sciences; Earth Sciences; Ecology, Evolution and Behaviour; Engineering and Technology; Molecular, Cellular and Whole Organism Biology; Physics; Pure and Applied Mathematics; and Statistics.
[23] PBRF summary table, Universities New Zealand
[24] All figures under this sub-heading come from NZIER, Economic Impact of NZ's Universities, 2016 unless otherwise stated.

	• New Zealand's GDP is 3%-6% higher because of the impact that a university education has had on the productivity of the workforce with a university qualification (28% of the workforce in 2014). • In addition to being more productive themselves, graduates lift the productivity of other employees in their workplaces. This accounts for around 0.8% of GDP[25]. • Workers without a degree earn 1.6% to 1.9% more as a consequence of working with graduates.[26] • There are a range of other health, standard of living, wellbeing and intergenerational benefits that appear to accrue to graduates. These were not assessed in this study, but international research suggests the benefits to graduates are typically worth about double the graduate's actual annual earnings.[27] • The number of adults (aged 25-64) with a bachelor's degree or higher rose from 8.3% in 1991 to 26% in 2018.[28] 65% of domestic school leavers enrol at tertiary providers within their first year after leaving; 32% enrol into a bachelor's degree or above qualification.[29] • 89.7% of all people who started degree (Level 7+) study during any of the years 2009-2013 did so at a university.[30] • Bachelor's degree graduate's median weekly income is around 1.48 times greater than someone without a tertiary qualification by age 25-34 and this rises to 2.3 times greater by age 55-64.[31] • On average, less than 1% of degree qualified graduates are on a benefit at any time during the ten years following graduation. This compares with an average of 6% for those with a Level 4 certificate level tertiary qualification, and 4% for those with a level 5-7 certificate or diploma level qualification.[32] • For graduates aged 30-39 at the time of the 2013 Census, 73% were in jobs that either needed a specific degree (doctor, teacher, etc) or for which a degree was highly useful (general manager, consultant, policy advisor, etc).[33] • According to the 2018 Census, PhDs earn an average yearly income of 29% more than master's graduates, who earn 3% more than Honours graduates, who earn 16% more than Bachelor's graduates, who earn 17% more than Diploma graduates, who in turn earn 14% more than Certificate graduates

[25] NZIER, Economic Impact of NZ's Universities, 2020.
[26] NZIER, Economic Impact of NZ's Universities, 2016.
[27] For example, McMahon (2009) assesses benefits such as being able to live in nicer neighbourhoods, making better purchasing decisions, having better health, having healthier more successful children, etc as increasing annual income by 122%. Other studies, such as Wolfe & Haveman (2007) estimate benefits as being around 100% of annual income.
[28] Census 2018, IDI extract by Universities NZ
[29] Ministry of Education, Education Counts, School leaver destinations Data tables (2020 school leaver cohort)
[30] Bespoke report from the Ministry of Education Ralf Engler – run in 2017. See spreadsheet 'MASTER 2016 Five years after study destinations by ethnicity'.
[31] http://www.educationcounts.govt.nz/statistics/tertiary_education/life_after_study - Income and Earnings PSI.1
[32] http://www.educationcounts.govt.nz/statistics/tertiary-education/life_after_study, Earnings & Destinations, averages of the ten year 'benefit' figures.
[33] Universities NZ, Graduate Return on Investment Study – August 2020.

	and school leavers[34]. These averages vary significantly from individual to individual and between subjects. • In general, degree holders (level 7 and above) can expect to earn another $1.37m over their working lives compared with people with only a high school qualification.[35] • New Zealand has some of the best qualification completion rates in the world. Only 17% of full-time students who start a bachelors-level qualification at a university in New Zealand do not have a qualification within eight years. By comparison, non-completion rates at polytechnics/institutes of technology are 30% and 52% for Wānanga and 21% at PTEs.[36] International comparisons are problematic as different countries track completion rates over different time periods but reported graduation rates by first-time domestic bachelors (aged under 30) by OECD are 38% in the UK, 34% in Australia, 31% in New Zealand and OECD average is around 31%.[37]
Efficient Sector	• The New Zealand university system is efficient by international standards. For 2015, using New Zealand dollars in 2015 $NZ exchange rates New Zealand produced its outputs for 85% of what it cost in Australia. That is, Australian expenditure was $31,068 per university EFTS compared with $26,460 for New Zealand[38]. • New Zealand total expenditure on education institutions per EFTS is almost equal to the OECD average (6% greater than the OECD average)39. Despite this, all our universities are ranked in the top 3% of universities globally[40].

[34] Universities NZ, Graduate Return on Investment Study – August 2020.
[35] Universities NZ, Graduate Return on Investment Study – August 2020.
[36] Education Counts - https://www.educationcounts.govt.nz/statistics/tertiary-education/retention_and_achievement Workbook: 1-Direct_progression_Attrition_Completion_rates_Broad_levels, cells P140313,P145713,P151113.
[37] OECD, Education at a glance 2021, B5.3 Indicator(based on 2019 data)
[38] See row 22 on the worksheet 'Australian Uni Comparison' in the spreadsheet "MASTER University Finances" for references and calculations.

[39] Table C1.1 in the 2022 OECD Education Indicators at a Glance. (All Tertiary, based on 2019 data)
[40] Denominator of 19,800 com es from the International Association of Universities' Worldwide Database of Higher Education Institutions, World Higher Education Database (WHED) - IAU (iau-aiu.net)

Universities key statistics (Information from the 2022 Annual Reports)

Consolidated	Auckland	AUT	Waikato	Massey	VUW	Canterbury	Lincoln	Otago	TOTAL 2022
Academic Staff	2,439	1,193	326	1,300	1,110	942	184	1,631	**9,125**
Other Staff	3,677	1,225	788	1,792	1,245	1,210	360	2,466	**12,763**
Total Staff	**6,116**	**2,418**	**1,114**	**3,092**	**2,355**	**2,152**	**544**	**4,097**	**21,888**
Total EFTS	**35,827**	**19,124**	**10,119**	**16,847**	**16,703**	**16,105**	**2,512**	**19,174**	**136,411**
Total Headcount	46,289	27,048	13,136	27,533	21,833	22,734	3,563	21,159	**183,295**
Domestic EFTS	30,818	16,689	8,481	14,640	15,605	15,180	2,050	18,309	**121,772**
International EFTS	4,999	2,435	1,636	2,207	1,098	925	464	865	**14,629**
Māori EFTS	2,438	1,878	2,191	2,029	1,902	1,553	177	2,614	**14,782**
Pasifika EFTS	3,081	2,853	738	943	1,045	453	40	1,208	**10,361**
Postgrad EFTS (incl hons)	8,370	3,130	1,803	5,279	3,251	2,654	814	3,458	**28,759**
Income $m	**Auckland**	**AUT**	**Waikato**	**Massey**	**VUW**	**Canterbury**	**Lincoln**	**Otago**	**TOTAL**
Domestic student fees	*$162.5*	*$91.1*	*$42.3*	*$91.4*	*$74.8*	*$82.2*	*$4.0*	*$104.6*	***$652.9***
Domestic fee free	*$44.3*	*$20.5*	*$10.3*	*$15.0*	*$22.9*	*$26.1*	*$2.6*	*$25.3*	***$167.0***
International Full Fee	*$178.0*	*$54.1*	*$23.6*	*$55.1*	*$27.8*	*$27.7*	*$7.9*	*$31.9*	***$406.0***
Student Fees	**$384.8**	**$165.7**	**$76.2**	**$161.5**	**$125.4**	**$135.9**	**$14.5**	**$161.9**	**$1,226.0**
Govt DQ7+ (SAC) Funding (excl FF)	$380.8	$171.5	$84.3	$168.3	$157.0	$159.0	$29.5	$271.7	**$1,422.1**
Govt PBRF Funding	$93.6	$20.7	$13.6	$39.5	$36.0	$26.7	$10.1	$61.5	**$301.5**
Other Govt Funding	$17.6	$7.4	$13.0	$0.0	$7.8	$2.4	$0.0	$3.1	**$51.2**
Research & contracts	$327.0	$24.2	$40.7	$93.6	$82.6	$57.8	$32.4	$157.1	**$815.5**
Other Income	$189.3	$26.7	$35.5	$92.3	$85.3	$52.2	$40.0	$154.9	**$676.2**
Total Income	**$1,393.14**	**$416.20**	**$263.39**	**$555.06**	**$494.13**	**$434.02**	**$126.44**	**$810.12**	**$4,492.5**
Expenses $m									
People Costs	$705.2	$265.7	$145.0	$310.6	$283.9	$226.1	$63.6	$440.4	**$2,440.6**
Operating Costs	$427.5	$107.9	$94.6	$164.0	$133.5	$157.7	$43.7	$301.4	**$1,430.3**
Deprn & Amortisation	$162.4	$41.8	$37.0	$78.2	$48.4	$62.9	$14.2	$82.0	**$526.9**
Other expenses	$0.0	$3.1	$0.2	$11.0	$44.6	$17.9	$0.0	$1.0	**$77.7**
Total Expenditure	**$1,294.98**	**$418.50**	**$276.85**	**$563.78**	**$510.39**	**$464.63**	**$121.46**	**$824.86**	**$4,475.5**
Net surplus	$98.15	-$2.30	-$13.46	-$8.72	-$16.27	-$30.61	$4.98	-$14.74	**$17.0**
Surplus as % of Total Income	7.0%	-0.6%	-5.1%	-1.6%	-3.3%	-7.1%	3.9%	-1.8%	**0.4%**
Property, plant & equipment book value	$4,236.5	$1,086.3	$820.2	$1,621.9	$1,249.0	$1,652.6	$297.3	$2,429.6	**$13,393.4**

Relevant legislation with regard to New Zealand's university system

1. Education and Training Act 2020
    a. Universities are subject to the provisions of the Education Act which guarantees their academic freedom and autonomy [s267], and which describes their characteristics s268(2)(d)
    b. determines the constitution of their councils (sections 276, 278, 279)
    c. defines their Crown reporting arrangements (through the Tertiary Education Commission)
    d. allows them to establish and quality assure their own courses and programmes
    e. and specifies that their chief executives (vice-chancellors) will be appointed through the provisions of the State Sector Act.
2. Education and Training Act 2020 – Section 253 the New Zealand Vice-Chancellors' Committee is the body with overall responsibility for quality assurance in the university sector.
3. Education and Training Act 2020 - Vice-Chancellors Committee (NZVCC operating as Universities New Zealand) Section 312:
    a. NZVCC to oversee the setting up inter-university course approval and moderation processes. NZVCC exercising, in relation to universities, some of the powers of the New Zealand Qualifications Authority – namely approving the establishment and operation of university programmes subject to any conditions it wishes to impose and accrediting universities to provide approved programmes. NZVCC may issue compliance notices and withdraw accreditation if appropriate.
    b. NZVCC responsible for listing university qualifications on the Qualifications Framework.
    c. NZVCC to administer a range of scholarships.
4. Education (Pastoral Care of Tertiary and International Learners) Code of Practice which is embedded in the Education and Training Act 2020. This is to ensure that tertiary students in New Zealand receive proper pastoral care.
    a. New Zealand Qualifications Authority (NZQA) appointed as Code Administrator. NZQA has delegated to the New Zealand Vice-Chancellor's Committee (NZVCC) the role within section 238H(3)(b)(i) of the Education Act 1989 (as saved by clause 7(3) of Schedule 1 of the Education and Training Act 2020) of monitoring each university in relation to each university complying with the Education (Pastoral Care of Tertiary and International Learners) Code of Practice 2021 ("the Code") and the steps the university is taking to improve its giving effect to the code.
5. Official Information Act 1982
    a. Universities are subject to the Act (see S2)
6. Crown Entities Act 2004 s7 (1)(e)
    a. Tertiary institutions established under Part 14 of the Education Act including universities are defined as crown entities
7. Own legislation
    a. All universities in New Zealand have been established under their own legislation. Each is a *"body corporate with perpetual succession and a common seal, and may hold real and personal property, and sue and be sued, and do and suffer all that bodies corporate may do and suffer."*