Higher Education in New Zealand: What might the UK learn?

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About the Author

Sam Cannicott was the Education Policy Adviser for the Liberal Democrats from 2007 to 2010. During this period he worked on policies, including a pupil premium for schools in England, which were implemented by the Coalition Government from 2010. Sam also worked on alternative proposals designed to move the Party away from its opposition to university tuition fees, though without complete success.

From 2012 to 2015, Sam was a Policy and Strategy Adviser at Regent's University London, a private university awarded university title in 2013.

A graduate of the University of Nottingham, Sam has written for *Total Politics*, *HE* and *Wonkhe*. In 2013 he wrote *Smarter Accountability in Further Education*, which was published by CentreForum, a UK think tank.

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Foreword

Nick Hillman, HEPI Director

The history of New Zealand and the history of the UK are closely intertwined. But New Zealand is a small country compared to the UK, with a population of under five million. So it might be expected that New Zealand's policymakers have more to learn from the UK than vice versa.

In fact, New Zealand's smaller size can make it easier to implement innovative new policies. Time after time, it has proved of interest to UK policymakers. For example, in the 1990s, the UK sought to learn from New Zealand's civil service reforms and in the 2000s, we learnt from their pension reforms.

Now, as this wide-ranging paper shows, we could learn much from their higher education sector, which is the only one in the world where every single university is in the top 3 per cent globally.

The potential lessons cover areas such as:

- the consequences of removing student number controls;
- the growth of challenger institutions;
- the retrieval of student loans from graduates who have moved overseas; and
- the recruitment of international students.

HEPI is a UK-wide body. While it is challenging to keep on top of the volume of change going on in higher education across all four parts of the UK, it is also important that we keep an eye on changes elsewhere in the world. Otherwise, we will miss important lessons for our own higher education sector.

That is why, in 2014, we published a set of reports looking at the Australian higher education sector and why, in 2015, we published a detailed study comparing the UK and German higher education systems. Now, we shine our spotlight on New Zealand.

While we hope this study will, above all, provide useful lessons for UK policymakers, we also hope it will be read with interest in Wellington as well as in Westminster.

Higher Education in New Zealand

	New Zealand	UK
Population	4.6m	65m
Universities	8 universities, 3 wānanga	141 (151 with degree-awarding powers)
Universities per head	1:575,000	1:461,000
Students (men:women) - Bachelor's degree or higher	209,000 (1:1.4)	2.3m (1:1.3)
People aged 25-34 with a diploma or higher qualification (2014)	40%	48%
% of undergraduates studying part-time	23%	20%
International students (Bachelor's and higher) as a % of student body	15%	18%
University staff (FTEs)	20,000	275,000
Completion rate (within 9 years)	83%	82%
Average domestic tuition fee (university)	£2,718	£8,830
International fee revenue (universities)	£146m	£3,240m
Tertiary education spending as a % of GDP in 2011 (public and private)	1.5%	1.2%
Research spending as % of GDP	1.16%	1.70%
World rankings (universities in the 2015/16 QS World Top 500)	8/8	71/141
Student loan income repayment threshold	£8,588	£21,000

Figures taken from Universities UK, *Higher Education in Facts and Figures, 2014;* and OECD*, Education at a Glance*, 2014. Some data also come from the Higher Education Statistics Agency (hesa.ac.uk) and the New Zealand Ministry of Education (educationcounts.govt.nz). The figures are indicative rather than precise and comparisons should be treated with caution.

Throughout this paper an exchange rate of £1 = 45 NZ cents has been used.

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Introduction

Despite being far smaller, New Zealand's higher education sector has many similarities with the UK's. Universities in both countries generally deliver good outcomes, with graduates enjoying better employment prospects and higher lifetime earnings than those who do not enter higher education. Both countries' higher education systems perform well in international rankings and have high completion rates.

New Zealand often adapts ideas adopted in the UK. This includes the introduction of the Key Information Set (KIS). The Performance Based Research Fund resembles the UK's old Research Assessment Exercise. The New Zealand student loan scheme is modelled, in part, on the Australian system, but is also similar to the income-contingent system in England and enables students to study without paying up front fees.

The similarities between the two systems mean that they face many of the same challenges. In some cases New Zealand is ahead of the UK in its efforts to tackle them and these are one focus of this paper.

Addressing the cost of the student loan scheme

The New Zealand Government has adopted a range of measures to drive down the costs of its student loan scheme. These have included increasing the repayment rate for graduates while also reducing the ability of institutions to raise their fees. In the UK, England has recently considered some similar measures and may wish to go further in the coming years.

Private providers and the demand-led system

Between 1999 and 2002, New Zealand experimented with a demand-led tertiary education sector, while also encouraging private providers to enter the system. Costs soared and number controls were reintroduced. Student number controls in England have been abolished and non-HEFCE funded providers have become a more significant element of the higher education sector. There is therefore scope for New Zealand's experience to inform policy developments in the UK.

Securing repayments from domestic students who have gone overseas

The UK and New Zealand have struggled to ensure graduates who move abroad repay their loans. New Zealand has introduced a number of initiatives to retain contact with overseas students, which go beyond anything in the UK. Legislation which means those behind in their repayments can even be arrested at the border.

Attracting international students

With tight public funding, New Zealand's universities are increasingly reliant on international students as an important revenue stream. In recent years, the country has adopted a detailed and comprehensive strategy which could serve as a template for the UK to follow.

Given the challenges faced by the two sectors are so similar, it is remarkable that there is not closer collaboration. It is hoped this paper will inform people in the UK of the actions New Zealand has taken and go some way to enabling a greater sharing of experiences to inform future policy work.

New Zealand's Tertiary Sector – An Overview

New Zealand has an integrated tertiary education sector of which higher education (degree level and above) is one element.

Tertiary education covers all levels of post-school education and includes:

- foundation education (basic literacy and numeracy);
- applied and vocational training;
- higher education (degree and postgraduate education); and
- community education.

Nearly a third (31 per cent) of the 144,000 students who completed a tertiary qualification in 2013 did so at Bachelor's level or higher.

Tertiary Institutions

New Zealand's tertiary sector consists of a number of different categories of provider, including:

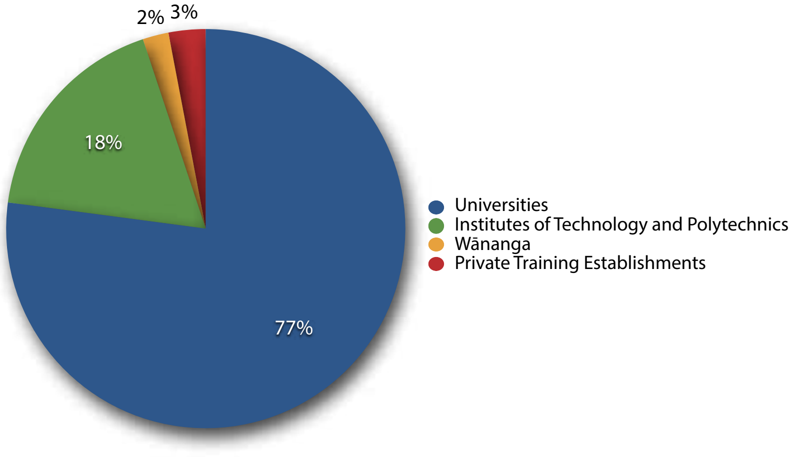
- Universities – there are eight universities providing extensive degree and postgraduate education, which also host New Zealand's Centres of Research Excellence.
- Wānanga - New Zealand's three wānanga provide education using Māori styles of teaching and learning.
- Private training establishments (PTEs) – over 200 PTEs, which are not state owned and often specialise in a specific

industry or area of study, usually with a vocational focus. Most are approved by the Tertiary Education Commission so receive direct Government funding. Students enrolled on their programmes can receive a subsidised student loan.

- Institutes of Technology and Polytechnics (ITPs) – 14 government-owned institutions delivering technical, vocational and professional education.

Degree-level programmes are delivered across all types of tertiary provider, but most undergraduate and postgraduate students are enrolled at a university.

Bachelor's Degrees (2014)



Provider-based Equivalent Full-time student numbers (EFT 0.9), Ministry of Education, July 2014 (https://www.educationcounts.govt.nz/statistics/tertiary-education participation)

Since 2007, the number of students enrolled on university undergraduate programmes has remained relatively stable (around 90,000 full-time equivalent students), but the number of degree-seeking students at ITPs has increased by 50 per cent (from 14,000 to 21,000 in 2014). Likewise, 1,400 undergraduates were enrolled at PTEs in 2007. This rose to over 3,600 in 2014. There is therefore some evidence of a developing mixed market, but one that is currently dominated by established universities. Almost all postgraduate education continues to be delivered by universities.

Financial Support for New Zealand Students

New Zealand's student support system provides eligible students with a mixture of loans and grants.

	New Zealand	**England**
Fee support	The fee loan is available across the whole of tertiary education to cover course fees at approved institutions, but there is a lifetime limit of up to seven years (additional years may be available for doctoral and medical students).	Undergraduates can borrow up to £9,000 per year – usually limited to their first higher education qualification. Postgraduate loans are currently being introduced.
Support for course-related costs	Students can borrow up to £450 a year (for help to buy materials etc).	Nil (unless available from the institution).
Living costs	Loan of up to £80 a week (£4,160 per year).	Maintenance loans of up to £8,200 for a full-time student living outside of London.

Maintenance grants	Student Allowance, which is based on parents' income of up to £39,000 if under 24: up to £80 per week (£4,680 per year) for a student without children if parents earn less than £24,000 per year.	A maximum of £3,387, dependent on household income (if less than £25,000 a student receives the maximum amount).

Students in receipt of a Student Allowance in New Zealand are unable to receive the living costs element of the student loan

Maintenance grants are being phased out in England under budget cuts announced by the Conservative Government in 2015

Government funding

While universities in England are almost solely reliant on tuition fee income to fund teaching costs (for most classroom-based disciplines), the New Zealand government continues to provide funding to institutions running programmes approved by the New Zealand Qualifications Authority (NZQA), including to PTEs.

New Zealand's equivalent of the HEFCE teaching grant is the Student Achievement Component (SAC) which totalled nearly $2.5 billion in 2015.* Over half of this grant was received by New Zealand's universities. It covers, on average, 71 per cent of the cost of tuition. The remaining tuition costs are paid by students through tuition fees.[1]

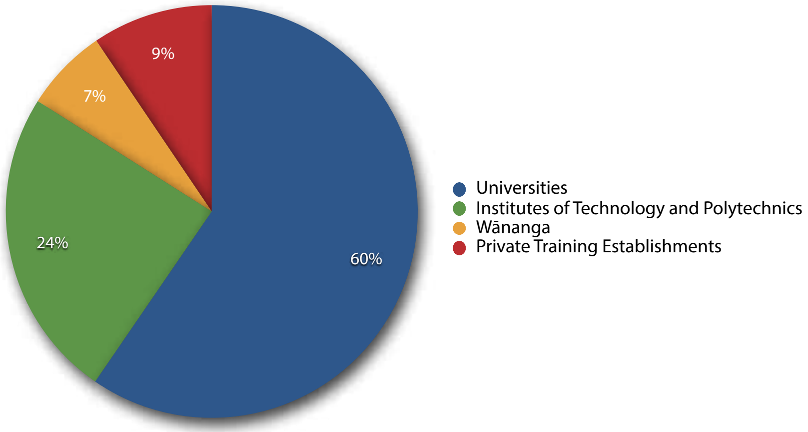
* For the purposes of comparison, the HEFCE teaching grant was around £1.7 billion in 2015/16.

Tertiary Education Sector Funding (New Zealand)[2]

(NZ$millions)	Forecast	% of Total
Tuition (SAC)	2,474	58
Other tertiary funding	501	12
Student allowances	529	12
Student loans	746	18
Total	**4,250**	**100**

Note these figures are for the government funding for the whole of tertiary education – not only higher education

Allocation of Student Achievement Component (Levels 3+) 2015



Budget Economic and Fiscal Update 2015, New Zealand Treasury

Government ministers often champion the fact that New Zealand spends 48 per cent of its public budget for tertiary education on financial aid to students, more than double the OECD average spend of 22 per cent.

New Zealand has one of the most generous student support systems in the world. Taxpayers directly pay around 70 per cent of the cost of tuition; and provide interest-free student loans for the balance of the tuition fees, and significant student living costs.
Steven Joyce MP, Minister for Tertiary Education, Skills and Employment, December 2015[3]

The New Zealand Government regularly claims the UK is the only OECD country that spends a higher proportion on financial aid.[4] This somewhat disguises the fact that this is a result of a shift in England away from direct funding towards students paying for a greater proportion of their higher education themselves. In 2010, nearly 70 per cent of teaching funding received by English institutions came in the form of grants via HEFCE. By 2015, almost 80 per cent of teaching funding was received through tuition fees capped at £9,000 – most of which was paid to institutions via subsidised student loans.

Sector Bodies in New Zealand

Tertiary Education Commission (TEC): The TEC is responsible for sector funding. It works with institutions to set the fees of new programmes, agrees student number allocations and manages the overall performance of the sector. It is broadly similar to the higher education funding bodies in the UK.

New Zealand Qualifications Authority (NZQA): The NZQA administers the New Zealand Qualifications Framework (NZQF), including the secondary school assessment system. The body approves qualifications offered by all institutions apart from universities, which do not require NZQA approval.

Universities New Zealand (UNZ): The sector representative body of the country's eight universities, which also has responsibility for the quality of university programmes and administers a range of scholarships. It must approve new programmes proposed by universities. It is similar to Universities UK, but also has a more formal regulatory role.

The Cost of Student Loans

New Zealand's total student loan debt sits at around $15 billion (£6.8 billion) or 6 per cent of GDP, with more than 720,000 debtors – roughly 16 per cent of the population. Total student loan debt in the UK is approximately $156 billion (£70 billion) or 16 per cent of GDP. In recent years, governments in both countries have sought to address the growing costs of the loan schemes.

The loan system in New Zealand was introduced in 1992 and covered the whole of tertiary education. Students even became able to obtain loans to complete sub-degree courses of dubious economic value (which also qualified for teaching grants) lacking good employment outcomes. More recently, there has been a greater focus on support for degree-level qualifications and a shift away from heavily-subsidised certificate-level courses. The NZQA led a review of sub-degree qualifications, which led to a reduction in the number that entitle students to a student loan. In 2006, 56 per cent of student loan borrowers were enrolled at Bachelor's level or higher. In 2014, the figure was 68 per cent, despite the total number of undergraduates remaining fairly stable.

Student loans for all levels of university study

The New Zealand student loan system extends from sub-degree tertiary education to postgraduate programmes (including PhDs). Postgraduate students may receive fee loans and maintenance to support their studies, as well as course-related costs. Fee loans are available to all students, regardless of age, whereas support for living costs is only available to those students aged under 55 years.

In 2010, New Zealand introduced a lifetime cap on how much financially-supported study a student can undertake. This is set at seven Equivalent Full-Time Students (EFTS) which is about seven or eight years of full-time study. It is not a financial cap as fees vary between level and subject, but it instead limits the amount of supported study a student may pursue. Students seeking to retrain may also take out a subsequent loan for study at a lower level. This is different to England where, as a result of reforms introduced in 2008, there are very limited options for students to receive loans for Equivalent or Lower Qualifications (ELQs).

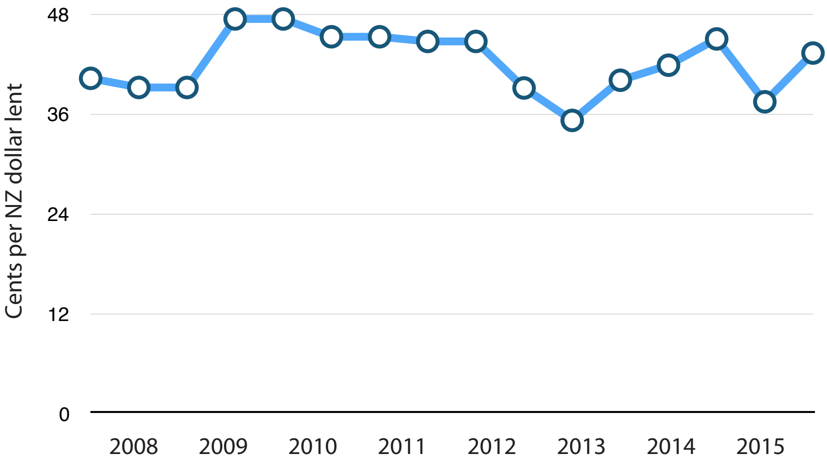
This package of financial support is significantly more generous than that which has historically been available to postgraduate students in the UK. However, in response to concerns about access to postgraduate qualifications, the Government announced in 2015 that postgraduate loans will be available to students starting courses in England from August 2016.[5]

Despite a more generous support system, New Zealand does not have a higher rate of graduates continuing their studies. Around 6 per cent of graduates in New Zealand enroll on a Master's programme after completing their undergraduate studies.[6] The figure in England is a little higher at around 8 per cent.[7] While a like-for-like comparison is difficult, it is evident that the participation rate is affected by factors beyond the availability of student support.

Cost of the New Zealand loan scheme

New Zealand's student loan scheme is heavily subsidised.

Cost of lending in cents per NZ dollar lent



Ministry of Education, *Student Loan Scheme: Annual Report 2014/15*, 2015, p.20 (http://www.educationcounts.govt.nz/__data/assets/pdf_file/0003/170229/Student-Loan-Scheme-Annual-Report-2015.pdf)

For every $1 lent to a student, the government writes down around 45 cents in its books. Therefore for every dollar the government lends, 55 cents is treated as an asset and 45 cents as an expense. The cost of lending appears to be similar in the two countries. The Resource Accounting and Budgeting (RAB) charge on English student loans was estimated to be around 45 per cent until the 2015 Spending Review announced that the RAB charge would be lowered to 'around 30 per cent' as a result of a freeze in the repayment threshold and a reduction in the discount rate applied in the RAB charge calculation.

The abolition of interest on loans

A stark difference between the New Zealand system and the loan scheme in England is that interest is not added to borrowers' loans in the former – unless they move overseas. Approximately 20 cents in every $1 lent is written down as a result of the interest-free student loan policy.[8] This adds a cost but, for political reasons, is unlikely to be reversed in the foreseeable future.

During the 2005 general election campaign in New Zealand, the Labour Party revealed the budget surplus was larger than expected and said, if the party were re-elected, the extra money available would be spent on removing interest from student loans. Not only would the policy benefit future graduates, it would also apply to those who were already repaying and who would have no more interest applied to their loans. As John Armstrong, the *NZ Herald's* former Chief Political Commentator wrote, 'it was a blatant, unapologetic pitch for the middle class vote – and it probably worked'.[9] Labour remained the largest party and, with Helen Clark as Prime Minister, formed a new minority coalition government.

No minister has attempted a blanket reinstatement of interest on loans (although borrowers who move overseas do now accumulate interest). In 2012, New Zealand Prime Minister, John Key, was remarkably honest about why he was ruling out introducing interest on loans despite the total student loan debt approaching $13 billion:

Bluntly, if you want me to be really crude about it there are 565,000 student loans out there. If we add interest back on the student *loans, it doubles repayment time of the loan.*

If your loan is $50,000, and it's estimated it will take you eight years to pay it off, we effectively turn it into a loan that is about $90,000 with interest that takes you about 15 years to repay.

That is about the only thing that will get [young people] out of bed before 7 o'clock at night to vote, but it's not politically sustainable to put interest back on student loans. It may not be great economics, but it's great politics. It is a bit of a tragedy because it sends the wrong message to young people, it tells them to go out and borrow debt.
John Key MP, Prime Minister[10]

However, UK experience would suggest that increasing the costs faced by students is not necessarily an election loser. In 1998, for example, Tony Blair's Labour Party introduced tuition fees and abolished maintenance grants, but went on to win the next election. As Nick Hillman has suggested, 'governments that pile costs on students are not bound to lose'.[11]

Many New Zealand economists and commentators have argued that it is time to add interest to student loans.

It will take a brave government to instigate such a move but it's an obvious solution to deflate the balloon and it could also encourage people to plan their tertiary education more efficiently to incur less debt.
Robyn Jamieson, Partner, Grant Thornton New Zealand[12]

Yet there is no sign of a political appetite to do this. This is in contrast to student loans in England, which historically had inflation protection applied to them. Since 2012, borrowers earning over £41,000 per year (and all students while studying) have had an interest rate of 3 per cent above inflation applied.

Professor Nick Barr has argued that a subsidised interest rate – or inflation protection – is inefficient and unfair as it only benefits higher-paid graduates.[13] If one accepts Barr's argument, the New Zealand system, with loans that are not even linked to inflation, is profoundly regressive.

Abolishing interest on loans caused the cost of the student loan regime to soar. When interest was added to loans in 2005 each dollar lent cost the Government 11 cents.[14] By 2011, the cost was 45 cents.[†]

Reducing the cost

While adding interest to student loans is off the agenda in New Zealand, a number of reforms designed to push down the cost of such a heavily-subsidised scheme have been introduced.

The repayment threshold for former students, currently $19,084 (£8,588) is reviewed by ministers against the Consumer Price Index. No adjustments have been made since 2009, and the 2014 budget confirmed that it is set to remain unchanged until at least April 2017. This is the same sort of move made for England in the UK's 2015 Autumn Statement.[15] For New Zealand, the change meant shorter repayment times for borrowers and reduced lending costs for the state. It is estimated that an average graduate's repayment time has been reduced by about six months as a result of the threshold freeze introduced in 2009.[16]

† Note that this change is also, in part, because of technical changes to the way the cost of student loans are calculated.

This process that we're doing now asking them to pay a bit more will shorten the repayment period by about four to five months on average and give us significant sums of money to reinvest in the system.
Steven Joyce MP, Minister for Tertiary Education, Skills and Employment, 2012[17]

New Zealand borrowers must start repaying their loans when their earnings are far lower than their counterparts in England. Lower-paid graduates commence repayments even if they could not be said to be earning a typical graduate starting salary. The mean annual salary in New Zealand is $46,000 (£21,000), while the average graduate earns around $50,000 (£22,000) five years after studying.[18]

In England, the repayment threshold is £21,000 ($46,000) per annum. The higher education reforms unveiled in 2010 lifted this threshold from £15,000 ($33,000), adding significant expense to the system, but favouring lower-earning graduates, thereby making the system more progressive.

New Zealand borrowers also face a higher repayment rate (12 per cent of earnings over the threshold). The repayment rate in England is only 9 per cent (over the higher threshold).

In England, student loans issued since 1 September 2012 are written-off after 30 years. Borrowers in New Zealand only have their loans written-off if they are declared bankrupt or die. This is another progressive element of the English system as it favours less well-off graduates – although typically students will graduate with much more debt than those in New Zealand.

Increasing the repayment rate – 'Good news' for students?

The New Zealand Government's move to increase the repayment rate for borrowers from 10 per cent of earnings to 12 per cent in 2012 was controversial. The change affected existing borrowers and not just new borrowers entering the system. Cabinet papers reveal that the policy was agreed despite officials arguing that such a change would be poorly targeted and penalise low-income graduates.[19] The changes were introduced as part of a package of budgetary measures and did not require new legislation.

Loan contracts between students and loan providers in New Zealand and England are similar – both allow the terms to be varied without borrowers able to challenge such changes. A similar option therefore remains available to policymakers seeking to reduce the costs of student loans.[20] This would meet a hostile reaction. Freezing the repayment threshold for existing borrowers in England sparked a furious outcry with Martin Lewis, a personal finance campaigner, going as far as hiring lawyers to investigate grounds for a judicial review.[21] The legal advice went against Lewis ('Sadly, the legal advice I've had suggests a judicial review won't work')[22] but, where the political will exists, New Zealand's experience suggests that such retrospective changes can be successfully introduced.

Indeed, New Zealand's Prime Minister even went as far as suggesting the changes were 'good news' for students:

Effectively they (the students) will be asked to repay slightly quicker and that will be good news in fact for them because they will be able to pay off their student loan faster. It's

good news for the Government because its liability reduces.
John Key MP, Prime Minister, 2012[23]

Presenting such reforms so positively may seem counter intuitive, but a 2014 survey conducted by the University Alliance in the UK found that undergraduates, by a margin of two to one, would rather repay a student loan back quicker, with higher monthly repayments.[24] Those in the UK concerned about the costs of England's student loan system may yet seek to learn from New Zealand's approach.

Impact of reforms

The reforms outlined above have brought down the cash cost of the loan scheme. In 2005/06, for every dollar the New Zealand Government received in repayments, it lent $2.02 to current students. This remained static until 2012/13, when reforms were introduced and the Government lent $1.39 for every dollar received. The amount of net cash out has continued to fall since 2012/13.[25]

Since 2000, the New Zealand Government has altered the balance between the share of the full cost of tertiary education borne by students and the share paid by Government. In 2000, students paid 33 per cent of the full cost through their tuition fees. However, as a result of policies restricting fee increases, this figure was only 29 per cent in 2014. For those in the UK concerned about the Government stepping away from higher education funding, the New Zealand experience suggests that the funding balance between individual students and the state can change without the need for significant legislative reform. A Government wishing to inject more money into higher education, or reduce the burden on students, may adjust the teaching grant rather than spending political capital on moving the fee cap.

The New Zealand Government's more aggressive approach towards reducing the cost of student loans appears to have had an impact. However, the driver for these changes has been the degree to which the loans are more heavily subsidised because interest is not applied to them. Adding interest would bring down the cost of the scheme and potentially allow for the repayment burden on relatively low-income graduates to be eased. Estimates from 2013 suggested the no-interest policy had cost up to $4.5 billion only six years after being implemented.[26] The potential electoral impact means that it is still not an option the current New Zealand Government seems willing to entertain.

Private Providers and the Demand-Led System

Many countries, including England and the United States, have encouraged private providers to enter the higher education sector but have encountered problems with quality. New Zealand is no exception and particular concerns have been at the sub-degree level.

In 1999, funding for qualifications delivered by PTEs was put on a level footing with public institutions. Students enrolling on courses approved by the sector regulator at these institutions were able to take out a student loan, and PTEs also received teaching grants direct from government. Simultaneously, the Government, keen to increase the number of tertiary enrollments, removed number caps so tertiary education became demand driven. PTEs are still able to run courses without approval for state funding from the regulators, but students on these courses must pay the full costs without access to loans.

The result was a large increase in participation in programmes of dubious economic value. Total enrollments increased by 17 per cent from 1997 to 2002, while sub-degree courses grew by 50 per cent (compared to 6 per cent growth at degree level).[27]

A combination of uncapped EFTS [Equivalent Full-Time Students], frozen fees and new approaches to zero-fee courses in polytechnics and wānanga led to a large blow-out in sub-degree level EFTS. This reinforced the Government's determination to introduce a greater element of central control into how public funds for tertiary education were being allocated.
Ron Crawford, New Zealand Productivity Commission, 2016[28]

Student number caps were reintroduced in 2002 and a 'managing growth' policy was implemented to restrict further enrollment increases. The policy change was informed by moves taken by the UK's Labour Government under Tony Blair, which explicitly attempted to link education policy with economic policy.[29] In 2003, the Tertiary Education Commission was also created to improve sector regulation and administer institutional funding in a way that increased the value of participation in tertiary education. Institutional funding had previously been distributed directly by the Ministry of Education.

Despite the reintroduction of number controls for all providers, concerns about quality among private providers, as well as other institutions specialising in sub-degree provision, including polytechnics and one of the wānanga, persisted. A New Zealand Tertiary Education Commission Report in 2005 found that 64 per cent of courses delivered by PTEs were of poor quality.[30] After a series of scandals emerged in the media, such as stories about courses teaching homeopathy for pets and other qualifications of dubious economic value, an opinion poll commissioned by the NZQA suggested that only 36 per cent of New Zealanders had confidence in the country's tertiary education system.[31] Concerns, in both the UK and New Zealand, that the behaviour of poor quality providers tarnishes the whole sector are therefore well founded.

To address the quality concerns, regulators have introduced a greater emphasis on completion rates and outcomes with government funding decisions linked to them. In 2012, the Tertiary Education Commission became more reliant on provider-level performance indicators, including completion rates and progression of students, to determine 5 per cent of institutional funding.[32] The proposed Teaching Excellence Framework (TEF) in England is also set to consider similar metrics when assessing institutions.

Despite the regulatory changes, problems remain. The completion rate at universities is currently over 80 per cent, but at PTEs 35 per cent fail to complete. In late 2015, it emerged that there were 35 tertiary providers (in the public and private sectors) with 'widespread or serious issues with educational delivery'.[33]

New Zealand is now making greater use of data to assess the performance of institutions and the Tertiary Education Commission and NZQA are becoming more active and intervening when there are concerns about particular institutions. The Tertiary Education Commission intends to undertake 75 institutional audits in 2015/16 as opposed to 30 in previous years.[34]

A lesson for the UK?

In 2013, the UK Coalition Government announced student number controls would be abolished for universities in England. Critics argued this would prove too costly and controls would inevitably be reintroduced: HEPI's President, Bahram Bekhradnia has described the reform as 'an experiment that is unlikely to succeed'.[35] The New Zealand Government regularly dismisses the previous demand-driven system as the era of 'bums on seats'.

The New Zealand experience suggests scrapping student number controls, while also encouraging more providers to enter the system, can cause the cost of provision to soar. However, significant growth in New Zealand came as a result of students enrolling on sub-degree qualifications. England has had a similar experience in relation to the growth of enrollments on sub-degree qualifications such as Higher Nationals at institutions which were of questionable quality. This occurred before the abolition of student number controls but was linked to the availability of student loans. The UK Government is therefore wise to be cautious about removing student number controls on non-HEFCE funded providers, which may be more likely to focus their provision on lower-level qualifications. The UK white paper (May 2016) also confirms that the moratorium on new Higher National courses at private providers will remain in place to limit growth on sub-degree level programmes.[36] The UK has also had the added challenge of managing demand from European Union (EU) students who are entitled to student loans.[37] With the UK now set to leave the EU the availability of subsidised tuition loans to EU students in UK institutions may change. Even so, New Zealand needed to manage the system for its domestic market, but the budget still spiralled out of control.

Following a period of tightening regulations, New Zealand has taken some steps to relax number controls again. In December 2015, the Government announced more flexibility enabling institutions to enroll additional students wishing to pursue high-demand programmes. To enroll the additional students, institutions must have a 2015 course completion rate of 70 per cent or higher. However, the driver for this policy is to ensure funding can follow demand across providers, rather than increasing volume in the system. This change is also being introduced at a time when demographic changes mean the number of domestic students is projected to fall.

The change won't mean a return to the old 'bums on seats' days of the previous Labour Government. The government's performance-linked funding model ensures that providers are focused on achieving results for their students, not just enrolments.
Steven Joyce MP, Minister for Tertiary Education, Skills and Employment, 2015[38]

A controlled market

There is no formal fee cap in New Zealand and fees vary considerably between subjects and institutions. The average undergraduate university tuition fee in New Zealand is around $6,000 (c.£3,000). Yet undergraduate medics can expect fees of around $15,000, while an arts student will pay less than $6,000.

In 2001, a fee stabilisation policy was brought in, freezing fees for two years. In 2010 the current Annual Maximum Fee Movement (AMFM) was introduced. This allows for a maximum fee increase of 4 per cent (with ministerial approval).[39] In 2015, the Minister announced that he would only allow a 3 per cent increase for the academic year 2016/17.[40] It is therefore anticipated that students will borrow slightly less than was initially forecast. Despite the absence of a flat fee cap across all fields of study, like that in the English higher education system, the AMFM leaves ministers with significant control over fee setting in public and private institutions (for domestic students).

All institutions (including for-profit PTEs) running courses approved by the NZQA and funded through the Tertiary Education Commission are subject to fee control. Not only do they receive funding through student fees, they also receive money from the government to support teaching costs. The system has been criticised as it penalises those institutions which did not hike their fees when they had the opportunity to do so. They now have their fees frozen at a lower level than those that significantly raised their fees a decade ago.

The market is therefore more heavily controlled in New Zealand than it is in England where non-HEFCE funded institutions can charge any fee they like, but student loan entitlements are capped at a lower level – although this is being modified in line with proposals set out in the Government's May 2016 white paper (see table below). Arguably, the New Zealand approach levels the playing field, funding state-owned and private institutions in the same way, although it limits the opportunities for institutions, both public and private, to compete on fees (for domestic students).

Types of HE providers

	Registered	Approved	Approved (Fee Cap)
Part of English HE			
Eligible for student support			
Eligible for grant funding			

Department for Business, Innovation and Skills (BIS), *Success as a Knowledge Economy: Teaching excellence, social mobility and student choice*, May 2016, p.24

Increasing Repayments from Borrowers Overseas

Despite the vastly different size of the student loan books in the UK and New Zealand, the amount owed by overseas borrowers is nearly equal.

Percentage of student loan book held overseas

New Zealand	£1.4 billion (21%)
UK	£1.5 billion (2%)

NZ: 'Arrested student loan defaulter claims to be Cook Island PM's relative', National Business Review, 22 January 2016 (http://www.nbr.co.nz/article/student-loan-defaulter-arrested-new-zealand-border-183864)

UK: HM Government, Student Loan Repayment for Sustainable Higher Education, Joint Repayment Strategy, February 2016, p.6 (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/499432/BIS-16-8-student-loan-repayment-for-sustainable-higher-education-strategy-February-2016.pdf)

New Zealand has a long tradition of students heading overseas after their studies, usually for a relatively short period of time. The 'Overseas Experience' (OE) is an important part of New Zealand culture. Given 70 per cent of New Zealanders tend to return within three years, the OE has generally been encouraged as graduates return with new skills and experience for the domestic workforce – brain gain rather than brain drain.

It is estimated that \$3.1 billion (£1.4 billion) is owed by former New Zealand students now residing overseas. Over 70 per cent of the 111,000 former students abroad have overdue payments.[41] The money owed by New Zealand borrowers overseas equals 90 per cent of the total amount overdue by all borrowers.[42] Like the UK, the New Zealand system is relatively effective at retrieving payments via the tax system from those who do not move abroad but struggles to ensure graduates who are overseas repay their loans.

Just because people have left New Zealand it doesn't mean they can leave behind their debt. The New Zealand tax payer helped to fund their education and they have an obligation to repay it so the scheme can continue to support future generations of students.
Steven Joyce MP, Minister for Tertiary Education, Skills and Employment, 2015[43]

New Zealand policymakers have been more actively engaged than those elsewhere in collecting money from former students who are residing abroad. In January 2012, a study commissioned by the New Zealand Government reviewed data, much of which was available as a result of new legislation enabling customs data on border movements to be matched with Inland Revenue's records of student loan borrowers.[44]

The study found that those graduates who had moved overseas were likely to have a higher amount of debt because they had typically studied at a higher-level. A third of university graduates included in the study were found to be overseas.

These graduates were accruing loan interest that is added to loans when a borrower moves overseas, often without any offsetting repayments. In many cases, the lack of repayments would not necessarily be because of deliberate avoidance. Many of those graduates living overseas are thought to be travelling or in low-paid jobs.

From 2010 onwards, the New Zealand Government has introduced a series of measures designed to increase repayment rates and recoup the debt owed by overseas borrowers.

In February 2016, the UK Government also announced measures designed to improve the repayment rate from overseas graduates, including:

- improving communications with borrowers;
- working with international debt collection agencies; and
- entering into international data-sharing exercises with other countries.[45]

New Zealand has adopted similar measures, but has also gone much further and introduced more significant changes to recoup money from borrowers residing overseas.

Breaking the link between earnings and repayments

Repayment obligations for New Zealand borrowers who move overseas are no longer related to a graduate's income. Instead loan repayments are based on the outstanding balance plus an administration fee. This removes the need for the Government to collect information about the borrower's income and makes the former student's obligations clear. In contrast, UK borrowers have their repayment terms recalibrated to local labour market conditions (meaning there is a lower repayment threshold in poorer countries).

Those with the largest debts are expected to pay more per year regardless of their income. The aim was to speed up repayments, while also reducing the amount of interest incurred by the borrower on larger debts.

Overseas graduates' repayment schedules[46]

- $1,000 per year, if their relevant loan balance is less than or equal to $15,000;
- $2,000 per year, if their relevant loan balance is more than $15,000 but less than or equal to $30,000;
- $3,000 per year, if their relevant loan balance is more than $30,000 but less than or equal to $45,000;
- $4,000 per year, if their relevant loan balance is more than $45,000 but less than or equal to $60,000; and
- $5,000 per year, if their relevant loan balance is more than $60,000.

Such radical changes to the repayment regime have not been pursued in the UK, where payments made by graduates overseas remain linked to earnings. The UK therefore continues to collect information on the incomes of overseas graduates which is both challenging and complex.

It has been estimated that EU graduates who studied in Britain owe nearly £90 million in unpaid loans and the total is growing fast. There may perhaps be legal barriers to introducing a different repayment schedule for this group of graduates – for example, breaking the earnings link – although it could be more straightforward assuming the UK leaves the EU.[47]

In 2014, the BIS Parliamentary Select Committee considered the New Zealand approach and recommended 'that the Government assesses whether converting income-contingent debt to mortgage-style debt for borrowers leaving the country would aid collection of outstanding student loans.'[48] The Government, however, rejected the proposal, arguing that the priority is to ensure contact with borrowers is retained so that repayment schedules can be arranged.[49]

The overseas-based borrowers initiative

Piloted in 2010 and since developed, this New Zealand scheme aims to increase repayments from student loan borrowers with a particular focus on those in Australia and the UK.[50]

Measures included using private sector debt recovery companies as well as advertising via Facebook and online news outlets used by New Zealanders abroad seeking to keep up with events at home. A new online payment mechanism was also launched to make it easier for former students to repay their loans.

In subsequent years, this activity has been stepped up, with a more aggressive approach towards chasing repayments including taking legal action overseas and employing debt recovery services.

In the financial year 2014/15, 20 new cases of Australian-based borrowers were referred for legal enforcement, 19 of these cases had Notices of Proceedings served and three of these borrowers paid their arrears in full.[51]

Making direct contact with former students has proved to be an effective means of recouping payments, with 70 per cent of borrowers making repayments once they have been contacted by the Inland Revenue.[52] This would suggest that the UK

Government is sensible to focus on improving communication with borrowers.

In 2013, New Zealand legislation was amended to introduce an obligation on all borrowers to notify the Inland Revenue of any change in their contact details. However, the New Zealand Inland Revenue estimates that it holds some form of contact details for only 30 per cent of overseas-based borrowers, meaning that chasing repayments remains a challenge.[53]

For those graduates who are overseas for longer, the Government has attempted to take advantage of the passport renewal process. The New Zealand Treasury is now able to obtain contact information provided by defaulting borrowers when they renew their passport via the Department of Internal Affairs.

The Government estimated in July 2013 that its return on investment for this initiative would be $5 collected for every $1 invested.[54] There may be opportunities for the UK to develop a similar approach and take advantage of one of the few occasions graduates who have emigrated make contact with a UK government department. However, the UK also has the added challenge of securing repayments from EU students. These former students have little need to communicate proactively with the UK bureaucracy and are therefore more difficult to contact without the support of the state in which they reside.

Data sharing with Australia

Alongside increased data sharing across Government agencies, New Zealand has also worked to share data overseas in order to keep track of former students.

Two-thirds of New Zealand's overseas-based borrower debt is thought to be held by borrowers residing in Australia. In 2014, the two countries negotiated a formal agreement with the aim of improving the information exchange between the Australian Taxation Office and New Zealand's Inland Revenue, and assist in the recovery of student debt.[55] Both countries committed to making the necessary legislative changes authorising the sharing of taxpayer information to assist the New Zealand authorities with chasing repayments. The information exchange comes into operation in 2016. New Zealand authorities estimate that the agreement will generate an additional $10 million in its first year (2016/17).

New Zealand officials are said to be working on a similar arrangement with their counterparts in the UK. In February 2016, the UK announced that it was entering into a similar data sharing scheme with Australia, the most popular overseas destination for UK borrowers.[56]

Possible criminalisation of borrowers who default

In 2014, the New Zealand Government passed legislation making it 'a criminal offence for borrowers living overseas who are in default on their repayment obligations to knowingly fail, or refuse, to make reasonable efforts to pay'.[57]

The Act allows arrest warrants to be issued for persistent student loan defaulters. Once arrested, the graduate must be brought before a District Court which has a range of orders at its disposal, including ensuring that the borrower:

- pays the amount in default;
- makes arrangements with Inland Revenue to pay the amount in default;
- gives security (including the provision of sureties) for the payment of the liability as specified by the court;
- does not leave New Zealand without written permission of the court;
- surrenders to the court, for a specified period, any travel documents or tickets in the person's possession; and
- provides the court, within a specified period, with any information the court thinks appropriate.[58]

Opposition MPs dismissed the Bill as a gimmick and some parliamentarians expressed concern that it may put off graduates returning to New Zealand.

At the borders we will stop people who are coming home to family funerals, and we will arrest them, and we will make an example of them. We will alienate young New Zealanders because we are only interested in preserving the interests of capital.
Dr David Clark MP, Former Labour Party Revenue Spokesperson and Former Tertiary Education Spokesperson, 2014[59]

It is too early to know whether the new legislation will be effective. However, New Zealand Ministers were clear that it was intended to send 'a clear message to all borrowers' rather than enable prosecutions. Indeed it is not clear that any extra resource has been put in place to enable arrests to be made at the border.[60]

In January 2016 a 40-year old former student who reportedly owed $130,000, was arrested at Auckland airport.[61] The news was splashed across national newspapers and featured in broadcast news bulletins, communicating a clear message to former students who owed money. News reports in the wake of the arrest suggested more former students contacted the authorities to arrange new repayment plans.[62]

Impact

The National Party argues that the measures it has introduced to recoup the debt of borrowers who have left New Zealand have been successful. In July 2015 the Minister for Tertiary Education, Skills and Employment, Steven Joyce, announced that $200 million in additional repayments had been received since 2010 as a result of the measures taken. According to Joyce, after they were approached directly through information shared between the Department of Internal Affairs and the Inland Revenue, 13 former students paid off their loans in full. Apparently the Inland Revenue also received 3,000 calls from borrowers overseas after the intention to seek arrest warrants for defaulters was announced.[63]

According to the *Student Loan Scheme Annual Report 2015*, repayments from overseas-based borrowers were up by 17 per cent on the previous year. However, overdue repayments were up by 21 per cent, mainly due to increasing arrears of overseas-based borrowers, and the end of a three-year repayment holiday, which tended historically to mask the repayment status of many overseas borrowers – prior to 2012 graduates overseas did not have to repay their loans for up to three years (but did accumulate interest on their loans).

The New Zealand Government has set a target for an additional $100 million to be collected in a single year as a result of its Overseas Borrowers Initiative.[64] The UK may want to look at the New Zealand approach as a way of ensuring all relevant agencies prioritise the issue. In 2013, the UK's National Audit Office noted the absence of collection targets and recommended that BIS introduce them in order to improve accountability.[65]

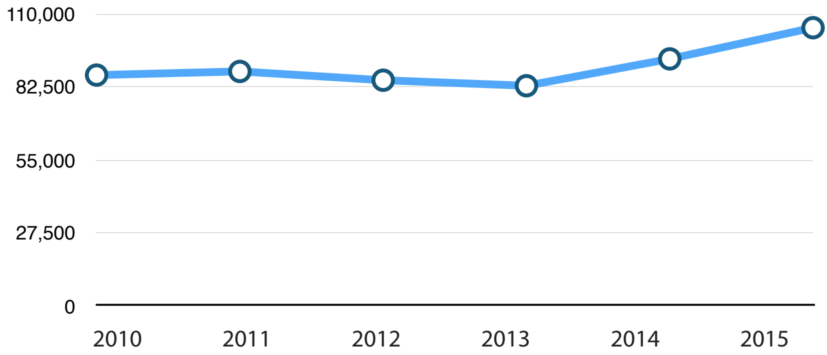
While the number of New Zealander borrowers overseas with overdue student loan repayments has dipped slightly (from 81,260 in 2014 to 80,830 in 2015), the total overdue amount continues to rise and now sits at $840 million. This is an increase of 23 per cent on 2014 and equals 90 per cent of the total payments overdue.[66] Most of the overdue repayments are over two years old and with interest now being applied to the loans of those overseas, the amount owed is set to increase in the coming years. The New Zealand Government's efforts may at least succeed in ensuring new graduates remain in the system and make the repayments they owe even if they reside overseas.

International Recruitment

New Zealand universities face a tough funding climate, with tight controls on domestic fees and demographic projections predicting a dip in the number of school leavers. The sector claims this is already affecting staff:student ratios and risks institutions' positions in international league tables. International students therefore present an increasingly important revenue stream.

Between 2005 and 2007, the number of international students fell by over 10 per cent in universities.[67] This was mostly due to an over-reliance on Chinese students and the development of fierce international competition. New Zealand successfully reversed the declining trend but the major earthquakes in Christchurch in 2010 and 2011 affected student numbers. However, in recent years, international student numbers have recovered and surpassed pre-earthquake levels.

International Student Numbers in New Zealand

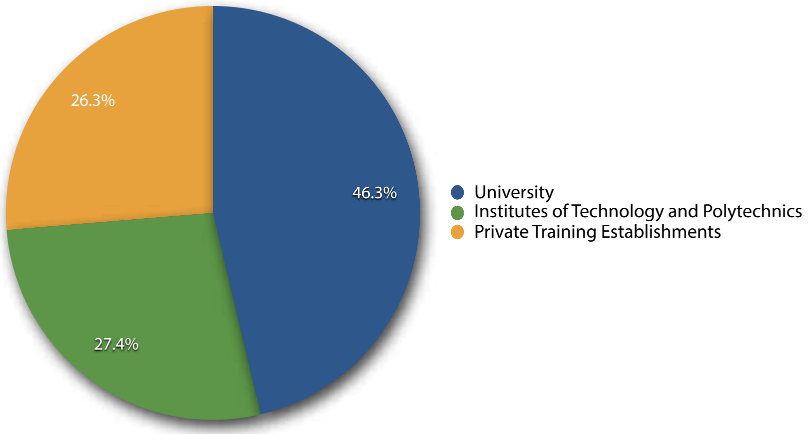


Education New Zealand, *NZ International Education Industry – Strategic Roadmap*, 2015, p.3 (http://enz.govt.nz/sites/public_files/IE%20Roadmap%20-%20Strategic%20Roadmap%202015%20Progress%20Update.pdf)

The increase in the number of students in traditional higher education programmes at universities only accounts for a small proportion of this growth.

Nearly half of New Zealand's tertiary students from overseas study at a university.

Tertiary International Student Enrollment and Institution Type (2015)



Education New Zealand, *New Zealand International Education Snapshot: 2015 January to August*, p.21 (http://www.enz.govt.nz/sites/public_files/Final%20January-August%202015%20snapshot.pdf)

PTEs have enjoyed record levels of growth (up 13 per cent on 2014). This has been driven in large part by the Indian market. Between 2010 and 2014, the number of students from India studying at a PTE more than doubled (from 7,300 to 14,900), while universities recorded a decline.[68] This is in sharp contrast to the UK, where the number of students arriving from India has fallen by 49 per cent since 2009.[69]

Quality concerns

International students at PTEs tend to be on vocational programmes, with two-thirds of enrollments at Levels 5 to 7 (up 35 per cent in 2014).[70]

Concerns have been expressed about the quality of provision offered to these international students. In 2012, a NZQA investigation led to four private providers having their power to recruit foreign students suspended. The investigation found students studying for under 20 hours a week as well as fee discrepancies.[71]

Opposition politicians have also suggested that such low-skilled students are coming to New Zealand in search of employment (rather than study) and are forcing down local wages in low-skilled professions. Unlike in the UK, international students on sub-degree courses (including English language classes) are allowed to work for up to 20 hours a week. Indeed, this is one of the key selling-points used in overseas marketing strategies.

Opposition MPs have said:

[The] National [Party] has bowed to lobbying from the private education sector, where much money is being made out of foreign students.

It's time to start working to get young New Zealanders into jobs and stop flogging off overseas student work visas as an incentive to get them to come to New Zealand. **Winston Peters MP, Leader of New Zealand First, 2016**[72]

Such concerns about the impact on the wider workforce echo the UK Home Office's decision to introduce a tougher regime for sub-degree providers. Students on such courses do not enjoy the same entitlement to work in the UK.

A Code of Practice

In response to concerns about the poor experience of some international students, the New Zealand Government published a new *Code of Practice* for international education providers in March 2016. It is underpinned by legislation passed in 2016.[73]

The Code outlines ten outcomes sought from education providers for the care and support of international students. They relate to:

1. marketing and promotion;
2. managing and monitoring agents;
3. offers, enrollment and contract;
4. immigration matters;
5. orientation;
6. safety and wellbeing;
7. student support, advice and services;
8. managing withdrawal and closure;
9. dealing with grievances; and
10. compliance with the International Student Contract Dispute Resolution Scheme.

Sanctions can be imposed on education providers who breach the Code. This includes removing institutions as signatories, which would effectively ban them from recruiting international students.

While the English system has various regulatory measures in place, including the Office of the Independent Adjudicator and the QAA Quality Code, it lacks such a powerful tool backed by legislation. While harsh penalties are in place for institutions that breach immigration and visa requirements, there is less of a focus on the student experience of those studying in the UK from overseas.

Developing education as a global export

New Zealand has a detailed international student recruitment strategy jointly developed by the Ministry of Education and Ministry of Business, Innovation and Employment and supported by institutions across the education sector.[74] It is led by Education New Zealand, a Crown Agency set up in 2011 and reporting to the Minister for Economic Development. The strategy enjoys strong cross-governmental support, unlike that in the UK which is owned by the Department for Business, Innovation and Skills and arguably not fully aligned with policies pursued by the Home Office.[75]

Such a cross-governmental strategic approach recognises the fact that New Zealand has to work hard to recruit students. It does not enjoy the reputation of the UK as a destination of choice and is often perceived as being removed from the rest of the world – although it does have the advantage of being English speaking. Attracting students is therefore a greater challenge and coordinated marketing efforts to 'sell' the New Zealand brand are particularly important. The Government's efforts include trade missions to target destinations as well as specific funding initiatives, including a funded scheme which means international PhD students are now only charged domestic fees.

In 2015, international education was New Zealand's fifth largest export category, worth $2.85 billion (£1.3 billion) in foreign exchange.[76] New Zealand has a goal to double the value of international education to the country by 2025.[77]

Post-study work visas

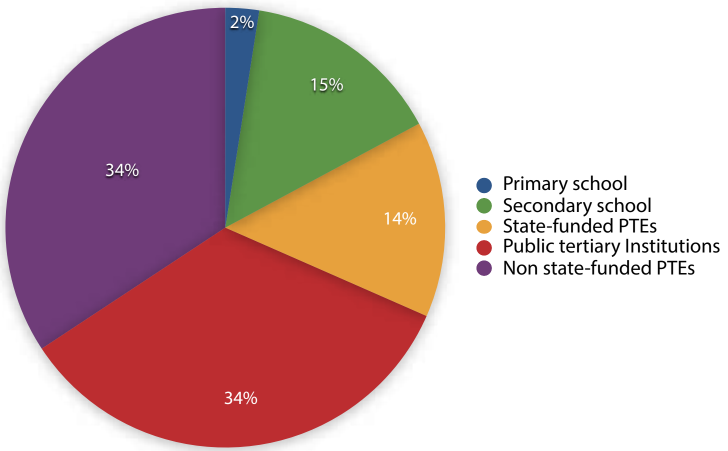
New Zealand allows graduates without an offer of employment to stay in the country for up to 12 months, compared to only four months in the UK.[78] The UK Coalition Government (2010-2015) abolished the post-study work visa in April 2012, which had enabled graduates to remain in the UK for two years to seek work. More recently, the Conservative Government has refused to reintroduce it, despite warnings from Keith Vaz MP, Chairman of the Home Affairs Select Committee, that students would be likely to study elsewhere and pressure from a coalition of parties in Scotland (including the Scottish Conservative Party).[79] Only graduates who have an offer of a skilled job from a sponsoring employer and meet a minimum salary threshold are able to remain in the UK to work.

Developing a pipeline

A striking difference between the UK Government's educational exports strategy and New Zealand's international recruitment strategy is the extent to which the latter covers the whole education sector. State primary and secondary schools are also in the business of recruiting overseas pupils. Not only do these pupils inject additional income into the school system, they are also more likely to study at New Zealand tertiary institutions, having completed NZ school-leaving qualifications. When a similar idea was proposed for the UK, it was shouted down in flames after a leak.[80]

Between 2014 and 2015, the number of international students in New Zealand universities increased by only 1 per cent, yet the increase in primary schools (where many of the international pupils are boarders) was 19 per cent (growing to nearly 2,400 pupils).[81] While the overall numbers of international students remain relatively low, this growth suggests the development of an important pipeline for New Zealand universities over the coming decade.

International Students and Level of Education



Ministry of Education, 'Export Education Levy Key Statistics: Trimester 2 (1 January to 31 August) 2015 Edition', *Export Education Levy Statistics* (https://www.educationcounts.govt.nz/statistics/international-education/international-students-in-new-zealand)

Recruiting overseas pupils into state schools has attracted criticism. Some have argued that it provides cover for underfunding New Zealand's schools.

The National government is shamefully refusing to fund education adequately, with the result our universities and secondary schools are desperate for cash and must look for foreign fee paying students.
Winston Peters MP, Leader of New Zealand First, 2016[82]

New Zealand's strategy focuses on creating pathways for international school-age children to enter the system and remain in the country to pursue qualifications at a higher level. There are signs this is paying-off, particularly among Indian students, with an increase of 57 per cent (2,700 enrollments) in the numbers returning/re-enrolling, compared to 2014.

While Indian students continue to be the backbone of the industry's growth, there is an apparent shift from a significant wave of new students arriving to students returning, indicating they are being retained and moving through the education system.
Education New Zealand, *International Education Snapshot: 2015*[83]

Higher education in New Zealand appears to benefit from immigration being a less politically toxic subject than it is in the UK. In 2015, the Prime Minister (a centre-right politician) announced the increase in total immigration to New Zealand as 'a reason to celebrate'.[84]

New Zealand has traditionally sought to attract skilled immigrants to New Zealand to counter a brain drain. In 2010, New Zealand was found by the World Bank to have the worst record among developed nations for retaining skilled workers. In the same year, the New Zealand Government announced a series of tax reforms designed to make the country a more attractive place to live and work.

We should see it as a badge of honour that people want to come to New Zealand.
John Key MP, Prime Minister, March 2016[85]

In March 2016, immigration figures revealed that net migration to New Zealand had reached a record high, with the country receiving net gains from Australia for the first time since 1991. Students are included in the migration figures with three-quarters of the 14,000 migrants from India arriving on student visas in 2015.[86]

In 2015, the New Zealand Minister of Immigration announced a new Pathway Student Visa.[87] This will enable students to undertake up to three consecutive programmes of study with selected education providers. The visa will be valid for five years and cover more than 500 primary, secondary and tertiary institutions.

Given the competitive global landscape, building such a pipeline, and supporting it with a simpler visa system, could well be an option for policymakers looking to develop the UK's international student recruitment strategy. With English schools facing a tough funding settlement, it may also present an opportunity for them to develop additional revenue streams – particularly in an era when more are set to enjoy the autonomy of becoming academies.

Governance

A focus on institutional autonomy highlights an awkward tension in New Zealand's higher education system. With the New Zealand Government still responsible for most of the income received by universities (and many private institutions), ministers have considerable power as the ones who hold the purse strings – despite the development of a quasi-market. Ministers also have the remarkable power, at least from an English perspective, to affect the management of institutions. They appoint members of university councils and have recently implemented changes to force a restructure of university boards.

Although universities have the freedom to run their own quality assurance regime, ministers have the power to influence the running of individual universities through their ability to appoint members of governing boards. The 2009 Education Act states that each university (and wānanga) board must include four members appointed by the Minister.[88] Such appointments are regularly announced by the Tertiary Minister.[89] In practice, the Minister receives recommendations from the Tertiary Education Commission, which discusses the skill requirements with the Chair of the University Council that needs to fill the vacancy. However, the Minister may also receive expressions of interest from individuals.

Predictably, this has led to accusations of cronyism. Further, 12 of the 15 appointments announced in August 2015 were men.[90] This is despite a Government target of 45 per cent of ministerial appointments to be female (reduced from 50 per cent in 2015).

In 2013, as part of the Government's new 'Business Growth Agenda' the Tertiary Education Minister set out plans to reform university councils and ensure members were appointed because of their skills, rather than to represent a specific constituency.

The plans proposed reducing the overall size of boards from 20 to 12, but the number of ministerial appointments was set to remain at four. At the very least this retained, and potentially increased, the Government's influence over the running and strategic direction of individual institutions.[91] There would no longer be requirements for staff or students to be represented on councils.

Former leader of the Labour Party, David Cunliffe MP, introduced an unsuccessful parliamentary bill to try and repeal the legislation. In a statement, summarising the findings of a Select Committee report, he noted that:

Every university submitter, including students' associations as well as staff, unions covering staff, Vice-Chancellors, and Universities NZ opposed the provisions of these clauses ... Allowing student and staff representation is very different from prescribing it in law ...

In addition, concerns were expressed regarding the impact of the number of ministerial appointees to councils. The number and accountability of ministerial appointees would damage the academic independence of New Zealand universities … and would harm the international reputation of our universities.
David Cunliffe MP, Former Labour Party Leader[92]

Academics have also raised concerns about the impact on academic freedom.

While to universities, the skills needed in university governance must include knowledge of the academic life of the university, ministers believing that corporate boards can, like A.A. Milne's Tigger, govern anything, may be less convinced.
Professor Michael Belgrave, Massey University, 2013[93]

For the Government's part, there seems to be a view that universities could be contributing more to economic growth. The *Tertiary Strategy* suggests a need for research institutions to 'collaborate more with each other to build expertise and skill as well as developing increasingly strong links with international research organisations'.[94] Ministers appear to believe that smaller boards will create more agile institutions better able to compete internationally.[95]

Defending the reforms, ministers argued that there will be no mechanism for the Government to instruct council members to make certain decisions, and nor will they have the power to sanction members for taking particular decisions.[96] However, such changes imposed by ministers, coupled with their power to appoint board members, sit uneasily with a stated commitment to academic freedom and institutional autonomy. It is difficult to envisage similar interventions by Government ministers being acceptable in the UK – despite concerns about how the sector can be better harnessed to drive economic growth.

Indeed, there are parallels with the recent debate in Scotland between the Scottish National Party (SNP) administration and the higher education sector. Original plans presented by the devolved Government would have given ministers powers to make certain changes to governing bodies and academic boards. After an outcry from the sector, and opposition parties, the plans were watered down.[97] In the New Zealand context, such proposals perhaps seem less radical as ministers have long had the power to influence board membership. Institutions in the UK cherish their independence and respond robustly against any moves to undermine it.

Conclusion

New Zealand's higher education system was originally based on the UK model and so it is unsurprising that the two share many of the same features and face many of the same challenges.

In both countries, the higher education sector has been targeted by politicians seeking to gain support from the middle class. In New Zealand, no politician seems willing to address the policy of interest-free loans, which is fundamentally regressive. In January 2016, the New Zealand Labour Party committed to offering three years of fee-free tertiary education if it is elected to office in 2017. With the New Zealand higher education sector complaining about a lack of funding and some vice chancellors calling for higher fees, the country may be heading for a major debate about the future of higher education funding. Similarly, the UK Labour Party made reducing tuition fees in England a flagship policy in its 2015 General Election manifesto.

Both New Zealand and the UK have opened up the higher education sector to private providers which have focused their provision, in large part, on sub-degree programmes. Given the experience in England of some private providers delivering courses of dubious economic value, it is unfortunate that policymakers did not seek to learn from similar challenges faced in New Zealand. New Zealand's short-lived experiment with a demand-led system and the abolition of student number controls may also be worth a closer study by Westminster policymakers implementing similar reforms.

The cost of the student loan system has forced governments to address the need to recoup loan repayments from graduates who have moved abroad. The UK has not gone as far as New Zealand, for example in breaking the link between income and repayments for graduates overseas. Nor has it taken advantage of the passport-renewal process to pursue overdue payments. The latter option could be particularly effective as it is one of the few occasions an emigrant may engage with the UK bureaucracy. With the UK voting to leave the EU in the June 2016 referendum, there may now be an opportunity to consider the repayments terms as well as the availability of subsidised loans to EU students.

With both Governments in the UK and New Zealand focused on economic growth, policymakers are grappling with harnessing the potential of the higher education sector. However, ministers have a limited ability to direct institutions in line with their priorities. Ministers in New Zealand are able to force a restructure of university boards and appoint members to them. It is not yet clear what impact the forced restructure of university councils will have on the strategy of the sector.

Finally, the UK lacks a coherent strategy to support the recruitment of international students. The visa regime and messages about immigration continue to undermine recruitment efforts. This contrasts with New Zealand's ambitious, detailed and comprehensive strategy which enjoys cross-government support. While New Zealand has to work harder to recruit students, the UK should not underestimate the efforts of the Pacific nation and could learn much from its more coherent approach.

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