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Judy Kavanagh
Inquiry Director
New Zealand Productivity Commission
PO Box 8036
The Terrace
Wellington 6143

By email: info@productivity.govt.nz

New models of tertiary education

Dear Judy

The New Zealand Medical Association (NZMA) wishes to provide feedback on the above consultation. The NZMA is New Zealand's largest medical organisation, with more than 5,500 members from all areas of medicine, including medical students. The NZMA aims to provide leadership of the medical profession, and to promote professional unity and values, and the health of all New Zealanders.

General comments

1. We welcome the Productivity Commission's inquiry, at the direction of the Government, into "new models of tertiary education".¹ We note that a major finding of the Commission is that the tertiary education system is not well-placed to respond to uncertain future trends and the demands of more diverse learners. We note that the Commission makes a number of recommendations relating to changing the regulatory and funding arrangements for tertiary education that are intended to increase flexibility and innovation in the system, and making tertiary education more responsive to the needs of students.

¹ Productivity Commission. New models of tertiary education. Draft report. September 2016. Available from http://www.productivity.govt.nz/sites/default/files/FINAL%20Tertiary%20education%20draft%20report_2.pdf

2. The NZMA believes that education, at all levels, should be highly valued as an investment in the future of New Zealand. Education is also a major social determinant of health.² The Productivity Commission's draft report alludes to major inequities in educational outcomes. We are supportive of measures to improve equity in both access to and outcomes from all levels of education—early childhood, primary, secondary and tertiary. We consider that any review of education, including tertiary education, needs to occur in the context of the entire education continuum, starting from early childhood. Indeed, investing in early childhood education provides the greatest return on investment.³ Our responses to the Commission's specific recommendations are largely guided by whether or not they are likely to improve or worsen inequities.

3. It is important to avoid further entrenching a narrow transactional view of tertiary education that has gained in prominence over recent decades. This view leads to prioritising those courses and qualifications most likely to provide a personal financial return (eg, commerce, professional degrees such as medicine) while at the same time undermining disciplines more geared to building a student's capacity for critical and independent thought (eg, the humanities). Education not only empowers people to earn a living but—when functioning well—can also equip people to better understand the social and political landscape in which they live. It has enormous power to help promote tolerance and understanding. While the inherent value of a particular tertiary course is difficult to define and may be open to debate, it is important to acknowledge the intangible benefits that accrue from studying subjects like philosophy, anthropology and the classics.

4. We acknowledge that there is a cost to education, though we recommend that this cost be framed as an investment. The challenge with funding tertiary education is to find a set of policy instruments that achieves a balance between professional courses and the humanities. We suggest that the Commission consider adopting the concept of 'proportionate universalism'⁴ in education, whereby subsidisation of tertiary education is proportionate to need, within a universally funded system. We also recommend that the value of tertiary education be broadened beyond its ability to provide individuals with an income and the skills to contribute to economic growth, to include its potential to better equip people to critically evaluate political, social and economic issues.

5. While we are generally supportive of greater flexibility and innovation in the tertiary education system, as well as greater responsiveness to the needs of students, we believe that our primarily tax-payer funded tertiary education system should also broadly meet the needs of New Zealand. For example, with respect to the medical profession, there are complex issues relating to the size, distribution and representativeness of the medical workforce. We believe that the government must retain a central role in regulating the numbers of medical students that are trained.

Specific responses

Changing funding so that students have control over their own budget

6. We have serious concerns with the concept of a Student Education Allowance as articulated in the report. We note that the concept entails redistributing government spending on tertiary education **away** from providers and directly **to** residents when they become 16 years, with the view that young people could then have greater choice over where, when and how they studied. It is our view that this concept could make young students a very attractive target for unscrupulous education providers driven primarily by the profit motive—particularly if there is a shift to self-accreditation. The tertiary education sector is not a successful free market model; it is unlikely that prospective tertiary students will be able to act as rational consumers with respect to their choices in this area. The proposed concept for a Student Education Allowance appears to disregard concerns raised earlier in

² NZMA Position Statement. Health Equity. 2011. Available from https://www.nzma.org.nz/_data/assets/pdf_file/0016/1456/Health-equity-2011.pdf

³ <http://heckmanequation.org/content/resource/invest-early-childhood-development-reduce-deficits-strengthen-economy>

⁴ NZMA Position Statement. Health Equity. 2011. Available from https://www.nzma.org.nz/_data/assets/pdf_file/0016/1456/Health-equity-2011.pdf

the report about how poorly students are prepared to make decisions about their future education. We are also concerned that a Student Education Allowance given at the age of 16 years would incentivise cheaper courses, shorter courses and early study.

Charging interest on student loans

7. We note the Commission is recommending that the Government charge interest on future student loans at a rate that covers the cost of the student loan scheme, on the grounds that the money could ‘provide flexibility necessary to expand access to tertiary education’. Although there is some divergence of opinion (with some support for charging interest on student loans once earning fully), the NZMA is broadly opposed to the recommendation to charge interest on student loans. This opposition is primarily based on concerns relating to equity. It is our view that charging interest on student loans may have various negative consequences, particularly for the medical workforce.

8. There is international consensus that the medical workforce should be representative of the society it serves.⁵ It is particularly important to ensure that the medical workforce has good representation from groups that experience disparities in health outcomes. The universities of Otago and Auckland have adopted measures to help support Māori, Pacific and rural medical students. These students are more likely to come from lower socioeconomic backgrounds and/or from communities that are underserved. Adding interest to student loans will increase the cost of an already expensive degree, and disproportionately affect these students. They are likely to perceive interest on student loans as an additional barrier to the study of medicine. It is a matter of serious concern if the proposed measure acts as a disincentive for encouraging doctors to work in lower-earning communities where there is the greatest health need. It could reduce the diversity of medical graduates and, therefore, the effectiveness of the medical workforce. Furthermore, higher levels of debt are correlated with students planning to leave New Zealand and work overseas.⁶

9. We are not convinced by the rationale being used to support the argument to reintroduce interest on student loans, namely, that it represents a subsidy for tertiary education and is inequitable. Interest-free student loans are just one component of subsidies for tertiary education, albeit one that is applied post-hoc as opposed to pre-hoc. Interest-free student loans have essentially the same impact as subsidising course costs, which the government already does to a very large extent. To increase transparency about prices, costs and who is paying, we support recommendation R12.32: *“Every student should receive an invoice from their provider for government-subsidised education. This should explicitly show the full price of education, and the Government’s contribution alongside the fee payable”*. We believe that to make tertiary education spending more equitable, rather than reintroduce interest on student loans, the government should invest more in early childhood education, primary schooling and secondary schooling, as well as in initiatives to increase participation in tertiary education by those groups traditionally underrepresented in higher education. It should also consider ways to expedite loan repayments (see paragraph 11).

10. A further argument against reintroducing interest on student loans relates to the flow-on effects for the person, their family, community and the economy. For people earning poorly and unable to pay off the principal (or only able to pay off small amounts), compounding interest will have a significant impact, compared to an interest-free loan. This could be particularly significant for young people, women and those wanting to start families. A student loan is assessed by lenders when evaluating net worth and debt-to-equity ratio when looking to borrow for a house. Housing (also a key determinant of health) and housing affordability are already major issues in New Zealand. Having a single, stable abode has a social benefit by allowing people to settle down and become integrated into their communities. Taking longer to pay off student loans means less time to save for a deposit on a

⁵ Crampton P, Weaver N, Howard A. Holding a mirror to society? The sociodemographic characteristics of the University of Otago’s health professional students. *N Z Med J.* 2012 Sep 7;125(1361):12-28. Available from https://www.nzma.org.nz/_data/assets/pdf_file/0006/36357/crampton.pdf

⁶ Perry WR, Wilkinson TJ. Taking the pulse: medical student workforce intentions and the impact of debt. *N Z Med J.* 2010 Jul 16;123(1318):15-23. Available from https://www.nzma.org.nz/_data/assets/pdf_file/0003/37236/perry.pdf

house and less time to eventually save for retirement. We believe that these longer-term consequences of student loans need to be given much greater consideration.⁷

11. We are concerned that the recommendation to reintroduce interest on student loans is not based on a broad, robust analysis that takes into account the effects of charging interest or examines other ways to deal with the costs of interest incurred. We recommend the Commission undertake a comprehensive analysis of measures to reduce the fiscal burden to the government of providing interest-free student loans. This analysis should include strategies to incentivise loan repayments. Faster repayments would bring down the loan principal sooner, reduce the overall interest accrued by the government, and therefore minimise the debt having to be written-off, not to mention mitigate the effects of inflation over time. We understand that a previous scheme to incentivise loan repayments offered a 10% bonus for lump sum repayments but was stopped in 2013 because some people were gaming the system. It would be of interest to learn more details about this scheme, including a cost-benefit breakdown, to ascertain whether there could be merits in its reintroduction, with modifications.

Allowing institutions to self-accredit

12. We have major reservations about the recommendation to give self-accrediting status to providers. With self-accreditation, the potential for low-quality teaching to persist over a long duration places students at risk. Furthermore, self-accreditation of tertiary providers could be open to exploitation and result in a proliferation of courses of dubious value or with poor educational standards in order to obtain public funding. If there is any move towards self-accreditation, this should be tightly restricted to being a privilege that is difficult to obtain. It should always entail a robust and transparent process.

International providers

13. We have concerns with recommendations to reduce the barriers for international providers to enter the tertiary education sector in New Zealand. We contend that it is important to recognise and value local New Zealand-based academics, particularly as they pay taxes in New Zealand. While international providers may provide jobs for New Zealanders, it is likely that their profits (including government subsidies for the courses they provide) will end up going overseas. New Zealand universities are already ranked in the top 3% in the world and other tertiary training providers are generally well regarded internationally. We do not see the need to spend money on overseas providers that could otherwise be spent on New Zealand institutions owned by New Zealanders. Rather than encourage international providers, it is preferable to invest further in New Zealand institutions, and to facilitate bringing world-class people to teach and research here. With respect to online programmes provided by overseas-based providers, these may be good for individual students but they do little for the local economy.

Unbundling research and teaching

14. We are cautiously opposed to the proposed relaxation of legislative requirements to bundle teaching and research, though our view on this is not unanimous. We note that research has a number of benefits for teaching,⁸ including those that accrue when students have the opportunity to be taught by active researchers, and to engage in research as part of their education. An effective teacher requires both a deep, discipline-based knowledge, and experience of how that knowledge is created;

⁷ Further useful discussion on student loans and debt can be found at the following sites:

<http://www.cnn.com/2015/12/08/the-long-term-consequences-of-student-loans.html>; <http://voxeu.org/article/student-loans-and-college-quality-effects-borrowers-and-economy>;

https://www.whitehouse.gov/sites/default/files/page/files/20160718_cea_student_debt.pdf

⁸ Cabral AP, Huet I. Research in Higher Education: the role of teaching and student learning. *Procedia - Social and Behavioral Sciences* 29 (2011) 91 – 97. Available from

<http://www.sciencedirect.com/science/article/pii/S1877042811026723>; Teaching and Learning in a Research-led University. *Commentary On Issues of Higher Education and Research*. March 2010 | Issue 5. The University of Auckland. Available from <https://cdn.auckland.ac.nz/assets/central/about/the-university/commentary/documents/commentary-issue5.pdf>

both of these requirements come from being an active researcher. At advanced levels of teaching, research is the main way in which a professional can keep current with developments in a field. We are also aware of concerns that evidence to support the Commission's rejection of the interdependence of research and teaching is somewhat lacking in substance. Furthermore, there are doubts over the Commission's conclusion that, if the legislative requirement is relaxed, students will continue to value and seek out degrees where teaching and research are bundled. Finally, we note that the Commission's report does not recognise the wider benefits of research to society, for example, by supporting a culture of innovation.

15. On the other hand, however, we acknowledge concerns that the existing legislative requirement to bundle teaching and research disadvantages medical schools. Many clinical lecturers are too busy with clinical work and teaching to engage in the Performance Based Research Funding (PBRF) process, which is heavily oriented towards rewarding research. There is a financial disincentive to hire clinical lecturers who might have a particular focus on teaching only (as opposed to research) as these lecturers do not 'count' in the PBRF. In addition, PBRF leads to various types of 'gaming'—as well as junk research—to boost a university's PBRF score. Undergraduate students, in general, are also disadvantaged as a result of research being better remunerated than teaching under the PBRF process. If a university has to choose between a strong teacher and a strong researcher, they are more likely to choose the latter because of the incentives of the PBRF process. We note that this issue is clearly identified by the Commission in Finding 6.1: *“Universities have significant incentives to invest in research to maximise their PBRF revenue, and they are responding to these. Universities have no similarly strong external incentives to invest in teaching”*.

16. We suggest that the Commission evaluate alternative ways to address the problems identified relating to the financial disincentives with the PBRF process so that these can be implemented, while retaining the existing legislative requirement to bundle research and teaching. We also seek clarification on what the Commission's proposal would mean in terms of research funding for universities, given that there is a clear value in research-led teaching where this is appropriate and beneficial for learning. Specifically, is there a risk that funding provided as part of PBRF may disappear with the proposed legislative change? Would universities have to seek research funding from other contestable funds in competition with other research organisations?

Student preparation and mobility

17. We believe that University Entrance should remain as a standard for entrance into tertiary-level study, though it may need some modification. We strongly support the retention of objective assessments for suitability for tertiary study via written and oral examinations. While abolishing University Entrance may facilitate an increase in university placements among those currently less likely to attend university, such students may be less likely to complete their degrees, as they would be inadequately equipped to do so from their prior education. They could, therefore, end up borrowing money for a degree they were never equipped to be able to complete. Financial burdens combined with academic failure can have major adverse impacts on a young person's sense of self-worth at a time in their lives where they are already vulnerable.

18. New Zealand is currently experiencing a shortage of young people in the trades, as seen by the record numbers of skilled migrant workers needed in the construction sector, particularly in Christchurch and Auckland. Removing University Entrance could also result in fewer secondary students being available to enter an apprenticeship in the trades. This may have a negative impact on the economy, particularly if these people end up starting a university degree but not completing it, or are under-employed or unemployed following their degree, as is already the case for many young graduates.

19. We strongly support the provision of better information to prospective tertiary students. We also support making it easier for students to transfer between courses and get recognition of prior learning. We envisage that this will lessen the impact of the 7EFTS cap on student loans, and facilitate older people to retrain as the labour market dictates.

The role of universities as critic and conscience of society

20. Finally, we suggest that the Commission's report should explore in greater depth the role of universities as "critic and conscience" of society as enshrined in the Education Act 1989. We consider this to be an important function that should be actively supported, and not undermined, by proposals for new models of tertiary education.

We hope that our feedback has been helpful and look forward to learning the outcome of this consultation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stephen Child', with a stylized flourish at the end.

Dr Stephen Child
NZMA Chair