

NZ TREASURY

UNIVERSITY'S CHALLENGE

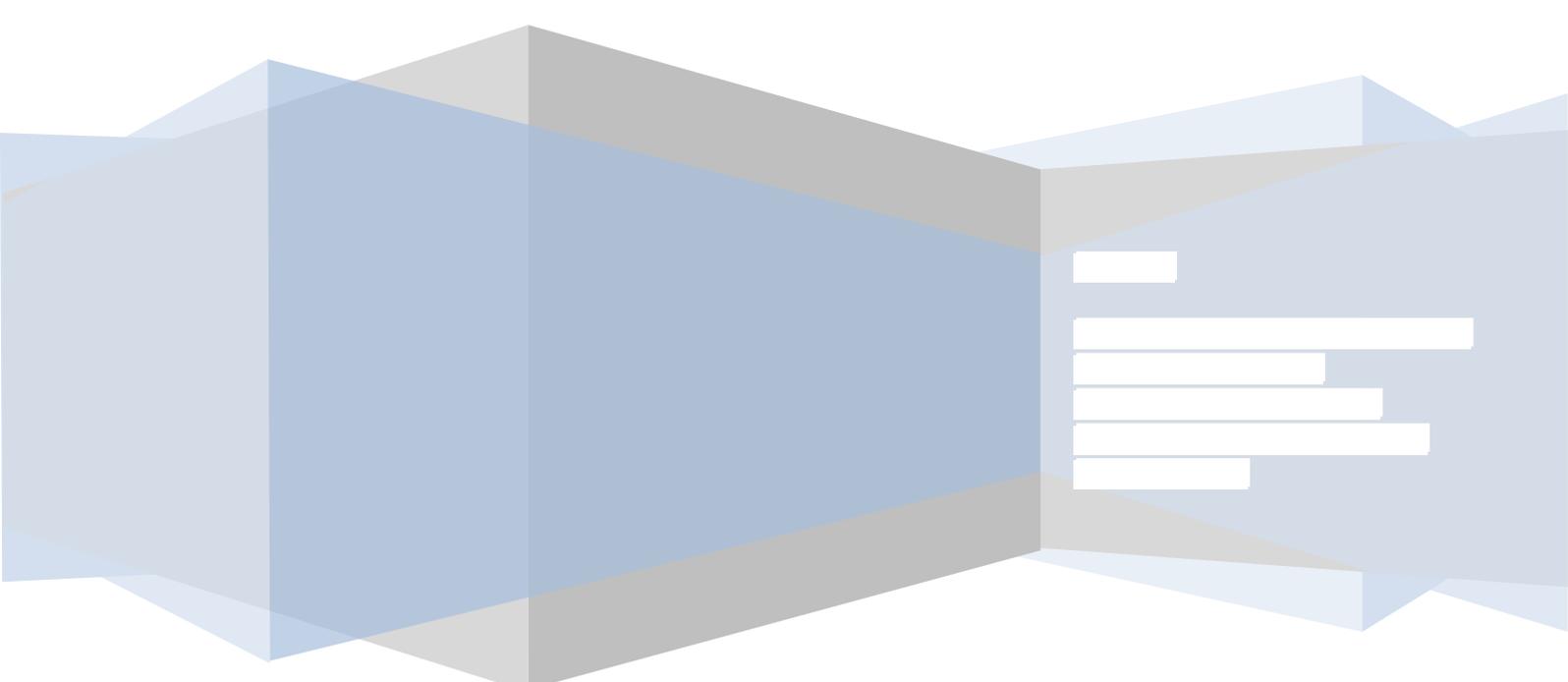
2014

ACCESSIBILITY OF TERTIARY

EDUCATION

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Educational achievement is an important consideration for economic participation and higher living standards. It is therefore a concern that Māori and Pasifika learners, and students from low socio-economic backgrounds are currently underrepresented in Bachelor programmes at universities. One option could be to make Bachelor programmes fees-free for priority learners to encourage students from underrepresented groups to enrol in these qualifications.

What advice would you provide the Minister of Finance on the costs and benefits of this proposal? Are there other options that could be considered?

Equitable access to tertiary education is an important social and economic objective for New Zealand. Tertiary education is vital for social mobility, creating a skilled workforce and raising living standards. Accelerating technological advancement means that tertiary education is becoming an increasingly vital gateway to success.

Demographic trends are a further impetus to ensure equitable access to tertiary education. Due to a decline in birth rates amongst Pakeha and wealthier New Zealanders, Māori and Pasifika are an increasing proportion of the population; in 2010-12 they made up approximately 40% of all births¹. By 2026 they will be around a third of the total population¹ and a greater proportion of the labour force. Furthermore, as the aged dependency ratio rises², Welfare and Health expenditure will place a greater pressure on Crown finances. These circumstances dictate that Māori, Pasifika and low-SES participation in tertiary education must increase.

To develop an efficient solution to this challenge, the 'rate-limiting step' must be identified. In the context of tertiary education it is helpful to consider of life-course model of the necessary steps leading up to successfully participating in tertiary education. Sometimes a problem's greatest causes occur a long time before the problem itself is observed.

The proposal to make Bachelor programmes fees free for Māori, Pasifika and low-socioeconomic background learners is a potential, but ultimately sub-optimal answer to the challenge of increasing equity in the tertiary sector. The Treasury's Higher Living Standard's Framework³ provides a tool with which to evaluate the proposal.

Economic growth is a key area to consider and the proposal is likely to have a positive effect. Reducing the financial barrier to tertiary study increases the economic incentive for the individual to begin and complete study. This should lead to a greater proportion of the target populations completing Bachelor's degrees. This is correlated with improved living standards⁴ and provides a skilled workforce to improve national productivity and diversify New Zealand's economy. Because Māori and Pasifika are a rapidly growing proportion of the population their educational success is vital to maintaining a skilled labour pool.

However, the fiscal situation that students face while studying will remain unchanged (assuming no change to Studylink living entitlements). This means that students are likely to still have to find employment while studying and face the same cash-flow issues they do now, even if the final economic incentive is increased by the removal of course fees.

These cash-flow pressures are not inconsiderable for most students and result in poorer diets, housing and lower living standards. This is a significant barrier to succeeding in higher education and yet is not a factor changed by removing course fees.

It is also important to consider the likelihood of graduates remaining in New Zealand after graduation. By making tertiary education fees-free for specific groups the government is making a significant investment. Post-graduate emigration could turn this investment into a loss for the government. It is therefore important to consider the likely pattern of labour flows to determine the contribution the graduate cohort will make to the New Zealand economy.

By leading to improved educational outcomes, the scheme could reduce Crown expenditure in core areas such as Welfare and Health. Māori, Pasifika and low-SES individuals are recipients of large amounts of government assistance. If a greater proportion of these communities receive higher education and the effects it has on living standards then these individuals may accrue a lower life-course expense to the Crown. This effect would be further magnified if the success of some individuals created a sense of aspiration amongst the population, causing others to follow in their footsteps.

However, while policy would almost certainly ameliorate underrepresentation in tertiary education to some degree, it comes at an opportunity cost. There are other potential avenues for improving representation in tertiary education and it is prudent to find the most effective intervention.

I believe the policy proposal would be potentially difficult for the government to sustain into the future. The demographic trends that make improving Māori and Pasifika educational outcomes important will also mean eligibility for the policy will increase widely. This represents a potential fiscal risk to the Crown that should be accounted for.

Furthermore, the policy could provide perverse incentives for students. As ethnicity determined by self-identification, individuals could arbitrarily identify themselves as Māori or Pasifika in order to gain a financial advantage. It would also provide a significant incentive for students to obfuscate individual or family income to be eligible for a fees-free education. While measures could be implemented to reduce the likelihood of this kind of behaviour, they will represent another layer of bureaucracy. This will be a further cost and is another barrier to genuine recipients accessing their entitlements.

A positive of implementing the policy would be improving social and decision making equity. The educational outcomes incentivised by the policy can improve civic engagement and social participation. This would be a positive step towards building more cohesive communities. This is an intrinsic good but can also reduce crime⁵, mental health disorders and overall Crown expenditure. If Māori, Pasifika and low-SES groups are more engaged with the democratic process then their needs and perspectives are more likely to be heard. Political participation can then contribute a greater sense of responsibility and indeed, improved material outcomes.

While making Bachelor's degree fees free is a potential policy intervention, there are various permutations that can be explored. For instance, mentoring and scholarship programmes already exist in many institutions. They could be expanded through additional government funding. The advantage of the scholarship and mentoring model is that students are more likely to feel supported and linked with role models. These social factors are powerful influences for young people, potentially with little knowledge of the tertiary setting. The schemes also allow for a degree of control of student quality and volume. Fiscal risks from entitlement expansion or unsuitable students are able to be contained.

Another potential model is to make only particular degrees fees-free, STEM subjects for instance. In order to ensure a satisfactory return on investment, students should be incentivised to study degrees that lead to high-paying jobs within the New Zealand economy. By having a significant scholarship scheme, the Crown could also gain another mechanism to correct supply-demand imbalances in the labour market.

However, prudent use of taxpayer resources demands that resources be channelled into the most effective interventions. While Māori, Pasifika and low-SES students are underrepresented in tertiary education, the divergence point is much earlier. The sharp divergence in student achievement occurs during the high school years. Inequalities are present at pre-secondary levels but they are not of the same magnitude^{6,7}.

The secondary school achievement divergence means that the number of Māori, Pasifika and low-SES students even being eligible for tertiary education is considerably lower than other groups⁸.

As the 2010 *Education and Pacific Peoples in New Zealand* report⁹ stated:

“How well a student does at school is the strongest influence on their choice of tertiary education and their first-year pass rate in degree-level study. Poor school achievement means that fewer Pacific students than others go on to tertiary education, and when they do, they are much more likely to study for low-level certificates. This is also partly due to Pacific students tending to study NCEA subjects that do not open up higher learning opportunities.”

At higher achievement bands (such as NCEA Excellence Endorsements) the inequalities are even starker. In the 2013 examinations, over three times as many students at Decile 8-10 schools achieved Excellence endorsements as those from Decile 1-3 schools¹⁰. This severely reduces the total number of eligible students for courses with good career prospects such as Engineering and Medicine.

Therefore, the most effective intervention would be one targeting high school achievement, the rate limiting step. This could boost the educational achievement of all students, not just the fortunate few who have the marks necessary for tertiary study. By doing so the government can achieve the greatest value for money and minimise the tax burden placed on the electorate.

Funding personal computers is one potential way of improving equity in secondary school outcomes. This could be combined with access to an NCEA specific MOOC platform to ensure quality on-demand teaching to all students.

Improving teacher quality through performance pay and/or extending the Teach First NZ¹¹ scheme is another option. Quality teachers are the greatest predictor of student success¹². Increased salaries and prestige would incentivise talented individuals to enter the teaching profession.

For Māori and Pasifika students the importance of culturally affirming school environments cannot be underestimated. Identity and cultural affirmation are important factors in empowering Māori and Pasifika students to achieve, especially in adolescence¹³. This also extends to challenging these students to attempt subjects that will prepare them for university study. Currently, a significant proportion of Māori and Pasifika students study subjects that make the students ineligible for tertiary study⁹.

The Government should also consider the wider social determinants of secondary school success. Adolescence is a time of experimentation and self-discovery that can lead to harmful behaviours. These behaviours often have unequal ethnic and socio-economic distributions. Furthermore, they compound other barriers to student success. As the Law Commission's report *Alcohol in Our Lives* stated, the government can reduce the harm alcohol does to these teenagers through price regulation¹⁴. Mental Health issues are directly impacted by the prevalence of crime, substance abuse and alcohol harm. Put simply, if a student is struggling with addiction and crime it is little wonder if they do not succeed educationally.

In conclusion, achieving equity in tertiary education is important both out of fairness and economic realities. Because Māori and Pasifika are becoming a much larger proportion of the workforce their success is vital for New Zealand's economy and for all of society.

However, making Bachelor's degrees fee-free for Māori, Pasifika and low-SES students is not the most effective way of improving equity in tertiary education. Secondary School success is the major limiting factor for students from these backgrounds reaching university. Focusing resources on this level should yield a greater return on government investment. Social factors outside of education such as crime and alcohol harm are also important intervention targets to improve tertiary outcomes. The Government should also be mindful of interventions beyond the fiscal – altering the regulatory environment or simply building cultural competence in education. By targeting secondary school outcomes the Government can most effectively improve tertiary equity, for the benefit of all in New Zealand.

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