

University 'Reform' in New Zealand 1984-1990: Policies and outcomes

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ABSTRACT

The events which culminated in 'reform' of the New Zealand university system were just one part of the major restructuring of the whole economy undertaken by the Fourth Labour Government between July 1984 and October 1990. This economic revolution was driven by the strong ideological commitment to market-based economics of Finance Minister Roger Douglas and a group of highly influential officials at the New Zealand Treasury. The 'more-market' doctrines were vigorously endorsed and promulgated by business leaders in the politically influential New Zealand Business Roundtable. It was the views on education of these economic theorists and ideologues of the libertarian right which were to set the policy agenda for change in the tertiary sector. The universities in particular were seen as conservative, short on accountability, and as insufficiently responsive to the needs and demands of a rapidly changing modern economy. Treasury advocated the introduction of a competitive market culture to the provision and funding of tertiary education, accompanied by managerial and organisational changes, and the removal of state intervention and external constraints (such as nationally determined wage scales). Alternatives to the application of market principles were not considered. The left-liberal educational lobby was not able collectively to offer a philosophically powerful enough educational and political alternative to counter the Treasury /Rogernomics policy prescriptions. However as the pace of education review and reform escalated during the Labour Government's second term in office, there was a growing resistance to Treasury's more extreme moves, both within the government itself, and in groups involved with the education reform process. The result was that the policy decisions on reform of the education sector were somewhat ideologically mixed, but did avoid applying the more 'radical' free-market principles.

Introduction

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universities in particular were seen as conservative, short on accountability, and as insufficiently responsive to the needs and demands of a rapidly changing modern economy. Treasury advocated the introduction of a competitive market culture to the provision and funding of tertiary education, accompanied by managerial and organisational changes, and the removal of state intervention and external constraints (such as nationally determined wage scales). Alternatives to the application of market principles were not considered. The left-liberal educational lobby was not able collectively to offer a philosophically powerful enough educational and political alternative to counter the Treasury /Rogernomics policy prescriptions. However as the pace of education review and reform escalated during the Labour Government's second term in office, there was a growing resistance to Treasury's more extreme moves, both within the government itself, and in groups involved with the education reform process. The result was that the policy decisions on reform of the education sector were somewhat ideologically mixed, but did avoid applying the more 'radical' free-market principles.

A saga of contradiction

'Reform' of the tertiary sector under the Fourth Labour Government was a six-year saga fraught with contradictions, hidden (and not so hidden) agendas, and ideological battlegrounds.

Right from the beginning, in 1984, there was the stark contrast between the Labour Party's professed educational policies in their 1984 Policy Document (which pledged state funding to increase and improve New Zealand's commitment to education and to ensure that access to tertiary education would not be governed by students' ability to pay) and Treasury's 1984 brief to the government (which espoused the removal of state 'intervention', private initiatives in education supply, and the view of education as a personal investment in marketable skills which should be paid for by the individual). The contrast was even more in evidence in 1987 when the government reiterated its 1984 educational philosophy in the 1987 Policy Document; while Treasury's 1987 briefing papers expounded much more fully its extreme stance on the provision of tertiary (particularly university) education, recommending that tertiary institutions should become autonomous profit centres in a contestable market place, and that students' fees should be significantly increased.¹

The chronic dissension between Prime Minister David Lange and Finance Minister Roger Douglas, which emerged publicly over the December 1987 Douglas flat tax proposal, and was to remain so evident during the government's second term in office, reflected their fundamentally different approaches to the role of government, the shape of society, and the country's economic direction and goals. In April of 1987 Roger Douglas had proposed a combination of flat tax, user pays social services, and increased Goods and Services Tax. He reputedly told David Lange that commercialisation of the education sector was an essential element of New Zealand's economic recovery. Certainly to have worked, the flat tax proposal would have necessitated drastic cuts in government spending and partial privatisation of the social services, particularly in the education and health sectors. The Prime Minister's position was that social services, including education and health, must continue to be the responsibility of central government. In a press statement of 9 March 1988 David Lange said: "I've stated repeatedly that a user-pays system is unworkable in education. I reiterate that statement...This Government believes to achieve equity in education its provision must continue in the public sector."² Again, in a 13 April 1988 press statement, he declared that the government would remain the substantial provider of education, that education was not a market commodity, and that the government's position on education "did not mirror the Treasury's position at all; There is no way at all in which you can be equitable and leave it to the market to determine educational access and there is no one in Government advocating that."³

The Fourth Labour Government's second term in office (August 1987 - October 1990) was characterised by conflict, confusion, cabinet reshuffles, factionalism and crises, mostly now played

out in public. Not just Lange and Douglas, but the whole Labour cabinet and caucus became locked into seemingly irreversible ideological schisms and personality conflicts:

The disputes about economic policy, barely a flicker at the time of the [1987] election, now preoccupied us totally. The parliamentary caucus was hopelessly split into factions, the power of each depending on the shifting interests of the ambitious and the opportunist. The right-wing faction, shut out from the greatest spoils at the end of 1988, was carrying on a kind of guerrilla warfare against the rest of the government...

The Cabinet was paralysed by indecision, trapped by its identification with policies once enthusiastically adopted, now seen to be failing. Each meeting was riven with dispute as to who was responsible for the ignominy we found ourselves in.⁴

It was during this period that the Government's major decisions affecting the education sector were made.

The "user pays" issue

The issue of student "user pays" or "user contribution" was symptomatic of the vacillating government position, the philosophical divergences, the failure to heed widespread opposing views, and the unsatisfactory resolution, of so many of the tertiary issues. Judging by the profusion of comment and protest during the various stages of threatened and actual imposition of increased student fees, it was this more than any other issue of the tertiary reform process which generated the greatest attention in the public arena.

The Treasury views, which began to appear from 1984, had challenged the long-established and widely accepted principle of free and universal access to all levels of education. By May 1986, Russell Marshall (then Minister of Education) had publicly raised the issue of social policy transfer in an address at the Victoria University graduation ceremony. He suggested that increased fees would be to decrease what is seen by some as a subsidy of the middle class, that this could be one means of alternative funding for university education, and that this could be justified because individuals accrue considerable financial and other benefits from their university education. Mr Marshall later backtracked on his flirtation with the idea of user-payment. Speaking during a lecture at Massey University in July 1987 (just a few weeks before the election) he acknowledged that a form of user-pays which further loaded costs on students would not increase participation, and stated that the government had no intention of introducing it.⁵

The 1987 Watts Report recommended that the student contribution remain unchanged.⁶ It then added the rider - which was to be made use of by Hawke and the subsequent government decisions⁷ - saying that if user contribution through higher fees *could not be avoided* [higher fees can of course be avoided by increased taxes or by reallocation of government expenditure], fees should be limited to 20% of average tuition costs. The Conference of Chancellors and Vice Chancellors, in their response to the Hawke proposals, and subsequent statements by the New Zealand Vice Chancellor's Committee (NZVCC), concurred with this view.⁸

Other university individuals and groups, notably the Students' Associations and the Association of University Teachers of New Zealand (AUTNZ), voiced consistent and strong opposition to any increase in fees. Media reaction was also overwhelmingly critical, as were statements from the Labour Party itself. Widespread condemnation was expressed on what was seen as a decidedly backward step from the present availability of free education. Critics emphasised the view of education as a national responsibility, not a cost to be borne by the user, and stressed that an increase in fees made a mockery of the principle of open entry. Many argued that the traditional progressive tax system was the obvious and best way to recoup the individual benefit which students gain from their education. Polls undertaken by the Royal Commission on Social Policy had also indicated that people were willing to pay higher taxes for better education.⁹

The Labour Government's rationale for higher tertiary fees, as given in their Learning for Life policy decision statement and reiterated on numerous occasions, was that financial constraints placed an unavoidable limit on the level of government education spending.¹⁰ Their professed desire to expand student places across the tertiary sector would and could, it was claimed, only be achieved through use of this extra student-contributed revenue. The Hawke proposals and Learning for Life policy decisions had, however, been based on the assumption of "user paying later" - i.e. fee payments would be facilitated by a student surtax or loans scheme (either government funded or government supported). Final outraged opposition erupted in September 1989 when the proposed support schemes fell through, and the government imposed a "user pays now" up-front increased tuition fee. This certainly demolished Minister of Education (former Associate Minister) Phil Goff's already specious argument that, true to Labour Party policy, students wouldn't be paying for their education, as fee repayment would take place when the individual was a worker. The students themselves had not believed that the government would adopt up-front fees as its final position. McQueen relates that David Lange, when later asked what was his worst moment in education, replied "the about-face on the student loans thing ... I regret that."¹¹ In his final week as Education Minister he had sought to instigate a staggering-in of the up-front fee system, but this move lapsed with the changeover of ministers.

As predicted, despite reduced fees for those from very low income backgrounds, the imposition of student fees had a decided impact. In a reversal of the substantial annual increase in student numbers over the previous decade, overall student numbers decreased 0.4% in 1990. Greatest decreases were in extramural and part-time mature-age students, particularly women. A mid-1990 report on students' finances undertaken for the New Zealand University Students Association (NZUSA) by the Heylen Research Centre, indicated a high level of student stress caused by constant financial pressures, and concluded that the dire financial straits in which many students found themselves was undoubtedly aggravated by the \$1250 tertiary fee. The researchers said that significant reliance of students on income from parents meant the opportunity for tertiary education seemed likely to remain a privilege, and that students would continue to come from families of above average levels of education and income.¹² The indication that higher fees were indeed imposing a financial barrier to entry to university for many students was ironic, given the fact that fervent support of the equity cause and the removal of barriers to entry to university had been central refrains at every stage of the review process, including being a major focus of the Learning for Life policies.

Criticisms of the process of review and reform

The review of the tertiary system was by no means a balanced and logical process of discerning the objectives, agreeing on the criteria of assessment, comprehensive review, assessment of the findings, and proposals for reform. Many aspects of the process were decidedly less than optimal.

It was carried out with undue haste

Complaints of insufficient time and inadequately prepared material pervaded the reform process. The Government Management document was drafted under great pressure just prior to the August 1988 election. The Watts Report was not able to produce an indepth analysis due to having to operate under a very rigid time frame, and some of the work was never completed.¹³ The Tertiary Review~ were allocated no time for conclusions to be drawn.¹⁴ The April Report was rushed into publication prematurely for political reasons, with no time to compile it into an accessible format.¹⁵ The Picot Report was produced under a tight timetable, and insufficient time was allowed for indepth evaluation and submissions.¹⁶ The timing of the Tomorrow's Schools legislation drove the pace of the tertiary sector reforms - a timeframe widely considered ridiculously short.¹⁷ The Hawke Report, the key report of the tertiary reforms, allowed only one month for public response. The limited

timeframe which the Learning for Life working parties had to complete their task aroused strong criticism. Learning for Life: Two had many key issues still under consideration at the time of publication. The legislation was all prepared under considerable time pressures, leading to poor drafting. The main Education Amendment Bill of 1990 was contracted out because of overload on New Zealand officials; less than five weeks were allowed for submissions and there were complaints of insufficient time to study the heavily revised versions. Lack of time was a problem also for David Lange in his dual Prime Minister /Minister of Education role. McQueen comments that "we kept the [education] issues before him, he gave policy direction, and the reforms remained on target. But he was not given that reflective time essential in directing a major change".¹⁸

Speed was in fact a deliberate and essential aspect of the Douglas reform strategy, so that opponents would not have time to marshal a counter attack:

Implement reform in quantum leaps. Moving step by step lets vested interests mobilise It is impossible to move too fast.... Once you start the momentum rolling, never let it stop The fire of opponents is much less accurate if they have to shoot at a rapidly moving target".¹⁹

There was insufficient consultation at some crucial stages, and/or a failure to use or take account of what consultation there was.

This was despite Labour Party manifesto pledges that education policies would be determined only after extensive discussions with interested and concerned groups, and David Lange's espoused principle "to make decisions only after taking into account the views of interested persons."²⁰ The draft Government Management document was not circulated for expert comment because of its sensitivity. The Tertiary Reviews had wide consultation, but did not proceed beyond the collection of submissions stage. The Universities Review Committee consulted widely, but most of the resultant Watts Report key recommendations were ignored. There was much concern that the Hawke Report, which provided the basis for the government's tertiary reform policy, was undertaken on an inadequate consultative basis (Hawke claimed it was intended as a non-consultative process), and Auckland and Canterbury universities took the government to court over this lack of consultation. The public submissions called for after the report's publication had virtually no effect - indeed by then the die had been substantially cast.

Industrial relations proposals were introduced into the first Learning for Life document without any consultation with interest groups. The stringent secrecy surrounding the Learning for Life working group reporting process was strongly criticised, and very few of the working party recommendations were incorporated into the final policy decisions. For example, the three working groups which advised the government not to proceed with their plan to make the State Services Commission the employer party were over-ruled, as were submissions consistently advising that university councils be retained as the employer of university staff. The government's seizure of the \$26 million assets of the self-funding University Grants Committee (UGC) (an organisation disbanded as part of the tertiary restructuring) ignored a strong working party recommendation that the assets go to the universities. The submissions which did successfully achieve their objective were those strenuously launched in response to the potentially disastrous Education Amendment Bill of 1990.

Much of the process was carried out by, and a great deal of the input and influence came from, nonexpert sources

There was a lack of specialist expertise in both the policy and implementation functions of the reform process. Treasury economists extended their influence and advice into social policy areas, particularly education, for which none had a background; nor was it Treasury's role to determine social goals and values. There was considerable effort by Treasury and the State Services

Commission to influence the Picot Committee, while chairman Picot was a businessman, not an educationist. The Business Roundtable used its (at the time) high profile to publicly support and extend the Treasury recommendations on reform of tertiary education, with its own report.²¹ One member of the nine-member Hawke Committee, Hawke himself, was from a university background - the others were government officials from various departments. An Officials Overview Committee, of which only one of the thirteen members (the UGC representative) was from a tertiary body, developed the Hawke recommendations and responses into the Learning for Life document. Implementation of the Learning for Life reforms was driven by the Department of Education. There were numerous complaints that the new Ministry of Education lacked sufficient staff with tertiary expertise, and that none had an adequate background in university management. The Education Amendment Bill was drafted outside New Zealand, by a person with recent experience in compulsory sector legislation. The resultant draft legislation showed clear evidence of the compiler or compilers' lack of understanding both of the New Zealand Post-Compulsory Education and Training (PCET) policy decisions and of the role and purpose of tertiary sector education, especially university education.

The poor quality of the primary documents of reform: Hawke, Learning for Life, the legislation

The Hawke Report was intended to be a "review of the reviews", a drawing together of the previous reports relating to PCET (Probine-Fargher, Shallcrass, 1987 Treasury, Watts, Tertiary Review, April, Picot,) into a framework for policy action by government.²² But the Hawke Committee was to use the previous recommendations very selectively, and Hawke emphasised his own particular views, for example that there should be no UGC-type intermediary body in the system. Much of the report consisted of Hawkian discursive material, which made many valid points, but was not a bringing together of the previous reviews. The text was couched in economic jargon, sometimes obscuring entirely the points being put forward. The report's overall presentation was muddled and difficult to follow. Specific issues were often partly addressed in several places. Greater clarity may well have enabled the report's implications for the universities to have been more forcefully addressed by the interest groups at this crucial stage of the process.

The *Learning for Life: Two* document was an incomplete policy statement. It left many issues unanswered (e.g. student contribution, funding formulae, status and functions of the proposed Tertiary Research Board, employer contributions). The document's presentation was disjointed and imbalanced. As a result of its two-phase compilation, a number of statements were repeated in more than one place, there are conflicting statements, and some items are not inserted in an appropriate context (s.3 in particular has examples of all of these). There was excessive detail on implementation in some areas (e.g. ss.4.2.14 - 4.2.36), while other policy issues were left vague and only partially formulated (e.g. s.5.3.2 on the possibility of establishing a PCET advisory council). The document did not clearly define the goal concepts of excellence and equity, nor set specific targets for achieving the aims of the reforms. The document's attempt to encompass policy for the whole PCET spectrum contributed to a lack of specificity on many key issues, such as funding for research.

The piecemeal nature of the tertiary reform legislation made it difficult to see it in its wider context. Much of the legislation, in being hurriedly prepared, was badly drafted. The 1990 Education Amendment Bill was so seriously flawed that many considered it should be completely withdrawn and re-drafted.

There was a chronic failure to acknowledge, in the various reviews, reports and proposals for reform, the distinctive purpose of university education vis a vis other areas of education

The Watts Report - the only report which did specifically appraise the universities' role and their potential as a national resource, and recommend on their future development - was largely ignored.

The eventual proposals for change were for the most part transpositions onto the university sector of policies more relevant to other areas of education or to the private sector.

Although university groups clearly recognised the need to bring together the overall concerns of tertiary education, and to coordinate the polytechnic, colleges of education and university systems, this by no means meant that the systems should be treated as though they had the same educational role. The NZVCC's response to the Picot Report, for example, outlined two alternative structures by which to achieve coordination, but also emphasised that the distinctive functions of universities made it inappropriate to include them within the administration and policy structure recommended in Picot.²³

The Picot Report had recommended that a working party consider the implications of the Picot proposals for the universities (and other post-school institutions). The Hawke Committee was set up to do this, and worked within the framework of the Picot Report. The Hawke Report concluded that the essential features of Picot - decentralised decision-making, accountability, charters, enhanced equity, community involvement in governance, local initiatives within national guidelines, central control of funding, and monitoring by central agencies - were equally appropriate for PCET. Both reports treated educational services as a 'product' for 'consumers' and advocated more individual choice. The recommendation that the new Ministry of Education directly administer the whole field of education overrode any idea that the uniqueness of the university function could justify universities being administered through an independent body such as the UGC. Such a body was seen as being in conflict with an across-the-portfolio approach.

Although the universities did face some problems broadly allied to those in other areas of education, such as social equity issues and the overall participation rate, they also faced quite different issues and problems. These included, for example, funding for research, resourcing for qualitative educational competitiveness, reinforcement of graduate programmes, and maintaining international standards and relationships. These had been clearly outlined in the Watts findings. Furthermore, the universities had long practised decentralised decision-making and local initiatives, and had community involvement in their governing councils. A range of accountability mechanisms already existed: annual reports to parliament; UGC reports to parliament; audit by the Comptroller and Auditor-General; stringent peer review by national and international academics, researchers, and other experts; course review by professional bodies; various types of student review; employer review of a university's educational output; and community review through university councils. There is no evidence which suggests any past mismanagement of public funds by the universities, or a failure to maintain their essential role and purpose at international standards. So for the universities, the Picot-type proposals could hardly be classed as 'reforms'.

The *Learning for Life* policy statement emphasised that the changes which it outlined were linked to the changes set out in *Tomorrow's Schools* and *Before Five*, and it treated all areas of PCET as a single continuum for policy purposes.²⁴ As a result of trying to encompass reform across such a wide spectrum, the *Learning for Life* document failed to do justice to any one part of the PCET sector. Important differentiations between PCET providers were diminished in the attempt to produce an across-the-board policy statement. The university system's real needs, which differed from those of other educational areas, either were not at all or were inadequately addressed by the tertiary policy decisions. From the universities' point of view the emphasis of the reform proposals was on peripheral issues, such as charters, rather on real issues, such as research and teaching quality and resourcing. The 1990 Education Amendment Bill had threatened to impose blanket conditions and controls over all tertiary providers, including universities, which were far in excess of those provided by the *Tomorrow's Schools* legislative provisions. In the end, the Education Amendment Act 1990 did at least acknowledge the distinctive role and characteristics of universities, gave protection to the terms 'degree' and 'university', and allowed universities a different relationship than the other institutions with the New Zealand Qualifications Authority (NZQA).

The content and outcome of the tertiary reforms: aspects of significance for the universities

For the universities, the most significant changes which took effect under the Fourth Labour Government are: the demise of the UGC; academic freedom enshrined in the legislation; the Vice-Chancellor (as Chief Executive Officer), rather than council, has formal managerial responsibilities and is the employer of university staff; the involvement of the State Services Commission in university affairs; a prescribed structure for councils; the abolition of the Visitor; the requirement for a written charter; increased reporting requirements; legislative provision for Effective Full Time Student (EFTS)-based funding; Education Review Office (ERO) monitoring of equity objectives; the involvement of NZQA in course approval and entrance; increased role of the NZVCC; up-front increased student tuition fees; and full fees for foreign students set by councils. Further significant effects include serious uncertainties over research funding; problems and uncertainties over bulk funding; and the overall change to a competitive rather than a complementary tertiary sector. Much of the tertiary upheaval spawned by the Fourth Labour Government is a result of misguided change, rather than real educational reform.

Mechanisms of central control

With the decision to abolish the UGC, which had acted as a buffer organisation between the universities and the government, and no provision for a statutorily independent Tertiary Education Commission (despite strong recommendations in its favour from university pressure groups), the government now has a greater direct control over the universities and their operation. The mandatory reporting requirements (statement of objectives, statement of service performance, consultation report, performance indicators listing, financial/management report), as well as the requirement to prepare and negotiate a charter, impose considerable compliance costs on each institution. These mechanisms have been imposed to meet the more stringent demands for accountability in the use of public funds. The legislation's professed intention is to give tertiary institutions more independence and freedom - but always consistent with the demands of accountability. In addition, ERO will report on the institution's progress with equity issues, the NZQA has a role in university course approval and monitoring and in entrance to university, and both ERO and NZQA can demand information and documents.

Rather than increasing the universities' independence and freedom, the effect of these requirements and provisions, together with the loss of the UGC, will undoubtedly lessen the universities' autonomy and increase their vulnerability to political pressure and bureaucratic interference. There has been a centralisation rather than decentralisation of control, and a strengthening of the power of the central bureaucracy. Some counter will be provided by the legislated requirement that Chief Executive Officers, ministers, and crown agencies, must act in accordance with the principles of academic freedom (which is defined), and by the NZVCC's expanded centralised role where this body will take over some of the academic monitoring tasks formerly dealt with by the UGC. However, already complaints have emerged of a tendency for the central bureaucracy to exceed the provisions of the Education Amendment Act and to intrude in university affairs - overlaid by a general bureaucratic resentment of university independence. The October 1990 annual Conference of University Chancellors and Vice-Chancellors gave the examples of attempts by Ministry officials to impose a detailed set of charter provisions on universities, and of Ministry proposals that institutions should submit corporate plans, despite these being no longer required.

Changes to university management and governance

From the Hawke Report onwards the designation "vice-chancellor" virtually disappears and "chief executive" is the term which is used in the various review and reform documentation and legislation. However the legislation does allow for the chief executive of a university to be referred to as a "vice-chancellor". The chief executive, rather than council, is given formal responsibility for managing the university's academic and administrative affairs. The legislation also repeals council's employer powers and vests these in the Chief Executive Officer - despite strong contrary submissions to the Select Committee.

These changes are designed to achieve a corporate management model of university governance, paralleling management restructuring in most parts of the public sector. Ironically, in enlightened parts of the business sector, participatory management rather than the central authority management model is gaining favour for encouraging greater commitment, creativity and productivity. As New Zealand's universities move through the 1990s it is the achievement of commitment to change which will be the essential factor in a university's ability to cope in the new era of tertiary competitiveness and increasing government stringency.

The prescribed structure of councils imposes unnecessary inflexibilities on universities. Constitutions of individual councils were previously prescribed in the separate university acts. It is another example of across-the-board provision. The council constitution appears geared more to the needs of a local than national (or international) educational institution. Whether a university council could ever realistically 'represent' the ethnic and socio-economic diversity of its wide 'community', even if that community could be precisely defined (which is doubtful), is highly debatable. The same across-the-board anti-elitism approach as to how an institution's affairs should be administered led to the abolition of the University Visitor procedure. Universities now come under the Ombudsman. The Visitorial procedure was the last avenue of appeal for university staff and students who believed they had been treated unjustly. While the Visitor had quasi-judicial powers to make decisions on a case, the Ombudsman can only make recommendations. The Visitorial procedure had been used as an effective and efficient system of in-house dispute resolution; it is in no way replaced by the Ombudsman function.

University research under threat

Labour's manifestos of 1984 and 1987 made commitments to reaffirm the importance of university research. The Beattie Report also emphasised the importance of research for New Zealand's development, and noted the low proportion of the gross domestic product (GDP) spent on university research, compared with other Organisation for Economic Co-operation and Development (OECD) countries. It recommended a considerable increase in expenditure. The Watts Report reiterated the Beattie warning that national and university research were both low by international standards, and it recommended an increase in university research funding substantially above that suggested by Beattie.²⁵

The Beattie Report also advocated, as did the later Science and Technology Review (STAG) Report, draw-offs from university block grants to contribute to a combined university /government research pool.²⁶ This idea was to be taken up by the Hawke Committee. The Government Management recommendations that university research and education functions be funded separately (to ensure identification of the most efficient provider), and that research funds be allocated on a contestable basis, were also used by Hawke's group. The government's Learning for Life policies backed away from Hawke's separatist research proposals, declaring not only that teaching and scholarship are inseparable, and research essential, but that this applies right across the post-school sector. The implication here was that university research did not require a higher resource base than other tertiary institutions. The contestable fund idea was supported for specific research projects. However the Learning for Life policies specifically omitted both decisions as to

the size and administration of the contestable research pool, and decisions as to the status and functions of the proposed Tertiary Research Board.

Decisions on the degree of tertiary involvement in the government science contestable fund, and decisions on the level of funding to be distributed by the Tertiary Research Board (a body established by the Education Amendment Act 1990, but in very sparse terms), remain unresolved. For the universities' research function, the outcome of the tertiary 'reforms' has therefore been not only the ignoring of expert advice that the level of university research support should be substantially increased, but also the creation of confusion and considerable uncertainty concerning even the maintenance of pre-reform research funding levels and allocations. As a consequence, planning for future research developments and programmes has become a highly speculative exercise. These events could be said to de-affirm, rather than re-affirm, the importance of university research.

EFTS-based bulk tertiary funding

The legislation provides for an annual payment of a general grant to each institution, to be determined by an equivalent full-time student (EFIS) formula. However the clause that the amount of each grant shall be determined by the Minister in light of the statement of objectives lends some uncertainty to the actual application of EFTS-based funding. The failure to make legislative provision for the proposed rolling triennium funding mechanism also means that there is no dependable financial base for institutions' medium-term planning. Reports indicate that Treasury has called for the rolling triennium to be dropped, and for annual funding similar to that in the rest of the public sector to be introduced for tertiary institutions.²⁷

As with so much of the over-hasty tertiary reform process, the across-the-board EFTS-based funding system proposed was adopted before an analysis was done as to how this would work in practice. Subsequent findings have clarified what should have been obvious - that the formula approach ignores economies of scale, and that many of the smaller institutions have been funded at a higher level per student than the larger institutions. Imposition of straight formula funding would rapidly bankrupt the smaller institutions. The Ministry of Education Costing Task Force analysis of various course classifications, over all tertiary institutions, has indicated considerable variation in costs per EFrS. For example course costs (excluding capital expenditure) in business studies ranged from \$4,485 for the Christchurch Polytechnic, to \$13,383 for the West Coast Community College, with an overall average of \$6,290.²⁸ Interim adjustments to a 'pure' EFrS system are likely to be made, which in effect will mean that the comparatively underfunded institutions will subsidise the comparatively overfunded ones, to enable the smaller institutions to survive. The merging of smaller institutions with larger ones, to effect economies of scale, is another possibility.²⁹

A further key issue yet to be resolved is how a common tertiary EFrS mechanism will allow adequate funding for the research component of university courses. Universities are also concerned that the new system's cost categories for funding are substantially underestimated, because they were set on a significantly eroded funding base. In October 1990 a research report on university funding prepared for NZUSA and AUTNZ revealed that in constant dollar terms, expenditure per EFrS had fallen 14.4% over the last decade, from \$8,359 in 1979/80 to \$7,154 in 1989/90.³⁰

The new system whereby capital expenditure is also funded on the across-the-board EFrS formula, and which takes no account of actual need, is neither rational nor efficient educational resourcing. The former centrally determined capital works allocation meant that institutions in greatest need had priority. While the bulk grant capital component will give institutions the flexibility and freedom to set their own capital priorities, the practical effect will be that institutions with a backlog of capital needs will get less than they need, while those with adequate existing facilities will get, perhaps not more than they 'want', but certainly more than they 'need'.

The imposition of student fees

The sorry saga and outcome of the imposition of increased up-front student tuition fees for domestic students has been discussed above. The long-term result of the imposition of full-cost charges on foreign students (other than those in exempt categories) has yet to be fully ascertained. Indications are that the fees being set are unrealistically high, and are not internationally competitive. Considerable concern has been expressed that the charges will particularly deter post-graduate and doctoral students from overseas, and so reduce the output of research from New Zealand's universities.

The application of free market policies

Perhaps the most significant factor affecting this period of educational change was the permeation of the educational services sector by free-market philosophy. Competition has been encouraged in what has traditionally been an essentially complementary tertiary sector. Treasury believed that only through competition in an intervention-free market place would efficiency of the tertiary education system be achieved. In contrast to this view, several of the reports and interest groups saw competition as wasteful of resources and philosophically inappropriate. They supported a system based on an enhancement of cooperation and complementarity.

The Probine/Fargher Report had suggested that there be more cooperative federal type arrangements between the polytechnics and universities at the upper end of the polytechnic course offerings. The Watts Report advocated similar transfer arrangements, mutual collaboration, the avoidance of course duplication, and the overall development of the polytechnic and university systems on a complementary rather than a competitive basis. It also recommended concentrations of academic strengths, collaboration, and networking, in university research and graduate studies areas. The NZUSA, in their proposal as to what constitutes a good system of tertiary education, favoured optimal resourcing for the benefit of the system as a whole. Rather than the expansion of each institution's activities, as occurs in a competitive climate, the report recommended that the full range of tertiary outcomes be defined and that specific activities be allocated to particular institutions. AUTNZ, in their response to the Hawke Report, also saw cooperation and complementarity, rather than competition as appropriate for tertiary education, because it avoided costly duplication.³¹

The Learning for Life policy document itself claimed that the current tertiary system was failing because of (*inter alia*): the duplication of courses and services offered within a given area; and fragmentation of the system into unconnected sectors which often do not recognise the achievements and contributions that each has to offer. Increased cooperation within the system, rather than increased competition, would seem to be the solution here. Indeed some of the government's policies, such as the emphasis on "the development of pathways between institutions", did strongly espouse cooperation. Yet most of : the policy decisions adhere firmly to the *laissez-faire* market-driven economic model; for example, that the colleges of education intake will no longer be controlled by government projections of the future demand for teachers, and qualifications for teachers may be offered by institutions other than colleges of education.³² Adherence to free-market policies such as this rules out a planned path to economic growth, in which education is part of national development objectives.

Potential demand/supply imbalances are already apparent. As newspapers close or reduce their staffing, and as broadcasting is cut back, several new journalism courses have opened, currently totalling nine, with three further courses in the pipeline. There is a surplus of law graduates, yet a fifth law school is being established. Five tertiary institutions in the Auckland area are developing separate degree programmes in accountancy, yet indications are of a levelling off in the demand for accountants, and not enough jobs for accounting graduates.³³ In contrast to this, a recent report from the Ministry of Research, Science and Technology predicted that New Zealand

was likely to experience a serious shortage of scientific and technological expertise early in the twenty first century.³⁴ It stressed the urgent need to counteract this by encouraging higher proportions of university students into the scientific disciplines. The MoRST warning supports a report on scientific manpower projections which concluded that a world-wide mismatch in supply and demand for scientists and engineers will have a significant effect on New Zealand, and that the numbers of students in science and technology must be greatly increased.³⁵

The Labour Party's manifesto on educational policies in both 1984 and 1987 had pledged that Labour would develop with the universities courses for the remainder of this century *consistent with agreed social and development objectives*. It has long been known that New Zealand has a scarcity of highly qualified persons in areas such as technology. Yet virtually no attempt was made to incorporate specific development planning into the PCET programme of reforms. Both the Australian and United Kingdom higher education policy statements recognised that selective action needs to be taken to increase the allocation of resources and the number of students entering fields of study perceived to be important to national economic goals. In the United Kingdom "the government considers student demand alone to be an insufficient basis for the planning of higher education. A major determinant must also be the demands for highly qualified manpower." In Australia the government has affirmed its intention to direct an increasing share of higher education resources into areas "of greatest relevance to the national goals of industrial development and economic restructuring."³⁶

The application of the Rogernomics philosophy, which believed that maximising choice in an intervention-free market would solve the country's economic problems, including the restructuring and provision of educational services, will not of its own accord produce the developed education and skills base so necessary for New Zealand's successful economic growth. This is, quite simply, because consumer educational demands and preferences do not automatically equate with national needs. What is urgently needed, before any more millions of educational dollars are wasted in competitive duplication of course provision as a result of free-marketteering, is clearly-directed educational policy planning and resourcing based on agreed social and development objectives.

Conclusion

For the universities, there have been few positive outcomes from the process of reform. Certainly changes and developments in the university system were called for - but not those which were imposed. By international standards, New Zealand's universities were already extremely cost-effective operations, they had always accounted properly for their use of public funds, they produced top-quality graduates, and they operated probably the most open entry university system in the world. The Universities Review Committee, which undertook the only comprehensive review specifically of the universities, concluded that the main problems were the relatively low participation rate and the low level of public funding. The first of these, the result of social factors which take effect long before the stage of entry to higher education, will not be assisted by the imposition of increased fees. Amelioration of the second major problem was not taken up as an objective of the reforms.

The attack on New Zealand's universities in the guise of sectoral reform had two dimensions. Both have had some measure of success. First, there was the influence of the free-market theorists who believed that the provision and funding of tertiary education would be most efficient, and of most benefit to all participants, when it operated in an intervention-free market-place. Competition has been encouraged and has emerged in what was previously a complementary tertiary sector - and potential demand/supply imbalances are already becoming apparent. The once sacrosanct policy of education at all levels being provided free (or virtually free) by the state, has been broken. 'Enterprise' is encouraged and income-generating ventures are being developed in most of the universities. Second, there was the pervasive influence of the 'anti universities as independent and

elitist institutions' element, which sought to treat all tertiary institutions as the same, and to bring the universities under greater control. As a result of the application of across-the-board measures, and the chronic failure to acknowledge the distinctive role of the university: the special research role of universities has tended to be downgraded; universities' already adequate accountability mechanisms have been extended; the UGC and the University Visitorial procedure have been abolished; and the strengthened role of the central bureaucracy has increased the vulnerability of the universities to bureaucratic and political pressures. Ironically, one of the aims of the educational reforms had been to reduce the size of the central bureaucracy. In fact, government agencies and expensive quasi-government bodies have so mushroomed that a round of staffing cutbacks is already underway.

The protection of academic freedom and of the terms 'university' and 'degree', and the legislative commitment that an annual grant determined by the EFTS formula will be paid to each institution, are positive outcomes of the reform process. There is also a greater awareness amongst university staff of the need to be accountable for the proper use of public funds, and for universities to operate to achieve optimal efficiency as well as optimal effectiveness. Other positive outcomes are difficult to discern, and some important issues remain unresolved. These include, for example, the funding of university research; and the practical application of EFTS-based funding in a limited education budget.

That much of the outcome of reform is unsatisfactory is not altogether surprising, given that the process was carried out with inappropriate haste; that there was insufficient consultation with the universities at some crucial stages and/or there was a failure to take account of what consultation there was; and that much of the process was carried out and strongly influenced by non-experts. Had timely heed been paid to Thomas Arnold's dictum, that "no one ought to meddle with the universities who does not know them well and love them", a set of policy decisions more applicable and appropriate to the real reform needs of the New Zealand university system, and planned as an integral part of national development objectives, could surely have been developed.

Notes

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32. See, for example, *Learning for Life*, Section 3. 7. 7.
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