



To:

Tertiary Accord of New Zealand

TERTIARY SECTOR FUTURE CONTEXT, SHAPE AND FUNDING

KEY FINDINGS

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Key Findings

BERL and Infometrics have worked with TANZ executives, and had discussions with officials to guide their research into the Tertiary Sector's Future Context, Shape and Funding. While our investigations have been broad, the key findings can be condensed into three points.

1. Transforming the New Zealand economy needs more people, with more skills, of all skill types. In particular:

- the economic return to an additional skilled person is high;
- the indirect addition to GDP from one more skilled person is relatively similar whether trades, professional or service and retail workers; and
- there is economic and social justification to support all skill provision: vocational, trades, academic and professional.

Table 0.1 Economic contribution across occupation groups

Occupation group	Approximate employment	Average wage	Indirect effect on GDP*
	('000 people)	per employed person (\$000s, 1996 prices)	
Professional, managerial	500	\$50	\$45
Associate professional, technical	200	\$40	\$45
Trade workers, machine operators	300	\$42	\$33
Primary production	150	\$30	\$40
Clerical, customer service clerk	220	\$35	\$37
Drivers	60	\$32	\$30
Retail, hospitality service	300	\$13	\$30
Protective services workers	30	\$43	\$75
Labourers, elementary workers	105	\$30	\$38

* increase in GDP in addition to average wage

2. Key drivers of New Zealand's continuing growth are the supply of people into the labour force and the supply of skills to those already in the labour force. The tertiary sector has been central to these drivers.

The tertiary sector attracts into work, and supplies skills to four main groups.

- Secondary school qualified – about 35,000 p.a. – the traditional flow.
- Lower skilled people in the workforce (740,000) requiring generic or specific skills.

- iii) Older people adapting skills to continue working – 90,000 more 55 to 64 year olds working since 2000.
- iv) Mature people, not in the labour force, engaged by non-assessed courses to begin learning – at Polytechnics and wananga. A proportion staircase strongly through assessed courses and/or into employment. This function, in particular, has very high social, economic, and fiscal benefits.

3. Tertiary funding through the EFTS system works mostly, but requires modifications.

The modifications are aimed:

- to increase certainty;
- to provide *no surprises* to stakeholders; and
- to support present strengths.

Suggested modifications include:

- funding certainty over a 3 to 5 year period;
- *bulk* funding for regional, industry, and ACE specific needs;
- capability funding for governance and allow innovation by providers;
- national solutions for national problems – e.g to address the apocryphal, unsustainable *class of 7 trades students*;
- EFTS rates to reward outcomes, and linked to public economic returns, not cost of delivery;
- EFTS clawback for non-assessed courses that achieve staircasing; and
- funding for excellence in ITP teaching.