



Summary

Tertiary education sector: What we saw in 2021

This report focuses on two key areas – the ongoing vocational education reform programme and the impacts of the Covid-19 pandemic on the tertiary education sector.

The vocational education reforms

The vocational education reforms are the most significant reforms in the tertiary education sector in 25 years.

The establishment of Te Pūkenga – New Zealand Institute of Skills and Technology (Te Pūkenga) on 1 April 2020 was central to the reforms. On that date, the 16 institutes of technology and polytechnics were disestablished and became Crown entity subsidiary companies (the subsidiary companies). They will continue in existence until becoming fully integrated with Te Pūkenga on 31 December 2022, at the latest.

Because of its central role in the reforms, Te Pūkenga needs to be clear about its operating model – that is, what it delivers, how it delivers it, and the assets, infrastructure, and capabilities it needs.

Te Pūkenga needs a robust performance and accountability framework for it, Parliament, and the public to understand how well the reforms are progressing. This framework needs to be transparent about whether Te Pūkenga has met its performance targets and show how Te Pūkenga will improve on its performance over time.

There is a real opportunity for Te Pūkenga to build a new and meaningful approach to engaging with the communities it serves. Part of that involves reporting on its performance to those communities. Not only does Te Pūkenga need to be accountable at a whole-of-system level, but it also needs a high level of regional and local accountability.

Te Pūkenga was set up almost two years ago. We expected it to have a detailed operating model and performance and accountability framework by now. We also expected the model and framework to be well understood throughout the sector.

We acknowledge the progress Te Pūkenga has made with this work, including the recent publication of the 2022 Statement of Performance Expectations.



However, neither the model nor the framework is ready to be implemented yet.

The Government has placed higher performance expectations on tertiary education institutions through the vocational education reforms. For example, the Tertiary Education Commission (the Commission) has advised that the new unified funding system means that it will have “significantly heightened” performance expectations of tertiary education institutions.

The vocational education reforms have a strong focus on meeting the needs of all students. This includes students that the tertiary education system has not served well historically – such as Māori, Pasifika, and disabled students.

According to the Commission’s annual report for the year ended 30 June 2021, the 2022 goals for Māori and Pasifika student achievement are unlikely to be achieved. It is important that sector leaders prioritise developing appropriate strategies, processes, and performance measures to allow Te Pūkenga to determine whether it is improving its performance for these students.

It is also important that Te Pūkenga focus on the subsidiary companies’ underlying financial issues. We are concerned that there is not yet a detailed plan about how fully integrating the subsidiary companies and introducing the new Te Pūkenga operating model will address these issues. We understand that there is currently no reporting against actions to improve the subsidiary companies’ financial sustainability.

Because of the reforms’ significance and the improved outcomes that they aspire to, it is important that Parliament and the public are easily able to assess the progress Te Pūkenga is making. We will continue to report on the financial and performance information of Te Pūkenga as the reforms progress.

Ongoing impacts of the Covid-19 pandemic

The Covid-19 pandemic continues to impact the tertiary education sector. Border restrictions have significantly reduced the number of international student enrolments in Te Pūkenga and most universities.

This has affected several tertiary education institutions’ financial results. Although increased domestic enrolments have replaced some of this lost revenue in the short term, parts of the sector are expecting a decrease in domestic enrolments in 2022.

The Covid-19 pandemic has changed the way that tertiary education is delivered. Mixed model or dual delivery (that is, both on-campus and online delivery) is now common practice. Although this allows tertiary education institutions to reach as many students as possible, it can be time consuming and difficult for teaching staff. It also creates added pressure for them.

Tertiary education institutions’ financial robustness is critical to maintaining quality educational outcomes. Although tertiary education institutions may be able to absorb short-term revenue losses, it will be important for them to reconsider their medium- to long-term forecasts to take account of further uncertainty and disruptions. In 2020, many of the universities, wānanga, and subsidiary companies reported deficits.

Given the many interdependencies the tertiary education sector has with other sectors, an integrated and strategic approach to the sector’s recovery from the Covid-19 pandemic is needed. Labour market and immigration settings are directly relevant to tertiary education institutions’ operations. Therefore, any changes made to these settings can have significant impacts on the tertiary education sector.