

Review of tertiary education inquiry

New models of tertiary education

NZIER report to New Zealand Productivity Commission

May 2017

About NZIER

NZIER is a specialist consulting firm that uses applied economic research and analysis to provide a wide range of strategic advice to clients in the public and private sectors, throughout New Zealand and Australia, and further afield.

NZIER is also known for its long-established Quarterly Survey of Business Opinion and Quarterly Predictions.

Our aim is to be the premier centre of applied economic research in New Zealand. We pride ourselves on our reputation for independence and delivering quality analysis in the right form, and at the right time, for our clients. We ensure quality through teamwork on individual projects, critical review at internal seminars, and by peer review at various stages through a project by a senior staff member otherwise not involved in the project.

Each year NZIER devotes resources to undertake and make freely available economic research and thinking aimed at promoting a better understanding of New Zealand's important economic challenges.

NZIER was established in 1958.

Authorship

This report was prepared at NZIER by Derek Gill.

It was quality approved by John Yeabsley.

1. The task and the process

NZIER has been commissioned to review the New Zealand Productivity Commission's (the Commission) 'New models of tertiary education' inquiry.

1.1. Task

The Commission has its own set of criteria that are to be used for assessment reviews such as this, as part of its performance framework. The review tasks are set out in Appendix A but in brief they are:

- The right focus
- Good process management
- High quality work
- Effective engagement
- Clear delivery of messages
- Overall quality.

In addition, we were invited to make any observations about 'having intended impacts'.

Our summary assessment of the 'New models of tertiary education' inquiry against these various aspects is given in Section 2 and the more detailed assessment is in Section 3.

1.2. Process adopted

Approach to the review

Our approach was a top-down desktop based review. We focused on the final report. Given the resource constraints we have not undertaken interviews with key interlocutors nor are we privy to the results from the focus groups or the survey of submitters that the Commission undertook after the completion of the inquiry. Instead we reviewed the report as a stand-alone deliverable and focused our attention on the analysis, findings and recommendations contained in the final report.

This does not mean we have disregarded other outputs. We looked at the supporting material on the Commission's website to test the quality of the process undertaken for the inquiry including a comparison of the findings and recommendations in the draft and final reports.

2. Summary assessment

2.1.1. The right focus

The relevance and materiality of the inquiry report

The terms of reference for the inquiry focus on “*the key trends likely to drive strategic challenges*” in tertiary education sector. The report did an excellent job in Part 1 (Chapters 2-8) in looking back and analysing trends that have driven the historical evolution of the tertiary education system. The discussion of future trends (Section 10.3) is much more truncated and the report doesn’t live up to the billing of “*new models of education*”.

2.1.2. Good process management

The timeliness and quality of the inquiry process

The report was delivered on schedule when the final report was released to the public on 21 March 2017. The Commission’s standard five-stage process: brief, issues paper, draft report, final report and ex post reviews – allows for wide engagement and for the underlying analysis and evidence to be exposed and debated. The rigour imposed by this process is reflected in the depth and quality of the analysis of the final report.

Leaving aside a missed opportunity to lead the sector’s thinking, overall the quality of the work and the report is impressive.

2.1.3. High quality work

The quality of the analysis and the recommendations

The inquiry uses a range of methods drawing upon the academic literatures, extensive use of data, some commissioned work as well as extensive engagement with stakeholders. The result is a report which demonstrates a deep understanding of the evolution of the current tertiary education system, which is both authoritative and compelling. The report focuses on explaining the ‘inertia’ in the tertiary education system suggested by the terms of reference. The report highlights this as an emergent rather than inherent feature that arises from the interaction of the funding and regulatory regimes with the culture and capability of the sector.

Much less compelling is the discussion of solutions and the recommendations. The report suggests the recommendations fit together as a package but this was not developed. Generating the desired change in complex adaptive systems, while minimising unforeseen or revenge effects, is hard. It was unclear how the recommended package of solutions would work together to generate a better performing tertiary system.

2.2. Effective engagement

How well the Commission engaged with interested parties

The range of submissions received and engagement meetings held (documented in Appendix 1 of the final report) was impressive. No doubt the survey and focus groups will provide additional insights on the effectiveness of the process.

The extensive engagement with stakeholders was reflected in the final report which illustrates the range of views on a particular issue. The Commission's standard multi-stage process serves it well. The final report comes across as independent, even handed and authoritative, based on the extensive research and wide engagement undertaken.

2.2.1. Clear delivery of messages

How well the work is communicated and presented

In the past, the Commission has used a variety of methods to communicate its findings – including videos and slideshows available on the Commission website as well as providing the issues paper, draft report and final report. In this inquiry, the Commission has mainly provided written documents without videos or slideshows. This leaves a gap between the 450-page report and the various summary documents (an A3, a 10-page summary, a stand-alone document with the questions, findings and recommendations).

The report itself, while somewhat tough going, made extensive use of a range of devices to improve readability. These include an overview, a key points summary, clear headlines and headings to separate the report's sections, and extensive use of charts and diagrams and quotations.

Despite these devices, a 450-page report is a daunting challenge and readers will struggle to make the segue from the high-level summaries to the detailed argument in the body of the main report. One suggestion would be to make more use of the A3 to provide a cross walk with both printed links and hypertext links to the key sections of the report and to any findings or recommendations.

2.2.2. Overall quality

The overall quality of the inquiry taking into account all factors

The challenge for this inquiry was how to enable the changes desired in a complex adaptive system. The analysis suggests that inertia is an emergent feature of the system. It reflects the combined effect of internal culture and capability constraints within the sector and the perverse effect of the battery of funding and regulatory constraints that are applied.

But this gives rise to a dilemma – there is no guarantee that intervening in a complex adaptive system will make it better. The tertiary education sector is particularly problematic as there are limits on informed student choice (education is an experience good and a credence good) and distortions from government interventions such as interest free student loans.

While the report provided a good summary of the current system and how it has evolved, it was less clear how the package of recommended changes would generate the desired change in system performance. Change is difficult to engineer in complex adaptive systems. System steering is not adequately addressed in the report.

The review process provided an opportunity to reshape the thinking of the sector by engaging in a collaborative dialogue around the potential future states for the tertiary sector. This opportunity was missed.

Standing back from these comments, overall we were impressed with the quality of the report, the depth and range of the analysis, the evidence used, and the efforts made to engage stakeholders. The Commission has produced a landmark review of the evolution of the tertiary education system and the need for change.

2.2.3. Having intended impacts

What happens as a result of the Commission's work?

The final part of the review task was to make any observations about the report 'having intended impacts'.

There is no 'burning platform' for tertiary sector reform in New Zealand. Indeed, on a range of international measures, New Zealand's tertiary sector performance compares quite favourably. The Commission's report make a case for change based on the need for New Zealand to make more of the opportunities and to remove the current policy settings which insulate the sector from the need for change.

Viewed from this perspective the key intended impacts from this report centre less on the immediate direct impact on policy settings and more on the longer term indirect impact. For example, the impact of the report can't be adequately assessed by how many of the recommendations are adopted when the government issues its response to the report.

What matters for assessing impact is whether over time the report influences the discourse and reframes the way opinion leaders think about tertiary education policy and sector performance. On this score, the quality of the analysis of the evolution of the system provides a good platform to reframe how sector performance and the need for change is perceived.

3. Detailed examination

This section is essentially an elaboration and substantiation of the points made in the summary assessment above. The review calls for a series of examinations of the same inquiry material from different perspectives. Inevitably this produces some duplication, but where possible we have tried to keep this overlap to a minimum.

3.1. The right focus

The focus of the terms of reference for the inquiry are *'the key trends likely to drive strategic challenges'* in tertiary education sector. The report did an excellent job in Part 1 (Chapters 2-8) in analysing trends that have driven the historical evolution of the tertiary education system. Professor Gary Hawke commented on the draft report *'The Productivity Commission has produced the best review of tertiary education for some time'*.¹ From Gary that is praise indeed.

Much less compelling was the discussion of future trends (Section 10.3). The report correctly observed that *'prediction is hard, especially about the future'*. But more could have been done to paint the picture of the alternative future states for the tertiary sector – as occurred in the secondary education sector.² Some scenarios could have involved evolutionary adaptation while others could have been based on disruptive change and divergence. Gary Hawke's criticism of the draft report that it *'Leaves for future work, defining the "new models" called for in the terms of reference'*, applies equally to the final report.

3.2. Good process management

The Commission requested an examination of the timeliness and quality of the inquiry process.

3.2.1. Timing

The terms of reference for the inquiry was for a final report to be delivered to commissioning ministers by 28 February 2017. While the date of delivery to Ministers was not disclosed, the final report was released to the public on 21 March 2017. Allowing for the standard Cabinet process, this suggests that the inquiry team completed its work in a timetable that is in line with the original brief.

¹ <http://www.productivity.govt.nz/sites/default/files/Gary%20Hawke.%20Commentary%20on%20draft%20report%20New%20models%20of%20tertiary%20education%20Sept%202016.pdf>

² The OECD Schooling for the Future which included New Zealand Secondary Future provides one model but there are others. The importance of secondary futures was less in the deliverable per se than in developing a shared understanding and commitment for a common purpose. In a complex system with distributed decision making this shared understanding is very important to enabling a change management process to be effective.

3.2.2. Quality of process

The Commission's standard operating procedure of a multi-stage process which includes an issues report (Green Paper), draft report (White Paper), final report (Bill) serves it well. The inquiry uses a mixed-method approach drawing on an extremely wide range of literatures (the list of references runs to 29 pages), data analysis and some commissioned work as well as extensive engagement with stakeholders. The report demonstrates a deep understanding of the evolution of the current tertiary education system and this takes up the first two-thirds of the final report. The report looks at the system from a range of perspectives – students, employers, providers and draws on a wide range of qualitative and quantitative evidence. These sections of the report are both authoritative and compelling. The report included some quite subtle analysis – such as the role of institutional isomorphism – that drew on a range of disciplines.

Looking at the report, the overall project design and approach was successful in understanding how the sector has evolved. However as observed above, the methods adopted were never going to address the challenge posed by the terms of reference to identify new models of tertiary education. This is a weakness that may detract from the overall impact of the report in achieving change in a complex sector where decision making is highly distributed.

3.2.3. High quality work

The quality of the analysis and the recommendations

One of the key conclusions of the report was that the inertia in the tertiary education system is an emergent rather than inherent feature of the system. These emergent features arise from the interaction the funding and regulatory regimes with the culture and capability of the sector. The results that emerge are often unforeseen and sometimes the consequences are unintended. This conclusion is well supported by discussion on culture (Chapter 6), funding (Chapter 5), and regulation (Chapter 7).

The challenge for this inquiry was how to enable the changes desired to a complex emergent system. The proposition that inertia is an emergent feature of the system gives rise to a dilemma – there is no guarantee that intervening in a complex adaptive system will make it better.

In the case of the tertiary education sector you have both government failure (interest free student loans, caps on enrolment) and market failure (education is an experience good and a credence good). A practical choice needs to be made between imperfect alternatives.

Change is particularly difficult in complex adaptive systems. The Commission's inquiry included a useful potted history (by Ron Crawford) of tertiary sector reforms in New Zealand. This history highlights how important system steering and governance is. By system steering we mean how the system can be nudged in the right direction and negative patterns broken up. System steering is not adequately addressed in the report. Chapter 16 provided the placeholder for this discussion but limits itself to a criticism of the Tertiary Education Strategy.

While the report provided a good summary of the current system and how it has evolved, we struggled to see the theory of change that would ensure that the package

of recommended changes would necessarily help nudge the system in the right direction. The report suggests the recommendations fit together as a package but this not explored in any depth and remains a claim.

We were left wondering how the problems experienced with some private training establishments by the last attempt at a more student centred and demand driven system were to be avoided. For example, within the current system some private training establishments are seen to be providing a back door to circumvent immigration rules.

Student-centred reforms need to grapple with the quality problem. But as the report notes tertiary education is both a credence good and an experience good. This makes the operation of a consumer-centred market much harder. Beyond greater clarity of the roles with NZQA focusing on quality and TEC focusing on purchasing, it was unclear how quality was to be assured.

One area where the analysis could have gone deeper was in the treatment of innovation. The discussion tended to privilege radical and disruptive change over incremental and sustaining change when all are important drivers of innovation. More importantly innovation is a joint process involving a wide range of actors and is not confined to the individual entrepreneur or firm coming up with a disruptive new approach (i.e. a better way to make a mouse trap). Instead innovations occur within a wider system that includes customers, other firms, the public research system and the innovation information infrastructure.³ Customers are particularly important in the services industry as a source of innovation. This insight is important for the tertiary education system as it reinforces the case for more student-centred rather than a provider-centred tertiary system.

3.2.4. Effective engagement

How well the Commission engaged with interested parties

The inquiry clearly made extensive efforts to engage stakeholders. Appendix 1 of the final report documents the submissions received and engagement meetings held. My own personal experience was that the Commission staff were extremely proactive in encouraging a range of different views and perspectives to be included.

The Commission has undertaken focus groups and a survey to test the effectiveness of the engagement at the same time this review was being prepared so the results are not available for inclusion in this report. To satisfy ourselves on the quality of the engagement process, we undertook a simple content analysis of the findings and recommendations in the interim report and compared them we those of the final report. Table 1 shows what we found.

The key insight from Table 1 is a pattern of continuity and change. Continuity was reflected in the large number of findings in the draft report which were included in the final report without material change. Change was reflected in the fact that in almost every chapter there were examples of either significant amendments to the content

³ 2011 BIS Economics Paper No 15 Innovation and Research Strategy
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32445/11-1386-economics-innovation-and-research-strategy-for-growth.pdf

and new findings included. In some cases, some findings were removed in the final version.

Table 1 Changes to draft report findings made in the final

Chapter/Changes	No material change	Significant change	New content
3 - Student	4		3
4 - Employers	7	1	1
5 - Government	12	3	2
6 - Providers	2		2
7 - Markets	2		4
8 - Incentives	8	3	5
9 - Outcomes	3		1
10 - Trends	1	1	
11 - Innovation	3	1	2
Note: The table does not include Chapter 12 in the draft report as it was extensively restructured in the final version.			

Source: NZIER

This pattern of continuity and change in Table 1 is consistent with what would be expected from a well-researched project with extensive engagement at each key stage. The largest changes between the draft and final reports were in the structure of the final chapters of the report and the recommendations. For example, the Commission pulled back from the proposal for Student Accounts. The documentation is consistent with meaningful engagement where the Commission was genuinely open to changing its view.

This engagement was also reflected in the final report where the text illustrates the range of views on particular issues. The resulting material was included very effectively in the report and quotations were provided to show the views of affected parties from the sector. The wide engagement on the issues and draft papers means that the final report comes across as well researched, balanced and even handed.

3.2.5. Clear delivery of messages

How well the work is communicated and presented

The Commission uses a variety of techniques to get the messages across. The main report is accompanied by a lift out of the overview summary paper as well as an A3 (At a Glance), and a listing of questions, findings and recommendations. However, unlike previous reports no videos and or slideshows were available on the Commission's website to support the main report.

The main report itself has a sensible structure and includes key points, summary section, headings, and extensive use of text boxes and graphics. This heterogeneous style allows different readers to approach the material in their own way.

The report starts with the terms of reference, table of contents, a glossary of technical terms used in the report, along with a 9-page overview section. Overall the overview worked quite well with some short sentences and strong suggestions. The overview might have had more impact if it directly followed the terms of reference.

The design of the main report includes several features to make the report accessible:

- Diagrams to illustrate ideas
- Data tables and graphs to illustrate trends
- Text boxes, and shaded text to break out the argument
- House presentation style throughout the document including headlines and headings to separate the report's sections.

Despite these features to improve the report's overall appearance, a 450-page report is a daunting challenge for the reader.

The problem facing the Commission is how to bridge the gap between the various summary documents and the main report (450 pages). One suggestion would be to make more use of the A3 or overview to provide a cross walk with both printed links and hypertext links to the key sections of the report and to any findings or recommendations.

We came across very few final production control problems. There were minor lapses on the labelling of submissions (Appendix A) where there is no explanation for the two numbering systems and the ordering of the engagement meetings needed tidying. But these are small oversights in what was generally a well-edited document.

3.2.6. Overall quality

The overall quality of the inquiry taking into account all factors

Drawing on the previous material, our overall impression is that the report demonstrates a deep understanding of the evolution of the current tertiary education system, which is both authoritative and compelling. As such the report has the potential to make a significant contribution to reframing how tertiary sector performance and the need for change is perceived.

Much less compelling was the discussion of future models, solutions and the recommendations. The problem with complex adaptive systems, as the report recognises, is that interventions risk generating unforeseen or revenge effects. The reader was left unclear what the theory of change was for the package of reforms proposed and how the recommended solutions would generate better outcomes. The review process could also have provided an opportunity to engage the sector in the need to embrace change.

To reiterate, standing back from these comments, overall we were impressed with the quality of the report, the depth and range of the analysis, the evidence used, and the efforts made to engage stakeholders. The Commission has produced a landmark review of the evolution of the tertiary education system and the need for change.

3.2.7. Having intended impacts

What happens as a result of the Commission's work?

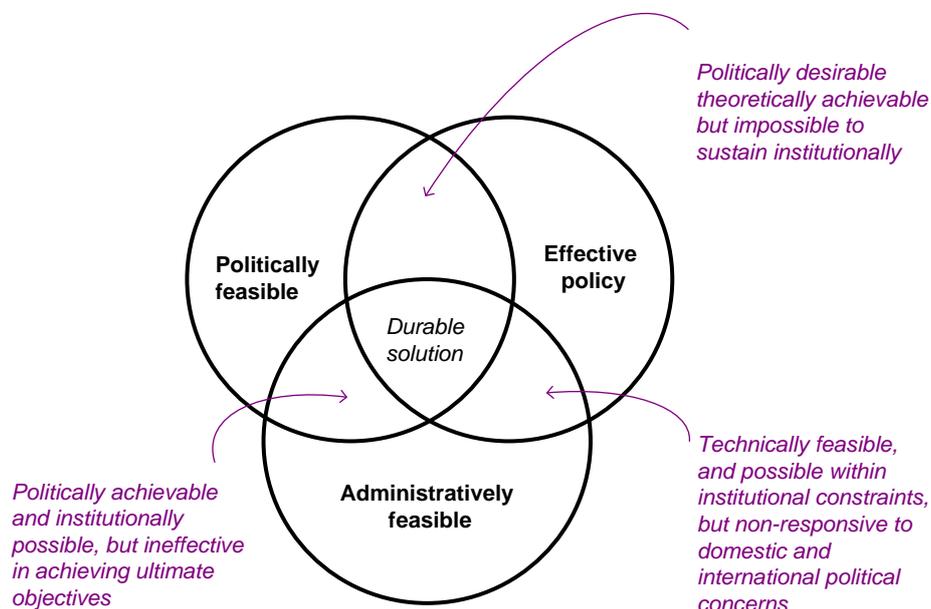
Zhou Enlai when asked about the effect of the French revolution was quoted as saying that 'it was too early to say'⁴. What this comment highlights is that it is important to distinguish direct from indirect impacts.

The experience with evaluation is equally instructive – it is only in stylised policy cycle diagrams that evaluations directly trigger a policy process that lead to policy changes being announced. The main impacts of evaluations are indirect, by reframing the way an issue is perceived by key stakeholders and hence by decision makers. From this stance, what matters for assessing the impact of the Commission's report is the extent to which the way opinion leaders thinking about tertiary education policy and performance of the sector is reframed over time.

Assessing impact based on how many of the recommendations are adopted when the government issues its response would be to focus on the wrong measure of impact.

One way to illustrate why the number of recommendations adopted is a bad performance measure is to use the framework of durable policy bargains shown in Figure 1.

Figure 1 The policy sweet spot



Source: NZIER Public Discussion Paper 2016/2 ⁵

⁴ <http://www.historytoday.com/blog/news-blog/dean-nicholas/zhou-enlais-famous-saying-debunked> , <https://www.ft.com/content/74916db6-938d-11e0-922e-00144feab49a>

⁵ <http://nzier.org.nz/publication/durable-policy-approaches-framework-development-and-brief-literature-review-nzier-public-discussion-paper-20162>

The framework distinguishes three questions:

1. What is politically feasible?
2. What policy is the most effective means of achieving an objective?
3. What policy can be practically implemented and administered?

Figure 1 shows a static view but the dynamics of the various components are quite different. Policy effectiveness and administrative practicality only change very slowly over time whereas political feasibility adjusts very rapidly.

The role of an independent body like the Commission is not to identify the sweet spot in the middle of Figure 1 between what is policy feasible, what is administratively doable and what is policy efficient. The role of the Commission is to identify the intersecting sets between the two right-hand circles that map out what is policy efficient and what is administratively doable. In this regard the Commission is to be commended for highlighting the role of interest free student loans in distorting the operation of tertiary markets and in triggering countervailing interventions.

Success in these terms is measured over time not by simple KPIs such as the percentage of recommendations adopted. Success should be measured by the extent to which the report influences the discourse and reframes over time what is 'politically feasible' by changing the way opinion leaders think about tertiary education policy and sector performance.

Appendix A Terms of reference

The task that we were given was to undertake a review as follows:

“The deliverable is a report of your review of the Commission’s New models of tertiary education Inquiry.

The review should evaluate (based mainly on the final report plus on-line appendices) the quality of the Tertiary Education inquiry against the following performance measures:

- **the right focus** – the relevance and materiality of the inquiry report;
- **good process management** – the timeliness and quality of the inquiry process;
- **high quality work** – the quality of the analysis and recommendations;
- **effective engagement** – how well the Commission engaged with interested parties;
- **clear delivery of messages** – how well the work is communicated and presented; and
- **Overall quality** – the overall quality of the inquiry taking into account all factors.

Note that the Commission’s performance framework also contains another dimension:

- **Having intended impacts** – what happens as the result of the Commission’s work

While it is mainly too early to judge this aspect, you should make any observations that you feel you can make.

The review should note any lessons that can be taken and make recommendations for any future improvements.

The report must also contain a ‘summary assessment’ (or alternate name) that summarises your perspective on each of the performance dimensions (a short paragraph on each) – this is useful for the Commission’s Annual Report.”