Chapter 10
Making Universities Grow:
The New Zealand Experience

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The New Zealand tertiary education system consists of eight universities, numerous polytechnical institutes and other smaller tertiary providers. For the purposes of this essay, I will focus on the eight accredited universities, which are all government-funded and include the following institutions: University of Auckland, University of Otago, Victoria University of Wellington, University of Canterbury, Massey University, University of Waikato, Lincoln University and Auckland University of Technology. Collectively, the universities in New Zealand enrol approximately 177,000 full- and part-time students and employ around 20,500 staff (see Universities New Zealand website at www.universitiesnz.ac.nz). Government grants account for 40% of the income for New Zealand’s universities, and the remainder is made up mostly of student fees and research income. The move to grow endowments through philanthropic activities is relatively recent in the New Zealand university sector.\footnote{Whilst universities in New Zealand have received philanthropic gifts, only the University of Auckland has a history of successful philanthropic campaigns beginning in the early 2000s.} The University of Auckland has developed the most ambitious plans in this arena and publicly launched its third major fund-raising campaign in September 2016 with the aim of raising NZD300 million (see https://www.auckland.ac.nz/en/about/news-events-and-notices/news/news-2016/09/university-of-auckland-launches-300m-fundraising-campaign.html). The University of Auckland’s campaign, “For All our Futures”, is meant to ensure that the country’s top-ranked university is seen as contributing to the economic, social, educational, scientific, and medical wellbeing of New Zealand as part of a global network of leading institutions of higher learning. Indeed, universities in New Zealand must be innovative and ambitious in an effort to maintain and enhance relevance made all the more challenging given the country’s geographic remoteness. All eight of the

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country’s universities are within the top 3% of universities as per the QS ranking system, but increasingly there is a sense that the Universities in New Zealand are challenged by the ever-changing governmental policies, and a sense of increased competition both nationally and globally for often insufficient government or private funding. Growing universities, then, becomes a challenge, as in the New Zealand context the growth in one university could result in a decline in another one within the country. The Christchurch earthquake of 22 February 2011 caused extensive damage at the University of Canterbury and resulted in significant declines in student numbers that were still being felt 5 or 6 years after the devastating events. As a result, universities in New Zealand are keen to develop business continuity plans so as to avoid significant declines in revenues in the case of natural disasters or other calamities.

In this contribution, I will outline some of the other challenges that have been faced by New Zealand universities especially in a context of new international ranking schemes, government funding, research opportunities and the growing of student numbers. New Zealand has a large number of universities and other tertiary providers given its relatively small population of 4.5 million. The universities in New Zealand tend to benchmark themselves against the often better-funded Australian counterparts and compete for international students with other large English-speaking markets such as the USA and the UK. Despite these challenges, New Zealand universities have managed to maintain high quality and have been able to grow through innovative initiatives, both individually and collectively. Growth has also been fostered by Education New Zealand, which is tasked with promoting New Zealand’s educational brand overseas, and Universities New Zealand (Te Pōkai Tara), a statutory body representing and advocating for New Zealand’s eight major universities.

A Competitive Environment

A statement from the 2017 Chair of Universities New Zealand, Professor Stuart McCutcheon, from 29 March 2017 reveals some of the challenges facing the entire New Zealand university sector. Responding to inaccurate media reports about the purported desire at New Zealand tertiary institutions to relax academic standards for students through a variety of nefarious schemes (see http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11827075), McCutcheon wrote that “New Zealand’s universities all value their international reputation for delivering high quality education. All eight universities are ranked in the top 3% (500) in the world. We would not put this at risk. This is how we attract the best academics and researchers from around the world, which in turn attracts quality students—despite

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2The article was written by Simon Collins, the education reporter for the New Zealand Herald. The article quotes academics who claim to be “pressured to ignore cheating and pass incompetent students.”
having the lowest income per student in the western world” (see http://www.universitiesnz.ac.nz/node/939). Whilst the negative stories in the media came from the less prestigious polytechnical institutions or other smaller private tertiary providers, the urgency of Universities New Zealand’s response represents an effort to secure the international reputation that the eight universities have worked so hard to achieve. However, even among the universities themselves, recent circumstances have caused heightened anxiety as the marketplace for both domestic and international students has become tighter and competition among universities has increased. This competition is compounded by demographic pressures, as the number of school leavers, or High School graduates, is projected to decline over the next few years before increasing again in the mid-2020s.

Since the early 1990s, the government funding of New Zealand universities has been based on the number of student enrolments, or what in New Zealand are referred to as EFTS (equivalent full-time students). Each year, the universities set EFTS targets, and when these targets are not met, universities may have to return funds to the government, and the government funding the following year will be reduced as a result of that fluctuation. With budgets potentially reduced due to drops in student numbers, university administrators work to ensure that recruitment of domestic and international students remain a priority, so as to preserve budgets in order to provide the full range of academic programs, student services and research support.

Faced with these challenges, the university sector has become a more competitive space, as the various tertiary providers compete for a shrinking number of domestic students. To maintain growth and reach EFTS targets, the universities have increasingly sought to grow international student numbers as these students frequently pay higher tuition costs and are weighted more heavily in the formulas that are used to calculate overall EFTS.

Fees at New Zealand universities are set each year by the government when the annual budgets are announced in May. For domestic undergraduate students, the fees are relatively low when compared with state-funded universities in the USA and the UK. In 2016, the tuition for undergraduates was around USD 5000 per annum. The universities charge more than double that for international undergraduates, hence the attraction of increasing international EFTS. The exception to the higher tuition charges for international students is made on the doctoral level, where all doctoral students from overseas are charged the domestic tuition rates. In this way, universities in New Zealand have a competitive advantage over Australian universities in which international students pay higher international fees for the doctorate. This doctoral strategy has been another element in the overall efforts in New Zealand to bring highly skilled international students to the country to complete advanced degrees.

Despite this preferential treatment for international doctoral students, the New Zealand sector suffered a serious drop in international student enrolments beginning in 2004, after the damaging closure of two English-language institutes which received significant negative media coverage in one of New Zealand’s most important markets for international students—the People’s Republic of China. The failure of the two English-language institutes—Modern Age Institute and Carich Training—damaged the country’s reputation in delivering high-quality educational
experiences especially to students who required English-language coursework prior to enrolling at universities. Modern Age went into liquidation in September 2003 (see http://www.scoop.co.nz/stories/ED0310/S00075/sfo-complaint-over-english-language-school-closure.htm), and Carich Training went into receivership in November that same year (see http://www.scoop.co.nz/stories/BU0311/S00078/carich-training-centre-limited-in-receivership.htm). Soon after, the numbers of international students enrolling in New Zealand universities fell significantly. In the period from June 2004 to June 2007, the number of Chinese students studying in New Zealand declined from 66,093 to 37,231.3 In the New Zealand press, this decline was explained in the following way:

The growing student aversion to this country has been blamed on many factors, including the strong dollar, the Sars virus, fears of terrorism, anti-Asian politics, negative international publicity, Asian crime and deliberate intervention by the Chinese Government. It has even been claimed that cost-conscious Asian students have faced strong competition for budget airfares from costumed fans arriving in New Zealand to visit the film locations for The Lord of the Rings and The Last Samurai. These factors were only worsened by the collapse of the multi-campus Modern Age Institute of Learning in September, quickly followed by Carich Training’s demise (see http://m.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=3540636).

Beginning in 2010, the number of Chinese students began to increase again and by 2016, Immigration New Zealand had issued more than 33,000 visas to Chinese students—the first time that mark had been surpassed in a decade (see http://www.radionz.co.nz/news/national/309485/over-33,000-chinese-student-visas-granted). This recovery in the number of Chinese students has required painstaking attention from key stakeholders in New Zealand. With the support of Education New Zealand and the Tertiary Education Commission—the government agency overseeing universities—New Zealand’s universities endeavoured to promote and develop programmes that would appeal to international students. For instance, the University of Auckland launched a new Masters in Marketing in 2013 that attracted many international students, especially from China.

The Strategies for Growth

Whilst the attracting of international students has been a constant focus and pre-occupation at New Zealand’s universities, this strategy can only be possible if institutions are willing to rapidly adapt to changing market circumstances. Strategies for adapting include: (1) changes that can create greater efficiencies in administration and related costs; (2) curricular changes, including deletion or

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3See Yi Yang, Mingsheng Li, and Frank Sligo. 2007. “Chinese Students’ Satisfaction Levels with their Learning Experiences in New Zealand”. Available at https://www.researchgate.net/publication/228432481_Chinese_international_students%27_satisfaction_levels_with_their_learning_experiences_in_New_Zealand; accessed on 12 April 2017.
addition of new programmes; and (3) diversification of the income streams to offset low level of government support with philanthropic funding and other external research income.

Perhaps one of the most challenging aspects of growth is to identify where administrative costs can be cut, so as to funnel more funding to areas within universities that can grow the operation and numbers of students. As I am most familiar with the experience of the University of Auckland, the country’s leading and largest university, I will focus on efforts made in my own institution.

In 2012, the University of Auckland began a restructure that involved a Faculty Administrative Review (FAR). The FAR process was designed to recommend a new professional staff structure that would increase opportunities for staff mobility and reduce confusion around a large increase in the range and number of professional staff roles in Faculties. One of the key principles of this restructure was to move away from generalist roles for administrative support to a model whereby roles are adhere to a functional model. Thus, rather than have a “departmental coordinator” role, which supported academic staff within the academic unit/department, the idea was to create functional areas, including “group services”, “academic services”, “student services” and “communication and marketing services” to name a few key functional areas. Other functions to support staff were also moved to two new central services, the “Staff Service Centre” (SCC) and the “Shared Transaction Centre” (STC). As a result of a two-year process, the professional staff structures in all of the University’s eight Faculties were changed, and the number of job titles was reduced from over 300 to 35. The overall result was that the administrative structure became leaner, as some support services also moved centrally, and group services translated into a pool of fewer professional staff supporting a larger number of academic staff. The FAR project was an effort to save on administrative costs, which allowed the University to invest more heavily in areas that impacted enrolments directly, such as new and expanded undergraduate and postgraduate scholarship schemes. The new scholarships were announced in May 2016 with the following headline: “Hundreds of New School Leaver Scholarships at the University of Auckland”. The article goes on to say that “More than 400 new undergraduate scholarships were announced in late May, bringing the total value of first-year scholarships at the University in 2017 to over $8.3 million” (see http://www.schoolleaver.nz/latest-news/24-hundreds-of-new-school-leaver-scholarships-at-the-university-of-auckland). These new scholarships have increased the University’s competitiveness within the New Zealand sector, as all other major universities in the country have been offering new scholarships to compete for the dwindling number of incoming first-year students. Changes such as those resulting from FAR create challenges for institutions; however, in the long term, these changes allow the University to remain competitive and prioritise its limited resources.

Another key strategy for attracting international students, especially from key Asian markets, has been the introduction of new named programmes in business, information technology or teaching English to speakers of other languages. Following the lead of some Australian universities, tertiary institutions in New
Zealand have sought to introduce new taught named Masters degrees that could be completed in three semesters or two semesters and an intensive summer session. These named qualifications, such as Masters in Conflict and Terrorism Studies, Masters in Marketing, or Masters in Information and Computer Technology, carry no significant writing/research component, and therefore can be especially attractive to postgraduate students who are not native English speakers. At the University of Auckland, the Masters of Marketing has attracted large numbers of students from China, and the Masters of Public Policy has attracted new students from Southeast Asia. This strategy of diversifying the postgraduate mix of qualifications has meant a shift from some of the more traditional research MA degrees to the more specialised taught varieties that can often be completed in less time and allow international students immersion in an English-speaking environment with a qualification that has potential to lead directly to a fruitful career. Many of these taught postgraduate qualifications include components such as internships or other forms of experiential learning that prepare graduates for the workplace.

The third element of the growth strategy in New Zealand is inspired by the North American model of increasing private or philanthropic funding or non-governmental research funding. As the funding model at New Zealand universities is based on volume of students, some sectors are vulnerable when enrolments drop. For instance, the Division of Humanities at the University of Otago saw a decline in EFTS in 2016 which resulted in plans to cut up to twenty jobs (see http://teu.ac.nz/2016/08/humanities-cuts-otago/). Cuts to academic departments that result from reduced enrolment can diminish the comprehensive nature of a university. Philanthropic support can serve as a means of funding some of these vulnerable sectors. It has become especially important because successive New Zealand government funding schemes have favoured Science, Technology, Engineering and Medicine over other subjects such as the Liberal and Creative Arts, Humanities, Social Sciences, Law, Education and Social Work. To prevent an erosion in these less scientific fields that offer essential skills to students, without which they would not be able to compete in the global economy, it became necessary for universities to find financial support which was not attached to an ideological concept of educational value.

New Zealand universities embarked on this path in the early 2000s and are slowly growing endowments and developing priorities that are receiving higher levels of philanthropic support. Much of this effort has required a change in culture within society. Many of the alumni of New Zealand universities recall the days when government fully subsidised their tuition, and often feel uncomfortable when being asked to support initiatives in an environment of shrinking public funding. Nevertheless, philanthropy in New Zealand has funded professorships, scholarships for students, research, postdoctoral fellowships, and numerous travel programmes that have brought distinguished visitors from overseas to lecture in New Zealand.

In addition, New Zealand universities have aspired to create stronger linkages with institutions overseas to access external research income that may be funnelled through principal investigators at overseas universities. This strategy has allowed for funding to benefit our researchers from US government sources, such as the
National Science Foundation, the National Institutes of Health, some of the European Union funding schemes or those available to colleague collaborators in Hong Kong and Japan. Whenever direct funding is possible from overseas sources, such as the Japan Foundation or the Confucius Institute, universities in New Zealand have been able to derive significant support for certain niche programmes. Until now, the tertiary sector in New Zealand have resisted a global trend of founding satellite campuses in Asia or the Middle East. However, through other entrepreneurial activities were sought. The partnership between the University of Auckland and Auckland UniServices, Ltd., the University’s commercial arm, solicited new opportunities for research projects and their commercialisation. My own experience with Auckland UniServices has revolved around the activities of the English-language academy, which brings students to New Zealand for non-credit courses to study English and in some cases to prepare them in academic English skills that would allow them to enrol in University of Auckland degree programmes. These entrepreneurial efforts help to bolster engagement with overseas markets and has potential to continue to provide a pipeline of students who may seek to enrol thereby adding to the number of EFTS the institution can count towards its overall targets.

Debate Over the Future: Report of the Productivity Commission (2017)

In November 2015, the New Zealand government asked the “Productivity Commission” to write a report with recommendations on how to create “new models” for tertiary education. The Commission was tasked to investigate “how trends in technology, internationalisation, population, tuition costs and demand for skills may drive changes in models of tertiary education”. It issued a preliminary report in September 2016, which was widely criticised by many tertiary institutions and the press. The New Zealand Herald reported that “A 400-page draft report suggests a radical shake-up of the tertiary education sector...[The draft report] is heavily critical of the current model of tertiary education and how it’s funded... It proposes a shift from a Government and institution focus to a student-centred approach, allowing for more flexibility and innovation in the sector in a bid to keep up with fast-paced changes in the modern world” (see http://www.nzherald.co.nz/ nz/news/article.cfm?c_id=1&objectid=11718719). Universities New Zealand was critical of the first draft and wrote a lengthy rebuttal that questioned many of the items raised by the Productivity Commission, contending that the Commission had not made a “compelling vision” for the future of New Zealand’s tertiary sector (see http://www.universitiesnz.ac.nz/node/918). After considering numerous submissions on the draft report, the Productivity Commission produced an even longer
final report in March 2017. Once again, Universities New Zealand criticised the report for not addressing the fundamental difficulties inherent in the New Zealand tertiary sector, which is the low level of investment on the part of the government, and the challenges inherent in the outdated funding models that had been developed in the early 1990s. In their press release, Universities New Zealand asserted that the Productivity Commissions’ report “failed New Zealand” by not recognising the fundamental fact that New Zealand has one of the most efficient and effective University system in the developed world, with impressive statistics on degree completion (84%) and very high graduate employment rates (98%). According to the Executive Director of Universities New Zealand, Chris Whelan, “the Commission has lost sight of the real issues hindering the continued development of the sector.

They are arguing that deregulation and opening the market up to more international competition is the key to producing a better system for students and employers. ‘The reality is that our funding levels are too low to attract high quality international providers or to produce the innovative new forms of teaching that are appearing in other parts of the world’. (see https://www.universitiesnz.ac.nz/latest-news-and-publications/productivity-commission-reportfails-nz-0)

Suffice it to say that the effect of the report of the Productivity Commission remains unclear. New Zealand has been led by a centre-right government dominated by the National Party since 2008, and 2017 is an election year and it is still unclear how the election campaigning may impact policy towards the university sector. The government has largely kept the funding for universities at low levels in relation to other OECD countries, making most of its increases in funding in the STEM disciplines and for research programmes, such as the National Science Challenges, Health Research Council, and Ministry of Business, Innovation and Employment (MBIE) funding schemes. Non-STEM disciplines, such as Humanities and Social Sciences, have seen a decline in funding in real terms, and EFTS in the non-STEM disciplines have been soft across the sector.

Conclusion

As demonstrated here, New Zealand universities have grown despite numerous challenges. The modest investments in the university sector that the government has made may have motivated the universities to become more entrepreneurial in recruiting cohorts of international students, seeking philanthropic and private funding, and finding innovative ways to cut administrative costs. The system is quite vulnerable—domestic student numbers are declining due to demographic and economic trends in New Zealand, but other factors can either cause sudden

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4The draft report and final report are available on the Productivity Commission’s website at http://productivity.govt.nz/inquiry-content/2683?stage=2.
increases or declines in international student numbers. These elements have included geopolitical developments, such as the global financial crisis after 2008, or the Asian financial crisis in the late 1990s. Similarly, developments such as Brexit or the decline in fortunes in other English-speaking countries could lead to a spike in the numbers of international students enrolling in New Zealand. In a globalised marketplace, the New Zealand universities have had a remarkable success. The universities attract highly accomplished academic staff from around the world, and these staff are often engaged in cutting-edge research.

As the Productivity Commission report reveals, New Zealand is still trying to define a clear path forward for its university system. The Vice Chancellors of the eight main universities view the university sector as key to the economic development of the country and to the success of New Zealanders. To grow further, the universities need to partner more effectively with industry and create a culture that truly believes that a country like New Zealand deserves a great university system, and that the universities are a true asset, essential for the country to thrive. This kind of strategy will ensure that the universities continue to grow despite the vicissitudes of chance events or geopolitical developments beyond the control of the New Zealand government or university administrators.