

# **Student Finance in the University Sector: Never Mind the Quality - Feel the Price**

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**THE UNIVERSITY  
OF AUCKLAND**

**NEW ZEALAND**

Te Whare Wānanga o Tāmaki Makaurau

**Let's start where we can all agree:  
we want quality universities.....**

*High quality tertiary education is central to helping New Zealand achieve its economic, social, cultural and environmental goals*

Tertiary Education Strategy 2015-2020

## **Some measures of quality**

**Alumni winning Nobel prizes & Field Medals**

**Staff winning Nobel prizes & Field Medals**

**Highly-cited researchers**

**Articles in Science & Nature**

**Science Citations & Social Science Citations**

**Per capita academic performance**

**Peer review – reputational survey**

**Recruiter review**

**International faculty**

**International students**

**Faculty/students (SSR)**

**PhD awards per academic**

**Income per academic**

**PhD awards/bachelor's awards**

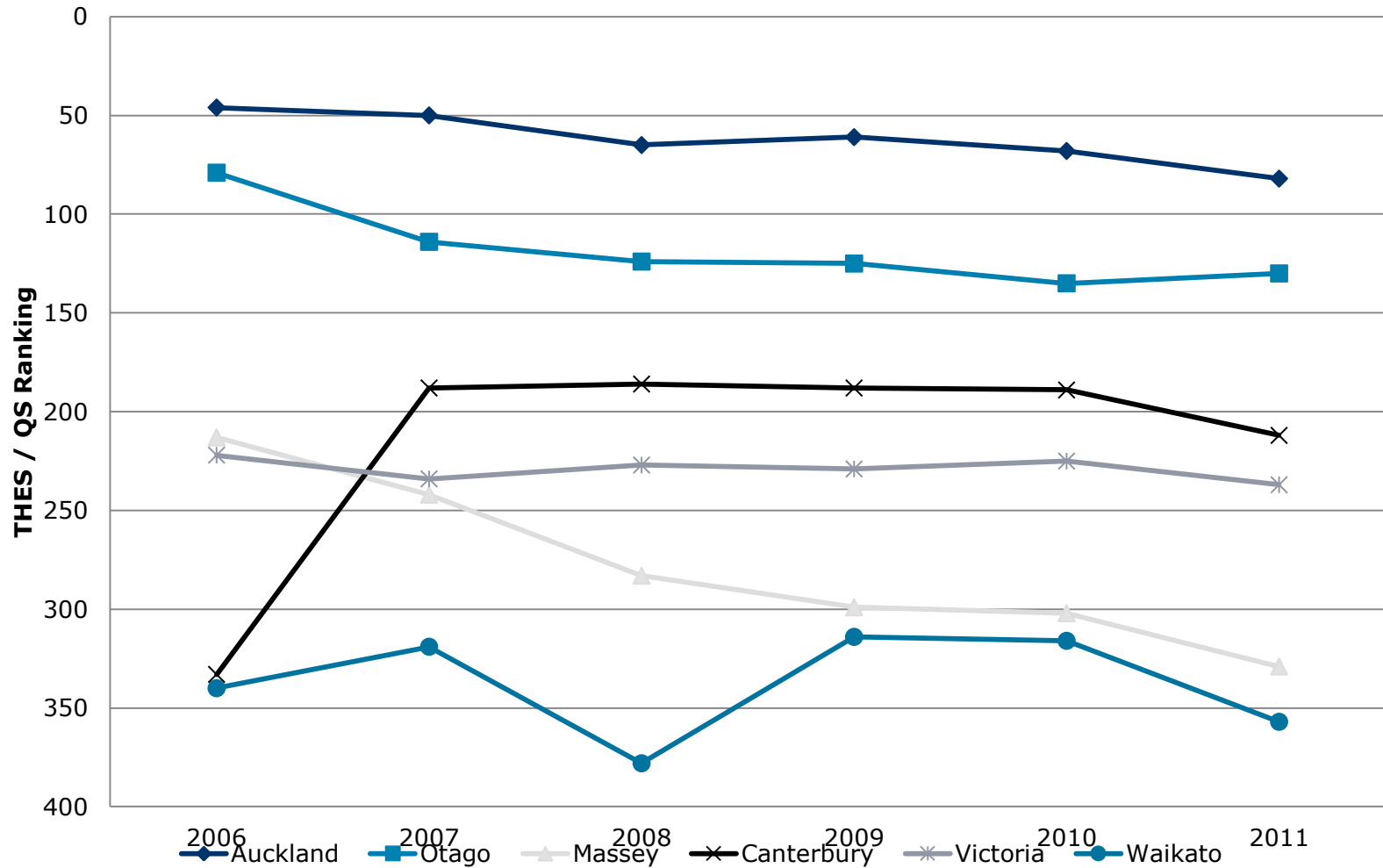
**Citations/faculty**

**Research income from industry**

**Paper per academic & research staff**

**Public research income/total research income**

## So what is happening to quality?



## **Yet rankings are important because they impact:**

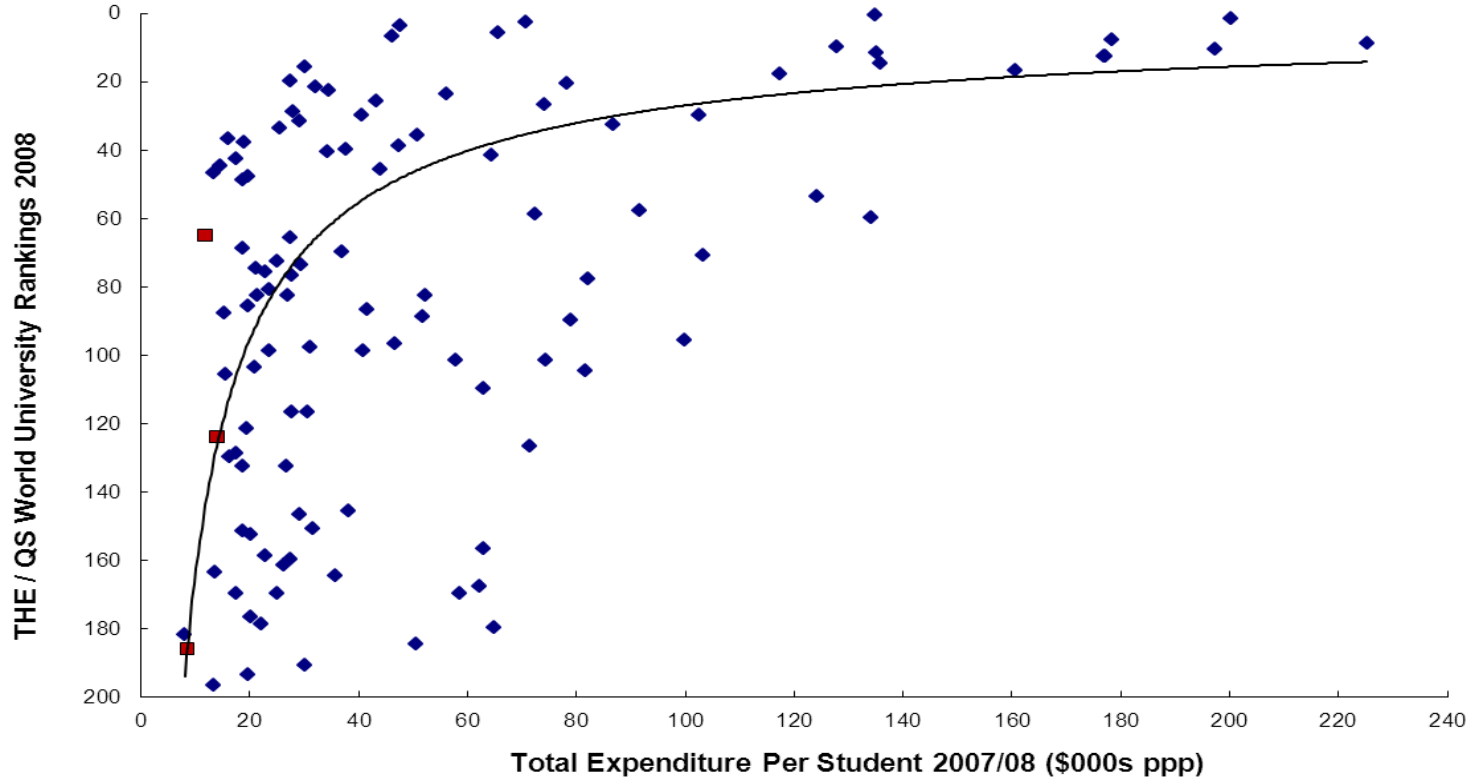
- Our ability to attract international students (their major proxy for quality)
- Increasingly our ability to attract top domestic students
- Support of alumni and donors
- The willingness of overseas agencies to partner with us
- The international reputation of our university system

## **Why are our rankings in decline?**

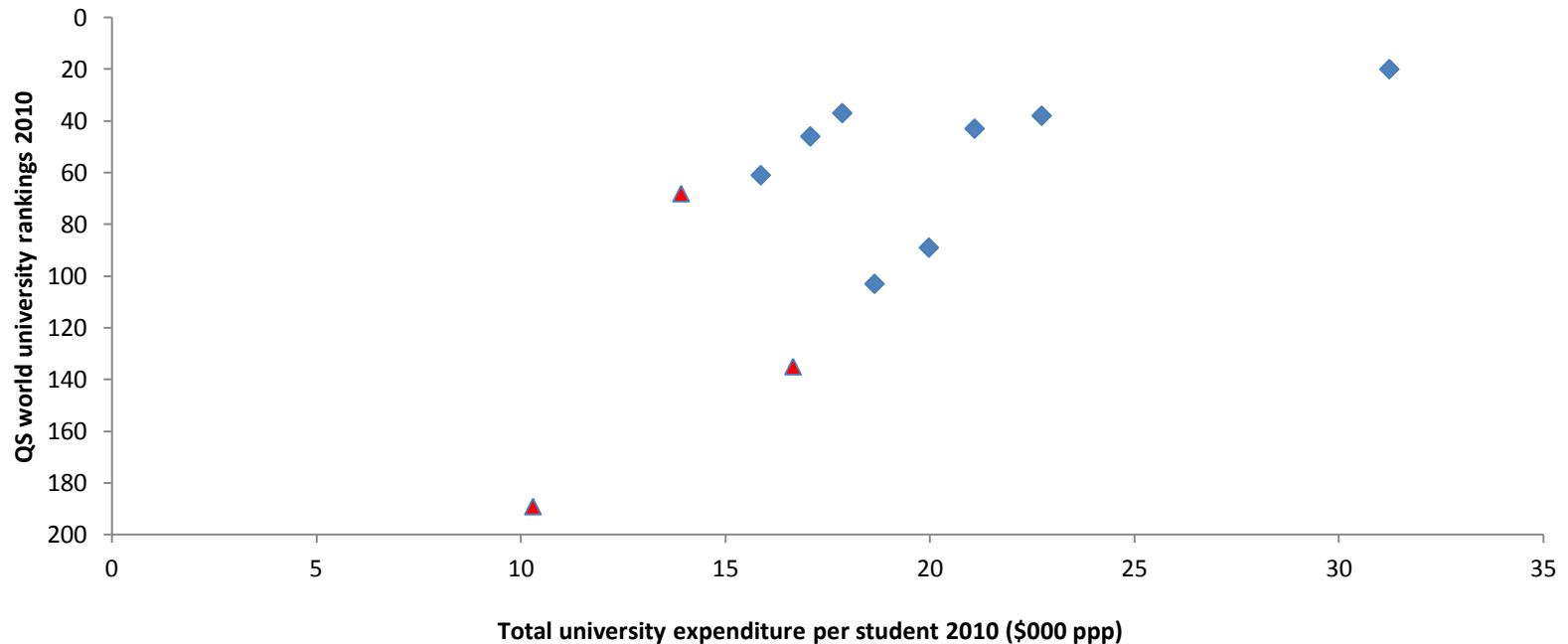
*The QS ranking result monitors an institution's performance against all others and not simply what occurred at the university in isolation. Even if New Zealand universities are maintaining their investment and performance or improving slightly this does not appear to be enough to keep up with the global pack in the current environment.*

John Molony, Vice President at QS, 2011

# Rankings are strongly related to investment



## Yet even within Australasia, New Zealand universities invest very little per student.....





## **Why do we invest so little per student?**

Because we are not permitted to invest more!

Expenditure = Revenue – Surplus

Expenditure = 97% of Revenue

And revenues are tightly controlled by **government policy**

Revenue source	% Revenue UoA 2011
Government tuition subsidy	31%
PBRF	8%
Domestic tuition fees	15%
Domestic public good research	12%
International tuition fees	8%
Commercial and international research	13%
Other (services, philanthropy etc)	13%
Total	100%

## How do student finances impact on this?

- There is a significant private good in university education, and
- NZ tuition fees are low cf our benchmarks (\$US):
  - USA \$6,500
  - UK \$4-5,000
  - Canada \$3,500
  - New Zealand \$3,000
- So there is a high private benefit:cost

## Yet the NZ environment strongly favours constraining costs over raising quality

Country	% Public spending on tertiary education allocated to:			
	Student financial aid			Funding of institutions
	Grants	Loans	Total	
<b>New Zealand</b>	11	31	<b>42</b>	<b>58</b>
<b>Australia</b>	11	21	32	68
<b>Canada</b>	3	12	15	84
<b>United Kingdom</b>	4	28	32	68
<b>United States</b>	5	15	20	80

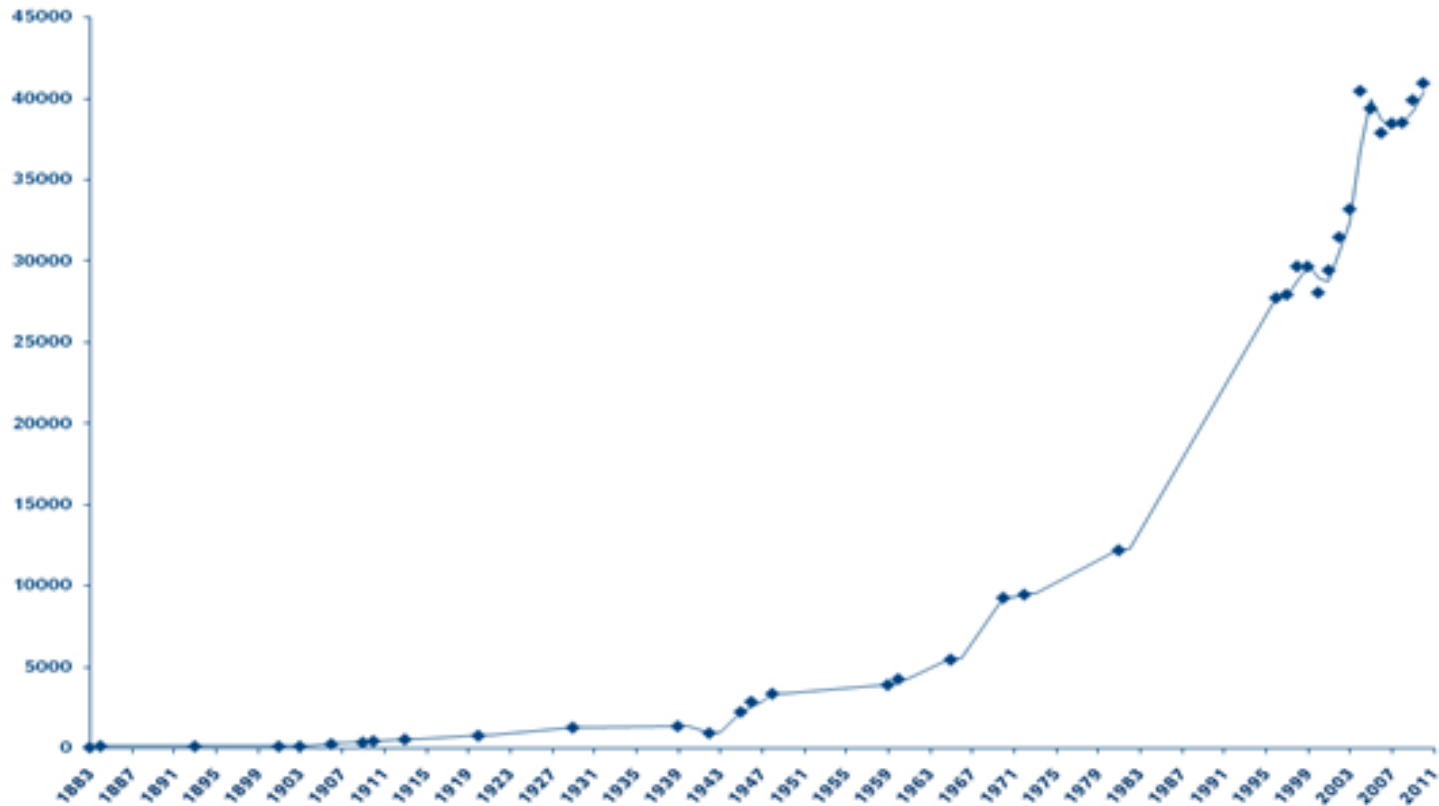
## **The arguments for strongly constraining fees (over increasing quality): 1**

*Fees are a disincentive to participation by students in general*

But OECD data show no association between level of fee charged in a country and its participation rate in tertiary type A programmes

and participation in NZ has been unaffected by the fees issue over the last ca 20 years

## Student numbers (headcount) at The University of Auckland 1883-2011



## **The arguments for strongly constraining fees (over increasing quality): 2**

*Fees are a disincentive to participation by students from under-represented/disadvantaged groups*

In which case why not provide financial support for *those* students rather than constrain costs for *all* students at the expense of quality

## **What are New Zealand's options to increase investment per student and therefore quality?**

- Maintain the current level of total public investment but reduce the number of students.
- Increase the level of real public investment per student
- Increase the contribution students are required to pay
- Change the balance of university activities.
- Accept that the quality and rankings of New Zealand universities will continue to decline.



## Conclusions

1. We all want quality universities, but they are expensive
2. The present discourse nationally is mainly about getting someone else to pay.
3. But we cannot have, simultaneously, high participation rates, heavily constrained levels of government subsidy, low tuition fees and high quality.
4. And if we make the wrong choice, the losers will be the students and nation of the future.

**It's about time we faced up to the realities of this debate – a cheap university system or a quality one, but not both!**