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## **PRIVATE HIGHER EDUCATION PENETRATION**

**INTO A MATURE EDUCATION MARKET:**

**The New Zealand Experience**

By

**Malcolm Abbott**

*School of International Studies  
AIS St Helens, New Zealand  
and PROPHE Associate Colleague*

WP No. 6 July 2005

**PROPHE Working Paper Series**

<http://www.albany.edu/dept/eaps/prophe>

**PROGRAM FOR RESEARCH ON  
PRIVATE HIGHER EDUCATION**

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## **ABSTRACT**

Since 1989, when it became legally possible for private higher education to operate in New Zealand, the sector has grown to become a significant part of the country's higher education system. We explore the private penetration, trace the changes that have occurred in private higher education, and evaluate the sector's position in New Zealand today. The private sector has had to find a niche for itself in a higher education sector dominated by a mature, well developed public sector. In so doing, New Zealand's private higher education exhibits differences and similarities with the private higher education internationally. Particular case study attention goes to the New Zealand case as one of private entry into a mature higher education system in an economically advanced country. Additional attention goes to the dissimilarities between the private sector and the more predominant public tertiary education institutions in New Zealand. It becomes apparent that the private sector has characteristics that make it quite different from that of the public sector in New Zealand.

## **Introduction**

Over the past fifteen or more years private higher education has grown at a rapid rate in a number of countries and today captures a major portion of student enrolments in Eastern and Central Europe, the Middle East, Africa, Asia and Latin America. Much of this growth has come about through the expansion of commercial, sometimes for-profit higher education institutions, rather than traditional non-profit religious, community or academically based ones (Kelly 2001; Kinser-Levy 2005; Levy 2002; Levy 1992). In New Zealand private higher education did not exist before 1989 but by 2003 had achieved a position as a small, but significant portion of the total higher education sector.

Whereas most of the worldwide private higher education expansion has occurred in developing and post-communist countries, New Zealand is instructive for the appearance and penetration of private institutions in an already mature, developed venue. The New Zealand higher education system today can be categorized as being a mass system, providing as it does an education for a large part of New Zealand's workforce.

Throughout the 1960s, 1970s and 1980s the universities in New Zealand expanded in size and the system diversified institutionally, with the establishment of polytechnics and colleges of education.<sup>1</sup> During the 1990s this expansion continued and the polytechnics and colleges of education diversified away from their traditional areas of vocational education and teacher training into the delivery of degree programs. In 2003 475,198 students were formally enrolled in tertiary education<sup>2</sup> in New Zealand of which 376,475 were New Zealand domestic students (9.4 percent of an estimated population of 4,009,600; Tables 1 and 3). This constituted a much larger percentage of the population than had been the case twenty years before (in 1981 there were 116,475 formally enrolled student in public tertiary institutions; 3.8 percent of the total population). The 2003 figure makes New Zealand fairly typical by the standards of developed countries. The OECD, for instance, estimated that in 2002, 30 percent of New Zealanders between the ages of 25 and 64 years had completed tertiary education compared to 31 percent in Australia, 27 percent in the United Kingdom, 38 percent in the United States and 23 percent for the OECD member countries as a whole (OECD 2004).

Given the large scale of expansion and maturity of the New Zealand public higher education sector there was limited scope for the private sector to expand during the 1990s. Nonetheless during that decade the private higher education sector emerged as both a significant and substantially differentiated sector compared to its publicly-owned counterpart.<sup>3</sup> By July 2003 16,779 students (domestic and overseas) were enrolled in private higher education, which represented 11.0 percent of the total number of students (Table 3).<sup>4</sup>

The development of private higher education in New Zealand is, therefore, an entirely recent one. This contrasts to several developed country

cases such as the United States, Japan and Korea, where there has long been a private presence. Prior to 1989 the only institutions in New Zealand that were allowed to provide under-graduate and post-graduate degree programs were the six public universities (Auckland, Waikato, Massey, Victoria, Canterbury and Otago). At the same time the public polytechnics and colleges of education delivered programs at the diploma and certificate level. Although private education providers made up a significant part of the primary and secondary school education and delivered a number of vocational education courses, as they do in many developed countries, they were not permitted to deliver degree or diploma level programs.<sup>5</sup>

This situation changed in 1989 with the passing of the *Education Act 1989*, which amongst other things permitted the delivery of higher education level programs by private providers. Since 1989 private higher education in New Zealand has developed a number of characteristics that make it similar to private sectors in other developed countries with mature public higher education sectors. It also differs in a number of fundamental ways from the more prominent public higher education sector in New Zealand. The purpose of this paper is to explore the private penetration into the higher education system, trace the changes that have occurred in that private higher education sector, and evaluate the sector's position in higher education in New Zealand today. Differences and similarities with the development of private higher education internationally will be noted as well as the dissimilarities between the sector and that of the more predominant public tertiary education institutions in New Zealand. In particular it will be shown that the private higher education sector in New Zealand has characteristics that make it quite different from that of the public sector in New Zealand. The paper is structured in three main sections: the first on the birth of the private sector, the second on the contours of the sector and finally one on the role of government. The greatest attention and detail is given to the section on the sector's contours.

### **Private Higher Education's Birth: Part of a Reform Package**

New Zealand's present structure of the tertiary education sector was formally created during the reform period of the late 1980s. As noted, prior to 1989 private providers of post-secondary education existed in New Zealand but were prohibited from delivering diploma, degree or post-graduate level programs, a state of affairs common to many countries. Concerning the nature of the private tertiary education sector prior to 1989 the Department of Education in 1987 reported that there were 42 colleges that offered 101 courses (Department of Education 1987; Education Directions Ltd 1997). These courses were vocational in nature and included secretarial studies, hairdressing, beauty therapy, English as a second language, art and craft, aviation, photography, dance, and cookery. Other providers offered courses in such things as religious studies, office technology, management training and office skills.<sup>6</sup> At this time the higher education sector was a highly structured, publicly owned and centrally controlled one. The six universities delivered

degree and post-graduate degree programs, the polytechnics vocational diplomas and certificates and the colleges of education teacher training diplomas. The private education providers were generally allowed to undertake only what was left over, such as the courses mentioned earlier. This structure of having a government monopoly of higher education and a peripheral status for private education providers was common in developed countries at this time. Moreover direct competition between public education institutions was not encouraged and the polytechnics and colleges of education were directly managed by the New Zealand Government's Department of Education.

This structure began to be questioned and criticized during the course of the 1980s. A wide range of government bodies undertook investigations of New Zealand's tertiary education system.<sup>7</sup> The final outcome of the investigations was the two Department of Education policy documents *Learning for Life* and *Learning for Life II*. The policy documents made a number of major recommendations, subsequently largely implemented. Amongst these one was that a greater level of competition should be brought into the system. The main way in which this was to be achieved was by giving the publicly owned and operated polytechnics and colleges of education much greater autonomy. This subsequently meant that they have been able to compete directly with universities in the delivering of degree and post-graduate programs.

The purpose of the changes was that autonomous public institutions were to be funded according to the students they attracted; so that they would be more market orientated and responsive to the needs of students and industry. In the late 1980s student demand was shifting away from traditional polytechnic and college of education vocationally orientated diplomas towards degree programs, and the universities were slow to expand and meet the increased demand for degree level studies (Hawke 1988).<sup>8</sup>

Another key aspect of reform was that private education providers were granted greater opportunities to compete with the public providers in the education and training market (Abbott 2000; McKenzie 1996). The legislative changes enabled these providers to develop and deliver diploma and degree level courses for the first time and in a very real sense enabled the establishment of a private higher education sector in New Zealand.

Even though the 1989 legislative changes had a pivotal role in the establishment of the private higher education sector in New Zealand it should be understood that this was not the main purpose of the legislative changes. The main thrust of the changes was to enable the public institutions to compete with each other and meet unfulfilled student demand, with the relaxation of restrictions on private providers seen as a minor part of the changes. This followed a decided trend internationally in that universities in places such as

Western Europe that have a history of state control have in recent times been granted more autonomy (José-Gines Mora 2001).

This reform of the New Zealand higher education sector was undertaken at the national level rather than provincial or local level. New Zealand, unlike Australia, Canada and the United States, is a unitary national system with no state or provincial governments and very little involvement by local government in education (only at the pre-school level). At a regulatory level the New Zealand Department of Education, which had previously been responsible for the administration of tertiary education in New Zealand, was abolished as part of the 1989 legislative changes and replaced by a Ministry whose job it was to be responsible only for overall policy. The distribution of government funds to the various education providers became the responsibility of the Ministry but in the late 1990s this passed to a newly established Tertiary Education Commission. As part of the reform process a single national qualifications authority (the New Zealand Qualifications Authority) was also established and it replaced the government funded bodies like the Trades Certification Board, the Authority for Advanced Vocational Awards and Vocational Training Board, which had previously been responsible for controlling standards, analyzing training needs and conducting examinations.

The New Zealand Qualifications Authority (NZQA) was to play an important part in the development of the private higher education sector in New Zealand. From June 1990 not only the polytechnics and colleges of education were allowed to apply to the NZQA for the accreditation of degree programs; private providers were also allowed to develop and apply for the right to develop, have accredited and deliver both diploma and degree level programs.

The reform of the tertiary education sector in New Zealand that occurred after 1989 can only be fully understood by appreciating the context of trends in the New Zealand economy. The New Zealand economy went through extensive macroeconomic and microeconomic reform from 1984 to 1993. This involved the deregulation of financial markets, lowering of trade barriers, abolition of many industry subsidies, corporatization and privatization of government businesses and labor market reform. The whole general trend involved the opening up of the various sectors of the New Zealand economy to intensified competition and use of the market mechanism to allocate resources (Brash 1997).<sup>9</sup> To some degree the reforms of the tertiary education sector in the late 1980s reflect this emphasis on the introduction of competition and the relaxation of government controls and ownership, which became prevalent in New Zealand during the 1980s. The Hawke Report (1988) drew the conclusions of the previous government reports on tertiary education together. This report emphasized that the introduction of intensified competition and decentralizing of decision making to the various educational providers would make them more responsive to the demands of students, employers and local communities and lead to a more efficient allocation of resources. Similar

arguments were made about the corporatization and deregulation of New Zealand's government owned businesses such as the railways, postal services, and telecommunications industry.

During the 1980s state owned enterprises were detached from government departments and established as separate corporations (in most cases later privatized). Regulatory functions generally remained with the Departments or were delegated to government statutory authorities. At the same time new privately owned entrants into these previous state monopolies were allowed. The reform of the tertiary education sector followed a similar course (without however the widespread sale of state owned assets). Polytechnics and colleges of education were established as separate legal entities from the Department of Education and regulatory functions were kept within the new Ministry of Education or delegated to statutory bodies such as the NZQA. At the same time new private entrants were allowed into the delivery of diplomas and degrees just as they had previously been allowed into the delivery of former state monopolies such as telephone, airline, or postal services.

The legislative changes of 1989 were necessary but insufficient to account for the growth in the private higher education sector that subsequently occurred. The sector was established and enjoyed steady growth throughout the 1990s and into the 2000s. Data on private higher education numbers for the early 1990s is not available but from Table 3 it can be seen that there were 4,213 students enrolled in private higher education in July 1997 after being zero at the beginning of the decade. This figure rose to 14,144 by July 2003 and the private proportion of total New Zealand higher education also increased from 3.6 percent to 11.0 percent between those dates.

As we shall now see, the private sector, though still relatively small, is a significant part of New Zealand's higher education sector and has quite distinctive characteristics that make it dissimilar in character to the public higher education institutions in New Zealand. It tends to be a lot more specialized in character than the public higher education institutions and concentrates on providing programs in niche areas. To a large degree this is a product of the fact that the public institutions in New Zealand have expanded quite substantially over the past twenty years in response to growth in demand for higher education, allowing only a restricted range of opportunities for privately owned institutions to operate in. Work by Levy and Geiger (and Marginson applied to Australia) has categorized growth of private higher education as being largely either in the form of better (or elite) provision, demand absorbing in a climate where public providers cannot cope with expanding demand or differentiated provision from public institutions, (Levy 1993; Geiger 1986; Marginson 1997). Recent global growth in private higher education has been overwhelmingly of the demand absorbing type, but it is differentiated provision that has to date been the most important in New

Zealand. The country's private higher education sector has grown on the basis of the creation of a number of small institutions catering to market demand in niche areas rather than large, broadly based institutions.

This leaves New Zealand's private higher education as something of a "peripheral" sector, as is the case in several Western European countries (Geiger 1986), yet the term "peripheral" may give a misleading sense of unimportance. The emergence of private higher education in New Zealand does appear to fit a widespread global tendency in a number of developed countries with mature higher education sector in which the public sector remains the dominant sector, especially academically, but the private sector assumes a significant place in an overall context of growth, marketization, differentiation, and privatization. Even in the face of an expanding, diversifying and mature public higher education sector, New Zealand's private higher education sector has been able to carve out for itself a major role.

### **The Contours of the Sector**

In order to appreciate the special character of private higher education in New Zealand we can examine the data contained in Tables 1 to 8. They indicate some of the ways that private higher education differs from public higher education. These private-public differences are largely in accord with international private-public comparisons and to a degree can be attributed to the fact that the private sector is attempting to gain ground in an already mature market.

#### *Institution Size*

First of all Table 1 provides information on the overall nature of the tertiary education sector (both higher education and vocational education and training) in New Zealand in 2003. In that year around 16 percent of formally enrolled students (in terms of equivalent full-time students; EFTS for domestic and overseas students combined) were with private providers.<sup>10</sup> This figure underestimates the total number of enrolled students in tertiary education courses, as it does not include students taking unregistered courses (i.e. in house training courses, many English courses, music lessons etc). Table 1 show that the private providers are far more numerous than their public counterparts. In 2003 there were 237 formally registered private providers in New Zealand compared to only eight universities, 20 polytechnics, four colleges of education and three wananga on the public side.<sup>11</sup> Given their student numbers the private providers are therefore on average of far smaller size than their public counterparts. This is line with international trends (Levy 1992; Levy 2003; PROPHE data, <http://www.albany.edu/dept/eaps/prophe/data/international.html>).

**Table 1: The tertiary education sector, 2003**

	Number of Institutions	Number of Students full year	EFTS full-year	Number of students 1st July	EFTS %
<i>Public providers</i>					
Universities	8	161,467	124,621	137,007	39.5
Polytechnics	20	191,010	92,059	98,072	29.1
Colleges of education	4	13,843	8,524	10,828	2.7
Wananga	3	65,421	38,355	41,200	12.1
<i>Private providers</i>	237	68,700	49,767	49,897	15.8
Other	9	5,727	2,492	*	0.8
<i>Total</i>	316	475,198	315,818	337,004	100.0

\* included in private

Note: Data relates to both domestic and international students enrolled at any time of the year in formal qualifications of greater than 0.03 Equivalent Full Time Students (EFTS). The figures exclude private and others, which neither received subsidies nor were approved for student loans and/or allowances. Equivalent full-time students: A student taking a normal year's full-time study equals 1.0 EFTS unit and the courses taken by part-time students are fractions of one EFTS unit.

Source: Tertiary Education Commission 2004b.

### *Student Qualification Levels*

Table 2 provides a breakdown of the formal domestic student enrolments between 1999 and 2003 according to the types of programs delivered by the private and public providers (universities, polytechnics, colleges of education and wananga) (i.e. not including overseas students). Table 3 provides similar data but for all students (domestic and overseas) surveyed in July of each year (1997 to 2002). As the polytechnics, colleges of education and private providers developed new courses in new areas the New Zealand Government began to apply a National Qualification Framework consisting of ten levels to tertiary education qualifications. The Levels 1 to 4 of the Framework comprise certificate level courses, which are typically vocational short courses, trade qualifications or foundation level programs. Levels 5 and 6 comprise Diploma level studies and often overlap with degree programs and in many cases simply are made up of Year 1 and Year 2 courses from degree programs respectively. Level 7 consists of the three-year degree programs, Level 8 honors degree and post-graduate diplomas, Level 9 masters degrees and Level 10 doctorates. Distinguishing between higher education specifically and tertiary education (or post-secondary education) is controversial but as the course content of the first two years of degree studies is often identical to that of many Level 5 and Level 6 Diplomas respectively then one fair definition of higher education would be those programs at Level 5 and higher.<sup>12</sup>

Where the distinction is made between higher education and other tertiary education becomes important when it comes to determining the impact of private providers on higher education in New Zealand. Most of the growth of the private providers in New Zealand has occurred at the Certificate (Levels 1 to 4) and Diploma (Level 5) level rather than in the provision of degree and

postgraduate degree programs. The figures in Tables 2 and 3 illustrates that the private providers had their greatest impact in the provision of programs at the level below that of higher education. In the year 2003 for instance 49,010 New Zealand domestic students were enrolled in private sector programs at the Levels 1 to 4 compared to 12,450 at the Diploma level (Levels 5-6), 1,783 at Degree level (Level 7) and 986 at post-graduate level (Levels 8-10).<sup>13</sup> The public sector on the other hand is divided more or less equally between higher education (Levels 5 to 10) enrolments on the one hand and non-higher education (Levels 1 to 4) on the other. Within public higher education itself the concentration is far more on the provision of degree level studies rather than diplomas. This is certainly a widespread private-public distinction found in a number of countries (for example South Africa, Levy 2001).

**Table 2: Domestic students formally enrolled in tertiary and higher education, 1999 to 2003 (full year)**

	1999	2000	2001	2002	2003
Public Level 1-4	82,398	85,162	95,221	130,669	179,536
Public Level 5-6	34,325	37,398	38,719	39,902	41,347
Public Level 7	115,162	117,825	121,492	123,912	126,142
Public Level 8-10	26,683	26,404	26,883	28,305	29,450
Total Public	258,568	266,789	282,315	322,788	376,475
Private Level 1-4	30,310	39,189	53,480	55,095	49,010
Private Level 5-6	7,358	10,247	13,649	13,550	12,450
Private Level 7	473	969	1,146	1,704	1,783
Private Level 8-10	204	1,065	1,005	951	986
Total Private	38,345	51,470	69,280	71,300	64,229
Private % of Total, Level 1-4	26.9	31.5	36.0	29.7	21.4
Private % of Total, Level 5-6	17.7	21.5	26.1	25.3	23.1
Private % of Total, Level 7	0.4	0.8	0.9	1.4	1.4
Private Level 8-10 %	0.8	3.9	3.6	3.3	3.2
All Private % of Total	12.9	16.2	19.7	18.1	14.6
Public Higher Education	176,170	181,627	187,094	192,119	196,939
Private Higher Education	8,035	12,281	15,800	16,205	15,219
Total Higher Education	184,205	193,908	202,894	208,324	212,158
Private % of HE	4.6	6.8	8.4	8.4	7.7
Private HE% of Private	21.0	23.9	22.8	22.7	23.7

Note: Levels 1 to 4 are programs at below Diploma and Degree level. (i.e. certificate courses). Higher education programs include those at Levels 5-10. Levels 5-6 are Diplomas, Level 7 Degrees and 8-10 Post-graduate qualifications such as Masters Degrees, MBAs, and PhDs.

Source: Tertiary Education Commission, 2004b.

**Table 3: Formally enrolled students (domestic and overseas) in private higher education (1-July of each year)**

	1997	1998	1999	2000	2001	2002	2003
Post Graduate	106	257	293	542	574	545	648
Degree	399	591	559	1,055	1,187	1,846	1,987
Diploma	3,708	3,489	5,951	7,992	10,067	10,862	14,144
Total Private HE	4,213	4,337	6,802	9,589	11,828	13,253	16,779
Total New Zealand HE	117,897	126,854	130,750	134,120	137,722	143,127	153,178
Private % of HE	3.6	3.4	5.2	7.1	8.6	9.3	11.0
Total Private Tertiary Education	28,598	28,712	33,064	39,173	51,166	53,385	49,487
Private % of Tertiary education	11.8	11.3	13.0	14.8	17.8	16.7	14.7

Note: Tertiary education is defined as being all formal post-secondary school level courses (i.e. Levels 1 to 8).

Higher education includes Diplomas (Level 5 and 6), Degrees (Level 7) plus Post-Graduate (Level 8)

Source: Tertiary Education Commission, 2004b.

This inter-level pattern stems from two main reasons. First of all given their historical background it was only natural that the private colleges after 1989 should expand their operations in areas that they already had some involvement, experience and legitimacy. Secondly the tendency has been for the larger of the polytechnics to shift their emphasis away from traditional vocational courses and toward the development and delivery of degree level programs. This has meant that there has been a proliferation of degree programs in New Zealand delivered by public education institutions, colleges of education and wananga have also begun to deliver degree programs, which has helped to restrict the growth of degree providing private providers.<sup>14</sup> Although there was unsatisfied demand for degree programs in the late 1980s and the early 1990s not met by the universities the bulk of this was met by the public institutions that were also granted the right to provide degrees programs in 1989. As well these same institutions have tended to drop (or give less emphasis to), their traditional programs, giving the private providers an opportunity to respond to the demands of students in this area.<sup>15</sup> In short, as the growth of private higher education was part of a reform package, it has been far from the only mode to expand.

Before 1989 there was excess demand for degree programs not met by the traditional universities. The major motivation, therefore, for the changes that occurred in the late 1980s was to allow for the polytechnics to attempt to meet this demand. The larger polytechnics after 1989 (such as the Carrington Polytechnic and Auckland Institute of Technology in Auckland) moved swiftly into the delivery of degree programs and in doing so quickly changed their general character. To a large degree, therefore, these bigger polytechnics voluntarily began to vacate the vocational education and training field and avoided the competition from private providers at this level. This was not a universal reaction by the polytechnics as a number of the smaller more regional based ones have retained their former character and in doing so compete more

directly with the private providers of vocational education and training. Even in the case of the larger polytechnics that have begun to concentrate on degree level studies a certain amount of competition does exist between them and the private providers although this is generally limited to the areas where there interests overlap such as in management & commerce and IT.

The key point here is that the profile of private higher education institutions depends to some degree on the profile of public institutions. While there has been a tendency for the public institutions to become more diversified and competitive over the past fifteen years (as has been the case in most mature higher education systems) nonetheless there are areas in which the public institutions have been slow to expand, or even have withdrawn from. This has helped to create an opening for the private providers in tertiary education more at the level below that of higher education, and in higher education more at the diploma level rather than degree level. This distinguishes the private sector from the public sector in that the public tertiary education sector in New Zealand is more or less equally divided between higher education and non-higher education and in higher education concentrate more in degree programs rather than diploma ones.

#### *Fields of Study*

Another characteristic of the private higher education sector in New Zealand that distinguishes it from the public sector is in the range of fields of study. Table 4 provides information on the full-year enrolments (both domestic and overseas) of private higher education according to their field of study.

**Table 4: Full year, formal enrolments (domestic plus overseas) by fields of study in private higher education, 2002**

	Post Graduate	Degree	Diploma	Total HE	%
Natural & physical sciences	0	0	11	11	0.1
IT	0	120	3,475	3,595	16.6
Engineering & Related	0	33	321	354	1.6
Architecture & Building	0	0	71	71	0.3
Agriculture & Environmental	5	0	35	40	0.2
Health	12	200	2,687	2,899	13.4
Education	0	164	1,986	2,150	9.9
Management & Commerce	350	789	5,518	6,657	30.8
Society & Culture	38	703	1,562	2,303	10.7
Creative Arts	18	109	2,693	2,820	13.0
Food Hospitality & Personal Services	0	0	718	718	3.3
<b>Total</b>	<b>423</b>	<b>2,118</b>	<b>19,077</b>	<b>21,618</b>	<b>100.0</b>

Source: Tertiary Education Commission, 2004b. The figures in this table differ from those in Table 3 in that they are for the full year rather than a survey on a single date (1<sup>st</sup> July). They also differ from those in Table 2 in that they include both domestic and overseas students.

In New Zealand the bulk of students in private higher education study at the diploma level and the most important of these fields are management & commerce and IT. At the postgraduate level numbers are rather small and dominated by those students enrolled in management and commerce programs. In fact the bulk of these are enrolled in an MBA program in a single institution. At the degree level management & commerce students are again important but so too are those enrolled in society & culture programs and to a lesser degree IT, creative arts and education.

**Table 5: Degree programs delivered by private tertiary education providers, January 2005**

Pacific International Management School	Bachelor of Hospitality and Tourism. Post-Graduate Diploma in Hotel Management
International Pacific College	Bachelor of International Studies Master of International Studies Graduate Diploma in International Studies Post-Graduate Diploma in International Studies
Te Kura Toi Whakaari O Aotearoa: New Zealand Drama School	Bachelor of Performing Arts Master of Theatre Arts Graduate Diploma in Theatre Arts
Media Design School	Graduate Diploma in Creative Technologies Graduate Diploma of game Development
Carey Baptist College	Bachelor of Theology
New Zealand College of Chiropractic	Bachelor of Chiropractic
Bible College of New Zealand	Bachelor of Divinity Bachelor of Ministries Master of Arts Master of Theological Studies Diploma for Graduates
Anamata	Bachelor of Te Reo Maori
Good Shepherd College – Te Heparā Pai	Bachelor of Theology
Te Whare Wananga o Te Pihopatanga o Aotearoa	Poumanawa Matauranga Aotearoa
Ecumenical Board of Theological Studies	Licentiate in Theology
Bethlehem Institute	Bachelor of Counseling Bachelor of Education Graduate Diploma of Family Studies
Whitecliffe College of Arts and Design	Bachelor of Fine Arts Master of Arts Master of Fine Arts
AIS St Helens	Bachelor of International Business Bachelor of Language & Culture Bachelor of Tourism Management MBA Graduate Certificate in International Business Graduate Diploma in IT

Source: Kiwiqual

More specifically at the degree and post-graduate level Table 5 provides a list of all the institutions in New Zealand providing degree, and post-graduate degree programs. From Table 5 it can be seen that they tend to specialize,

offering a narrow range of programs limited to high demand occupational and professional fields such as business, hospitality and tourism, and IT or small niche fields inadequately catered for by public institutions such as the fine arts or religious studies. None of the institutions listed appears to be offering a full range of degree and post-graduate degree programs in the manner that the universities or polytechnics do. The role of private higher education in New Zealand is therefore similar to that of institutions in many other Western countries (and in many developing countries) with mature education systems in that they do not provide mass education but instead have a limited presence in a number specialized areas such as business studies and IT (Levy 1986, 2003).

#### *Ethnic background of students*

In a number of countries the expansion of private higher education has provided greater opportunities for students of minority backgrounds. In particular new private institutions have catered for many students of an ethnicity (or religion) underrepresented in public higher education. Table 6 provides information on the ethnic breakdown of students in the private and public higher education in New Zealand. It indicates that this breakdown does not differ greatly between the private and public sectors. The slightly higher enrolments of Maori and Pacific Island students is a reflection of the fact that a number of private education providers specialize in the delivery of programs that target students of those ethnic groups. In this field in New Zealand, however, the most important development over the past ten years has been the establishment of the publicly owned wananga, which cater especially for students of Maori origin. This development in the public sector has probably reduced substantially the scope for the private providers to specialize in the provision of higher education for ethnic groups previously under represented in higher education.

**Table 6: Ethnic percentage breakdown of domestic private higher education students, 2003**

	European	Maori	Pacific	Asian	Other
<i>Private</i>					
Level 5-6 Diploma	66.7	13.6	7.8	7.8	4.1
Degree	62.3	15.7	5.6	12.1	4.3
Masters	46.5	4.4	1.3	43.4	4.4
Doctorate	0.0	0.0	0.0	0.0	0.0
Private HE %	65.9	13.8	7.5	8.7	4.2
<i>Public</i>					
Level 5-6 Diploma	64.2	18.8	6.1	7.6	3.4
Degree	67.3	11.0	4.5	12.2	4.9
Honors/Post-grad	70.0	7.9	2.7	14.5	4.9
Masters	66.9	9.1	3.0	14.8	6.2
Doctorate	69.2	6.2	1.9	14.1	8.5
Public HE%	66.9	12.2	4.6	11.6	4.7

Source: Tertiary Education Commission, 2004b.

This brings us back to a point made earlier in the paper in that the scope for expansion of the private higher education is influenced by the behavior of public institutions. The establishment and expansion of the wananga and attempts by public institutions to increase their enrolments of Maori and Pacific Island students has probably reduced the scope for expansion by private higher education through enrolling underrepresented ethnic groups.

### *Staffing*

Table 7 provides a breakdown of staffing levels of public and private providers in the tertiary education sector as a whole for 2003. It does not appear that private providers are more dependent on part-time staff than public ones. This contrasts with the usual international pattern where it is common for private providers to depend more on part-timers than public institutions (in countries such as Chile, Poland, Russia, South Africa, Bulgaria, and Japan).<sup>16</sup> Indeed the New Zealand data seems to indicate that the private providers are significantly less dependent on part-time academic and teaching staff than is the case with public universities and polytechnics. Why this has occurred is a little unclear but one possible explanation might be that in a developed and mature higher education system private providers would have to at least match the conditions of work of their public sector counterparts and offer staff full-time positions if they are to attract adequate staff.

**Table 7: Academic and teaching staff in tertiary education 2003**

	Full time	Part time	Part Time %
<i>Public</i>			
Polytechnics	3,443	2,740	44.3
Universities	5,475	3,495	39.0
Colleges of Education	416	156	27.3
Wananga	713	174	19.6
<i>Private</i>	3,526	1,782	33.6
<i>Total</i>	13,573	8,347	38.1

Source: Tertiary Education Commission, 2004b.

### *For profit versus non-profit*

Finally one aspect of the private providers not covered in the tables is their status in terms of for profit and non-profit. New Zealand's private higher education encompasses a range of religious, community-based non-profits, and for profit institutions. Table 5 provided a sample of private higher education institutions, some of which are for profit such as AIS St Helens, while others are non-profit religious or Maori community-based institutions (for instance the Bible College of New Zealand and Anamata)

Data on the aspect of profit status of the private tertiary education sector are not extensive but one report found that in 1995 46 percent of private tertiary

education institutions were limited liability companies and 37 percent were trusts. The remaining 17 percent had other forms (Education Directions Limited 1997).

At the time the legal changes occurred in 1989 no restrictions were made on the profit-status of the private education providers. The emergence of a for-profit sub-sector of private higher education has been an interesting part of New Zealand's educational development. Worldwide, for profit higher education is growing, including in developed countries such as the United States and Japan, but most developed countries and many developing ones do not permit for-profits and others have at least not explicitly permitted this form (Kinser and Levy 2005). New Zealand's *Education Act 1989* in setting the legal framework for private tertiary education institutions makes no mention at all of the profit status of private institutions. Before 1989 for profit institutions existed in New Zealand at all levels of the education sector in which private institutions were allowed to operate (i.e. pre-school, primary, secondary and training). Thus in granting the right to deliver higher education in 1989 the government granted it equally to non-profit and profit institutions.

As well as the development of New Zealand qualifications by private providers another aspect of recent changes has been the entry of the Australian public universities into New Zealand, mainly in conjunction with New Zealand based private partners, often for-profit institutions. Table 8 provides a list of the Australian qualifications offered by private and public providers in New Zealand in conjunction with Australian public universities. As can be seen from the table a number of the partner institutions are New Zealand based private providers.

The main motivation of these universities entering the New Zealand market has been not to cater for New Zealand students but instead attract international students to a country that has slightly different immigration regulations to that of Australia (Abbott 2004). The private providers have managed to achieve a level of credibility with students that would perhaps not have been possible had they developed their own programs. The introduction of private higher education in a number of countries such as Malaysia and South Africa has led to the introduction of foreign universities, both directly and in conjunction with private partners (Levy).

**Table 8: Australian universities offering programs in New Zealand**

<i>Australian university</i>	<i>New Zealand partner</i>	<i>Programs involved</i>	<i>Ownership and status</i>
Australian Catholic University	Catholic Education Centre, Wellington	Master of Educational Leadership	Private non-profit
Australian Catholic University	Catholic Institute of Theology	Master of Religious Education	Private non-profit
La trobe University	Academic Colleges Group*	Diploma in Business Administration	Private for-profit
La trobe University	Academic Colleges Group*	Diploma in IT	Private for-profit
Deakin University	AIS St Helens*	Masters of Commerce	Private for-profit
Victoria University of Technology	Edenz College*	Diploma in Commerce	Private for-profit
University of Southern Queensland	UUNZ*	Diploma in Business	Private for-profit
University of Wollongong	Wollongong College	Foundation program	Australian public
University of Wollongong	Wollongong College	Diploma in Business	Australian public
University of Ballarat	New Zealand International Campus*	Bachelor of Commerce	Private for-profit
University of Ballarat	New Zealand International Campus*	Bachelor of Computing	Private for-profit
University of Ballarat	New Zealand International Campus*	Bachelor of IT	Private for-profit
University of Ballarat	New Zealand International Campus	Bachelor of Management	Private for-profit
University of Ballarat	New Zealand International Campus*	Bachelor of Business (Marketing)	Private for-profit
University of Ballarat	New Zealand International Campus*	MBA	Private for-profit
Griffith University	Christchurch College of Education	Bachelor of Business Management	New Zealand public
Griffith University	Christchurch College of Education	Masters of Environmental Education	New Zealand public
University of New England	Top Education*	Foundation program	Private for-profit

Source: Kiwiquals. Australian Vice-Chancellors Committee 2003. All of the Australian universities listed in the table are public ones with the exception of the Australian Catholic University. Most of the New Zealand partners are private for-profit institutions with the exception of the Catholic colleges and the Christchurch College of Education. These qualifications require to be accredited by NZQA along with the New based qualifications for them to be offered in New Zealand. Student enrolments in these programs, therefore, are included in previous tables.

### *Contours Summary*

In summary the private higher education providers are relatively small, concentrated on diploma rather than degree or post-graduate degree studies (although the latter exist), concentrated on professional and vocational courses at the diploma level such as commerce and IT and highly specialized areas at the degree and post-graduate degree level, employ a higher proportion of full-time academic and teaching staff than their public counterparts and consist of a

range of ownership types. This is all quite common for private higher education worldwide except for the part-time compared to fulltime matter. The degree granting institutions amongst the private providers do generate some research output; however, it does tend to be less in terms of research output per academic teaching staff employed than of the universities and larger polytechnics, although credible compared to the colleges of education, smaller polytechnics and wananga (see Table 9, which provides the rankings of tertiary education institutions according to their research output per academic staff member).<sup>17</sup>

The government (as of 2005) does not permit any institution except the eight public universities to use the term university, and given the narrow range of programs provided by the private providers and modest research output none of the existing institutions much resembles a traditional New Zealand university. In this important respect private-public distinctiveness therefore remains strong in the country's higher education system.

**Table 9: Research rankings of tertiary education institutions, 2003**

Institution
1. University of Auckland
2. University of Canterbury
3. Victoria University of Wellington
4. University of Otago
5. University of Waikato
6. Lincoln University
7. Massey University
8. Carey Baptist College*
9. Anamata*
10. Bible College of New Zealand*
11. Auckland University of Technology
12. UNITEC
13. Auckland College of Education
14. Whitecliffe College of Arts and Design*
15. Te Whara Wananga o Te Pihopatanga o Aotearoa
16. Waikato Institute of Technology
17. Te Wananga o Aotearoa
18. Dunedin College of Education
19. AIS St Helens*
20. Christchurch College of Education
21. Wellington College of Education
22. Bethlehem Institute of Education*

\*private

Note: These institutions are ranked according to research output per degree level academic staff. These institutions are not the only higher education institutions in New Zealand but they are those that wished to be graded by the Tertiary Education Commission for the purposes of allocation of research based funding as part of their overall government funding

Source: Tertiary Education Commission, 2004a

## **Role of Government**

In the development of the private higher education sector in New Zealand the government has had an important role in influencing its emerging character. This has occurred because of the activities of the public education institutions mentioned earlier but also because of the legal framework created by the government in which the private providers have to operate. In creating this framework the attitude of the government toward the expansion of private providers has varied over the years since 1989. To enable the expansion of private providers into diploma and degree programs, legislative changes had to occur. Although at the time the government's main priority was to give greater autonomy to the polytechnics and colleges of education the changes were crucial to the private development.

In providing qualifications the private providers in New Zealand are the subject of an accreditation and quality assurance regime. Registration and accreditation by NZQA has tended to provide both costs and benefits to the private providers. On the benefit side accreditation by the government has given the private providers a greater degree of creditability with students. As well, accredited institutions are eligible for government funding. This need for credibility is common for private higher education and has been notable in post-communist Eastern Europe (Slantcheva and Levy forthcoming). Although students in New Zealand pay fees for their higher education at public institutions they are assisted through the subsidization of fees and their eligibility for student loans. Specific provision was made in the legislative changes for the Minister of Education to make grants to private providers (even for-profit providers) so long as their programs were accredited by NZQA at a lower but still significant rate compared to that in public institutions.<sup>18</sup> This is important, as without this assistance for students at private institutions, students at public institutions would pay significantly lower fees than those at private institutions. The basic funding approach has been to fund private students to cover a portion of the operating costs of providing their education and not any capital works (which public institutions get). The higher funding to the public providers is meant to be a reflection of the fact that the government retains ownership of any capital assets of a public institution that is invested in which it does not do so when funding a private investor controlled institution.

The legislative changes that occurred in 1989 were enacted by a Labour Government that had previously committed itself to increasing competition in New Zealand markets through financial market deregulation, reduced trade barriers, corporatisation of state owned enterprises and competitive neutrality between state owned and privately owned businesses. In bringing about these changes the Labour Government to a large degree was simply following the logic of reforms enacted outside higher education. What was perhaps less apparent when the reforms took place was the extent to which the Labour Government of the day was going to be willing to finance private sector

expansion. Although the 1989 changes allowed for public funding of the private sector they did not stipulate levels, which have subsequently varied.

The Labour Party lost office in 1990 and was replaced by a National Party government that was perhaps even more prepared to financially support the expansion of the private sector. From Table 10 it can be seen that the level of funding provided to private providers grew quite substantially throughout the 1990s. The bulk of this went to fund the delivery of programs and courses at Levels 1 to 4 rather than higher education but nonetheless a significant portion of it went to higher education. New Zealand therefore joins a growing group of countries with mature education systems, like the United States and Japanese, where government money helps support private higher education.

The policy of the government, therefore, through most of the 1990s has been one of tolerance and even promotion (given the level of funding). Recent growth in the private sector has been qualified by government freezes on funding to private tertiary and higher education since the Labour Party returned to office in 1999 (the freeze was enacted in 2001 but came into effect in the following year). This freeze came about because of the Labour Party's greater preference for public provision of higher education than its National Party predecessor and its view that private higher education should not attempt to duplicate too much the activities of public providers but instead should offer programs that augment or complement the provision of public providers rather than displace them.

The subsequent state of play therefore is that both major New Zealand political parties accept the need for a private higher education sector and are willing to publicly fund it. However, the present Labour Government believes that funding should be more restricted and more strategic in funding private sector expansion into areas that differentiate it from the public sector rather than compete with it.

The willingness of the government to assist in funding private sector growth in the 1990s defies a view of private higher education growth being mostly unanticipated by government, as in many other countries (Levy 2002). At the beginning of the decade the government showed a willingness to allow for the provision of private higher education, gave scope for accreditation of qualifications as part of the legislative changes of 1989 and as well consistently increased funding throughout the 1990s. Perhaps the government in the late 1980s and early 1990s envisaged growth more at the vocational certificate and diploma level (which indeed occurred) rather than in the emergence of private higher education institutions but at least up until the change of government in 1999 seemed happy to encourage this growth. The imposition of caps on funding after 2001 was due more to the election of a government that ideologically was more suspicious of private education rather than the sudden

realization by the government that the private sector was developing in ways that were unanticipated.

Given that the present Labour government has decided to freeze funding to private providers of higher education it appears unlikely that significant growth in domestic enrolments in private higher education will occur unless there is a further change in government policy. The present government's intention present government seems to be to maintain the present level of funding and make only minor alterations to it. Large numbers of domestic students will probably not be attracted to private higher education if they have to pay substantially higher fees than they would to public institutions and maintain a fairly open level of access.<sup>19</sup>

This is not to say the private higher education faces an imminent and inevitable crisis. For one thing the Labour Government is not pointedly anti-private to the extent that it wishes to greatly cut or terminate funding. Additionally, as noted above, private higher education has never depended mostly on government money and it began and grew while government money was still limited. Worldwide most private higher education manages without public funds or at least survives mainly on private funds. As well New Zealand private higher education has had the opportunity to carve out niches, and gain some legitimacy (especially when accredited). Third some private institutions have innovated in ways that can provide greater financial security. A good example in recent years is their attraction of full fee paying international students (for which the issue of government fee subsidization is not relevant). Growth of the private higher education sector, therefore, will depend on a combination of the state of the international student market and various aspects of the environment in New Zealand itself including government policy and finally the behavior of the more mature and developed public sector institutions.

**Table 10: Tertiary education provider funding summary (includes research funding, base grants, and student component funding) \$000.**

	1992	1993	1994	1,995	1996	1997	1998	1999	2000	2001	2002	2003
Government and other	124,125	131,519	137,224	139,916	142,962	145,686	148,978	160,393	161,964	171,441	193,830	225,734
Private	363	1,435	2,703	2,362	1,969	2,123	2,178	9,187	15,883	22,881	26,510	19,420
Total	124,488	132,954	139,927	142,278	144,931	147,809	151,156	169,580	177,847	194,322	220,340	245,154
Private %	0.3	1.1	1.9	1.7	1.4	1.4	1.4	5.4	8.9	11.8	12.0	7.9
Government bulk funded EFTS places												
Private	363	1,435	2,703	2,362	1,969	2,123	2,178	9,187	15,833	22,881	26,510	19,420

Source: Tertiary Education Commission, 2004b. Research funding, base grants and student component funding are simply different categories of government funding linked to different purposes. For instance the research funding is based on the research activities of the institution whereas the student component grant is based on the number and discipline area of students educated.

## **Conclusion**

The 1990s and early 2000s saw creation and substantial growth in the New Zealand private higher education sector. At the same time, however, the role of the private higher education providers has been limited. This has to do with their substantive and financial abilities and where they can achieve credibility. It is also related to where public higher education seeks to preserve its dominance or chooses to compete. Related to such factors is how government restricts opportunities for the private sector to expand. Notably, private universities are prohibited.

Private higher education has taken on characteristics that distinguish it from the public sector. This makes the New Zealand private higher education sector similar to that in a number of developed countries in that it caters for largely niche markets, in highly specialized areas of study rather than the broad areas of conventional academic standing or in the mass provision of higher education. Although private higher education has attracted government funding, allowing it to charge fees at comparable, or even lower, levels than their government counterparts, the capping of funding numbers since 2001 indicates that Government (at least now) is not inclined to encourage private higher education to substantially displace public education. This does not mean that direct competition between public and private providers is absent in New Zealand. On the contrary it is limited to a small range of disciplines such as management & commerce and IT and occurs more at the diploma and certificate level rather than at the degree and post-graduate degree level.

The situation in New Zealand, therefore, is one in which the bulk of higher education is provided by a mature and developed public sector where institutions tend to be few in number and large in size. But alongside these institutions lies another group, both non-profit and for-profit, of small privately owned institutions either filling gaps missed by the public institutions or alternately competing in a limited number of areas.



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## NOTES

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<sup>1</sup> A polytechnic is a government owned tertiary education institution that is characterised by a wide diversity of vocational and professional programs. A college of education is a government owned tertiary institution that provides mainly teacher education training.

<sup>2</sup> In New Zealand, as in many countries, the term “tertiary” is used to denote all post-secondary school courses including both higher education degrees and diplomas as well as vocational education and training courses.

<sup>3</sup> Although in this paper the term “public” is used to denote government owned educational institutions the tendency in New Zealand is to refer to these institutions as Government or State tertiary education institutions.

<sup>4</sup> The figure for total tertiary education (i.e. all post-compulsory education) is 14.7 percent.

<sup>5</sup> In New Zealand a distinction is made between educational institutions and educational providers. An educational provider is any body that provides educational services and can include classes given by companies to their employees, individuals and other bodies as well as educational institutions which are made up of formal schools, colleges, universities etc.

<sup>6</sup> Private tertiary institutions of this sort have a long history in New Zealand and a number date back to the nineteenth century (Guerin 2003). This is not uncommon in a number of countries (for instance in South Africa see Levy 2001).

<sup>7</sup> The reports on education and training were the Probine-Fargher report on polytechnics (New Zealand, Office of the Minister of Education 1987), the Shallcrass Report on non-formal education (New Zealand, Interim Advisory Group on Non-Formal Education, 1987), the Treasury briefing paper (New Zealand, Treasury 1987), the Watts report on Universities (New Zealand Universities Review Committee, 1987), the Tertiary Review (New Zealand, Department of Education, Tertiary Review Project Team, 1988), and the Picot Report on educational administration (New Zealand, taskforce to Review Education Administration 1988).

<sup>8</sup> In the late 1980s there was considerable unmet demand for degree courses that was being met by the polytechnics by enrolling student in diploma courses. This meant that demand for these types of courses was stronger than they need to have been and the polytechnics had considerable scope to convert diplomas to degrees once they were permitted to (Probine-Fargher Report 1987).

<sup>9</sup> After an exchange crisis in 1984 the New Zealand Government pursued an ambitious reform program that effectively converted it from one of the most regulated and government controlled economies amongst developed countries into one of the most deregulated and privatized ones.

<sup>10</sup> In New Zealand student numbers are calculated in three ways. The first is the total number of students enrolled in a given year. The second is through a survey of institutions undertaken on 1 July each year. The third is of equivalent full time

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students (EFTS), converting part-time and course student numbers to a full-time equivalent in a given year. A student taking a normal year's full-time study equals 1.0 EFTS unit and the courses taken by part-time students are fractions of one EFTS unit. These three approaches are often further broken down into two components: domestic student and overseas students.

<sup>11</sup> A wananga is a government owned tertiary institution that provides programs with an emphasis on the application of knowledge regarding Maori tradition (*ahuatanga Maori*) according to Maori custom (*tikanga Maori*).

<sup>12</sup> The New Zealand Government's classification of education is similar but not identical to the classification system used by UNESCO known as the ISCED97.

<sup>13</sup> Similar trends can be seen in Table 3 which gives the total number of students (domestic and overseas) on 1 July of each year.

<sup>14</sup> By 1997 there were nearly 15,000 degree and post-graduate degree students enrolled in nearly 100 different degree courses in New Zealand polytechnics (*Education Statistics* 1998, p. 75).

<sup>15</sup> One reason for the tendency for polytechnics to concentrate on degree level programs is the greater stability of funding that attracted with three-year degree students. Short term vocational education and training courses lend a degree of instability to funding and those polytechnics that have had the opportunity to move away from this area have tended to do so. The delivery of degree courses is also more attractive to overseas students who tend to be more interested in travelling to New Zealand to attend degree, rather than vocational programs.

<sup>16</sup> Program for Research on Private Higher Education.  
(<http://www.albany.edu/dept/eaps/prophe/data/countrydata.html>).

<sup>17</sup> In 2003 the Tertiary Education Commission undertook an assessment of the research activities of degree granting tertiary education institution in New Zealand. Not all institutions took part but those that did are listed in order research ranking in Table 9.

<sup>18</sup> In 1991 funding to the polytechnics and colleges education became based on a formula based on the number of equivalent full time students enrolled with the amount varying depending upon the type of course and student enrolled. This funding included an amount for capital works but like all of the funding was not tagged to specific purposes but instead was left to the institution to decide how it was spent. This funding formula applied to all tertiary education institutions including private institution although the capital component was excluded from the latter's funding (Ministry of Education 1996).

<sup>19</sup> This has largely been the case in Australia where both Labor and Liberal/national governments have declined to support private higher education with public funding (Marginson 1997).