UNIVERSITIES NEW ZEALAND BRIEFING TO MINISTER RETI

Universities New Zealand – Te Pōkai Tara congratulates you on taking up the portfolios of Universities and of Science, Innovation, and Technology. We greatly look forward to working with you as our Minister.

This briefing paper provides an overview of the key contributions, challenges, and opportunities facing the university sector and the wider science, innovation, and technology system.

The Vice-Chancellors have typically met regularly with your predecessors. This has enabled us to better understand and work through mutual goals and challenges. We hope such meetings can continue with you and that we can find a time to meet with you in the near future as you work up your priorities.

As you may know, the Vice-Chancellors take it in turns to chair Universities New Zealand. Professor Grant Edwards of Lincoln University is chair in 2025.

If you would like more information on any matter in this briefing paper, please contact Chris Whelan, Chief Executive of Universities New Zealand – chris.whelan@universitiesnz.ac.nz, 027-242-5886.

Priorities for the university sector

For our sector, we see a number of opportunities and challenges that can only be fully addressed with your support.

1. ***Challenge*** **- Financial headwinds**

   77% of all university income is controlled by government. This is both funding provided directly by government through tuition subsidies and research funds and also funding increases controlled by Government – mainly your ability to limit tuition fee increases.

   Until Covid, university funding had spent nearly a decade mostly keeping up with inflation through a mix of (a) increased rates of tuition funding, (b) growth in student numbers, and (c) a long-term trend of students seeking higher level qualifications and staying longer at university.

   During the Covid period, universities saw a decrease in international student numbers.

   The decrease in international student numbers was largely offset by an increase in domestic student numbers. Domestic student numbers increased over the Covid period mainly because borders were closed and the 15% (approximately) of school leavers that would normally have gone

overseas for their university studies were unable to do so. With borders open again in 2023, domestic and international student enrolments have largely returned to pre-Covid levels.

The key challenge now is that inflation has been running well above per-student funding increases from both tuition fees and tuition subsidies (DQ7+).

We understand the financial pressures facing the country and know that additional funding is unlikely in Budget 2025.

In June 2023 the Government announced a time-limited $128m package of financial support for the university sector. This saw DQ7+ funding increase by 4% in 2024 and 2025 on top of a 5% increase in DQ7+ funding in 2023. The 4% increase was time-limited and runs out at the end of 2025 if not extended. The 4% represents $56m annually in 2024 and 2025. The sector will struggle if this $56m ceases and necessarily return to the rolling series of restructuring and cost-cutting that dominated news headlines in 2022 and 2023.

While not solving the sector's problems, baselining the 4% after December 2025 will help the sector avoid the need to make urgent and substantial cost savings to address funding shortfalls in 2026 and outyears.

This is shown in Attachment 3 at the end of this briefing paper.

2. *Challenge* –undervaluing the humanities and social sciences

We support the Government's growth agenda and see universities as a key source of the skills and knowledge that will unlock innovation, productivity, and economic growth.

We know that the case is well understood for investment in disciplines across Science, Technology, Engineering, and Math (STEM), however, we know there is also a strong case for investing in other disciplines.

Post employment outcomes are good for most degree-qualified graduates – both STEM and non-STEM. Exceptions are in a small number of subjects, such as theology - where most graduates are in jobs with titles like 'minister of religion'. These subjects generally do not attract significant numbers of enrolments overall.

The table below provides a summarised view of the average earnings that someone will earn over their working life above the $2.4m the average person earns with no post-school qualification.

Earnings over working life ABOVE that of someone with no post-school qualification (people in full time work only) 2018 Census	Lvl 4 (Certificates)	Lvl 5 (Diplomas)	Lvl 7 (Bachelors)	Lvl 8 (Honours)	Lvl 9 (Masters)	Lvl 10 (PhDs)
Sciences	$0.6m	$0.8m	$1.1m	$1.4m	$1.3m	$1.6m
ICT	$0.5m	$1.0m	$1.6m	$2.0m	$1.8m	$2.0m
Engineering	$1.2m	$1.5m	$1.6m	$2.3m	$1.9m	$2.1m
Architecture & Building	$1.1m	$1.3m	$1.7m	$1.9m	$1.7m	$1.3m
Agriculture & Forestry	$0.6m	$0.8m	$1.1m	$1.2m	$1.1m	$1.5m
Nursing & Rehabilitation Therapies	-$0.3m	$0.3m	$0.6m	$0.9m	$1.1m	$1.6m
Medicine (incl Doctors)	$0.4m	$0.9m	$3.5m	$3.9m	$3.7m	$4.0m
Dental	$0.0m	$0.6m	$2.1m	$1.9m	$3.1m	$3.3m
Veterinary	-$0.4m	-$0.1m	$1.8m	$2.1m	$1.9m	$2.2m
Other Health (radiography, optical, pharmacy, etc)	-$0.4m	-$0.1m	$1.8m	$2.1m	$1.9m	$2.2m
Alternative Health	$0.0m	$0.4m	$0.7m	$1.0m	$1.1m	$1.7m
Education	$0.1m	$0.3m	$0.5m	$0.8m	$0.8m	$1.2m
Business & Accounting	$0.8m	$1.1m	$1.8m	$1.9m	$1.9m	$2.0m
Tourism & Office Mgmt	$0.3m	$0.4m	$0.2m	$0.6m	$0.8m	
Arts	-$0.1m	$0.2m	$0.7m	$1.0m	$1.0m	$1.5m
Political Science		$1.2m	$1.4m	$2.0m	$2.0m	$1.9m
Law	$1.1m	$1.3m	$2.6m	$2.7m	$2.8m	$2.1m
Economics	$0.3m	$0.4m	$1.6m	$2.3m	$1.8m	$2.4m
Creative & Performing Arts	$0.3m	$0.5m	$0.6m	$0.7m	$0.6m	$0.7m
Hospitality & Food	$0.1m	$0.1m	$0.2m	$0.4m	$1.2m	
Averages	**$0.8m**	**$0.9m**	**$1.3m**	**$1.6m**	**$1.6m**	**$2.0m**

For graduates in the humanities and social sciences 10 in every 11 are in ANZSCO 1 roles (highly skilled jobs typically requiring a degree). A surprising proportion take roles in science and technology fields as managers, analysts, consultants, project managers, communication specialists, and in allied sales and marketing roles.

This is borne out by decades of surveys and research consistently showing that the graduate skills that employers most value are the transferrable generic ones that are extensively developed within the arts, social sciences, and business studies – teamwork, problem-solving, communication, adaptability, critical thinking, time management, and emotional intelligence.

We ask that you continue to support universities in their production of capable and employable graduates across all disciplines – both STEM and non-STEM.

3. *Opportunity* – Universities and Science System Advisory Group reviews

Since the two parallel reviews of the science system and the university system were announced in March 2024, we have liaised with Sir Peter Gluckman and other members of each advisory group.

We saw both reviews as providing a much-needed look at a system that, in the main, works well, but that has not really undergone a system level review in more than thirty years.

The release of the first Science System Advisory Group (SSAG) report on 23 January was generally welcomed by universities. The broad direction is sensible and we fully agree that an effective

research (and university) system sits at the heart of growing our economy and lifting national productivity.

We support the proposed Prime Minister's Science, Technology and Innovation Advisory Council (PMSTIAC) and the National Research Council. Both will provide much needed strategy, prioritisation, and coordination for our research system. We hope that both will also be focussed on the case for lifting investment in research – including evaluating actual returns over time.

We support the proposed changes for the Crown Research Institutes.

There are other recommended changes that we would want more detail on before being able to confirm our support. In particular:

- We have provided advice to the Universities Advisory Group (UAG) that we do not see a Higher Education Council as a sensible or useful part of the higher education system. We are a small system with just eight universities. The Vice-Chancellors meet regularly and work with ministers and senior officials on strategy and priorities. Universities New Zealand already brings together planning, strategy, funding, research, and quality functions to advance opportunities for collaboration and lifting system performance. We struggle to see how another body sitting outside the sector trying set priorities for the sector is going to add more value to either the sector or the country than is possible through current mechanisms.
- The proposal to move to a single set of standards and intellectual property policies for the Technology Transfer Organisations attached to universities is a potential concern. We see some value in common standards but would want to look at models other than that followed by the University of Waterloo in how intellectual property is owned and commercialised.

As at the date of this Briefing, the Vice-Chancellors have not seen any of the reports generated by the Universities Advisory Group (UAG) though we know that they have been circulating around ministers and officials for some months.

As such, we cannot provide direct feedback on the work of the UAG at this time.

We recommend that you skim the four UNZ submissions provided to the two reviews. They and the key topics covered are listed and linked below:

1. May 2024 UNZ's only submission to date to the Science System Advisory Group – link here. This submission covered:
   - Our support for a Research Council to advise on long term research investment priorities and settings.
   - Our advice on the Crown Research Institute model.
2. June 2024 UNZ's first submission to the UAG – link here. This submission covered:
   - That we see no significant disruption to the role of universities in the coming decades, but a greater role for them in supporting knowledge economies, productivity, and innovation.
   - The key barriers for the university system – including a lack of real strategy, a funding system that currently discourages collaboration and focusses universities on efficiency over adding value.
3. August 2024 UNZ's second submission to the UAG – link here. This submission covered:
   - That by every metric we can locate internationally, New Zealand's universities are efficient, effective, and high quality. Current quality systems can be fine-tuned but generally serve the country well.

- Technology could be doing more to support teaching and research, but universities have many priorities for available funding.
- There are opportunities for universities and Government to work together for the provision of low-demand but strategically important programmes of study.
- The current governance arrangements for New Zealand universities are broadly in line with the most common governance arrangements in place across universities internationally.
- The Vice-Chancellors agree that there is a need for greater strategic direction and coordination across the higher education system but think that it needs to involve the Vice-Chancellors if it is to have any chance of success. We are a small system that already regularly brings all Vice-Chancellors and key officials together.

4. December 2024 – UNZ's third submission to the UAG – link here. This submission covered:
   - Our university system is already one of the most efficient in the developed world. Universities have been actively managing down costs for decades and have adopted every sensible technology and way of working identified nationally or internationally.
   - There are risks in further cuts. The market for academic talent is global and the best teachers and researchers will leave if their university starts dropping in rankings or they cannot get support to maintain quality teaching and research.
   - There are options for improving the current funding system. These include:
   - Reducing volatility caused by ups and downs in student numbers by making funding a rolling three-year average.
   - Providing longer term signals as to priorities and funding levels. Target applied doctorates, infrastructure investment, and postdoctoral funding to long term national research priorities.
   - Provide funding to help universities explore further opportunities for collaboration.
   - Consider supporting consortia arrangements to make it easier for students to be enrolled (and based) at one university but to be able to take courses at other universities.
   - Review Equity funding to put better support in a more targeted way around priority students.

Both the UAG and SSAG will provide recommendations to, respectively, the Ministry of Education and the Ministry of Business, Innovation, and Employment (MBIE). They, in turn, will make recommendations to you for you to determine what is ultimately recommended to Cabinet.

We hope you will test recommendations affecting the university sector with us before deciding what you want to recommend to Cabinet. We can help ensure recommendations are realistic, achievable, and risks are clearly understood. Where you seek our advice, we will always treat material and thinking shared as being in absolute confidence until such time as Cabinet decisions are announced.

There are three other active matters that you will be taking on with your new portfolio. They are summarised briefly below.

4. Education (Pastoral Care of Tertiary and International Learners) Code of Practice administration in the university sector

Universities New Zealand wrote to Minister Simmonds in April 2024 about exceptionally high regulatory burden and expense associated with the Education (Pastoral Care of Tertiary and International Learners) Code of Practice (the Code).

The current Code administration expectations of NZQA are creating additional compliance cost for universities without adding much or any additional value.

The Education and Training Act (2020) makes it clear (through Section 253) that *"the Vice-Chancellors' Committee is the body primarily responsible for quality assurance matters in respect of universities".* NZVCC does quality assurance through peer review – with key practitioners in the sector monitoring and advising on practice and collectively working on common standards and approaches. Quality is expected to be built into every aspect of university culture and operations – with sector-level quality assurance focussed on enhancement. This approach is the hallmark of quality assurance for universities internationally.

NZQA, by contrast, has a proven and long-established model for quality assurance built on reporting and external review and verification. Non-university tertiary providers know these approaches and are experienced working with them. But they are an additional compliance burden for the university sector because they sit separate and in addition to existing quality assurance arrangements.

None of this is intended as a criticism of NZQA who have always engaged constructively with the university system. However, trying to mesh two quite different quality systems and philosophies has been challenging and has consumed a lot of time and effort.

An extraordinary amount of time and money has been spent since 2020 on trying to manage mutual expectations. We have generally been able to reach sensible conclusions but have not been able to avoid introducing substantial duplication of effort and imposing additional compliance costs on a sector under enormous financial pressure.

Minister Simmonds accepted this and on 6 November 2024 responded advising that she would seek to have NZQA delegate more of the Code administration functions to Universities New Zealand ahead of a potential review of the Code in 2026.

UNZ and NZQA are currently working through a proposal that would see UNZ take over nearly all of NZQA's responsibilities for Code administration in the university sector. NZQA would only retain two functions:

- investigating potential Code breaches that involve serious harm to or death of a student and take statutory action through the court.
- applying to the Courts for pecuniary penalty following a serious breach of the Code, which occurred "without reasonable excuse", as outlined under sections 544 and 545 of the Act.

The Vice-Chancellors support this proposal and ask that you also support it.

We also hope that you support a review of the Code in 2026. Although all universities support the intent of the Code in enhancing learner welfare and safety, the current Code is unhelpfully prescriptive. It does not adequately reflect the range of learners in today's universities or their learning environments and the complex trade-offs and expectations that providers have to navigate.

5. Free Speech Legislation

On 18 December 2024 Minister Simmonds wrote to the Vice-Chancellors outlining Cabinet decisions to give effect to the coalition agreement between the National and ACT parties to *"[a]mend the Education and Training Act 2020 such that tertiary education providers receiving taxpayer funding must commit to a free speech policy"*.

The letter outlined proposed amendments to the Act and a set of expectations that should be addressed in each university's freedom of speech statement.

At the headline level, the Vice-Chancellors strongly support free speech and the role that respectful exchange of ideas plays in both learning and the advancement of knowledge. At the detail level, however, we see a lot of room for debate and disagreement as to limits around institutional neutrality, what is and is not hateful or objectionable speech, and how different rights and obligations are most appropriately balanced.

The Vice-Chancellors are broadly comfortable with what is being proposed but note some of the lessons learned in the UK where Free Speech legislation was enacted several years ago. These include:

1. There is a risk that complaints and appeals processes are 'weaponised' and used to stifle free speech unless they are limited to matters that are truly serious breaches of policies.
2. There is a risk that overly legalistic or prescriptive requirements will have its own chilling effect on the willingness of institutions and their communities to debate the issues of the day.

We know from interactions between Universities NZ and the Ministry of Education that more work will be done on firming up the principles approved by Cabinet. At present the principles are broad and require judgement and contextualising. We think that is helpful. However, as currently framed, the principles can also be used to continue some practices that have led to the proposed legislative change.

For example, principle 5 says: *"Universities should not limit freedom of speech of staff or students, except where it violates the law or as required to avoid disrupting the ordinary activities of the university."* The 'ordinary activities' of a university include a wide range of obligations and processes including those associated with health and safety, the wellbeing and safety of members of the community, and Te Tiriti o Waitangi. Judgement will be required in balancing these.

We know that the Ministry is recommending that universities collectively take the lead in coming up with standard questions and survey methodologies for tracking and benchmarking legislative compliance over time. We think this is appropriate. It will be important that the questions are relatively high level and respect institutional autonomy.

We also know that the proposed complaints process for breaches of free speech policies is still in development and that one option under consideration is extending the New Zealand Vice-Chancellors' Committee's legislative functions to oversee or run the complaints process (but with the usual right of appeal to the Ombudsman). We see potential fishhooks in this but, on balance, would prefer this option over likely alternatives.

6. International Education and doubling export earnings

We welcome this Government's goal of doubling export earnings and its commitment to international education.

We are still waiting to hear whether the delegation for international education and Education New Zealand will remain with Minister Simmonds.

Government International Education initiatives generally only succeed where (a) providers are willing to invest time and money, (b) there is real demand from paying students. The past fifteen years are littered with well-meaning Government priorities, strategies, and initiatives that have gone nowhere for lack of provider and student support.

International Education sits across a number of government agencies and ministers. Key agencies are:

1. The Ministry of Education for policy and strategy. They have limited knowledge of international education and the current International Education Strategy unfortunately provides very few useful objectives or implementation strategies.
2. Education New Zealand for (primarily) offshore marketing and coordination of international education activities and relationships.
3. Immigration New Zealand for visa and migration policy and settings.

NZQA (pastoral care of international students), MFAT, and MBIE (science, innovation, and technology) also play a role in the success of international education but more peripherally.

The only way that international education earnings can double in future will be if there is a more deliberate whole-of-system (Government and providers) strategy and joint coordination with oversight by relevant ministers. Key strategies for doubling export earnings in the university sector must necessarily include:

- Diversification to new markets – requiring support from ENZ to understand opportunities and on-the-ground support to get to scale and requiring support from INZ in assessing markets where it is harder for students to satisfy financial evidentiary requirements.
- Retaining existing students longer – requiring INZ to revise existing pathway visas so students can start their studies in New Zealand in one subsector and qualification (for example school) and more easily pathway up into other subsectors and qualifications (such as university).
- The ‘sales’ functions of universities working more closely with the ‘marketing’ functions of Education New Zealand to better align the prioritisation of finite resources.

Attachment 1 - Overview of the university sector

New Zealand has eight universities – Waipapa Taumata Rau the University of Auckland, Auckland University of Technology, the University of Waikato, Te Kunenga ki Pūrehuroa Massey University, Te Herenga Waka Victoria University of Wellington, the University of Canterbury, Lincoln University, and the University of Otago.

New Zealand has a relatively strong and effective university system that, by any measure, performs well in international terms. A range of key statistics is attached.

Before the 1960s, New Zealand universities were small, socially and culturally isolated finishing schools for an upper middle-class elite.

Post-World War 2 reforms began the process of opening up universities and increasing their relevance and contribution. This was accelerated under the Fourth Labour Government of the 1980s.

In 1900, 0.1% of the population was enrolled at university. In 1950, this had risen to 0.6%. As of 2020, it was 3.4%. In 1991, 8.3% of the working age population had a degree. By Census 2018 this was 24.8% and in Census 2023 this has risen to 27.1%.

41% of the population aged 29-38 now have a degree level qualification (bachelors, honours, masters, or doctoral).

In 2025, universities are large, complex organisations – closely connected to, underpinning and enhancing most aspects of culture, society and the economy. They continue to evolve in line with the developing needs and expectations of New Zealand and its peoples across a range of overlapping and complementary areas.

Universities:

- are a key source of the **human capital that will drive New Zealand socially, culturally and economically in future**. In Census 1996, 33% of jobs had titles that, if advertised today, would probably require applicants to have a degree to get a serious look-in. By Census 2023, that had risen to 58% – reflecting New Zealand's continuing evolution as a knowledge economy. In a nation of mainly small to medium-sized enterprises based on services and knowledge, universities produce the ideas and people that will drive innovation, productivity, wellbeing and prosperity. In 2017, Deloitte Access Economics estimated New Zealand workforce productivity was 3–6% higher due to university graduates across the economy. Universities contribute far more than teaching and research – they actively contribute to entire professions and communities, driving outcomes in areas such as health, wellbeing and culture.

- are directly responsible for **25% of all research** carried out in New Zealand[1]. Of that 25%, more than half (56%) is the basic research that ultimately underpins and informs more applied research. University research returns around $5.10 for every dollar invested. The stock of knowledge generated by universities and adopted over time accounts for around 8.2–9.7% of GDP – or $25.9 billion in 2017. Research investment by New Zealand universities between 1984 and 2015 was estimated to have increased real GDP by $129 billion by 2017.

- contribute to a more **equitable and prosperous society**. People who are university-educated are substantially more likely to volunteer, participate in community organisations, donate, be more interested and engaged in democratic processes, trust others, be more open-minded and tolerant.

[1] Of the remainder, 55% is done by business and 20% by government, including local government and the Crown Research Institute sector.

They are also more likely to promote these values to others and to imbue them in their own children. Their children are far more likely to end up well educated and employed. Notably, Māori and Pacific students who graduate from university enjoy the same employment and earnings benefits as non-Māori and non-Pacific graduates.

- **drive economic activity** that creates jobs and enriches the communities in which they are located. The university sector accounts for more than 26,000 jobs in the wider economy (around 1.0% of New Zealand's total labour force). Pre-Covid, international students at New Zealand universities accounted for around $1.25 billion of economic activity. University direct and indirect expenditure is an average of 2.33% of the GDP of the regions that house them. Staff and students contribute extensively to local economies as purchasers of accommodation, food, entertainment and other services. Universities themselves spent $4.8 billion in 2023 – the majority of which went into local economies in the form of salaries and locally procured goods and services.

- **are integrators** bringing people and ideas together across communities, industries and sectors. Universities and their academic staff do research with and for a range of end users. All the professional disciplines work closely with professional bodies to inform practice and help maintain and grow the skills of practitioners in their fields.

- **contribute to understanding**. Academics play an active role in public discourse and understanding through their 'critic and conscience' function. Where an academic has expertise, they are expected to contribute to evidence-based debate and understanding where there is public interest. Universities are also repositories of knowledge, expertise and capability. In the Covid-19 period, the sector provided extensive support to government in designing and implementing the public health strategies that underpinned this country's successful response. The sector was a source of testing and personal protection equipment. It also provided extensive public commentary to help New Zealanders understand public health options.

- **foster global connections**. As a small, geographically isolated nation, New Zealand needs a multi-cultural workforce that knows how to collaborate and trade globally. Our research and innovation system depends on our ability to connect and collaborate across borders. We have just 0.06% of the world's researchers but we produce 1.4% of the world's most highly cited research. Our cross-border collaborations have a 15-year NPV of $2.46 for every dollar invested. University earnings from international students represent 1.68% of all of New Zealand's exports. Each international student represents an average of $243,000 of economic activity. International students who graduate continue to maintain a range of connections with this country –researching and trading with us in many cases or promoting us to others as a destination for education and tourism.

There is a lot more universities can do as our society and economy deals with the headwinds of the post-Covid recovery period. We should be seen as a key source of skills, knowledge and insights for government, industry and communities.

New Zealand's university operating context

Universities are mainly differentiated from other tertiary education subsectors by their focus on research and research-led teaching.

In addition to university researchers doing 25% of this country's research, nearly all of the remaining 75% is done by people who gained their research skills at a university.

Other tertiary education subsectors are mainly focused on research-informed teaching – teaching that references current research and knowledge. The university sector is focused on research-led teaching – teaching that involves students in developing knowledge and growing the skills that make them innovative, problem-solving, productive contributors socially, culturally and economically.

The sector materially advances knowledge – particularly the fundamental knowledge other industries then take and develop through more applied research. A significant proportion of university infrastructure is dedicated to research – laboratories and specialist research facilities. The vast majority of the university academic workforce is PhD qualified where, by comparison, only a small proportion have similar qualifications in other subsectors.

New Zealand universities must balance a number of competing expectations around their role and mandate. These include:

- **Teaching** – providing a good learning experience for diverse student groups which produces graduates ready for a wide range of careers and lives.
- **Qualifications** – producing graduates with skills and knowledge required by employers and with qualifications that employers understand and value.
- **Research** – producing high-quality research that has value economically, socially and/or culturally.
- **Service** – transferring knowledge and ideas to inform understanding, policy and practice across communities, government and business.
- **Equity** – overcoming barriers that prevent some learners from being able to pursue or succeed at university study.
- **Flow-through benefits** – supporting the economic, social, cultural and soft-power returns from international education.

And, to deliver on these, universities must also successfully foster the following:

- **Academic capability** – recruiting and retaining top teachers and researchers, many of whom can work anywhere in the world and who will work only for institutions that do both research and teaching and that conform to broad international norms for what is and isn't a university.
- **International reputation** – maintaining rankings and other indicators that both staff and students rely on to inform where they choose to work and/or study.
- **Study/work experience** – ensuring that both students and staff enjoy positive, satisfying, supportive and safe study/work experiences.
- **Governance** – ensuring universities remain viable in the long-term and are able to retain the staff and infrastructure that underpin all other goals and objectives.

All these requirements are interdependent and universities must balance them with finite resources.

Universities cannot fail in even one of these areas and must therefore operate in ways that deliver the greatest value possible to as many competing stakeholders needs as possible without compromising long-term viability.

The sector normally budgets to generate a 2–3% annual surplus. This amount is seen as the prudent minimum necessary to cover typical cost increases in the next year. Over the past 15 years, university operating costs have risen around 68% during a time when CPI rose just 36%. Salaries are the largest cost for the sector at 57% of total operating costs. Salary increases over the past 15 years have been exactly in line with salary increases across New Zealand – averaging a little under 2% on average per annum.

Attachment 2 - The New Zealand university sector at a glance

Overview	• New Zealand has eight universities – seven are 'comprehensive universities' meaning they provide a wide range of courses and subjects for students. • The number of universities in NZ per capita is on par with Australia, UK and Canada - one university per 640,000 people. • Altogether, NZ universities had 135,450 equivalent full-time (**both domestic and international)** students (EFTS) enrolled in 2023. These EFTS were made up of 177,210 actual students[2]. • Combined, the universities had 113,520 equivalent full-time **domestic** students (EFTS) enrolled in 2023. These EFTS were made up of 147,915 actual students[3]. • Combined, the universities had 21,930 equivalent full-time **international** students (EFTS) enrolled in 2023. These EFTS were made up of 29,300 actual international students[4]. • All New Zealand universities were placed in the 2025 QS World University Rankings top 500. Two universities were in the Times Higher Education World University Rankings 2024's top 350, and all eight in the top 600.[5] • Individual NZ universities appear in the top 50 in 2024 QS World University Rankings by Subject for courses in: Archaeology, English Language and Literature, Linguistics, Engineering, Anatomy and Physiology, Physiology, Veterinary Science, Anthropology, Development studies, Education, Sports-Related subjects and Marketing. [6] • There is at least one (and typically more) NZ universities ranked in the top 200 for all but seven of the subjects considered by QS.[7]
Economic impact	• Universities employed around 22,460 FTE staff in 2023, which is about 1.0% of New Zealand's total labour force. The flow-on effect of university employment accounts for another 2,190 to 4,380 jobs in the wider economy[8]. • The university sector spent $4.8 billion in 2023 on staff, capital and the purchase of goods and services[9], this is equivalent to about 1.2 percent of GDP and 50% of country's expenditure on education and training in 2023 [10]. • Universities make a significant contribution to the regions that house them, their contribution representing up to 5.9% of regional GDP counting University and student spending that contributes directly to regional GDP[11].

[2] Ministry of Education, Education Counts Statistics, Provider based enrolments and provider based equivalent full-time enrolments - Updated April 2024.

[3] Ministry of Education, Education Counts Statistics, Provider based enrolments and provider based equivalent full-time enrolments (EFT.9 and ENR.31 tables) Updated April 2023.

[4] Ministry of Education, Education Counts Statistics, Provider based enrolments and provider based equivalent full-time enrolments (EFT.9 and ENR.31 tables) Updated April 2023.

[5] From the Master Longitudinal QS & THE World Rankings spreadsheet – 2025 results

[6] From the Master Longitudinal QS & THE World Rankings spreadsheet – 2024 results

[7] From the Master Longitudinal QS & THE World Rankings spreadsheet – 2024 results

[8] NZIER, Economic Impact of NZ's Universities, 2022 update.

[9] Master University Finances spreadsheet, Annual accounts of Universities 2021.

[10] Statistics New Zealand, GDP December 2023, GDP 404,571 (income series, in current prices /nominal and seasonally adjusted series) million, expenditure on education and training ; - 9,620 million (this is in 2009/10 prices, not sure we are using correct series here).

[11] NZIER, Regional activity of universities, June 2022 update

	For example, University of Auckland and their student spending contributes to 2.1% of Auckland's regional GDP. This is 5.9% for University of Otago and their students.[12] • International education generates at least $742 million for New Zealand and New Zealand universities' earnings from export education represent 0.9% of all New Zealand's exports of goods and services[13]. • There were 19,061 international EFTS at NZ universities in 2023,[14] with NZ having one of the highest proportions of international students in the world (10% at Bachelor's level-above OECD average of 8%, 17% of Master's level-equivalent to 18% of OECD average and 42% a Doctorate programmes-31% average of OECD).[15] • International education generates at least $742 million per year for New Zealand [16] <u>Research and the transfer of knowledge</u> • The stock of all knowledge generated by universities and adopted over time across the wider economy accounts for around 8.2% to 9.7% of GDP.[17] • A 10% increase in higher education research spending will eventually increase GDP by 1.75% to 1.84%.[18] • Universities generate around a quarter (24%) of all research in NZ.[19] • In 2023, universities spent about $1.4 b on research.[20] • According to the most PBRF results (2018), 35% of the university sector's active researchers are in STEM subjects[21]. • According to the 2018 PBRF results, 17% (N=1,077) of all university researchers (N=6,299) are emerging researchers, 42% were in STEM subjects.[22]
Societal Impact	<u>Graduates and human capital</u>[23] • Graduates with bachelor's level qualification earn about 52% more than people with a secondary school education. This rises to 87% for an honours level qualification, 86% for master's and 129% for doctorate degree level qualification.

[12] NZIER, Regional activity of universities, June 2022 update
[13] NZIER, Economic Impact of NZ's Universities, 2022 update
[14] Calculated by adding international student numbers reported in each of the eight universities audited annual reports. From the Master University Finances Spreadsheet.
[15] Education at a Glance 2023: OECD Indicators Table B4.1. EAG 2023 is based on 2021 first-time entrants' numbers (international).
[16] NZIER, Economic Impact of NZ's Universities, 2022 update.
[17] NZIER, Economic Impact of NZ's Universities, 2022 update.
[18] NZIER, Economic Impact of NZ's Universities, 2022 update.
[19] Statistics NZ "Research and Development Survey: 2022".
[20] This in the Master University Finances Spreadsheet – row 67.
[21] Used TEC definition of STEM subject from 2018 Evaluation report. STEM subjects were defined as Architecture, Design, Planning, Surveying; Agriculture and Other Applied Biological Sciences; Chemistry; Computer Science, Information Technology, Information Sciences; Earth Sciences; Ecology, Evolution and Behaviour; Engineering and Technology; Molecular, Cellular and Whole Organism Biology; Physics; Pure and Applied Mathematics; and Statistics.
[22] PBRF summary table, Universities New Zealand
[23] All figures under this sub-heading come from NZIER, Economic Impact of NZ's Universities, 2016 unless otherwise stated.

	• New Zealand's GDP is 3%-6% higher because of the impact that a university education has had on the productivity of the workforce with a university qualification (28% of the workforce in 2014). • In addition to being more productive themselves, graduates lift the productivity of other employees in their workplaces. This accounts for around 0.8% of GDP[24]. • Workers without a degree earn 1.6% to 1.9% more as a consequence of working with graduates[25]. • There are a range of other health, standard of living, wellbeing and intergenerational benefits that appear to accrue to graduates. These were not assessed in the NZIER 2016 study, but international research suggests the benefits to graduates are typically worth about double the graduate's actual annual earnings[26]. • The number of adults (aged 30-64) with a bachelor's degree or higher rose from 17.2% in 2006 to 29% in 2018.[27] 60% of domestic school leavers enrol at tertiary providers within their first year after leaving; 33% enrol into a bachelor's degree or above qualification.[28] • 89.7% of all people who started degree (Level 7+) study during any of the years 2009-2013 did so at a university[29]. • Bachelor's degree graduate's median weekly income is around 1.48 times greater than someone without a tertiary qualification by age 25-34 and this rises to 2.3 times greater by age 55-64[30]. • On average, less than 1% of degree qualified graduates are on a benefit at any time during the ten years following graduation. This compares with an average of 6% for those with a Level 4 certificate level tertiary qualification, and 4% for those with a level 5-7 certificate or diploma level qualification[31]. • For graduates aged 30-39 at the time of the 2013 Census, 73% were in jobs that either needed a specific degree (doctor, teacher, etc) or for which a degree was highly useful (general manager, consultant, policy advisor, etc)[32] • According to the 2018 Census, PhDs earn an average yearly income of 29% more than master's graduates, who earn 3% more than Honours graduates, who earn 16% more than Bachelor's graduates, who earn 17% more than Diploma graduates, who in turn earn 14% more than Certificate graduates

[24] NZIER, Economic Impact of NZ's Universities, 2020.
[25] NZIER, Economic Impact of NZ's Universities, 2016.
[26] For example, McMahon (2009) assesses benefits such as being able to live in nicer neighbourhoods, making better purchasing decisions, having better health, having healthier more successful children, etc as increasing annual income by 122%. Other studies, such as Wolfe & Haveman (2007) estimate benefits as being around 100% of annual income.
[27] Census 2006, 2018, NZ Stats tool, Statistics New Zealand
[28] Ministry of Education, Education Counts, School leaver destinations Data tables (2022 school leaver cohort)
[29] Bespoke report from the Ministry of Education Ralf Engler – run in 2017. See spreadsheet 'MASTER 2016 Five years after study destinations by ethnicity'.
[30] http://www.educationcounts.govt.nz/statistics/tertiary_education/life_after_study - Income and Earnings PSI.1
[31] http://www.educationcounts.govt.nz/statistics/tertiary-education/life_after_study, Earnings & Destinations, averages of the ten year 'benefit' figures.
[32] Universities NZ, Graduate Return on Investment Study – August 2020.

	and school leavers[33]. These averages vary significantly from individual to individual and between subjects. • In general, degree holders (level 7 and above) can expect to earn another $1.37m over their working lives compared with people with only a high school qualification[34]. • New Zealand has some of the best qualification completion rates in the world. Only 20% of full-time students who start a bachelors-level qualification at a university in New Zealand do not have a qualification within eight years. By comparison, non-completion rates at polytechnics/institutes of technology are 32% and 48% for Wānanga and 25% at PTEs [35]. International comparisons are problematic as different countries track completion rates over different time periods, but reported graduation rates by first-time domestic bachelors (aged under 30) by OECD are 38% in the UK, 34% in Australia, 31% in New Zealand and OECD average is around 31%[36].
Efficient Sector	• The New Zealand university system is efficient by international standards. For 2015, using New Zealand dollars in 2015 $NZ exchange rates New Zealand produced its outputs for 85% of what it cost in Australia. That is Australian expenditure was $31,068 per university EFTS compared with $26,460 for New Zealand[37]. • New Zealand total expenditure on education institutions per EFTS is almost equal to the OECD average (8% greater than the OECD average)[38]. Despite this, all our universities are ranked in the top 3% of universities globally[39].

[33] Universities NZ, Graduate Return on Investment Study – August 2020.
[34] Universities NZ, Graduate Return on Investment Study – August 2020.
[35] Education Counts - https://www.educationcounts.govt.nz/statistics/tertiary-education/retention_and_achievement Workbook: 1-Direct_progression_Attrition_Completion_rates_Broad_levels, updated June2023.
[36] OECD, Education at a glance 2023, B5.3 Indicator(based on 2020 data)
[37] See row 22 on the worksheet 'Australian Uni Comparison' in the spreadsheet "MASTER University Finances" for references and calculations.
[38] Table C1.1 in the 2023 OECD Education Indicators at a Glance. (All Tertiary, based on 2020 data)
[39] Denominator of 19,800 com es from the International Association of Universities' Worldwide Database of Higher Education Institutions, World Higher Education Database (WHED) - IAU (iau-aiu.net)

Universities key statistics (Information from the 2023 Annual Reports)

Consolidated	Auckland	AUT	Waikato	Massey	VUW	Canterbury	Lincoln	Otago	TOTAL 2023
Academic Staff	2,449	1,099	592	1,255	1,190	1,009	191	1,610	**9,395**
Other Staff	3,881	1,141	822	1,701	1,347	1,321	385	2,467	**13,065**
Total Staff	**6,330**	**2,240**	**1,414**	**2,956**	**2,537**	**2,330**	**576**	**4,077**	**22,460**
Total EFTS	**35,337**	**18,724**	**10,521**	**16,246**	**15,728**	**17,187**	**3,123**	**18,960**	**135,826**
Total Headcount	46,045	26,083	13,505	26,632	20,660	24,354	4,517	21,202	**182,998**
Domestic EFTS	27,985	16,330	8,474	13,673	14,286	15,870	2,466	17664	**116,748**
International EFTS	7,335	2,394	2,047	2,573	1,442	1,317	657	1,296	**19,061**
Māori EFTS	4,570	2,381	2,141	1,955	1,775	1,615	197	2,351	**16,985**
Pasifika EFTS	6,175	3,438	790	887	953	536	48	1,267	**14,094**
Postgrad EFTS (incl hons)	9,025	3,531	2,035	5,811	3,188	2,978	1,346	3,288	**31,202**
Income $m	**Auckland**	**AUT**	**Waikato**	**Massey**	**VUW**	**Canterbury**	**Lincoln**	**Otago**	**TOTAL**
Domestic student fees	*$169.2*	*$89.4*	*$43.2*	*$98.0*	*$70.8*	*$92.0*	*$6.2*	*$128.6*	***$697.5***
Domestic fee free	*$38.0*	*$21.4*	*$10.6*	*$9.4*	*$21.0*	*$26.8*	*$3.8*	*$30.4*	***$161.4***
International Full Fee	*$203.3*	*$74.0*	*$35.4*	*$62.0*	*$38.8*	*$39.0*	*$12.9*	*$45.1*	***$510.6***
Student Fees	**$410.6**	**$184.8**	**$89.3**	**$169.4**	**$130.5**	**$157.9**	**$22.9**	**$204.2**	**$1,369.5**
Govt DQ7+ (SAC) Funding (excl FF)	$375.2	$165.2	$85.9	$161.3	$147.8	$170.6	$34.5	$269.9	**$1,410.4**
Govt PBRF Funding	$92.4	$21.9	$15.0	$39.9	$37.1	$28.0	$10.5	$63.7	**$308.4**
Other Govt Funding	$16.5	$8.9	$12.9	$1.8	$5.4	$2.1	$0.0	$13.1	**$60.7**
Research & contracts	$330.8	$26.6	$50.4	$98.5	$93.8	$69.8	$34.8	$169.3	**$874.0**
Other Income	$262.3	$30.5	$64.0	$72.8	$162.3	$80.1	$35.7	$115.7	**$823.4**
Total Income	**$1,487.70**	**$437.85**	**$317.41**	**$543.70**	**$577.00**	**$508.51**	**$138.37**	**$835.80**	**$4,846.3**
Expenses $m									
People Costs	$782.9	$243.2	$158.3	$331.1	$295.4	$265.3	$70.2	$468.6	**$2,615.1**
Operating Costs	$477.6	$134.6	$119.5	$163.5	$193.3	$185.8	$49.3	$277.3	**$1,600.9**
Deprn & Amortisation	$172.0	$47.8	$44.2	$88.7	$55.2	$67.8	$17.2	$87.9	**$580.9**
Other expenses	$5.1	$1.3	$0.2	$1.8	$2.2	$3.7	$0.0	$2.3	**$16.5**
Total Expenditure	**$1,437.57**	**$426.89**	**$323.50**	**$585.10**	**$546.10**	**$522.54**	**$136.72**	**$836.16**	**$4,814.6**
Net surplus	$50.13	$10.95	-$6.10	-$41.42	$30.90	-$14.04	$1.64	-$0.36	**$31.7**
Surplus as % of Total Income	3.4%	2.5%	-1.9%	-7.6%	5.4%	-2.8%	1.2%	-0.04%	**0.7%**
Property, plant & equipment book value	$4,327.7	$1,166.1	$846.1	$1,683.0	$1,192.6	$1,752.2	$389.6	$2,689.2	**$14,046.5**

Relevant legislation with regard to New Zealand's university system

1. Education and Training Act 2020
    a. Universities are subject to the provisions of the Education Act which guarantees their academic freedom and autonomy [s267], and which describes their characteristics s268(2)(d)
    b. determines the constitution of their councils (sections 276, 278, 279)
    c. defines their Crown reporting arrangements (through the Tertiary Education Commission)
    d. allows them to establish and quality assure their own courses and programmes
    e. and specifies that their chief executives (vice-chancellors) will be appointed through the provisions of the State Sector Act.
2. Education and Training Act 2020 – Section 253 the New Zealand Vice-Chancellors' Committee is the body with overall responsibility for quality assurance in the university sector.
3. Education and Training Act 2020 - Vice-Chancellors Committee (NZVCC operating as Universities New Zealand) Section 312:
    a. NZVCC to oversee the setting up inter-university course approval and moderation processes. NZVCC exercising, in relation to universities, some of the powers of the New Zealand Qualifications Authority – namely approving the establishment and operation of university programmes subject to any conditions it wishes to impose and accrediting universities to provide approved programmes. NZVCC may issue compliance notices and withdraw accreditation if appropriate.
    b. NZVCC responsible for listing university qualifications on the Qualifications Framework.
    c. NZVCC to administer a range of scholarships.
4. Education (Pastoral Care of Tertiary and International Learners) Code of Practice which is embedded in the Education and Training Act 2020. This is to ensure that tertiary students in New Zealand receive proper pastoral care.
    a. New Zealand Qualifications Authority (NZQA) appointed as Code Administrator. NZQA has delegated to the New Zealand Vice-Chancellor's Committee (NZVCC) the role within section 238H(3)(b)(i) of the Education Act 1989 (as saved by clause 7(3) of Schedule 1 of the Education and Training Act 2020) of monitoring each university in relation to each university complying with the Education (Pastoral Care of Tertiary and International Learners) Code of Practice 2021 ("the Code") and the steps the university is taking to improve its giving effect to the code.
5. Official Information Act 1982
    a. Universities are subject to the Act (see S2)
6. Crown Entities Act 2004 s7 (1)(e)
    a. Tertiary institutions established under Part 14 of the Education Act including universities are defined as crown entities
7. Own legislation
    a. All universities in New Zealand have been established under their own legislation. Each is a *"body corporate with perpetual succession and a common seal, and may hold real and personal property, and sue and be sued, and do and suffer all that bodies corporate may do and suffer."*

Attachment 3 – University Sector Financial Position

University sector income is shown in the table below. Figures from 2019 to 2023 are actual numbers taken from the audited annual reports of the eight universities. Figures for 2024 to 2026 are projected based on assumptions drawn from Ministry of Education figures in CAB-23-MIN-0269. They assume largely flat domestic student numbers, fees-free changes, flat Crown funding for PBRF and other research, and that the 4% of SAC/DQ7+ funding for 2024 and 2025 are not continued after December 2025.

Row 'x' shows cumulative inflation since the start of 2019 and rows 'y' and 'z' respectively show cumulative sector funding over the same period and cumulative Crown funding.

		Actual - From Uni Annual Reports					Forecast		
	Income Line by Source (all 8 universities) from published annual reports	**Total Income 2019 $m**	**Total Income 2020 $m**	**Total Income 2021 $m**	**Total Income 2022 $m**	**Total Income 2023 $m**	**Projected 2024 $m**	**Projected 2025 $m**	**Projected 2026 $m**
a	Fee Income from Students	$1,168	$1,148	$1,122	$1,059	$1,208	$1,281	$1,441	$1,459
b=(b2:b5)	**Income from Government (all sources)**	**$1,778**	**$1,834**	**$1,959**	**$1,942**	**$1,941**	**$2,064**	**$1,932**	**$1,814**
b2	*Govt SAC/DQ7*	*$1,279*	*$1,328*	*$1,441*	*$1,422*	*$1,410*	*$1,538*	*$1,538*	*$1,410*
b3	*Fees Free*	*$149*	*$149*	*$168*	*$167*	*$161*	*$161*	*$29*	*$39*
b4	*Govt PBRF*	*$304*	*$302*	*$304*	*$302*	*$308*	*$304*	*$304*	*$304*
b5	*Other Govt Funding (mainly research)*	*$46*	*$54*	*$45*	*$51*	*$61*	*$61*	*$61*	*$61*
c	Other Income	$1,363	$1,203	$1,333	$1,492	$1,697	$1,600	$1,600	$1,600
d=(a:c)	**Total**	**$4,309**	**$4,184**	**$4,414**	**$4,492**	**$4,846**	**$4,945**	**$4,973**	**$4,874**

		Actual (Inflation from Reserve Bank)					Forecast		
r	Change in overall funding from last year $m		-$124	$230	$79	$354	$99	$28	-$100
s	Increase in previous year as %		-2.9%	5.5%	1.8%	7.9%	2.0%	0.6%	-2.0%
t	Inflation in previous year		1.80%	1.40%	6.20%	7.90%	5.40%	2.50%	1.30%
x	**Cumulative Inflation Since Q1 2019**	**0%**	**1.80%**	**3.20%**	**9.40%**	**17.30%**	**22.70%**	**25.20%**	**26.50%**
y	**Cumulative Sector Funding from 2019**	**0%**	**-2.9%**	**2.4%**	**4.3%**	**12.5%**	**14.8%**	**15.4%**	**13.1%**
z	**Crown Cumulative Funding from 2019**	**0%**	**3.1%**	**10.2%**	**9.2%**	**9.2%**	**16.1%**	**8.7%**	**2.1%**

As you can see, cumulative sector funding has fallen significantly behind overall inflation, and this is what is putting pressure on the university system. In general, universities are managing their way through this, but we are particularly worried about 2026.

If there are no further adjustments to sector funding from what is already baselined, the sector is looking at its first real drop in funding ever in 2026 as a consequence of cumulative Crown funding (row z) being just 2.1% over an eight-year period during which inflation appears on track to be around 26-27%.