

The development of private higher education in a mature market: A New Zealand case study

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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. This paper explores the private penetration, traces 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 private higher education sector internationally. The New Zealand case is one of private entry into a mature higher education system in an economically advanced country. Emphasis is also placed on the dissimilarities between the private sector and the more predominant public tertiary education institutions in New Zealand. It is clear from this study that the private sector has characteristics that clearly distinguish it from the public higher education 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 via traditional non-profit

religious, community or academically based institutions (Kelly 2001; Kinser-Levy 2005; Levy 2002; Levy 1992). In New Zealand private higher education did not exist before 1989 but by the turn of the century it had achieved a position as a small, but significant portion of the total higher education sector.

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

Throughout the 1960s, 1970s and 1980s universities in New Zealand expanded in size and the higher education system diversified institutionally with the establishment of polytechnics and colleges of education.¹ During the 1990s this expansion continued with polytechnics and colleges of education expanding their traditional areas of vocational education and teacher training to include the delivery of degree programs. In 2006, 491,018 students were formally enrolled in tertiary education² in New Zealand of which 447,336 were New Zealand domestic students (9 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 previously (in 1981 there were 116,475 formally enrolled students in public tertiary institutions or 3.8 percent of the total population). The 2006 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.³ In 2006 23,738 students (domestic and overseas) were enrolled in private higher education, which represented 9.3 percent of the total number of students.

The development of private higher education in New Zealand is, therefore, of recent origin compared with several developed countries such as the United States, Japan and Korea, where private higher education has long been a feature of the educational system. 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 figured significantly in primary and secondary school education and also 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.

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 have made it similar to 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 of 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 are also noted, as well as the dissimilarities between the private 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. The paper is structured on the basis of three main sections: the birth and contours of the private sector, and finally the role of government.

Private higher education's birth: part of a reform package

The present structure of the tertiary education sector in New Zealand was formally created during the reform period of the late 1980s. As already 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 programmes, a state of affairs

common in many countries. Prior to 1989, the Department of Education reported that there were 42 separate colleges in the private tertiary domain offering 101 courses (Department of Education 1987; Education Directions Ltd 1997). The courses were vocational in nature and included activities like secretarial studies, hairdressing, beauty therapy, English as a second language, art and craft, aviation, photography, dance, and cookery. Other providers offered courses in religious studies, office technology, management training and office skills.⁴ At that time the higher education sector was highly structured, publicly owned and centrally controlled. The six universities delivered degree and post-graduate degree programmes, the polytechnics vocational diplomas and certificates, and the colleges of education teacher training diplomas. Private education providers were generally allowed to undertake only what was left over. A government monopoly of higher education and a peripheral status accorded to 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.⁵ The final outcome of the investigations were two Department of Education policy documents *Learning for Life* and *Learning for Life II*. The policy documents made a number of major recommendations, most of which were subsequently implemented. Amongst these was one 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 led subsequently to their being able to compete directly with universities in the delivery of degree and post-graduate programs.

The changes gave greater autonomy to public institutions which were funded according to the number of 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 vocationally orientated diplomas towards degree programmes, but the universities were slow to meet the increased demand for degree level studies (Hawke 1988).

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 thereby establishing a private higher education sector in New Zealand.

Even though the 1989 legislative changes played a pivotal role in the establishment of private higher education in New Zealand it should be understood that this was not their main purpose. The main thrust of the changes was to enable public institutions to compete with each other and meet unfulfilled student demand, with the relaxation of restrictions on private providers seen as only a minor part of the changes. This followed a trend internationally in places such as Western Europe where universities that had a history of state control were in recent times granted more autonomy (José-Gines Mora 2001).

The reform of New Zealand higher education was undertaken at the national rather than provincial or local level. New Zealand, unlike Australia, Canada and the United States, has a unitary national system of government with no state or provincial governments and very little involvement by local government in education other than 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 New Zealand Qualifications Authority (NZQA) was also established and replaced the government funded Trades Certification Board, the Authority for Advanced Vocational Awards, the and Vocational Training Board, which had previously been responsible for controlling standards, analyzing training needs and conducting examinations. The NZQA was to play an important role in the development of private higher education in New Zealand. From June 1990, not only the polytechnics and colleges of education, but also private providers were allowed to develop and have their diploma and degree level programs accredited.

The reform of tertiary education in New Zealand that occurred after 1989 can only be fully understood within the context of changes to the New Zealand economy which underwent extensive macroeconomic and microeconomic reform between 1984 and 1993. This involved the

deregulation of financial markets, the lowering of trade barriers, the abolition of many industry subsidies, corporatization and privatization of government businesses and labour market reform. The whole general trend of government policy 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. To some degree the reforms of the tertiary education sector in the late 1980s reflected this emphasis on competition and a relaxation of government controls and ownership. The Hawke Report (1988) drew together the conclusions of previous government reports on tertiary education and claimed 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 advanced about the corporatisation and deregulation of New Zealand government owned businesses such as the railways, postal services, and the telecommunications industry.

During the 1980s state owned enterprises were detached from government departments and established as separate corporations, which in most cases were later privatized. Regulatory functions generally remained with government 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 and regulatory functions were kept within the ambit of 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, and postal services.

The private education sector enjoyed steady growth throughout the 1990s and up until the mid 2000s after which they levelled off. The number of students enrolled in private higher education in 2006 in New Zealand stood at 23,738, or 9.3 percent of the total number in higher education (see Table 2). The private sector, though still relatively small, is now a significant part of New Zealand's higher education sector and has quite distinctive characteristics that make it dissimilar in character to public higher education institutions in New Zealand. It tends to be far

more specialized in character and concentrates on providing programs in niche areas. To a large degree this is a product of the fact that public institutions in New Zealand have expanded 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. Work by Levy and Geiger, and Marginson, with reference to Australia, has categorized the growth of private higher education into different categories. These include: the provision of elite education, the absorption of demand which public providers cannot cope with and the provision of education programmes differentiated from those provided by 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 to a broad market.

This leaves private higher education as something of a 'peripheral' sector in New Zealand (Geiger 1986), yet the term 'peripheral' may give a misleading sense of unimportance. The emergence of private higher education in New Zealand appears to share a widespread global tendency in a number of developed countries in which a mature higher education sector of public institutions remains dominant but private providers assume a significant place in the overall context of growth, marketization, differentiation, and privatization. Even in the face of an expanding, diversifying and mature public higher education sector, private higher education in New Zealand has been able to generate a unique role for itself.

The contours of the sector

The accompanying tables highlight the special character of private higher education in New Zealand and how it 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

Table 1 (p.82) provides information on the overall nature of the tertiary education sector (both higher education and vocational education and training) in New Zealand in 2006. In that year around 15.5 percent of formally enrolled students (in terms of equivalent full-time students; EFTS for domestic and overseas students combined) were with private providers.⁶ 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 2006 there were over 800 formally registered private providers in New Zealand compared to only eight universities, 20 polytechnics, three colleges of education and three *wananga* on the public side.⁷ 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>).

Student Qualification Levels

Table 2 (p.83) provides a breakdown of the student enrolments in higher education according to the types of programs delivered by private and public providers. 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 comprising ten levels. Levels 1 to 4 of the Framework cover 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 are simply Year 1 and Year 2 courses in degree programs. Level 7 consists of the three-year degree programs, Level 8 honours 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 a fair definition of higher education would consist of programs at Level 5 and above.

Where the distinction made between higher education and other tertiary education becomes important is 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 1 and 2 illustrate that the private providers have had their greatest impact in the provision of programs at the level below that of higher education. In 2006 for instance 80,432 students in New Zealand were enrolled in private sector programs in tertiary education. Of this 19,735 were at the diploma level (Levels 5-6), 2,516 at degree level (Level 7) and 1,487 at post-graduate level (Levels 8-10). The public sector on the other hand is divided more or less equally between higher education enrolments (Levels 5 to 10) on the one hand and Levels 1 to 4 on the other. Within public higher education concentration centres on the provision of degree level studies rather than diplomas. This is certainly a widespread private-public distinction found in a number of countries, e.g. South Africa, (Levy 2001).

This inter-level pattern stems from two main reasons. First, given their historical background, it was only natural that the private colleges after 1989, should expand their operations in areas where they already had some involvement, experience and legitimacy. Second, the tendency has been for the larger polytechnics to shift their emphasis away from traditional vocational courses towards 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. Although there was unsatisfied demand for degree programs in the late 1980s and early 1990s, the bulk of this was eventually met by public institutions that were also granted the right to provide degree programs in 1989. The same institutions have also tended to drop or give less emphasis to their traditional programmes thereby giving private providers an opportunity to respond to the demands of students in this area.⁸ In short, the growth of private higher education was part of a reform package, but 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 the polytechnics to attempt to meet this demand. The larger polytechnics after 1989, e.g. the Carrington Polytechnic and the Auckland Institute of Technology ,

both located 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 thereby avoiding competition from private providers at this level. This was not a universal reaction by the polytechnics, however, as a number of the smaller more regionally 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 their interests overlap such as in management, commerce, and information technology.

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 there are areas in which the public institutions have been slow to expand, or from which they have withdrawn. This has helped to create an opening for private providers in tertiary education, especially at the level below that of higher education. At the higher education level their influence has been felt more at the diploma rather than the degree stage.

Table 1: The tertiary education sector 2006

	Number of Institutions	Number of Students full year	International students full year	EFTS full-year	EFTS %
<i>Public providers</i>					
Universities	8	164,571	25,865	124,990	46.2
Polytechnics	20	214,394	9,797	76,039	28.1
Colleges of education	3	6,908	272	3,764	1.4
Wananga	3	48,842	0	23,676	8.8
<i>Private providers</i>	829	80,432	7,592	42,027	15.5
<i>Total</i>		491,018	42,652	270,496	100.0

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.

Table 2: Students enrolled in higher education, 2006 (full year)

Public	Diploma	52,347	
	Degree	146,305	
	Honours/post graduate	17,009	
	Masters	11,875	
	Doctorate	5,467	
	Total	233,003	
Private	Diploma	19,735	27.5%
	Degree	2,516	1.7%
	Honours/post graduate	998	5.6%
	Masters	489	4.0%
	Doctorate	0	0%
	Total	23,738	9.3%
Total	Diploma	71,729	
	Degree	148,753	
	Honours/post-graduate	17,915	
	Masters	12,364	
	Doctorate	5,467	
	Total	256,228	

Note: Higher education programs include those at Levels 5-10. Levels 5-6 are Diplomas, Level 7 Degrees, Level 8 honours and pos-graduate, Level 9 Masters and Level 10 Doctorates. Source: Tertiary Education Commission.

Fields of Study

The range of fields of study is another characteristic of the private higher education sector in New Zealand that distinguishes it from the public sector. Table 3 provides information on full-year enrolments (both domestic and overseas) in private higher education according to field of study.

Table 3: Full year, formal enrolments (domestic plus overseas) by fields of study in private higher education, 2006

	Diploma	Degree	Honours/		Total HE	%
			Post-Graduate	Masters		
Natural & physical sciences	0	0	0	0	0	0.0
IT	2,075	114	0	0	2,189	9.2
Engineering & Related	378	0	0	0	378	1.6
Architecture & Building	101	0	0	0	101	0.4
Agriculture & Environmental	36	0	0	16	52	0.2
Health	1,956	242	0	24	2,222	9.4
Education	2,756	281	0	0	3,037	12.8
Management & Commerce	3,968	337	108	348	4,761	20.1
Society & Culture	4,944	1,036	890	69	6,939	29.2
Creative Arts	2,847	280	0	32	3,159	13.3
Food Hospitality etc	1,399	0	0	0	1,399	5.9
Mixed	0	262	0	0	262	1.1
Total	19,735	2,516	998	489	23,738	100.0

Source: Tertiary Education Commission.

In New Zealand the bulk of students in private higher education study at the diploma level in areas such as management, commerce, and IT. At the postgraduate level numbers are small and dominated by students enrolled in management and commerce programs. Most are enrolled in an MBA program in a single institution. At the degree level management and commerce students are again important but so too are those enrolled in society and culture programs and to a lesser degree IT, creative arts and education. The role of private higher education in New Zealand is, therefore, similar to that of many other Western countries with mature education systems. They do not provide mass education but instead have a limited presence in a number of 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 from ethnic or religious backgrounds traditionally underrepresented in public higher education. Table 4 (p.86) provides information on the ethnic breakdown of students in private and public higher educational institutions 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 in the private sector 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, 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 private providers to specialize in the provision of higher education for ethnic groups previously under represented in higher education.

Table 4: Ethnic percentage breakdown of domestic private higher education students, 2006

	European	Maori	Pacific	Asian	Other
<i>Private</i>					
Level 5-6 Diploma	67.7	16.9	7.5	9.4	4.2
Degree	70.5	14.9	4.3	11.3	4.5
Honours/Post-Graduate	80.4	8.3	3.3	12.3	4.2
Masters	52.7	5.3	3.1	38.1	5.3
Doctorate	0.0	0.0	0.0	0.0	0.0
Private HE %	52.2	29.6	10.4	10.7	3.6
<i>Public</i>					
Level 5-6 Diploma	65.6	20.7	6.5	10.3	4.2
Degree	69.8	11.2	5.5	16.2	5.6
Honours/Post-Graduate	70.0	8.8	3.3	14.4	6.0
Masters	67.2	11.9	3.1	15.9	6.6
Doctorate	68.9	6.4	2.5	17.9	9.0
Public HE%	67.5	17.5	5.2	12.3	4.7

Source: Tertiary Education Commission.

Staffing

Table 5 provides a breakdown of staffing levels of public and private providers in the tertiary education sector as a whole for 2006. It does not appear that private providers are more dependent on part-time staff. This contrasts with the usual international pattern where it is common for private providers to depend more than public institutions on part-timers. Indeed, the New Zealand data, indicates that private providers are significantly less dependent on part-time academic and teaching staff than is the case in public universities and polytechnics. Why this has occurred is unclear but one possible explanation might be that in a developed and mature higher education system private providers have

to offer conditions of work and salaries comparable to their public sector counterparts and also offer full-time positions if they are to attract staff of high quality.

Table 5: Total staff by tender and gender, 2006

	Males	Female	Part time	Full-time
Universities	59	41	37	63
Polytechnics	51	49	42	58
Colleges of education	26	73	30	70
Wānanga	42	57	24	76
Private	47	53	30	70

Source: Tertiary Education Commission.

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-profit, and for profit institutions. Data on the aspect of profit status in the private tertiary education sector are not extensive but one report found that in 1995, 46 per cent of private tertiary education institutions were limited liability companies and a further 37 per cent were trusts. The remaining 17 per cent had other organisational forms (Education Directions Limited 1997). At the time when the legal changes occurred in 1989 no restrictions were made on the profit-status of the private education providers. Worldwide, for-profit higher education is growing, especially in developed countries such as the United States and Japan, but many countries still do not permit for-profit private higher education institutions to operate (Kinser and Levy 2005). New Zealand’s *Education Act 1989*, in setting the legal framework for private tertiary education institutions made no mention 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). In

granting the right to deliver higher education in the 1989 act, the government granted it equally to both non and for-profit institutions.

Contours Summary

In summary, private higher education providers are relatively small, focus on diploma rather than degree or post-graduate degree studies (although the latter do exist), concentrate 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 comprise a range of ownership types. These characteristics are common in private higher education around the world, except in the emphasis on employing fulltime staff. The degree granting institutions amongst the private providers also generate some research output, but it is less per staff member compared to staff in universities and polytechnics but comparable to that of staff in colleges of education, small polytechnics and *wananga*.⁹

Role of government

The Government has played an important role in influencing the nature of higher education in New Zealand. This is partly 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 operate. In creating this framework the attitude of the government toward the expansion of private providers has varied since 1989. To facilitate the expansion of private providers into diploma and degree programs, legislative changes had to occur. At the time the government's main priority was to give greater autonomy to the polytechnics and colleges of education but the changes were also crucial to the development of private providers.

In providing qualifications for students, private providers in New Zealand are subject to an accreditation and quality assurance regime. Registration and accreditation by the NZQA has tended to provide both costs and benefits to private providers. On the benefit side accreditation by the government has given the private providers a greater degree of credibility with students. Accredited institutions are also eligible for government funding. The need for credibility is common to all providers of private higher education and most notably in post-

communist Eastern Europe. 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 (including for-profit providers) as long as their programs were accredited by the NZQA at a lower rate compared to those in public institutions. Without this assistance students in 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 but not any capital works. The higher funding to the public providers is meant to be a reflection of the fact that the government retains ownership of the capital assets of public institutions.

The legislative changes that reshaped higher education in 1989 were enacted by a Labour Government that had previously committed itself to increasing competition in New Zealand through financial market deregulation, reduced trade barriers, corporatisation of state owned enterprises and competitive neutrality between state-owned and privately owned businesses. 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 the expansion of the private sector. 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 even more prepared to support the expansion of the private sector. Table 6 shows that the level of funding provided to private providers grew 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, joined 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, through most of the 1990s and 2000s has been one of tolerance and even promotion, given the level of funding. Growth in the private sector after 1999 was, however, qualified by a government freeze on funding to private tertiary and higher education after the Labour Party returned to office in 1999 - the freeze was enacted in 2001 but came into effect in the following year. The

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 the activities of public providers but instead should offer programs that augment or complement public providers.

At the present time both major New Zealand political parties accept the need for a private higher education sector and are willing to fund it. However, the recently defeated Labour Government (1999-2008) believed that funding should be more restricted and directed into areas that differentiated it from the public sector rather than compete with it. The return to office of the National Party at the election late in 2008 will presumably mean a return to a growth in funding of the private sector. Worldwide, most private higher education operates without public funding. The future growth of private higher education in New Zealand will depend on a combination of the state of the international student market and various aspects of the domestic environment including government policy and the behaviour of the more mature and developed public sector institutions.

Conclusion

The 1990s and early 2000s saw the creation and substantial growth of the New Zealand private higher education sector. At the same time, however, the role of the private higher education providers has been limited because public higher education traditionally attracts the bulk of government funding. 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. 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 its providers to charge fees at comparable, or even lower levels than their public counterparts, the capping of funding numbers after 2001 indicated that the Government was not inclined to encourage private higher education to displace public education. This does not mean that direct competition between public and private providers was absent in New Zealand but it is limited to a small range of disciplines such as management and commerce and IT and occurs more at the diploma and certificate level rather than at the degree and post-graduate

degree level. Given the return to office of a National Party led Government in late 2008 it is possible that the climate for further expansion of the private sector may become more favourable.

The situation in New Zealand is, therefore, 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 there is 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.

Table 6: Tertiary education provider funding summary (includes research funding, base grants, and student component funding) \$million

– please note this table has been split in two for printing reasons.

	1992	1993	1994	1995	1996	1997
Private	1.9	2.7	4.9	5.9	7.0	7.0
Government and other	1,059.4	1,097.1	1,100.9	1,115.1	1,198.0	1,127.0
Total	1,061.3	1,099.8	1,105.8	1,121.0	1,126.8	1,134.0
Government bulk funded EFTS places						
Private	3,63	1,435	2,703	2,362	1,969	2,123

	1998	1999	2000	2001	2002	2003	2004	2005
	7.0	16.8	89.6	134.4	156.2	120.8	126.2	131.6
	1,145.0	1,163.6	1,166.5	1,254.3	1,414.2	1,670.2	1,744.8	1,777.6
	1,153.0	1,181.3	1,261.4	1,396.8	1,580.3	1,802.4	1,882.8	1909.2
Government bulk funded EFTS places								
	2,178	9,187	15,833	22,881	26,510	19,420	20,507	20,575

Source: Tertiary Education Commission. 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.

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NOTES

1. 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.
2. 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.
3. 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.
4. 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).
5. The reports on education and training included 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).
6. 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 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 students and overseas students.
7. 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*).
8. 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.
9. In 2003 the Tertiary Education Commission undertook an assessment of the research activities of degree granting tertiary education institution in New Zealand.