

Measuring value for money in tertiary education and training

New Zealand taxpayers spend over \$4 billion dollars a year on formal tertiary education and training linked to qualifications. Students, their families and industry spend over \$1.3 billion more. What taxpayers, students and industry get for their money is therefore an important question.

The costs of various forms of tertiary education and training in New Zealand are highly variable. One measure of value for money is how much each qualification completion costs taxpayers, students and industry. On average, each ITO-arranged qualification completion costs taxpayers around **\$5,600**. How does this compare with other options?

Calculating cost per completion

To estimate the costs of completed qualifications, it is important to account for the different lengths of programmes. A simple way of doing this is to look at all the costs and all the completions over a five year period. It is important to capture all the relevant costs. From a taxpayer point of view this includes both direct spending on education and training, as well as student support costs, including both student allowances and the net cost of student loans.

Figures for five year period 2004-2008	ITO arranged training	Wānanga programmes	Private provider programmes	Polytechnic programmes
Direct expenditure	\$815 m	\$820 m	\$669 m	\$2,636 m
Student support	-	\$116 m	\$1,289 m	\$1,309 m
Total taxpayer cost	\$815 m	\$936 m	\$1,958 m	\$3,945 m
Completions	144,603	90,478	95,216	180,110
Govt cost per completion	\$5,639	\$10,341	\$20,564	\$21,905

The four forms of tertiary education shown in the table above are the most comparable, in terms of the type and level of education and training provided. University education is considerably more expensive, costing the taxpayer nearly \$55,000 per qualification completion; but many university programmes are longer and generally at higher levels.

In addition, through their fees, Wānanga students contribute an average of \$655 per completion, while polytechnic students contribute \$4,896 per completion. University students contribute \$14,396 per completion. Figures are not collected for the students of private providers. By comparison, industry contributes around \$2,000 per completion to the cost of industry training, balancing the lower level of taxpayer investment.

For taxpayers, trainees and for industry, industry training is a highly cost effective form of vocational education and training.

(Calculations independently verified by BERL - Business and Economics Research Ltd. Supporting data attached).

Supporting Tables - Cost per Completion Analysis for NZ tertiary education and training

Government Cost per Completion

	Universities	ITPs (Polytechnics)	PTEs	Wānanga	All Tertiary Providers	ITPs, PTEs and Wānanga	ITOs
Expenditure on EFTS/STM funding 2004-2008 (\$millions)	5,650	2,636	669	820	9,775	4,125	817
Expenditure on Student Support 2004-2008 (\$millions)	3,177	1,309	1,289	116	5,891	2,714	0
Total Govt expenditure 2004-2008 (\$millions)	8,827	3,945	1,958	936	15,666	6,839	817
Completions 2004-2008	161,705	180,110	95,216	90,478	527,509	365,804	144,603
Government cost per completion 2004-2008	54,587	21,905	20,564	10,341	29,698	18,696	5,650
Relative to ITO cost per completion	9.7	3.9	3.6	1.8	5.3	3.3	

'Total' Cost per Completion

	Universities	ITPs (Polytechnics)	PTEs	Wānanga	All Tertiary Providers	ITPs and Wānanga	ITOs
Govt expenditure 2004-2008 (\$millions)	8,827	3,945		936	13,708	4,881	817
Student fees and industry expenditure 2004-2008 (\$millions)	2,328	882		59	3,269	941	300
Total expenditure 2004-2008 (\$millions)	11,155	4,827		995	16,977	5,822	1,117
Completions 2004-2008	161,705	180,110		90,478	432,293	270,588	144,603
Student and industry contribution per completion 2004-2008	14,396	4,896		655	7,562	3,478	2,073
'Total' cost per completion 2004-2008	68,984	26,801		10,995	39,272	21,516	7,723
Relative to ITO cost per completion	8.9	3.5		1.4	5.1	2.8	

Qualification completions by level 2004-2008

	Universities	ITPs	PTEs	Wānanga	Total Tertiary Providers	ITPs, PTEs and Wānanga	ITOs
Level 1-3 Certificates	4.3%	59.3%	52.9%	72.5%	43.2%	61.0%	57.1%
Level 4 Certificates	2.8%	16.5%	19.4%	19.0%	13.3%	17.9%	40.8%
Level 5-7 Diplomas	7.0%	13.6%	21.1%	7.0%	11.8%	13.9%	2.1%
Bachelors and above	85.9%	10.6%	6.6%	1.4%	31.6%	7.3%	0.0%

Calculations and assumptions verified by BERL - see "Review of Cost per Completion Calculations" (BERL, 2010).

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