

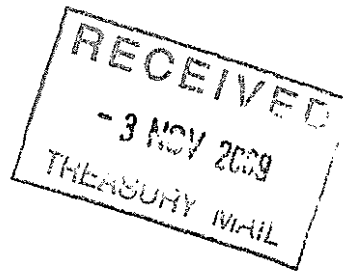


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New Zealand
Vice-Chancellors'
Committee

29 October 2009

Dr D T Brash
Chair
2025 Taskforce
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Dear Dr Brash

Closing the income gap with Australia

Thank you for your letter of 28 September asking for a brief submission on how New Zealand can close the income gap with Australia. This is an issue that is of particular interest to the New Zealand universities as it has a considerable impact on our ability to attract and retain both staff and students.

The New Zealand Vice-Chancellors' Committee (NZVCC) is a statutory body established under the Education Act 1989. It comprises the eight Vice-Chancellors of the New Zealand universities and is funded by the universities. The NZVCC works with government and the universities to advance university education and research activities and promotes the common interests of the universities nationally and internationally.

A number of economic and political commentators have in recent years addressed the issue of the widening gap in the income levels of Australia and New Zealand and the part played by issues such as tax rates, productivity and savings. While these are important issues you will be receiving no shortage of views on these factors; instead I wish to confine my comments, on behalf of the NZVCC, to the impact that this gap has on the universities and the role that the universities can play to help bridge the gap.

Closing the income gap by simply paying the New Zealand workforce more is not enough. Higher wages will only work when accompanied by a higher output, in other words, by increased productivity. For many years New Zealand depended on the

export of commodities for its livelihood. While those industries have served us well in the past – and continue to – the reality is that in the twenty-first century the increasing costs of transportation mean that we need to export fewer commodities and more value-added items. To help that happen we need a well-educated workforce.

Improvements in technology can help but in reality that will do little more than help New Zealand keep pace with the rest of the world. What is needed is for businesses and society to “think smarter”. Universities play their part by increasing the skills and knowledge of the population and they have a particular role in preparing graduates for the professions, many of which are currently experiencing recruitment shortages.

What can the government do? The government must do something. The steady flow of New Zealanders across the Tasman is not confined to the trades but also impacts on the professions and on the academic world.

If universities are to produce the graduates that this country needs they must have academics of the highest calibre. The universities recruit staff in an international marketplace. Around half of the academic staff in our universities are either foreign born and educated or New Zealanders with overseas postgraduate qualifications. To be able to compete for the best staff the universities need to be able to offer competitive salaries. Unfortunately in recent years New Zealand university salaries have fallen well behind those of the markets from which many staff are recruited – Australia, the United Kingdom and the United States. A recent Association of Commonwealth Universities survey found, for example, that Australian academics have salaries 44% higher than those in New Zealand.

Providing competitive salaries has been discussed with the government in the past and indeed for three years a process was in place whereby the government provided specific salary support to the universities in order to help overcome this differential. Unfortunately this support was removed in this year’s Budget. The effects of this move have yet to be felt but the widening of the salary gap that will occur is certain to make it difficult to attract staff to New Zealand or keep them in the country. Training the next generation of professionals will be that much harder.

The loss of top talent to Australia is not confined to staff but also extends to students. Australian universities have recruited postgraduate students from New Zealand for many years and they have recently stepped up that activity in response to decisions by the New Zealand government. In the 2009 budget the government abolished the Top Achievers Doctoral Scholarships, removing a valuable tool for retaining top students in the New Zealand university system. Already there are reports that Australian universities are interested in filling the gap with the offer of places across the Tasman; a gesture that helps the students concerned achieve their goals but leads to a further loss of talent that this country can ill afford.

Another area where the government could help is in the provision of research infrastructure. New Zealand’s universities are its single most important research organisations. They employ over half of the country’s research staff and produce the bulk of its fundamental research capability. Universities train nearly all of New Zealand’s postgraduate students, the researchers and professionals of the future who will play an important part in boosting New Zealand’s GDP. New Zealand produces

only around 0.2% of global R&D but manages to produce nearly 0.5% of the world's annual output of science and engineering papers.

We can only continue to punch above our weight through close ties to the rest of the scientific world. To achieve this we need access to reliable and sophisticated research infrastructure at a cost that research institutions can afford. Linkages to the rest of the world are provided by the Kiwi Advanced Research and Education Network, but as from January of next year this will cost the university system over \$3 million a year. In addition the universities are also paying for access to the synchrotron facilities in Melbourne and some will also be involved with the Square Kilometre Array project. These items while important to the universities are utilised by other research organisations and are more importantly significant parts of the national infrastructure.

While the use of such facilities provides undoubted advantages to the institutions concerned, access also brings benefits to the country as a whole, through boosting our collective scientific reputation and helping to train the researchers and professionals of the future. Rather than individual institutions having to make tough allocation decisions it would be preferable for the government to regard such facilities as being as much a part of the national infrastructure as State Highway 1. By providing such facilities from central government funding rather than asking the universities and other science providers to curtail other activities in order to fund the facilities, the universities will be able to play their part in providing the skilled graduates that are needed to lift this country's per capita GDP. Universities cannot make an effective contribution to this country's development unless they are properly resourced.

The NZVCC believes that addressing issues such as academic salaries, postgraduate scholarships for the research leaders of the future and the need for the provision of research infrastructure by central government rather than by individual institutions will help to bridge the economic gulf between New Zealand and Australia.

I hope that you find these comments of assistance; please feel free to contact me if you require further information. I am happy for this letter to be placed on the 2025 Taskforce website.

Yours sincerely



Professor Roger J Field
Chair
New Zealand Vice-Chancellors' Committee