

The contribution of complexity theory  
to understanding and explaining policy processes:  
A study of tertiary education policy processes  
in New Zealand

by

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# Abstract

The thesis examines how policy processes occur in practice over time, and advances a theory for understanding and explaining them using a complexity analytical lens. This lens provides a different way of ‘seeing’ policy processes holistically, in comparison with dominant alternative actor-focused, institutions-focused or idea-focused perspectives. The overall aims of the thesis are achieved through four phases.

First, to construct the complexity lens, the thesis analyses the potential contribution of complexity theory, particularly as it relates to social systems and organisations. Second, existing theories of policy processes are scrutinised to identify areas where a complexity lens could provide new perspectives for their understanding, through a focus on:

- ‘wholes’ of policy processes
- policy problems and solutions
- multiple participants
- interactions within policy processes
- dynamics within policy processes.

Third, a study of New Zealand’s tertiary education policy processes provides new empirical data. Data collected in unstructured interviews is represented in three differently-themed narratives, corresponding to three well-theorised analytical emphases: (1) participants; (2) institutions; and (3) ideas. The selection of three different perspectives takes into account the socially complex nature of policy processes.

Fourth, the narrative data are examined through the complexity analytical lens and the results are compared with the views of policy processes obtained using the single lenses in the themed narratives.

The four phases come together by demonstrating that viewing tertiary education policy processes through the complexity analytical lens provides a new perspective on policy processes which has implications for designing and intervening in policy processes. From this new perspective, policy processes are understood as complex social systems in interaction with other complex social systems. These systems consist of large numbers of interdependent and self-referencing participants, interacting with each other in ways that are nonlinear, influenced by prior experiences, and unpredictable in any precise sense.

## Acknowledgements

During my time as the Group Manager Curriculum, Teaching, Learning, and Tertiary in the New Zealand Ministry of Education (1994–2006), I was aware of a mismatch between my everyday experiences of policy processes and the way they were referred to in theory and formal documents. Ministers, people in other government agencies, and the people in the sectors covered by my work sometimes seemed to juggle a number of different realities. These were one they were supposed to be engaged in according to the book, one they experienced, and another other people seemed to be experiencing. These different realities were reconciled after the event in ways that seemed different again. This study has its genesis in my disquiet at this observation. The area of policy chosen for this study could have been any in my portfolio, or indeed any across public policy. I chose tertiary education because it has a more easily identifiable policy community; not because it was in anyway remarkably different in its policy processes, in my experience, from the other policy areas. I wish to acknowledge my former colleagues for influencing my interest in this problem. That interest would not have developed into this thesis without the help of a number of people who I would like to acknowledge.

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# Introduction

The research reported in this thesis advances theory for understanding and explaining policy processes. This introduction establishes the relevance of focusing on policy processes. It introduces the New Zealand public management context, and the example of tertiary education in New Zealand, that provides empirical data on policy processes at work. The chapter concludes with an outline of the contents of the thesis.

## 1.1 Scene setting

Explaining and understanding public policy processes is important to achieve social and economic change in societies that are increasingly diverse and complex. This research studies one example, tertiary education in New Zealand, to investigate public policy processes.

In November 1999 in New Zealand, a Labour-led government replaced the National-led government that had held power for nine years. The new government put tertiary education on the policy agenda, saying it should play a greater role in supporting economic development. The new government saw waste, particularly in funding for courses that were not the most relevant to the economy's needs.

Even as the government was forming, change was under way. The Labour government's thrust was widely affirmed. The previous government had promised a 'higher education learning taskforce' after the election if it won because it too had focused on tertiary education meeting the needs of the economy.

People in tertiary sector organisations were uneasy about what change might mean for them. Individuals, particularly the heads of 30 public tertiary education institutions,

40 industry training organisations, and 400 publicly funded private tertiary education providers, began anticipating a change of direction, and adjusting to position and advantage their organisations for the new environment.

Similarly, the public management agencies also began thinking about what the change of direction might mean. For example, new tertiary funding and quality assurance arrangements made by the previous administration were being put into place as the government changed. Did these fit with the new direction? What would need to change? What policy advice was the new government going to need? What processes of policy development and policy change would be needed to bring about this change? How much of the existing arrangements needed to change? Sitting, as I did then, as a senior executive in one of the government's agencies responsible for the administration of tertiary education, these questions were pertinent and pressing.

There were many questions for the current knowledge and understanding of public policy processes, and how it might help with what lay ahead. Do the ideas being talked about mean the same to everyone? How could the meaning of the government's idea be teased out? How does a big general idea that has broad acceptance and appeal translate into reality? What has public policy theory told us about the processes by which this occurs; how should these processes be set up and managed; and how to ensure the intended results? A disconcerting hunch was that there was little in the way of agreed practical knowledge about what to do and how, although there were plenty of anecdotes about 'what not to do', or what had not worked at other times, or in other sectors in New Zealand. The textbooks and journals of public management did not seem very helpful either.

This thesis investigates the above example of policy processes through the experiences of 65 participants in those processes. This example was chosen because it exemplifies a type of problem and policy change processes which might be encountered in many sectors in New Zealand and elsewhere. It has the elements of: a sector consisting of many parts capable of making independent changes; an event (in the form of an election win) that clearly signalled a change of policy direction, broadly specified; much yet-to-be-specified detail; sector and public management agencies in a state of flux resulting from earlier, partially implemented policy

changes; and a change in people, power relationships, and social and macroeconomic paradigm resulting from the change of government. Mixes of any or all of these elements are common in public management systems world-wide. However the theoretical frameworks currently available to inform understanding about how such processes might be conceptualised and managed appear to have some blind spots. Perhaps policy processes could be seen differently with the assistance of a new lens.

## **1.2 Research question**

The specific question focused on in this thesis is: to what extent and how could complexity theory concepts be applied to tertiary education policy processes in New Zealand to achieve a different understanding of these processes compared to existing public policy frameworks.

‘Policy processes’ is used to embrace in a holistic way the complex interactions occurring over a period of time, through which those people who make up a specific policy community define public policy problems and solutions, participate in decision making, and act to bring about change. This thesis refers to policy processes in the plural, rather than the singular often found in the academic literature, to underline there is usually more than one process going on, and that these processes are continuous across time. The nature of policy processes and how they might best be studied, the relevance of the research question, the example chosen for investigation, and the research context are further outlined below.

## **1.3 Public policy processes**

Public management systems find policy processes, such as the tertiary education example outlined above, challenging for many reasons. One reason is the nature of policy processes and the absence of theories that seem to be able to explain them in a holistic way. This has been commented on by a number of scholars (e.g. Budd, Charlesworth, & Paton, 2006; Ferlie, Lynn, & Pollitt, 2005; Goodin, Rein, & Moran, 2006; Morcol, 2002, Sabatier, 2007). These scholars have called for more empirical

work to advance understanding and develop theory about the causality and explanation of policy processes and their management.

John (2003), for example, argues that theories of policy processes are propositions about the causal relations that link together the social, economic and political worlds and that they should provide a coherent and consistent account of reality. He calls the current state of theory on policy processes a 'synthetic' one because it brings together research on institutions, networks, socio-economic process, choices and ideas. He identifies these as the five core causal processes which interact in policy processes. So far, he observes, three different frameworks have been posed by various scholars for understanding these core causal processes: (1) policy streams and windows; (2) punctuated equilibrium models; and (3) advocacy coalition.

A different explanatory framework is provided by Kickert, Klijn and Koppenjan (1997). They identify three different perspectives on public policy making: a rational central actor; multiple actors; and networks. These perspectives they argue differ in their treatment of: the object of analysis; their perspective; the characterisation of relations; the criteria for success and failure; and the recommendations for governance. For Sabatier (2007, p. 8), 'the policy process involves an extremely complex set of elements that interact over time' Therefore he perceives the need for explanations which are more holistic, incorporating dynamics, including time. Sabatier has so far identified seven different explanatory frameworks for policy processes.

As part of the quest for more holistic theories and frameworks for understanding policy processes, there has been a rising interest in the contribution that thinking from complexity theory might have to offer. Complexity theory is not a single integrated theory but rather a set of ideas and concepts which have their origins in the natural sciences. These concepts, it will be shown in chapter two, are increasingly and usefully being applied in social science areas. It is these understandings about social systems, using complexity theory, on which public policy and management might usefully draw.

Scholars who have so far found complexity concepts useful for their explanatory power in public policy and management are relatively small in number. They have mostly applied the concepts selectively, for analysing examples drawn from the implementation of infrastructure policies, (e.g. Butler & Allen, 2008; Klijn & Teisman, 2006; Meek, De Ladurantey, & Newell, 2007; van Buuren & Gerrits, 2008). Research into policy processes in social policy areas using complexity theory concepts is scarcer. There is still a question whether complexity theory concepts are useful only at the level of a metaphor for explaining policy processes or whether they have a contribution to make to theory building, and understanding of policy processes and their management. Klijn (2008, p. 314) has noted ‘much work still remains to be done in the empirical operationalization of these concepts and their application to empirical phenomena’.

Existing theories of policy processes, which are explored in more detail in chapter three, have increasingly in recent decades come to recognise policy processes as social processes. As noted earlier (John, 2003; Sabatier, 2007), they are a complex array of interactions, across time, which bring together causal processes involving people networks, institutions, socio-economic factors, ideas and choices. Although there is a trend towards theorising about policy processes as interactive, nonlinear, complex social processes, it is argued that the current dominant theoretical frameworks which focus on actors, institutions and ideas do not provide a holistic picture. Therefore, this research aims to explore what an analytical lens based on complexity theory concepts has to offer as a new, holistic perspective for understanding and explaining policy processes.

The case of policy processes and wicked policy problems empirically investigated in this research is the public management of tertiary education. Tertiary education is located at the intersection between social and economic development policies. That is, the outcomes sought through public policy intervention in tertiary education include outcomes for the individual, and also social and economic outcomes. The policy processes for tertiary education take place in a space created by the interactions among and between people from the tertiary education world in New Zealand and people from New Zealand’s public policy and public management agencies. Although the policy processes focused on are those initiated by the change to a Labour

government in 1999, the empirical data spans 1989–2008 because policy process participants made links to policy changes as far back as 1989, and also to what followed, up to 2008, when data collection for this research ended (see also chapter four).

The choice of tertiary education policy processes for gathering empirical data is based, most importantly, on it being an example of a policy domain in which, as the brief came in the introduction to this chapter illustrated, the problems identified are difficult to articulate and define, and the outcomes sought are equally difficult. The researcher also has some experience of the particular policy community, having been a member of it for a number of years. The tertiary education policy community is a diverse one. As well as comprising people from various levels of the public sector agencies responsible for policy development and public management of the tertiary education sector, it also has people from parts of the tertiary sector itself and, from time to time, people from other parts of New Zealand's wider civil society such as business, economic development, or Maori development interests. This policy community is a pluralist notion which corresponds with the concept of policy networks described by Klijn (1997, p. 30) as 'more or less stable patterns of social relations between interdependent actors, which take shape around policy problems and/or programmes'.

There are three aspects of the research to which complexity concepts might apply. First, there is consideration of complexity in tertiary education, and the difficulties encountered in the definition, and understanding of the public policy problems encountered there, and their management. Second, there is consideration of complexity in the concepts and ideas that constitute the current state of public policy theory on policy processes and how they might be thought about and managed. Third, there is consideration of complexity in policy processes (from agenda setting to implementation) and the dynamics within which these processes take place. The boundaries and interactions within and between these three aspects also need to be taken into account in the empirical methods employed in the research design; this is discussed in chapter four.

The research takes a qualitative, interpretative approach to the investigation of policy processes. This is because, as social processes it is expected that they will be dynamic, interactive and subject to multiple interpretations. Equally the policy problems encountered in these processes are expected to have multiple interpretations of their causes, and no one person is likely to have sufficient information for understanding, because the information required is highly distributed and fragmented. Scholars have called these ‘wicked problems’ (Conklin, 2006; Ritter & Webber, 1973).

The research examines how public policy processes (and the problems they seek to address) occur in practice over time, and the new insights this empirical example, viewed with the assistance of a complexity analytical lens might provide for how public managers think about and manage these processes, in comparison with the dominant ways of ‘seeing’ them, such as: actor-focused, institution-focused; or idea-focused perspectives.

#### **1.4 New Zealand public management context**

This section briefly introduces the New Zealand public management context within which the research was conducted. New Zealand is a unicameral parliamentary democracy of four million people. Its public policy and public management system is similar to other Westminster-based systems. Since 1996, the government has been elected by a mixed member proportional (MMP) system. This has made coalition governments and agreements of various sorts with minor parties more likely than under the previous simple majority system. Commentators agree that the relationships between those who make up the elected members of a government, the relationships between the elected government and the public management agencies of government, and the citizenry and government are more complicated under MMP governments. Policy and legislation is subject to more negotiation between political parties than was the case before 1996 (Boston, Levine, McLeay, & Roberts, 1996, 1997). The policy processes referred to in this research mostly took place under minority or coalition governments elected under MMP since 1996.



The public management system was comprehensively reformed in the late 1980s (Halligan, 2002). The current structure of New Zealand's public management legislative and organisational landscape is largely the result of those reforms. The reforms, focused on increasing the efficiency of the public services, have been described by many others (e.g. Boston, et al., 1996; Boston, Martin, Pallot, & Walsh, 1991; Pollitt & Bouckaert, 2004), and therefore are summarised here only briefly as part of the context for this thesis.

The reforms were characterised by the formation of single-focus agencies, the separation of policy development from implementation and service delivery, the contestability of policy advice and delivery of public services, the use of contracted third parties for the delivery of public services, and a focus on accountability for outputs (quantifiable services) delivered, rather than outcomes. The Ministry of Education, the Education, Training and Support Agency, and the New Zealand Qualifications Authority, all public sector agencies which feature in this research came into being during these reforms (1988–90).

After 1999, there were some further changes to address issues of fragmentation and lack of connection between policy and implementation identified by Schick (1996) and others (State Services Commission, 2002). Some agencies were merged to improve the connections between policy, service delivery and citizens; for example, Specialist Education Services and the Early Childhood Development Unit, formerly stand-alone entities, were merged into the Ministry of Education in 2002 and 2003 respectively. Government agencies were encouraged to work across organisational boundaries and more closely with citizens to improve the quality of policy advice and service delivery (Boston & Eichbaum, 2005; Gregory, 2003; Whitcombe, 2008). In 2003, a new government agency, the Tertiary Education Commission (TEC), was also formed.

The policy processes reported in this thesis took place between 1989 and 2008. The early part of this period was strongly influenced by the public management reforms of the late 1980s and early 1990s. The period after 1999 was influenced by the Labour government's focus on 'joining up' policy at the centre, focusing public services to meet needs, and improving the quality of their delivery.

## 1.5 Thesis outline

Chapter two discusses complexity theory, the complexity concepts used in this research, and offers a fuller description of what is implied by the words ‘complex’ and ‘complexity’. The discussion includes the use of these concepts in a range of disciplines in which public policy and public management might usefully find parallels from which to draw.

Chapter three examines existing public policy scholarship to reveal current explanations and understanding of policy processes. This is done to assess the dominant foci of existing perspectives on policy processes, and to identify more specifically the ‘blind spots’ which this thesis seeks to address. Some explanations have, implicitly or explicitly, made use of concepts similar to those found in complexity theory and therefore may already have some analytical concepts to open up different explanations of policy processes. The extent to which this is so is discussed so that it might be drawn upon in the analysis of the empirical data.

Chapter four describes the methodology, research design, and methods used in this research. The ontology and epistemology chosen for this research is discussed to lay the foundations for an appropriate methodology. A case is made for a qualitative, interpretative research design which includes interviews with policy process participants. It is based on an interpretation of current theories on the causality of policy processes. Narratives are used for data collection, analysis and explanation building. The chapter concludes with the complexity analytical lens which has been developed from complexity theory concepts, which will be used in the analysis of the empirical case.

Chapter five begins with an account of the policy processes that have taken place in New Zealand tertiary education through five reform periods from 1989–2008. This forms a chronological scaffold for the empirical data collected in interviews with 65 policy process participants. The individual narratives of the interviewees have been

iteratively examined for commonalities, gaps and differences. An analysis of themes identified in these individual narratives is presented in chapter five as three composite narratives based on the current dominant perspectives on policy processes: (1) participants and their actions; (2) the role of organisations; and (3) ideas influencing the tertiary education policy processes.

Chapter six analyses the narrative data further, using a different perspective – the complexity analytical lens. This analytical lens highlights and describes aspects of policy processes which are not seen or understood but which nevertheless existed in the narratives in chapter five in a more fragmentary form. This analysis, also using the time dimension, reveals new patterns in policy processes and presents them holistically. It reveals: characteristics and dynamics of interest in furthering explanations of policy processes; theoretical understandings of the causality of policy processes; how these internal dynamics work; and how they might be managed. The extent to which these are generalisable is discussed.

In the concluding chapter, existing understandings of policy processes in the literature are discussed in comparison with the complexity view. Chapter seven notes the benefits a new complexity theory-informed perspective has for a less fragmented, more coherent understanding and explanation of policy processes. It summarises the contribution a complexity-informed approach has for extant public policy theory. The discussion covers: the implications for the understanding and management of public policy processes; areas for ongoing research; and the implications for methodology and research design in public policy and public manage systems.

## Complexity theory

The words ‘complex’ and ‘complexity’ have in recent times been used in the context of public policy and public management. This chapter discusses concepts associated with these words which could be of use in understanding and explaining policy processes.

As mentioned previously, ‘complex’ means more than ‘complicated’ because there are many parts, making understanding difficult. Complex means that there are also dynamics arising from interactions between the parts, resulting in both exogenous and endogenous, nonlinear, ongoing changes in the parts and the whole.

The study of complexity and complex phenomena has not yet earned the status of a discrete discipline, but it is an area of specific scholarly interest, that has grown over the last fifty years, in the natural sciences, social sciences, human behaviour and organisation studies. The body of concepts which describe the phenomena associated with complexity are sometimes referred to as ‘nonlinear complex systems theory’, or shortened to complexity theory. Both are used in this thesis to refer to a body of concepts used to describe the behaviour in such systems.

The discussion in this chapter draws on a range of disciplines to explain the origin of complexity concepts, and their use in the understanding of human social interaction in the context of organisations and other human social processes. The concepts described here are later used to create an analytical lens for examining empirical data on policy processes.

## 2.1 Introducing complexity theory concepts

Complexity theory emerged from the physical sciences in the latter half of the twentieth century. The discovery of the quantum properties of energy and matter in the 1930s, and mounting evidence about the nature of the physical universe, provided a new understanding about the physical world. This knowledge has implications for how the world can be examined, and understood. The simple linear causality proposed in Newtonian theories of the behaviour of matter does not always hold. Matter can behave unpredictably, and new patterns can emerge without external cause. The particle–wave duality of the nature of light exemplifies the paradox that exists in the nature of the universe and its properties. It is now thought that these nonlinear characteristics have implications for understanding the behaviour of all complex systems (Ball, 2004; Capra, 1982, 1996, 2002; Gleick, 1988; Kauffman, 1995; Lewin, 1993; Prigogine, 1987).

Prigogine (1977, 1987, 1984) called systems with a stable macro-appearance sustained by many micro dynamic changes ‘dissipative structures’. He observed that these are ‘far-from-equilibrium’, dynamic systems which can maintain a stable macro-pattern, or can suddenly, and unpredictably, undergo changes at some critical point which he called a ‘bifurcation point’. At bifurcation points the system might disintegrate to a form where no pattern can be detected (chaos) or might transform to a new ordered pattern.

Chaotic systems are not completely without order. Orderly patterns can ‘self-organise’ and ‘emerge’ from the seemingly chaotic without external intervention – the intricate patterns seen in fractals are one example. Simple analogies are used by some to exhibit the stability and sudden change phenomenon characteristic of complex systems. A stable pile of sand grains sometimes remains stable following the addition of one further grain. However, every now and again, with unpredictable frequency and magnitude, an avalanche occurs, resulting in restructuring and a change in the appearance of the sand pile. Such nonlinear, disproportionate and unpredictable response to environmental change is the hallmark of complex systems (Lewin, 1993, p. 61).

## 2.2 Self-organisation in biological systems

Biological systems also exhibit nonlinear complex system dynamics. These are observed at all levels, from the simplest cell to complex organisms, and communities of organisms, such as human societies. The cells which make up living things are complex in that they are open to their environment, constantly being changed by, and changing, the environment in which they live. So too are whole organisms such as humans. Living cells, and the organisms they make up, have a vast array of complex mechanisms consisting of ‘feedback loops’, some positive, mostly negative, operated at every level of the organism from the cell up to maintain internal stability of the living organism.

Self-referencing maintenance of an internal environment and nonlinear dynamic change are part of every living organism (including humans) and its complex interactions with its environment. As cells grow, divide, replicate and aggregate to form complex organisms, further properties (not genetically determined) emerge with the differentiation of cells, and the formation of higher system levels. An organism lives and grows in interaction with its environment. Kauffman called this ‘co-evolution’. Life as we know it is a product of ‘self-organising’ phenomena within cells and organisms as well as interactions with the environment. Each successive level of complexity has all the essential properties of the smallest element (the cell), referred to as ‘self-similarity’. As well, each successive level of complexity has new emergent properties of its own (Kauffman, 1993; Capra, 1996, 2002).

‘System’ here is not the more mechanical notion of systems that formed the sciences of cybernetics and general systems theory to describe a collection of parts that work in interactions with each other (Allen & Strathern, 2003; Allen, Strathern, & Baldwin, 2006; Midgley, 2000). Rather, dynamic, complex, and nonlinear systems, which include human and biological systems, describe a collection of parts that work together, but also undergo constant change as the parts interact with each other and modify each other in response to those interactions. Such systems are open to energy, information and materials, and are in a constant state of change in response to changes internally, and in their environment.

Population biologists and evolution theorists use nonlinear, complex systems models to explain the unpredictable, density independent, behaviour of living populations and the evolution of complex living systems from their more simple forebears (Capra, 1996, 2002; Kauffman). Such models take into account changes in the environment and the changes occurring in the population in response to those changes, as well as endogenous responses to change. Human communities share these characteristics.

### **2.3 Human beings as complex systems**

Each human being is a complex system, constantly exchanging materials with his/her environment, and changing in response to changes in, for example, temperature, water, levels of gases in the air, or glucose in the bloodstream. A state of dynamic stability, far-from-equilibrium, is maintained by the constant action of mainly negative feedback loops (which counteract change), operated by the living organism itself. Failure of the dynamic state between the living organism and its environment means death. Every change produces the stimulus for further change by self-reference to the internal state and adjustment in compensation for external changes (Kauffman, 1993; Capra, 1996, 2002).

Consciousness, learning, and language are phenomena arising from the complexity of human social systems. These have biological, physiological, psychological, and philosophical aspects which are important for the understanding of human social systems, and particularly to understanding the interactions between human beings in social systems such as might be found in policy processes. Conscious organisms sense their external and internal environments, and any changes can be reflected in emotional or physical responses in the organism – a notion that has relevance to all human social processes. Understanding about how experiences are remembered, patterns are detected, and learning occurs continue to grow but remains incomplete because of its complexity.

Human beings are well adapted to recognising and responding to patterns which help them make sense of their environment. Humans are capable of reflecting internally on their experiences and creating abstract concepts. Pattern recognition can speed up learning. It can also lead to some unpredictable effects when the individual is faced with a completely novel stimulus because of the tendency to draw on previous experience and learning. There is a dynamic and complex interplay of human consciousness, mind, emotion, and language in each individual in response to their environment, and continual self-referencing which is multiplied in new ways in human social systems such as organisations (Blackmore, 2005; Lyons, 2001; Martin, 2006; Ward, 2006).

## **2.4 Complexity in social systems**

The workings of complex systems, and understandings of human beings as complex systems, operating far-from-equilibrium, are applied to human social interactions in two main ways. The first involves the creation of artificial intelligence applications and is outside the interest of this research. The second is using knowledge of humans as complex systems to model, understand, intervene in, and explain social systems. It is this latter area that might contain insights of interest to the understanding and explanation of public policy processes.

A number of scholars have explored the usefulness of complexity concepts for understanding and explaining social systems. Social systems are made up of numbers of living, conscious organisms interacting with their environment in the ways described above, but also interacting with each other (Byrne, 1998; Eve, Horsfall, & Lee, 1997). Churchman, in the 1970s, advanced a concept of social systems in which the boundaries are not givens but are social constructs which define the limits of knowledge considered pertinent (to the system) and the human agent who generates that knowledge. Learning takes place in social interactions (Kurtz & Snowden, 2003; Midgley, 2000).



Evolution in social systems occurs as a result of micro-diversity between individuals and groups within the system. Human behaviour is amplified or suppressed as a result of interactions within the social system and between the system and its environment (Midgley, 2000, p. 114). In human social systems, people act in ways that simplify and remove complexity by defining boundaries and creating assumptions (rules) which classify experiences according to previously experienced patterns. The concept of 'sense-making' is used to talk about the process of interpreting and classifying information and other inputs according to previously experienced patterns (Weick, 1995, 2001).

Cilliers (1998) views human social systems and society as complex and nonlinear because of their characteristics. He describes them in complex system terms:

- the number of elements (humans) is large
- humans interact dynamically through the constant exchange of information between individuals, in a pattern of interconnections between the individuals
- the level of interaction between individuals is rich, and humans interact with each other in a vast array of different capacities
- the interactions between individuals are nonlinear and asymmetrical, and power and exploitation can skew interactions
- the interactions have a short range – that is, they are dominated by proximity but that does not preclude a wider influence
- there are loops in the interconnections – individuals influence each other and can directly or indirectly influence him or herself
- human systems are open, and therefore local discourses are not closed off but influence each other
- human systems operate under conditions far-from-equilibrium. They need a constant flow of energy to change, evolve and survive as complex entities. Society can only survive as a process, by what it is doing and it is not defined by its origins or goals
- human systems have histories, a collection of traces, which are open to multiple interpretations
- individual human elements of the system are ignorant of the behaviour of the whole system (society) of which they are a part and can neither control the whole nor fully understand it.

Language can be viewed as a self-organising system in that its origin and causality are internal to the social systems that have created it. The world has a direct influence on the meaning of words but it does not determine meaning. Meaning flows from a complex process of interaction between information from the world, and a web of already existing relationships built up through previous interactions. Conversations can also be viewed as self-organising processes from which themes emerge. Themes are triggered through self-organising association and turn-taking by the participants, and they both create and reflect power in the relationships. In the process of conversation, themes are organised into stories and narratives which interpret and make sense of actions and the environment (Stacey, 2003; Watzlawick, 1984).

People gain new insights and generate new thinking in the processes of interaction and conversation with others. The stimulus of new information and the diversity of people are key ingredients. Stacey notes the insights that complexity theory brings to creative, responsive processes in human relationships. It:

demonstrates that the dynamics of a complex network of interacting agents is determined by the nature of the relationships across the network. In general, as information/energy flows increase, as connectivity between the agents and diversity in the nature of agents increase, the dynamics of the network shifts from repetitive, predictable stability towards the dynamics of randomness and disintegration. At some critical range in information/energy flow, connectivity and diversity, the dynamics of bounded instability appears, that is, the simultaneous presence of stability and instability, order and disorder. It is in this dynamic at the edge of disintegration, that novel forms of relationship may emerge. (2003, p. 352)

The 'community operational research' field is a branch of human complex systems research used to inform research and practice in the operation of organisations, and the design and implementation of social change in communities. According to Midgley (2000), while having its origins in systematic approaches to the design and management of industrial and management processes, the field has incorporated thinking on human social systems from Churchman and others. Midgley argues that

intervention<sup>1</sup> in complex social systems requires a pluralistic perspective based on ‘process philosophy’. Process philosophy identifies subjects and objects through the process of making boundary judgements. Defining subject boundaries requires definition of the relevant sentient beings involved and also definition of the ‘knowledge generating system’, which is also bounded, created by the interaction between individuals within the system.

Drawing on Foucault and Habermas for his concept of a ‘knowledge generating system’, Midgley says that there is a complex interaction between knowledge, power and identity. The exercise of power is the end result of a process of knowledge formation in which certain social processes are legitimated. Actions in complex systems are ascribed to a variety of possible ‘agents’, for example, an individual person, a group, a team, a family, an organisation, a community, a nation. The action of an agent is taken on the basis of knowledge (defined widely to include perceptions, implicit understandings, unconscious motivations, behavioural habits, and so on) so action can be said to be undertaken by an agent under the influence of the knowledge generating system in which s/he is embedded (Midgley, 2000, 2007; Stacey, 2003).

Midgley (2000, 2007) employs the notion of ‘critical boundary critique’ for exploring the artificial boundaries in communities, as a precursor to intervention, by asking questions such as:

- Who owns and benefits from the system in question and who ought to?
- What is the actual purpose of the system and what ought that purpose to be?
- What is judged to be success and what ought the system’s success be judged by?
- What conditions of successful planning and implementation are really controlled by the decision taker?
- What decisions cannot be controlled by the decision maker (and as a consequence are defined as ‘external environment’)?
- What resources and conditions ought to be controlled by the decision maker?

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<sup>1</sup> Midgley (2007, p. 172) defines ‘intervention’ as ‘purposeful action by a human agent to create change’.

- What world view is actually underlying the design of the system, and what has been excluded?

## 2.5 Organisations as complex systems

Organisations are a particular example of human social communities and therefore complex systems. Organisations, as human social systems, have all the characteristics discussed in the previous section and differ only in that they are artificial and socially constructed around a particular purpose (Morgan, 1997; Stacey, 2003).

At least two different notions of 'system' are encountered in the literature on organisations. As noted earlier, one is a mechanical notion which does not have any problem with disaggregating the parts and functions of organisations. This concept of system is related to process engineering, cybernetics and the control of mechanical systems. The other notion of system is based on complex social systems theory. This view takes cognisance of the human and social basis of organisations. Organisations understood as complex systems are open to a flow of energy, actors, information, and ideas, and cannot be easily understood or disaggregated (Boisot & Child, 1999; Morgan, 1997; Stacey, 2003).

Stacey (2003) portrays organisations not as things, or organisms, but as processes for joint action. He quotes Elias:

Plans and actions, the emotional and rational impulses of individual people, constantly interweave in a friendly or hostile way. This basic tissue resulting from many single plans and actions of men (sic) can give rise to changes and patterns that no individual person has planned or created. From this interdependence of people arise, *sui generis*, an order more compelling and stronger than the will and the reasons of the individual people composing it. It is the order of interweaving human impulses and strivings, the social order, which determines the course of historical change; it underlies the civilizing process. (2000, p. 336)

These are phenomena that complexity theorists call ‘self-organisation’ and ‘emergence’. While individuals can plan their own actions, they cannot plan the actions of others or the interplay of plans and actions. Thus, causality lies in the interplay between the participants.

Morgan (1997) opted for an understanding and explanation of organisations based on complexity. For Morgan, internal features of organisations – such as structures, hierarchies, rules, controls, culture, defensive routines, power relations, and psychic traps – are forces locking an organisation into a particular ‘attractor’ pattern. Such patterns can be very stable and resistant to change, held in place by negative feedback loops which resist change, even though the organisation is dynamic and far-from-equilibrium. Such an organisation can also undergo rapid, even chaotic, change in response to relatively small changes until it settles into a new attractor pattern.

‘Bifurcation points’ occur at the edge of chaos where the apparent order of the system changes, relatively quickly and unpredictably, from organisation around one attractor pattern to another. These points are often marked by tensions or paradoxes. Morgan sees it as important to recognise bifurcation points and use their characteristics to bring about change. Major organisation (system) change is more likely to be brought about when the system is operating far-from-equilibrium so that the system ‘flips’ itself from one trajectory to another.

According to Morgan, the paradoxes and feedback loops that are active in this far-from-equilibrium state provide insights and opportunities for organisational change. Potential new futures always create oppositions with the status quo. This dialectical principle, he says, gets played out in many forms. For example:

innovate — avoid mistakes  
think long term — deliver results now  
cut costs — increase morale  
reduce staff — improve teamwork  
be flexible — respect the rules  
collaborate — compete  
decentralise — retain control

## reduce costs — lift quality

Morgan recognises that causality is a property of the complex system itself, and therefore cannot be thought about in simple, linear cause–effect terms. He advocates analysis and understanding of the positive and negative feedback loops at work, to assist understanding of the system’s current attractor patterns and what might be needed to change them. In some cases, small changes might have large impacts. This, he says, can be revealed through questions such as:

- What are the significant loops defining the system? Are there principal subsystems or nests of loops that hang together? What are the key connections? What are the key patterns?
- Can we use this understanding to go beyond surface appearance and superficial problems to identify the generative forces that are producing those problems?
- Can we find manageable initiatives that will change the generative pattern, for example, by adding or removing positive or negative feedback loops?
- How can we learn to ‘nudge’ key aspects of such systems to create ‘new contexts’, through an equivalent of the butterfly effect?<sup>2</sup>

The terminology complex ‘adaptive’ system is sometimes used to signal the ongoing dynamism of complex systems. Organisations can be understood as adaptive systems that, according to Ashby (1957), in a non-trivial way need to match the complexity of their environment. The individual elements of the system are ‘coupled’. ‘Coupled’ or ‘coupling’ refers to the degree of predictable connection between action and response. Boisot and Child (1999) describe human social systems as more loosely coupled than natural systems and therefore more complex. The number of different combinations of the elements that make up the system adds further to the complexity.

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<sup>2</sup> The butterfly effect refers to the notion that the relatively minor movement of the air in one part of the system might result in/be the cause of a dramatic atmospheric disturbance in another.

Weick (1995, 2001) views organisations as interpretative systems. He says that individuals make sense of the organisation that confronts them, and that this sense-making is more than interpretation, its nature being:

- grounded in identity construction
- retrospective
- enactive of sensible environments
- social
- ongoing
- focused on, and by, extracted cues
- driven by plausibility rather than accuracy.

Interpretive systems have two distinct strategies for responding to the complexity of their environment. They either ‘reduce’ it through the imposition of rules and categories which allow codification of responses, or they ‘absorb’ it by holding multiple and sometimes conflicting representations of environmental variety, and they retain a repertoire of behavioural responses. The latter allows for behavioural plasticity where a particular response might not be perfect but the range of contingencies that can be responded to is greater than in the former case. Organisations and societies with different cultures will vary in the extent to which they choose to reduce or absorb the complexity that confronts them (Weick, 1995).

Humans are not limited to one identity in a complex system. An individual can be a teacher, student, administrator, and researcher as well as having membership of some collective identities, such as being a Wellington rate payer. What a person sees ‘out there’ depends on the identity they adopt at that point in time, and there are likely to be too many meanings for a given situation than too few. Weick also notes an interaction between the present and the past. He says meaning is not attached to the lived experience being singled out but to the attention being given to it from the present – ‘the past is reconstructed knowing the outcome, which means that things never happened the way they are remembered’ (Weick, 1995, p. 28).

Kurtz and Snowden (2003) challenge three basic assumptions which they think pervade decision making and policy formulation in organisations:

- the assumption of order – an underlying relationship between cause and effect

- the assumption of rational choice – individuals will make decisions based on rational self interest
- the assumption of rational capability – the acquisition of capability indicates an intention to use that capability and that the actions of other actors are intentional.

Kurtz and Snowden have created a phenomenological ‘sense-making framework’ to help identify how people perceive and make sense of a situation (Figure 2.1). Use of the framework allows for collective sense-making (which could include boundary critique) leading to decision making. The type of action taken, according to Kurtz and Snowden, should be conditional on the extent to which the ‘world’ under consideration is known in terms of cause and effect relationships.

Figure 2.1

<p><b>COMPLEX</b></p> <p>Cause and effect are only coherent in retrospect and the pattern is not repeatable</p> <ul style="list-style-type: none"> <li>• pattern management</li> <li>• perspective filters</li> <li>• complex adaptive systems</li> </ul> <p><b>Probe → Sense → Respond</b></p>	<p><b>KNOWABLE</b></p> <p>Cause and effect are separated over time and space</p> <ul style="list-style-type: none"> <li>• analytical/reductionist</li> <li>• scenario planning</li> <li>• systems thinking</li> </ul> <p><b>Sense → Analyse → Respond</b></p>
<p><b>CHAOS</b></p> <p>No cause and effect relations are perceivable</p> <ul style="list-style-type: none"> <li>• stability focused intervention</li> <li>• enactment tools</li> <li>• crisis management</li> </ul> <p><b>Act → Sense → Respond</b></p>	<p><b>KNOWN</b></p> <p>Cause and effect relations are repeatable, perceivable, and predictable</p> <ul style="list-style-type: none"> <li>• legitimate best practice</li> <li>• standard operating procedures</li> <li>• process re-engineering</li> </ul> <p><b>Sense → Categorise → Respond</b></p>

From Kurtz and Snowden, 2003.



## **2.6 Summary of complexity concepts**

This brief overview of complexity theory and the phenomena associated with complex systems has introduced a number of concepts of potential use for understanding of policy processes. Human social interactions viewed as complex social systems have commonalities with policy processes. Therefore concepts developed in that area might be of use in explaining policy processes which feature social interactions between participants.

The notion of ‘organisations as complex systems’ could also be relevant to public policy and public management because of the overlaps with institutional theory and the role of organisations in public policy processes. Understanding about how organisations function and can be changed has parallels with what happens through policy processes. These complexity concepts, drawn from theories of human systems and organisations as complex systems, will be used to form an analytical lens for analysis of the empirical data on policy processes. The conceptual elements which will form this lens are summarised below.

Complexity operates at a holistic, ‘systems’ level where, notwithstanding many interacting parts, there is an interactive and interdependent dynamism between the parts such that the whole cannot be understood as the sum of its parts, nor reduced to its parts to assist understanding.

Many complex systems are systems within larger complex systems, within still larger complex systems, and so on. Taken together, these nested systems constitute a system ‘whole’. ‘Self-similarity’ means that characteristics identified at one level of the system will also be present in the whole.

The dynamics of complex systems arise from each element that makes up the system being influenced by, and in turn influencing, each other constituent. The dynamism of the system can result in the ‘emergence’ of new patterns through ‘self-organisation’ of the elements of the system. It is possible to influence the ‘attractors’ around which the

system stabilises through the positive and negative ‘feedback loops’ which create them.

Complex social systems are open, undergoing changes in composition, and exchanging materials and ideas with their environment. The concepts of internal/external and boundary can be problematic, requiring the use of concepts such as Midgley’s ‘boundary critique’, Weick’s ‘sense-making’, and analysis using Kurtz and Snowden’s ‘sense-making framework’. Likewise, the paradoxical and complex nature of some policy problems can be uncovered through sense-making techniques.

Changes in the environment (external) lead to changes internally in response. This in turn brings about further changes in the environment. What is regarded as environment and what is regarded as internal can be a matter of artificially or socially imposed reference points. The concept of mutual influencing and adaptation is called ‘co-evolution’ because the system and its environment adapt to, and are adapted by, each other. In some respects, therefore, the environment is part of the system whole. It also follows that so-called system boundaries need to be carefully scrutinised and recognised as artificial.

Complex systems are not in equilibrium and are sustained in stable patterns by a variety of ‘feedback loops’ around ‘attractors’. Because such systems are ‘far-from-equilibrium’ they can experience relatively large changes in response to small stimuli. The point at which far-from-equilibrium systems move from organisation around one attractor to another is called a ‘bifurcation point’ and at this time the system may appear chaotic and paradoxical. Self-organisation, innovation and emergence of new phenomena occur when the system is operating far-from-equilibrium.

The history of the system will influence its starting point for any change and, combined with feedback loops, can create ‘path dependencies’ within the system. The system exhibits patterns of behaviour around particular ‘attractors’. The pattern can appear chaotic, but order can be revealed through sense-making techniques. Stable systems are more likely when there is a single, strong attractor, and conversely, less stable systems are characterised by multiple, weak attractors.

The traditional concept of objectivity, embedded in the scientific method, is challenged by the notion that observers, rather than being external to what is being observed, are a part of the system. An observer's presence influences what is observed. The physicist Bohm contends that there is an unbroken wholeness, and an 'enfolded order' in the universe which is completely different from the concept of order conceived of in Cartesian-based epistemologies. The existence of a different kind of order, which is nonlinear, dynamic and unpredictable, has implications for appropriate methodologies for the study of these complex systems (Bohm & Hiley, 1993). These are discussed in the chapter four, and the complexity concepts summarised here are developed as an analytical lens for the examination of the empirical data.

## Theories of public policy processes

This chapter discusses explanations of policy processes found in the scholarly public policy and public management literature. The purpose of this discussion is to build a picture of current theories for understanding and explaining policy processes against which the empirical data to be presented in subsequent chapters can be examined. Particular attention is paid to the theories and explanations which have taken a view of policy processes as complex social processes.

Since the 1950s, when Laswell first proposed an academic focus on the public policy decisions of governments and how they are made, scholars have advanced many explanations of policy processes. These explanations come in a variety of forms. John (1998, pp. 14–15) distinguishes between ‘framework’ – conceptual schema to label and describe a complex real world; a ‘model’ – explaining sets of relationships under particular conditions; and a ‘theory’ – a generalised explanation of political behaviour. A theory provides assumptions about the behaviour of individuals, and explanations of the role of social and political structures, and generates hypotheses of behaviour that can be tested. Ostrom (2007, p. 25) sees the framework as a useful way of organising the diagnostic variables for the comparison of theories. ‘Frameworks’ – identifying elements, and ‘theories’ – relating the elements in some explanation building way, will be used in this thesis.

Organising a vast literature for the purpose of this thesis presented challenges. A number of eminent scholars have classified the diverse public policy/public management literature that discusses policy processes. Howlett and Ramesh (2003), Sabatier (2007), John (2003) and Kickert, Klijn and Koppenjan (1997) exemplify four of these. None focus sufficiently on the social, interactive and dynamic elements in theories of policy processes and therefore an alternative framework more suited to exposing these elements is proposed for this thesis.

### 3.1 Classifications of theories

This section briefly notes two further examples of categorisations of theories of policy processes, to add to those of John (2003) and Kickert, Klijn and Koppenjan (1997), mentioned in chapter one, as an introduction to the analytical framework adopted in this thesis. Sabatier (2007) proposed four criteria that any theory must meet which have been taken into account in the identification of theories discussed in this thesis. Theories must:

- meet the criteria of scientific theory, with relatively clear, internally consistent propositions
- be subject to active conceptual development and empirical testing
- seek to explain much of the policy process
- embrace factors deemed important in the discipline, e.g. conflicting values and interests, information flows, institutional arrangements and variation in the socio-economic environment.

#### Howlett and Ramesh

Howlett and Ramesh (2003) refer to policy processes as five sub-stages of a 'policy cycle': agenda-setting; policy formulation; decision making; policy implementation; policy evaluation. These are analysed by questions in each stage about 'actors', 'institutions', 'instruments', and 'ideas'. The use of 'cycle' denotes the continuity of policy processes, and the use of stages is acknowledged as a simplification.

#### Sabatier

Sabatier (2007, p. 8) works through a set of propositions to arrive at the ontological position that a set of critical relationships underlie the complex phenomena that make up policy processes. He includes knowledge of the goals and perceptions of many 'actors', the role of decision making institutions, power relationships, ideas, values and time. Sabatier labels policy processes approached through analysis of disaggregated stages, the 'stages heuristic'. While acknowledging the usefulness of the stages approach in the 1970s and 1980s because of the focus for research it provided, Sabatier criticises the stages heuristic because it:

- is not a causal theory since it never develops a set of causal drivers
- identifies a sequence of stages which are often inaccurate and overlapping
- has a legalistic, top-down bias typical of legislation
- over-simplifies the multiple interacting cycles that make up policy processes.

He identifies seven theories which explain policy processes:

- institutional rational choice
- multiple streams
- punctuated equilibrium
- advocacy coalition
- policy diffusion
- network analysis
- social construction.

#### Alternative Framework

The adoption of any of the abovementioned frameworks for discussion of current theories of policy processes has been rejected because none of them adequately highlight internal dynamics of the policy processes focused on in this thesis. An alternative organising framework has been developed, giving attention to policy processes as ‘whole’, social interaction between participants, dynamism, and social complexity in any aspect of the processes.

This framework does not exclude the factors seen as important characteristics by other scholars, but it focuses on aspects which are less commonly emphasised and frequently overlooked in many explanations of policy processes. The framework includes some traditional analytical lenses such as: participants, referred to as ‘actors’ by many scholars, and their interactions; and the roles that information and ideas might play in those interactions. Additional aspects for focus include: the dynamic nature of policy processes as a whole; assumptions about the decomposability of policy processes into parts; and views of policy processes as complex social processes. Many of these factors are endogenous to policy processes which is consistent with an open system view of policy processes (Bardach, 2006). Looking at the literature historically, these latter themes are more frequently encountered in recent writings which have tried to address the shortcomings of previous explanations

of policy processes by attending to the dynamics of these processes as human social processes.

Scholars have found it useful to distinguish different kinds of policy analysis. There is ‘analysis of policy content’, ‘analysis of policy outputs’, and ‘analysis of the policy process’ – how policies are shaped in practice. Explanations of how policies are shaped in practice have implications ‘for policy’ – understanding how policy processes might be approached in practice and managed (Hill, 1997, p. 5) and it is this latter ‘for policy’ literature which is of interest in this thesis.

The framework for discussing the literature on policy processes comprises the following elements:

- the nature of the policy process, objectivity, and concepts of wholeness versus divisibility into parts
- the role of participants in policy processes
- relationships and the nature of engagement between participants in policy processes
- the role of information in policy processes
- system views and boundaries
- dynamics in policy process: history, path dependency, co-evolution, causality, and the origin of new ideas and behaviours in policy processes.

Each of these is now discussed in turn.

### **3.2 The nature of the policy processes**

The first element identified is the treatment of policy processes as ‘whole’. Many of the earliest attempts to explain the causality of policy processes took an objective view of them. Positivist epistemologies were used to describe policy processes from the perspective of a detached, external observer. It was common for explanations to disaggregate them into parts or stages, with the assumption that the sum of the parts could provide an adequate understanding of the whole. The stages approach originates

with Laswell and has been perpetuated and modified by many others in the intervening 60 years (Howlett & Ramesh, 2003, p. 12).

The persistence of 'the stages heuristic', as Sabatier calls it, underlines the attractiveness of approaches for simplifying understanding of policy processes. John points out that this is done largely as a convenient descriptive heuristic, and for teaching purposes, not because it assists in understanding 'the sheer complexity of what is going on' (2003, p. 483). I will also sometimes use the terms associated with the stages heuristic as convenient 'labels' that are likely to be understood, with no assumption of linear sequence.

Critiques of the stages heuristic abound, for example Sabatier (2007) as mentioned above, Howlett & Ramesh (2003), Kickert et al. (1997) Hill & Hupe (2002, 2006, 2009). Stages descriptions are generally criticised for their lack of explanatory power and their failure to accord with empirical evidence in all but a minority of simple cases. Furthermore, the bottom-up, top-down debates about implementation have moved to more holistic approaches and appreciation of context (Hill & Hupe, 2009).

A concept of policy processes as 'whole' implies a boundary to the whole. Many accounts of policy processes refer to environment as if it is external to the policy processes. Causal factors affecting a policy area are thought of as arising from factors in an external environment, and the environment is generally perceived as a given, unaffected by changes in the policy processes (Howlett & Ramesh, 2003; Kickert & Koppenjan, 1997; Sabatier, 2007).

Attempts to explain policy processes more holistically come from a methodological base that recognises the permeability and arbitrariness of boundaries and the multi-causality of policy processes and an array of elements needed to understand them. Examples of these are discussed in the following sections.



### 3.3 The role of participants

The second element is the role of participants, often referred to as ‘actors’. Older accounts of policy processes tended to focus on a central rational decision maker. These accounts have been criticised for not acknowledging the role other participants have on policy processes. Many scholars do not accept that a single actor can have sufficient information to act, and to be the sole determinant of policy processes, Lindblom (1959, 1979), Simon (1991), and Kickert et al. (1997) being just a few examples. Three examples of the relationship between policy processes and the role of participants are singled out for discussion, those of the rational choice theorists, Charles Lindblom, and John Kingdon.

#### Rational choice theorists

Rational choice theory built on the application of neoclassical economics to political behaviour, and public choice theories based on the work of James Buchanan, make assumptions of rational self-interest on the part of participants in policy processes. According to these theories, policy process participants are rational and constrained to behave in desired ways by depersonalised policy signals and incentives. Chubb and Moe (1990) provide a rational theory account of education policy. Lindblom (1959, 1979) was one critic of pure rational choice. He pointed out that, for anything but simpler cases, it is impossible to work out all the permutations of choice and values open to a single decision maker. Put another way, the limitations of rational choice theories of policy processes and decision making lie in the inability of their designers to match the inventiveness and adaptability of the human agents that they are intended to influence (Hill, 1997; Howlett & Ramesh, 2003; Ostrom, 2007). More recent behavioural economic studies have also demonstrated that people sometimes make decisions that are not in their immediate rational self-interest.

#### Charles Lindblom and ‘muddling through’

Lindblom (1959, 1979) recognised that many policy problems are complex, and he discussed solving policy problems from the perspective of the central policy analyst:

No person, committee or research team ... can complete the analysis of a complex problem. Too many interaction values are at stake. (Lindblom, 1979, p. 518)

Lindblom rejected the analytical method in which the policy analyst conducts an exhaustive rational analysis of the policy problem from multiple perspectives as unachievably idealistic for complex problems. His alternative, which he believed was closer to what actually happens, considers alternative policies to the current for their incremental change effect on some limited range of variables common to both policy options.

The concepts of 'incremental politics' and 'muddling through' are associated with Lindblom's explanation of policy processes in which theoretically rational policy analysis becomes more messy and unpredictable in practice, when the perspectives of other policy participants, including politicians and their electorate, are considered. Lindblom (p. 518), and others, have recognised the 'bounded rationality' of central policy process actors identified by Herbert Simon. Therefore, the rational actor theories and explanations are modified to take account of the limits in the information and perspectives available to actors in policy processes. Lindblom argues that complete analysis is an impossible ideal and therefore the policy participant is best to recognise that and opt for a form of 'strategic analysis' which is knowingly incomplete, but better than 'muddling badly'. He concludes that 'all analysis is incomplete' and the choice is not between complete analysis and any other alternative but 'between ill-considered, often accidental incompleteness ... and deliberate, designed incompleteness' (p. 519).

Lindblom's focus is on the decision making processes as part of policy processes. These are shaped by the complexity of the problem, the bounded rationality of the decision maker, and the unachievable goal of complete analysis of problems. He also notes existing policies and their effects as a starting point for consideration of the effect of new policies, and the multiple perspectives and value positions of policy process participants that will affect how decisions are responded to.

## John Kingdon and multiple streams

Kingdon (1995, p. 3), in his theory of agenda setting in policy processes, defines policy making as a set of processes:

- the setting of the agenda
- the specification of alternatives from which a choice is to be made
- an authoritative choice among those specified alternatives
- the implementation of the decision.

In creating his theory, he followed developments in several areas of policy ‘over time’. He identified several different types of participants in these processes:

- elected officials
- staff supporting elected officials
- political advisers
- career bureaucrats (public servants in the New Zealand setting)
- interest groups outside of government
- the media.

Kingdon’s empirical work led him to the conclusion that although all of the above can influence agenda-setting and decision making, elected officials tend to have the most influence. He also singled out the ‘policy entrepreneurs’ – advocates for particular proposals or ideas who are willing to invest their resources (time, energy, reputation, money) in the hope of a future return (policies they approve of, satisfaction, reputation enhancement, advancement in career).

Kingdon said that the intentions and actions of people alone are not sufficient to explain the agenda setting and problem solving aspects of policy processes. Building on Cohen, March and Olsen’s 1972 garbage can model of organisation choice, Kingdon postulated the notion of a policy primeval soup in which there are multiple streams of ‘policy issues’, ‘policy solutions’ and ‘political agendas’ which lead almost non-overlapping existences until a ‘window of opportunity’ presents. These windows of opportunity open at specific times for a specific policy. The policy window opens when three usually separate and independent streams – the policy stream (solutions), the politics stream (public sentiments, change in governments and the like) and the problem stream (problem perceptions) – intersect.

Kingdon sees the policy participants as part of the causality of the policy processes, but the causality by which the issues, solutions and apolitical agendas come together are postulated to arise exogenously to the policy processes; that is, the window of opportunity is an external event. The human actors are present, but there is less focus on the interactions between them or the extent to which factors endogenous to the policy processes might give rise to interactions between the multiple streams. Kingdon sees them as having almost independent existences until such time as the window of opportunity that allows them to come together occurs. There is no explicit discussion of interdependency between actors and processes.

### **3.4 Relationships and engagement between participants**

While the three examples above acknowledge multiple actors in policy processes, the focus is not on the interaction between the participants. This is partly because they focus narrowly on parts of policy processes, e.g. decision making or agenda setting. The third element in my framework focuses on the relationships and engagement between participants in policy processes. Pressman and Wildavsky (1973) and Lipsky (1980) give classic accounts of why and how policy processes fail when they ignore the existence of some participants and the interactions between participants. Theories focus to varying extents on the relationships and interactions between participants. Some also allow for individual, as well as institutional actors or agents, in policy processes.

According to Dunn (2001, p. 41), ‘policy analysis is a series of intellectual activities embedded in a social process’ where the social dimension includes politics, psychology, and culture. The policy process, Dunn says, might usefully be seen as a series of independent activities arrayed through time, ‘composed of complex rounds or cycles each linked to next’ (p. 43). Like Kingdon, Dunn sees policy processes extending across time. Dunn focuses more on the actions of individual or institutional actors to influence the agenda and the acceptance of ideas or solutions. He sees policy choices and decisions as increasingly constrained by earlier interactions and decisions.

Stone (1988) addresses what she calls the policy paradox. For her, paradox is about what is often portrayed as a dichotomy between logical and ordered policy analysis and the ‘chaos’, ‘messiness’, ‘anarchy’ and ‘unpredictability’ of politics (p. 305). Stone says that the ‘categories of thought behind reasoned analysis are themselves constructed in political struggle, and non-violent political conflict is conducted through reasoned analysis’ (p. 306), and therefore politics and policy analysis are two aspects of the same policy process. In the process of policy analysis, boundaries are set through the social processes that construct them. The ‘reality’ the policy process grapples with and analyses, is a product of this ‘social construction’ by the policy process participants.

The advocacy coalition framework was developed by Sabatier and colleagues to deal with problems where there are significant goal conflicts and multiple perspectives on both the problem, sometimes referred to as a ‘wicked problem’, and solutions (Sabatier & Weible, 2007; Weible & Sabatier, 2007). As an approach to analysis ‘for’ policy, the framework focuses on a process whereby policy subsystem participants reach a consensus over the constraints and resources available to address the policy problem. As a theory, it acknowledges differences in beliefs and values, power and knowledge between participants, and the role of social processes of conversation, knowledge sharing, co-operation, collaboration and learning to reach agreement about policy solutions.

Several scholars have argued a normative approach to policy processes on the basis of social ideals. Hajer and Wagenaar (2003) note that the network society adds something that constitutes a particular form of complexity for politics and policy making and they see five challenges for policy processes. First, policy and political action is no longer confined in the traditional top-down, centre-to-periphery structures. There are challenges to the practices of policy making and politics coming from a number of levels. Second, policy making and politics take place in conditions of uncertainty and social protest and cannot be controlled with the traditional politics of expertise. Third, understanding the difference that exists in modern societies is an essential element of policy processes. Fourth, there is a need to act on an awareness of the interdependence that exists between policy making, politics and processes. Fifth,

trust cannot be assumed. Politics and policy making is not just about finding solutions but also as much about finding formats that generate trust. From these five challenges, they proceed to outline a normative model of interpretative, deliberative policy analysis which they see as more appropriate and which has features necessary to address social complexity.

Others such as Fischer (2003a, 2003b) and Yanow (2003) have also argued for policy processes which are more inclusive of multiple perspectives. Fischer (2009) has specifically addressed the role of ‘experts’ and technical expertise in policy processes, alongside other forms of knowledge and policy expertise in a democratic society. He says ‘the challenge is to restructure professional practices in ways that can assist citizens to understand and discuss the complex policy issues that affect their lives’ (p. 1). He focuses on how this is done through more co-operative forms of policy enquiry. ‘Electoral democracy (based only on periodic election of representatives), and bureaucratic administration (operating through hierarchy and rules), stumble in the face of modern day complexities’ (p. 8). Fischer argues for a new specialisation of ‘policy epistemics’ of expert-citizen/client relationships. Yanow also focuses on the interactions between participants and policy problems. She refers to the interpretative, ‘meaning making’ processes through which authorial intentions of the policy makers are subjected to multiple reinterpretations by multiple participants, through policy processes.

Morcol (2002) argues for acknowledgment of the ontological, epistemological and methodological assumptions informing policy decisions because there will be multiple interpretations of facts, causes and desired change. There is always inter-dependency, he says, between natural and social phenomena related to public policy. In considering causality of policy processes, says Morcol, Aristotle’s framework which posits four kinds of causes – material, efficient, formal and final causes – is germane.

### Organisations and institutions

One branch of theories about policy processes focuses on the causal role of the organisations and institutions of government decision making and public management. Institutional theory is concerned with the influence of political institutions as relatively formalised social systems through which policy processes are

mediated (March & Olsen, 1984). Institutions are meso-level structures devised by individuals which constrain and structure the behaviour of individuals. Institutions have formal and informal dimensions and have legitimacy and stability over time in their roles in policy processes. The influence and power of an individual in the policy process depends on the place of that individual in a political structure. Explanations of policy processes drawing on institutional theory incorporate the concepts of path dependency, stability and feedback, and rules and games. Institutions have been identified as the main determinant of welfare policy outcomes (Hudson & Lowe, 2009; Immergut, 2006).

Ostrom (2007) notes the difficulty of identifying institutions on the ground because they 'are fundamentally shared concepts that exist in the minds of participants and sometimes concepts are shared as implicit knowledge rather than in an explicit and written form'. She advances an institutional analysis and development framework to take into account the multiple levels at which analysis and decisions take place in policy processes. In this framework, actors and action situations come together in action areas at three tiers: the operational level, the collective choice level at which decision makers repeatedly have to make policy decisions within the constraints of a set of collective choice rules, and the constitutional level where decisions are made about who is eligible to participate in policy making, and the rules that will be used for policy making. This nested concept of policy processes is modified by Hill and Hupe (2006) as a multiple governance framework and applied to empirical examples from health and education policy. Their framework is based on the idea that policy processes consist of sets of activity clusters, actors, and action situations. It includes Ostrom's notion of three levels of action situation, which Hill and Hupe conceive of more generally as the locus of the individual, of the organisation, and of the system.

Multiple participant and policy network perspectives, including new institutional theory, are consistent with a view of policy processes as multi-level, multi-participant, complex social processes. They take into account and acknowledge the role of multiple actors and the interactions between them. Thus, explanations are found in institutional theory for stability and resistance to change as well as sudden and unexpected changes.

One relatively new strand of the literature, which focuses on the interactions and interdependencies between participants in what are called loosely-coupled networks, is explored separately in the next section. Coupling refers to the degree of reciprocity and predictability of action and response. Where a wide range of responses are possible to any given initial action, then coupling is loose (Weick, 1976).

#### Policy networks and policy communities

Scholarship on policy networks, and governance through networks, introduces ways of looking at public policy processes involving the relationships and dynamics between participants in policy processes. Some scholars (e.g. Howlett & Ramesh, 2003), trace the concept of policy networks from Hecllo (1978), who introduced the concept of 'issue networks'. The concept has evolved from the 1980s to describe loose coalitions of government and non-government organisations engaged in the formulation and implementation of policy (Kickert, Klijn, & Koppenjan, 1997; Rhodes, 1984, 2007).

The concept of policy networks arises from the observation that public policy issues and policy processes are not the exclusive domain of specified governmental units, because these are seen constantly interacting with non-profit organisations, various private sector organisations, and individuals as well. Traditional policy approaches viewed such involvement in hierarchical terms. The networks approach, however, looks at policy processes in terms of the horizontal relationships that define the development of public policies. These horizontal relationships can include individuals, organisations, lobbyists, legislators, or whoever plays a role in policy development.

Miller and Demir (2007) address the notion of policy community as an idiom used by policy researchers, political scientists and public administration scholars to signify the extra-formal interactions that occur in the interstices between and among government agencies, interest groups, corporations, industry associations, elected officials and other institutions and individuals. Policy community, they said, is a special type of interconnected social formation wherein communication and influence may flow in non-hierarchical patterns. Near synonyms are found in the related notions of 'iron



triangles’, ‘issue networks’, ‘policy subsystems’, and ‘professional networks’. ‘Policy community’, according to Miller and Demir, is often used to emphasise the closed, tight-knit aspects of policy communities versus the more accessible, loosely bounded aspects of issue networks.

Policy communities are suggestive of epistemic communities – discursive groups in possession of problem-solving projects upon which their enquiries and efforts are focused. Policy communities indicate a policy process in which organized interests and governmental actors play a major role in shaping the direction and outcome of public policies. A policy community is neither a market nor a hierarchy but does respond to the increasing fragmentation and complexity of the policy environment in a plural society. (Miller & Demir, 2007, p. 137)

In reviewing the literature on policy networks, Klijn (1996) made a link between the literatures of political science and organisational theory, which both emphasise the importance of relationship patterns between organisations. Klijn noted the coming together of the ‘political’, and ‘organisational and sociological’ theoretical notions to explain the interaction between actors. These disciplines emphasise the importance of relationship patterns between organisations and pay attention to the strategies that organisations use to influence each other. He quoted Benson’s (1992) description of policy networks as:

a cluster or complex of organisations connected to each other by resource dependencies and distinguished from other clusters or complexes by breaks in the structure of resource dependencies. (p. 92)

Klijn (1996) defined policy networks as ‘a changing pattern of social relationships between interdependent actors, which takes shape around policy problems or policy programs and which is being formed, reproduced, and changed by an ecology of games between these actors’ (p. 111–112). According to Klijn, the network concept is reducible to three main features:

- dependency of actors on each other

- network processes resulting from no single policy actor having sufficient steering capacity to determine the strategic actions of the other actors – policy results from the interaction between the actors as they try to influence the direction and outcome of policy processes through strategic behaviour
- institutions that make up a policy network and consist of a pattern of relations – these patterns are created by the dependencies and the interactions between the institutions, show a certain density, and have a lasting character.

Klijn noted the need for further work on the theoretical conceptualisation of the dynamics of the policy processes; how the public policy processes are related to the development of the structures of the network; and how complex processes can be managed. Almost all empirical studies of networks emphasise the importance of human social and cognitive processes, particularly processes of bargaining, coalition formation, and conflict management.

#### Patterns of relationships between policy process participants

The terms ‘policy networks’, ‘collaborative networks’ and ‘policy communities’ are sometimes used interchangeably. Rethenmeyer and Hatmaker (2008), using an example from education policy, make the point that policy networks and collaborative networks are not necessarily different. Network structure is used to describe the pattern of relationships between actors. Klijn (1996), in explaining the characteristics of network structures references Giddens (1979, p. 5) who proposed a duality of structure. In the:

essential recursiveness of social life as constituted in social practices, structure is both medium and outcome of the reproduction of practices. Actors do not just create social systems, they reproduce or transform them, making what is already made in the continuity of praxis (p. 95).

Thus, according to Giddens and Klijn, network structure enables action and is in turn changed by it. A network analysis focuses on the interdependency of the policy process participants and the strategies they use to cope with that interdependency.

The metaphor of a game is used by Klijn and Teisman (1997) to explain policy processes. A game is an ongoing, sequential chain of strategic actions between different players (policy process participants) governed by formal and informal rules that develop around issues or decisions in which the actors are interested. The strategies of participants affect each other in an interaction setting that can be called a game. Players cannot predict the actions of other players.

If all actors are acting strategically, not all the consequences of acts can be known in advance, and not all the consequences of previous acts are acknowledged or recognised in future acts. (p. 102)

Thus there is uncertainty about consequences and successful strategy needs to be learned during the game, with goal displacement occurring during the game as actors learn from other actors and new information is gained through interaction. The game has no objective reality – it is an interactive construction between the actors. The perceived realities of actors are relevant to the game and so too is the sense actors make of their own actions and the actions of others.

Game management is the result of network processes derived from the interaction between the strategies of all the actors involved. Relationships and interactions that result in achievement of the network purpose are the aim of the network manager and important behaviours include facilitating and furthering interaction among participants, reducing complexity and uncertainty by sharing information, changing incentives to co-operation, developing new rules and procedures of interaction, changing positions, relations and roles of participants, helping the network be self-organising, and engendering effective communication among participants. Organisational power can come into play in networks. Individuals can exercise veto and cut themselves off from the steering interventions of other actors.

Agranoff and McGuire (2001) posit there is a set of management behaviours or responsibilities associated with network management (horizontal as opposed to vertical intra-organisational management) different from and parallel to the POSDCORB framework (planning, organising, staffing, directing, co-ordinating,

reporting, budgeting) (Gulick & Urwick, 1937), familiar to students of organisational management. These behaviours and responsibilities include:

- ‘activation’ – identifying participants in the network and tapping their skills, knowledge and resources; network managers arrange, stabilise as much as possible, nurture and integrate the network structure
- ‘framing’ – occurs during formation and operation of the network and involves establishing and influencing the operating rules of the network, influencing its prevailing values and norms, and altering the perceptions of the network participants
- ‘mobilising’ – requires a view of the strategic whole: network managers must induce individuals to make a commitment to the joint undertaking and to keep that commitment; they must mobilise organisations and forge agreement on the role and scope of network operations, which involves motivating, inspiring and inducing commitment
- ‘synthesising’ – creating the environment and enhancing conditions for favourable, productive interaction; network managers must find a way to blend the various participants – each with conflicting goals or different perceptions or dissimilar values – to fulfill the strategic purpose of the network.

Klijn and Skelcher (2007) refer to governance networks to describe policy making and implementation through a web of relationships between government, business and civil actors, where governance is the ‘articulation, resolution and realisation of public values in society’ (p. 587). They see governance networks as new systems for public policy deliberation, decision and implementation based on interdependencies, but not necessarily equity, between public, private and civil society actors. Modes of agenda setting, policy making and implementation are dispersed and flexible and are often associated with hybrid organisational forms. Policy networks open opportunities for policy entrepreneurs to influence policy. Governance networks can also be opaque in their formal rules and constitutional position. They range from being centres of power and privilege, to flexible, fluid arrangements able to accommodate new forms of interest representation.

In considering the implications of how ‘new’ interactive governance (horizontal) institutions interact with existing institutions (vertical organisations), Edelenbos

(2005, p. 128) concludes that there is a missing institutional link between the interactive process and the formal decision making process.

This poor institutional embeddedness of interactive processes often leads to ‘cherry-picking’ behaviour on the part of the decision makers because they do not feel committed to the variety created by the interactive process. As a result, the rich variation ‘evaporates’ as soon as the informal interactive process has ended and formal policy making has begun.’

There are a number of conceptualisations of networks as a means of governing, for example, networks as: structures, processes, policy networks, service delivery networks, locational networks, situational networks, issue networks, or as problem-focused networks. The apparent dichotomies require further exploration. Ansell and Gash (2008), for example advance a general model of collaborative governance based on their meta-analytical study of the literature on networks. Their theoretical framework focuses on collaborative governance as process, and also structures that can be described and planned for objectively. Thomson et al. (2009) suggest that our understanding of collaborative governance comes down to five key dimensions: two structural (governance and administration), two social capital (mutuality and norms), and one involving agency (organisational autonomy).

Bevir and Richards (2009) take another approach in their review of the network governance literature. They find it useful to distinguish scholarship that treats networks as a means of mediating different interests, and that which treats networks as a mode of governing. They differentiate between networks as a structure for achieving a governance outcome (a government-centric view), and a more de-centred view of networks as interactive, interdependent interactions between the actors inside networks, which they conclude has implications for how networks might be studied and understood.

The advocacy coalition framework mentioned previously, was developed to deal with policy problems where there are significant goal conflicts (Sabatier & Weible, 2007). It also has elements which focus on the nature of the social processes at work and how these might be marshalled to arrive at a desired policy outcome. Its contribution is its

focus on the process of interaction and resolution of policy problems by the affected participants.

All of the explanations considered in this section accept that there are multiple participants in policy processes but they differ in the extent to which they emphasise the interactive and interdependent nature of the social interactions between them as a key factor in policy processes. Only a few, most notably those discussed in the networks section, attribute causality and outcome to these social interactions and see changes arising from factors endogenous to the policy community itself.

### **3.5 Information in policy processes**

The fourth element of my framework is the role of information as a causal factor in policy processes. Mention of the role of information in policy processes is not uncommon (e.g. Kingdon, 1995), although it is seldom seen as central. However, Jones and Baumgartner (2005) focus on two particular aspects of the policy process – ‘the availability of’ and ‘the attention to’ information by policy makers – as a core explanatory concept.

Policy makers are constantly bombarded with information of varying uncertainty, and bias, on a multitude of matters. Jones and Baumgartner argue ‘information’ is at the core of processes that lead to disturbance of a policy system, and relatively major disruptions of policy which they call ‘policy punctuations’. This, they say, is because policy making ignores some bits of information while giving other bits disproportionate attention and credence. This ‘disproportionate information processing’ is central to Jones and Baumgartner’s theory. From an information processing perspective, all signals are characterised by uncertainty, and may be misinterpreted when they are detected because of their uncertainty and ambiguity. Also those who interpret them can be biased (consciously or unconsciously). According to Jones and Baumgartner, decision makers often ignore signals until they are severe or extreme. They also have difficulty matching their responses to the incoming signals because they filter signals through their attentiveness, assimilate

information in a biased manner, and generally act as bounded rationalists. Furthermore, 'supply of information' (p. 10) can be limited to experts, and if it is not limited, then it is variable in quality and difficult to prioritise.

According to Jones and Baumgartner, policy processes require 'prioritising of information'. In general, there is an over supply of information in political environments which requires winnowing with the process of weighting and prioritising being at least as important as the acquisition of information. Decision makers, they say, need two kinds of information: an understanding of the problems, and knowledge of the possible solutions. They identify an 'index construction problem' which affects policy processes. This is created by how decision makers respond to information from numerous sources – how information is combined and weighted – acknowledging the role of human cognitive capacity and processing, and the social interactions involved.

In Jones and Baumgartner's theoretical framework, 'disproportionate information processing' is the causal link leading to 'punctuated equilibrium' in policy subsystems. Actors in policy processes attend to only a fraction of the information available to them, and the information is subject to interpretations which are affected by emotions, paradox and ambiguity. They accept that actors in policy processes are boundedly rational, and selective in their attention to issues. There are limits to the number of issues to which humans can give cognitive attention at any one time, thereby creating 'information-attention bottlenecks'.

The existence of organisations as agents in policy processes, according to Jones and Baumgartner, allows greater cognitive capacity and parallel processing but eventually organisations also suffer the limits of boundedness and attention competition. 'Disproportionate information-processing implies policy punctuations' (Jones & Baumgartner, 2005, p. 20). Any particular policy problem is attended to only sporadically, usually when emotions are high, brought on by disproportionate attention to information.

### Emerging view of policy processes as complex social processes

The discussion on policy networks above emphasised that policy processes involve dynamic, interdependent, social and organisational interactions. Both policy network theories and Jones and Baumgartner locate causal factors for policy processes in the interaction between the participants, and within the policy process itself. The processes that they describe are nonlinear in their nature and participants are capable of disproportionate responses to information.

There is an implicit notion of a policy system in Jones and Baumgartner's theory, with the system consisting of human participants and their interactions, and being open to information flows. Their theory accounts for periods of stability, inertia and lags in system change, despite information signals for change. They use the concept of negative feedback loops to describe how this might occur. Their theory also allows for sudden, rapid instability reinforced by positive feedback loops, that is, disproportionate attention to information not previously attended to. The following sections, concentrate on explanations which focus on the internal dynamics of policy processes and endogenous causal factors.

## **3.6 System views**

As with the literature on organisations, the system can be described in mechanical, cybernetic terms or in ways that view policy processes as more organic, dynamic systems. David Easton (1965a, 1965b, 1971) proposed a systems model for political analysis which considered the openness of boundaries and biological ideas of feedback, but not adaptive and evolutionary characteristics in any depth.

A recent trend, which has yet to become a fully established strand within the literature, is to view policy processes in 'adaptive' system terms. Bardach (2006, p. 338) put it as 'not all systems are dynamic but all dynamics occur within systems'. Bardach used the definition provided by Robert Jervis:

We are dealing with a system when (a) a set of elements or units are interconnected so that changes in some elements or their relations produces



changes in other parts of the system, and (b) the entire system exhibits properties and behaviours that are different from those of the parts.

Systems, Bardach said, can also be ‘closed’ – responsive only to changes initiated by its own elements, or ‘open’ – containing an endogenous core that behaves like a closed system but also changing in response to changes in its environment. He limits his discussion of dynamics in public policy to consideration of open systems, which is consistent with an understanding of policy systems as human social systems.

Meek et al. (2007) argued that administrative networks, shared governance, and co-production of public services are real-world examples of emergent properties of complex systems. Illustrated with a case study from law enforcement, they identified explicit parallels between what complexity theorists have posited as important considerations for managing within self-organising environments, and the lessons from field work in public administration networks.

Rhodes and MacKechnie (2003) explored the usefulness of ‘complex adaptive systems theory’ to understanding public service systems which they defined as consisting of ‘multiple organisations engaged in the provision of a specific set of goods and services that are of value to the majority of consumer-citizens’. Rhodes and MacKechnie described the core elements of a complex system framework:

- descriptions of the array of ‘agents’ that make up the system where agents can be both individuals and organisations or organising initiatives
- ‘schemata for different types of agents’ (inputs to decision making, filtering rules, processes of mutation and adaptation of schemata)
- ‘fitness functions’ described for each agent which govern how the agents will choose among alternative actions
- ‘nature and level of the connections among agents’ which can take the form of exchanging information, giving, and receiving instructions
- a set of dimensions which describe the ‘state of the system’.

They identify education policy and public services along with other social services as the areas of public policy most likely to benefit from a complex systems approach,

because the relationship between cause and effect is unclear, and there is often an unclear definition of the goals to be achieved.

Mischen and Jackson (2007) extended the organisation and management literature on complexity to public administration by considering the complex nature of policy implementation, arguing that both the organisations and the multi-organisation networks that implement policies can be viewed as complex adaptive systems, involving interdependent actors. From their analysis of a number of implementation studies, they concluded that there are fourteen pertinent concepts to be drawn from complexity theory: complex adaptive systems; large number of agents; energy; historicity; locality; connectivity; interdependence; feedback loops; space of possibilities; path dependence; far-from-equilibrium; self-organisation; emergence; co-evolution.

Policies are implemented by a large number of individuals comprising a large number of organisations. Mischen and Jackson, drawing on Lipsky's 1980 work, think it is important for policies that are implemented by 'street level bureaucracies' to be considered from an intra-organisational perspective, so that the dynamics that will influence this level of agent are factored into the design of policy and policy implementation. That is, in implementation, the interactions within organisations can be as important as those between organisations. As well as implementation requiring a large number of agents, these agents are connected to one another. Connectivity, they say, is critical if agents are going to learn from one another, creating an interdependence which can be sequential or concurrent. Attention to policy networks shows many policies cannot be implemented without the involvement of more than one organisation. There is 'feedback' between organisational and individual agents – mutual reinforcement between cause and effect – as in a chain reaction (positive) which destabilises, and mutual attenuation (negative), which stabilises.

Butler and Allen (2008) also considered implementation from a complexity perspective.

Policy implementation processes should be understood as a self-organizing system in which adaptive capabilities are extremely important for stakeholders.

Policy implementation is self-organizing because national policy is reinterpreted at the local level, with each local organization uniquely mixing elements of national policy with their own requirements. (p. 422)

They link organisational theory and the concept of 'receptivity' which 'attempts to reveal the factors which contribute to organizations being either low-change, non-receptive contexts, or high-change, receptive contexts' (p. 424). They conclude that 'receptivity is a special type of self-organization' (p. 434) and that:

in order to benefit from the self-organizing systems of receptivity, central government should limit its role to setting strategic aims and objectives and refrain from imposing Best Practice. (p. 435)

Klijn and Teisman (2006; 2008) made links between complexity theory and similar ideas in theories of public administration, particularly the processes in policy and governance networks. They noted that there is little other literature in this area. They acknowledged complexity concepts such as 'emergence', 'connectivity', 'interdependence', and 'feedback' and elected to focus on three: 'dynamics', 'self-organisation', and 'co-evolution' as helpful for analysing processes of policy making and implementation. Their case study involved three phases in the upgrading of British rail infrastructure.

Klijn and Teisman's study exemplifies the principle that the governance system and its environment are constantly moving and that complexity theory concepts such as dynamics, self-organisation and co-evolution have both explanatory and predictive power. The predictive power is not in the usual *ex ante* prescriptive sense but the sense of guiding processes of mutual adaptation and co-evolution likely to lead to what will be judged 'successful' outcomes.

Van Buuren and Gerrits (2008) used complexity theory to explain the erratic manner in which policy processes evolve. They concluded from their empirical example on the development of an estuary that:

decisions arise from the complex interaction between dynamic elements: the erratic ambitions of mutually dependent actors, their anything but static normative frames of reference and the factual knowledge they possess and collect to rationalise their actions.... Applying a complex systems perspective can be useful in trying to understand nonlinear dynamics within and between policy processes. Policy processes are composed of multiple, interacting elements that are not autonomous, but influence each other in a non-predictable way. (p. 397)

### **3.7 Dynamics in policy processes**

The final element in my framework is recognition of dynamics within policy processes. As well as implicitly or explicitly regarding policy processes as multi-participant human systems, some explanations pay particular attention to the existence of and nature of dynamics in policy processes. Bardach (2006) has undertaken a review of policy dynamics which he says is not a mature field or indeed a field at all within public policy study (p. 337). He discusses a number of dynamic concepts found in the literature including negative and positive feedback loops, emergent properties and developments which are discussed more fully below. He assumes that dynamics occur within systems, and secondly, that policy systems are open. Bardach is also of the view that the importance of dynamics in policy processes is less than that of, for example, institutionalised authority, interest group power, or interpersonal influence (p. 338).

Mayer et al. (2004) argue that policy processes are determined by context. They propose a model for looking at public policy processes which incorporates a wide range of activities and methodological approaches which they say should be selected depending on the context. They see their model helping in the design and analysis 'for policy' since design can be customised to the issue, context and purpose. They argue that policy processes are very difficult to define and describe because by their nature they are ambivalent and elusive. Their conceptual model accommodates a range of activities that make up different parts of the policy process because proponents and opponents argue from such different points of departure: what they are doing, why

they are doing it, and the limitations or richness of the discipline depending on the perspective. They argue that the design of policy analysis includes the intelligent, creative and innovative development of new methods and that the history of policy analysis is characterised by methods originating in one domain of activity being translated into effective applications in other domains.

### Feedback loops

Feedback loops, according to Bardach, alter the structure of the system. They do so by either positively reinforcing changes within or outside the system (positive feedback), or undermining or compensating for change with resulting inertia or resistance to change (negative feedback). Positive feedback creates new or emergent properties – a state that did not exist before the change. Bardach says ‘developments’ might be the more conventional everyday language term for emergence.

Positive feedback, according to Bardach, might also result in:

- partial fragmentation of an advocacy coalition following soon after counter mobilisation by its opponents
- the emergence of a functioning ‘interagency collaborative’ out of a combination of human and non-human assets hitherto relatively independent of one another
- a variety of momentum processes that go into the creation of electoral bandwagons, the construction of implementation networks, and the development of legislative consensus
- the ‘lock-in effect’ that hems in new policy by all the policies previously enacted with which the new policy must be reconciled.

Negative feedback can produce, for example, oscillations within certain, perhaps changeable, limits or ‘disequilibrating’ processes such as those brought about by reactions to a regime by regulatory change, significant spending changes, or reform movements (Bardach, 2006).

### History

Only a few theories about policy processes mention the history of changes which precede a particular event, sometimes referring to them as policy legacies. This

history is embedded in the experience, memories and prior learning of policy participants. Moreover, this history will determine the starting point for actors, and their perceptions and prior experiences can shape future actions. 'Path dependency' is used to convey that previous states of being will shape and determine future states. It is most frequently encountered in discussions of changes in political systems, (e.g. Kay, 2005; Mahoney, 2000). Bardach (p. 348) sees previous states as having both a constraining or 'lock-in' effect, and an opportunity enhancing effect. The base or starting point constrains departures from it, hence the lock-in effect. On the other hand the policy and the policy system, and its parts, might co-evolve.

#### Co-evolution and causality

Some scholars argue that policy processes involve bargaining, coalition formation and conflict with the result that they are not only complex but also unpredictable because many actors are trying to influence the processes according to their own goals (Klijn and Teisman, 1997). Wildavsky (1987, p. 15) notes that there are policy problems for which solutions cannot be articulated until they are solved, and therefore the articulation of goals and objectives of policy, can only be articulated in the most generalised high-level way. Solutions are found through interactive and reflexive policy processes where there is interaction and feedback loops between the processes, the policy and the problem.

In attempting to deal with social difficulties, public agencies propose programs that themselves act on the environment, thus becoming part of the problem with which they are supposed to cope. (Wildavsky, 1987, p. 43)

Because of the varying internal and external conditions, and unique organisational and network histories, each implementation is unique. Mischen and Jackson (2007) propose the use of concepts such as history, path dependency and feedback loops drawn from complexity theory to better understand policy processes.

The primary conclusion that can be drawn from the application of complexity theory to policy implementation is we can expect organizations and networks to adapt to changing policies. (p. 34)

Bardach also mentions that there are policy dynamics which do not involve feedback loops (2006, p. 357) because they unfold in only one direction. The explanatory concepts he employs for such dynamics are selective retention and filtering, and event cascades. The former involves ‘not merely passive variation and selective retention’ but also ‘a special kind of evolutionary process, therefore a filtering process’ (p. 358).

#### Origins of new ideas and behaviours

Thinking about policy problems and their solutions as discrete and sequential tasks in policy processes is problematic. Problem definition and implementation are not separate stages but two sides of a coin: inseparable, iterative and reflexive in the way they are articulated and achieved (Hill and Hupe, 2009). Bardach (2006) discusses the phenomenon of ‘policy as its own cause’ – the problems that policy seeks to address lie in internally generated causes brought about by previously implemented policies (p. 360).

### **3.8 Chapter summary**

This chapter has used a framework designed to highlight those aspects of existing theories which have taken account of social, interactive, and dynamic characteristics of policy processes. Explanations of policy processes have developed over the past 60 years to include an emerging, more ‘holistic’ view of policy processes, rather than a focus on parts. There is also recognition that:

- endogenous factors play a role in the causality of policy processes
- the nature of the problem and how it is defined in the policy processes is a causal factor
- policy processes consist of unpredictable, nonlinear interactions between multiple participants
- policy analysis ‘for’ policy occurs within policy processes, rather than externally to them.

These developments in explanations of policy processes are summarised below under:

- the ‘whole’ of policy processes

- policy problems and solutions
- multiple participants
- interaction within policy processes
- dynamics within policy processes.

#### Policy processes 'whole'

The 'stages' model is generally considered no more than a convenient label, and a heuristic device for teaching. There is an increasing focus on the interaction between the endogenous machinery of policy processes and the policy problems involved (e.g. Kingdon's multiple streams, and Sabatier & colleagues' advocacy coalition framework).

A more recent trend to consider policy processes as systems, and therefore holistically, is still developing, and nearly all the scholars cited make a point of saying more empirical work is needed. In a human social system view of policy processes, participants – as individuals and as part of institutions – interact in nonlinear, interdependent ways. There is an exchange of resources, ideas and information within policy processes, conceived of as a system, but also with the environment such that there is co-evolution occurring. The boundaries of such systems are open and fluid.

#### Policy problems and solutions

Theories have begun to focus more on the nature of policy problems and their solutions. Disaggregation of policy problems and artificial boundary setting are seen as more problematic than they once were. Lindblom and Dunn have identified the difficulties with rational comprehensive approaches to complex problems. Kingdon, on the other hand, saw more accidental opportunity leading to the marriage of particular problems and solutions.

There is emerging recognition that there is a class of problems which are multi-causal and very difficult to define, the information needed to understand them being highly fragmented and distributed. There is recognition in the scholarship of the past decade particularly that so-called 'wicked problems' require different processes for their solution and there is no one 'right' or 'best' solution.



The advocacy coalition theory acknowledged the plurality of perspectives on policy problems and how these might be accommodated in policy processes. Yanow's notion of 'meaning making' through policy processes, aligns with Weick's 'sense-making' idea encountered in the complexity theory discussion.

### Participants

There is a trend away from focusing on a sole rational decision maker or rational analysis 'for policy' and an increasing focus on the multiple governmental and non-governmental participants in policy processes. Lindblom recognised the effect of other participants on the 'rational process' and noted that selective 'strategic analysis' of differences in policy options and 'successive comparison' allows 'muddling through'. Since Lindblom, Simon, and Kingdon, participants are more often acknowledged as 'bounded' in their rationality. Individuals, acting as 'policy entrepreneurs', can have a significant influence on policy processes. The introduction of the concepts of policy communities and policy networks acknowledges the complex set of participants and interactions that are part of policy processes.

### Interaction in policy processes

Accounts of policy processes in recent years are more likely to focus on the interdependency of the interactions between participants continuously affecting each other unpredictably. It was noted in chapter two that such loose coupling is considered an inherent feature of human social systems.

Stone and Dunn are two examples of scholars who see social processes as a central element of policy processes and therefore they consider elements of those social interactions such as the use of power and emotion. In this respect they have features which are consistent with a social complexity view of policy processes.

Moreover, increasingly, there is consideration of horizontal interactions between participants, as well as the vertical institutional structures, influencing policy processes. Analysis 'of policy' focuses on the existence and contribution of these horizontal networks to policy processes, (e.g. Kickert, et al., 1997) and analysis 'for policy' focuses on the management of these horizontal processes, (e.g. Agranoff,

2007). In these accounts, policy making is complex, nonlinear and unpredictable because many actors are trying to influence the process according to their own goals.

#### Dynamics in policy processes

The final trend noted in the literature on policy processes is the acknowledgement of dynamics in policy processes. In earlier policy theories, processes and dependencies are more or less linear and predictable. More recent theories have considered dynamics of policy processes which are less deterministic and predictable. The actions of individual participants are contingent upon the actions of others as they influence and are influenced by each other. Such policy processes are seen as nonlinear and unpredictable, and experience dynamic phenomena such as feedback loops, emergence and co-evolution.

Although there is a trend towards theorising about policy processes as interactive, nonlinear, complex social processes, there is no one theoretical account that brings together all of the elements identified in the analysis in this chapter. Theories, it was said in the introduction, ideally provide assumptions about the behaviour of individuals, and explanations of the role of social and political structures, generating hypotheses of behaviour that can be of use in interpreting and understanding policy processes.

The next chapter sets out the methodology and research design through which an example of policy processes will be investigated empirically. The theories and explanations presented in this chapter will be cross-referenced in the discussion of alternative explanations developed through the analysis developed later in this thesis. The alternative explanations will draw on the complexity concepts explored in chapter two, to provide new perspectives which illuminate policy processes in ways that existing theories have not done.

# 4

## **Methodology and research design**

This chapter discusses the methodological assumptions and the research design. The first section discusses the ontological and epistemological nature of policy processes and their causality, drawing on the understanding and explanations of public policy processes examined in the previous chapter. Particular views of policy processes have implications for methodology and the research design to investigate and understand them. This section also discusses additional requirements for methodology and research design which, informed by the considerations discussed in chapter two, need to be met to reveal social complexity in policy processes.

This general introduction is followed by a more detailed discussion of the research design. The design includes the use of interpretative methods and narrative to investigate policy processes for further analysis. Issues regarding the specific example of policy processes chosen for the research, data collection and selection are also discussed. The chapter concludes with an overview of how the data have been analysed using themed composite narratives and a conceptual lens drawn from complexity theory.

### **4.1 Ontology and epistemology of policy processes**

Scholars have debated the nature of policy processes since the inception of their study in the 1950s. As discussed previously, some scholars have assumed that policy processes are concrete social phenomena, and therefore have fixed properties. As a consequence it follows that policy processes can be studied as an object and dissected into constituent parts to understand their make up and functioning, by an objective researcher (Howlett & Ramesh, 2003, pp. 21–32; Sabatier, 2007, p. 6).

This thesis adopts a different view of policy processes, drawing on scholars identified in the previous chapter who have recognised that policy processes are interactive

social processes involving many participants. Descriptions of such interactions between participants feature in the explanations of a range of scholars (e.g. Bardach, 2005, 2006; Kickert, et al., 1997; Klijn, 1996; Teisman, 2000; van Buuren & Gerrits, 2008), for whom human interactions are contingent on what went before. They are nonlinear and unpredictable. As a result of nonlinear social interactions, policy processes might exhibit phenomena which arise from the internal dynamics of the policy processes. Such policy processes are the subject of sense-making by many participants who may have a variety of perceptions about them and their meaning (Termeer, 2009; Weick, 1995, 2001). Study of policy processes which have been theorised as an array of complex social interactions between participants over time has implications for the epistemological approach, a conclusion supported by others, (e.g. Morcol, 2002; Patton, 2002).

A methodological approach is needed that can reveal ‘patterns of influence’ (Lincoln & Guba, 1985, p. 151) in the real world of policy processes – a world of many human participants, who are processing the ideas and the actions of other participants, interpreting and responding to them. Thus their various interactions with each other cannot be predicted at the outset. As a result of internal dynamism, policy processes and their participants will not be constant, adapting and evolving with their environment and time. Increasing the usefulness of the understandings about, explanations of, and predictions possible therefore requires methodological approaches designed to expose these patterns (Midgley, 2000; Richardson, 2007; Yanow, 2003, 2007a, 2007b).

The research aims to find out whether complexity theory might contribute new insights for the explanation and understanding of policy processes. Therefore it follows that the methodology and research design should be capable of exposing the phenomena associated with complex social systems. Chapter two summarised these phenomena. Their application as an analytical lens for reviewing the empirical data appears later in this chapter. Complex systems need to be seen holistically because the sum of the parts will be less than the whole. There are many human ‘actors’ in complex social systems and they are involved in the mutual shaping of any particular event, and each event happens under its own unique circumstances. The

methodological approach has to uncover a kind of pattern and order which is dynamic and not predictable (Bohm & Hiley, 1993).

Overman (1987, 1996) notes five principles that need to be taken into account in research designed to obtain knowledge of complexity:

- classical dichotomies are conceptual illusions – complementarity
- we cannot know the present in all its detail – uncertainty
- there is no independence of observer from the observed – measurement problem
- action-at-a-distance – non-local causation – exists and complements traditional notions of causality
- we are capable of participating in and becoming the reality in which we live – participatory collusion.

Values also need to be considered in the research design. According to Guba and Lincoln (2005), values impinge on every inquiry and can affect it through: (a) the values of the inquirer; (b) the values which undergird theories being used; (c) the values assumptions in the methods used; and (d) general cultural values. This research design needs awareness of all four.

These assumptions of the nature of policy processes and general methodological principles have been employed to create a ‘purposive structure’ between the researcher and the policy processes being investigated which is the research design (Lincoln & Guba, 1985, p. 152; Schwandt, 1994).

## **4.2 Research design**

The research design distinguishes three interconnected and overlapping worlds each with many interacting participants. The first is the world of public management – the world of governments, ministers, analysts and administrators of government policies. Second, there is also a tertiary education world, in which policy is seen in-action. This world consists of tertiary education organisations (industry training organisations,

institutes of technology and polytechnics, universities, wananga, and private training establishments), students, teachers, trainers, lecturers and researchers, and the processes of producing learning and research outcomes. These two worlds are distinguished from a third, policy processes world, which is shared by people from the other two worlds. The research focus is on this third tertiary education policy processes world, and the patterns perceived by the people who met in this world. Participants in these policy processes have been interviewed to gain their insights into their experiences and understanding of them.

Tertiary education in New Zealand per se is not the focus of this research and familiarity with the tertiary sector and the intricacies of policies for tertiary education is not needed. Key policy decisions affecting tertiary education between 1990 and 2008 are summarised in 5.1 and Appendix 2.

New Zealand's tertiary education policy processes world is relatively small and easily identifiable. The participants are from the public management world – ministers, their policy analysts and advisers, other political actors, bureaucrats and administrators – and from the tertiary education world – CEOs and governors of tertiary organisations and their employees, students and organisations which act collectively for sub-groups of participants. Although the boundaries of the policy processes world are open and permeable, the membership is relatively stable. People other than those described join this world occasionally. It is also common for a single individual to have played more than one role in this world over time.

Policy processes are interactive social processes, dynamic internally and over time. While they are real, they exist in the minds of those who participate in and observe them and there is not a single coherent truth about policy processes to be found. Therefore they are difficult to observe and study and, because of the limitations and framing of these observations and analyses, there will only ever be a partial picture, drawn from several perspectives. The research design has sought to overcome this difficulty by incorporating the multiple perspectives of many participants to get as full a picture of policy processes as possible, and to offset as much as possible the unavoidable 'biases' of the researcher's prior experiences.

The research has gathered the perceptions and experiences of a wide range of participants through narratives of their participation in and observation of policy processes. A version of reality is 'enfolded' in each interviewee's narrative, and a more generally recognisable form is achieved when each of these individual realities is layered on each other, somewhat like the image formed by the multiple light beams that make up a hologram image (Bohm, 1986). The intention is to build up an image of policy processes by superimposing the perceptions of multiple participants – each of which is its own 'whole' – to construct a multi-perspective view, which is capable of incorporating the participants' social interactions and dynamism, to gain a fuller understanding.

Each participant has described their selection of perspectives and aspects of their experience of policy processes such that each narrative can be viewed as another beam of light, rich with understanding of policy processes. The empirical analysis superimposes these to form a more complete image. Recalling Plato's cave, I have developed a metaphor to describe this research design:

There is a house, called the 'tertiary education policy process' house. It is not a traditional bricks and mortar house because it can take on different forms and locations although it is nevertheless real. It has windows which let one see into rooms inside. As researcher, I am mostly outside the house and can look through the windows to discover what goes on inside.

Many people visit this house, including myself on some occasions. When people visit they might encounter some of the other people and they can describe parts of the house but probably never all of it. From the outside, there will be some rooms that one cannot look into and one can only ever know what that room looks like and how people behave and interact in that room by what people who have been there tell you.

To know about this house and the people who visit it – what they think and do while visiting, and as a result of their visits – I can do a number of things. I can try to look in all the windows and describe what I see, and what has been written about the house. However, what I see and can know is limited. There

are rooms that different people enter, there are exchanges of words and ideas in these rooms, and when people emerge from these rooms they may or may not act differently as a result of what happened in the room. Those present in the room at a particular time might not agree on what occurred.

I am assuming that if I look through all of the windows I can find, often, and try to capture the experiences of as many of the visitors to the house as I can, developing an image built up as the light beams in Bohm's hologram, I will come to have a fairly full and accurate representation of the house and its people. I will come as close as it is possible to knowing this 'tertiary education policy processes' house and forming an understanding of it.

This metaphor makes clear that the research method needs to iterate empirical and theoretical data continuously in the process of data collection and analysis. In the first analysis, three complementary, interpretative explanations of policy process were built through the iteration of empirical data, informed by ideas about policy processes in the literature. In a second analysis, a framework of concepts from complexity theory was applied to these initial interpretative explanations, to build a complexity theory-informed explanation. Finally, this complexity-informed explanation is compared with existing theories and explanations of policy processes for the new insights and understanding gained from their use.

Specific activities involved in the research method include:

- identification of concepts in the complexity theory literature about human social systems and organisations which might have relevance to the understanding of public policy processes (see chapter 2) – these concepts are used to form a new analytical lens through which to view empirical and theoretical accounts of policy processes
- review of existing theoretical explanations of public policy processes to gain an overall appreciation of the current state of theory and concepts about policy processes (see chapter 3) – these theoretical concepts and explanations help to frame the empirical data during data collection and analysis



- construction of a chronological scaffold of tertiary education policy processes by reference to documents and research related to tertiary education policy processes to assist interpretation of the empirical evidence (see section 5.1)
- interviews with tertiary education policy participants to gain their perspectives of policy processes – these provide the empirical basis for considering the multiple perspectives of policy processes described above
- analysis of individual narratives in the interviews, and iterative building of composite narratives based on themes found in individual narratives (see sections 5.2, 5.3 and 5.4)
- development of an inductive, interpretative explanation of tertiary education policy processes using the complexity lens (chapter 6) and comparisons with existing theory and scholarly views of policy processes (chapter 7).

These activities are not discrete or linear and the method followed is described more fully below.

#### Data collection

The current state of theory and explanations of public policy processes became a reference point against which the empirical data gathered from people participating in New Zealand's tertiary education policy processes could be compared and contrasted through analysis during interviews, and subsequently.

Interviews were held with members of the tertiary education policy processes world – a policy community – to obtain a wide and comprehensive range of perspectives about the tertiary education policy processes. The parts of this policy community are identified in Table 4.1 along with the number of interviews held with people representing each part. Data were gathered by means of conversational interviews to enable participants to describe their experiences and observations in their own words and from their own perspective. This choice also helped to minimise the intrusion of the researcher's prior knowledge (Patton, 2002).

Table 4.1: New Zealand Tertiary Education Policy Community

<b>Policy community parts</b>	<b>Membership</b>	<b>Interviewed</b>
<b>Government</b>		
	Cabinet / Executive	ministers (3)
	Parliament	MPs (3)
	Education and Science Select Committees	–
	Ministerial advisers	(3)
	Ministerial private secretary	(2)
<b>Government Agencies</b>		
	Education and Training Support Agency (ETSA). also known as Skill New Zealand	–
	Ministry of Education (MoE)	CEO (1) manager (3) policy analyst (3) funding manager (1) monitoring analyst (2)
	New Zealand Qualifications Authority (NZQA)	board member (1) CEO (3) policy manager (1)
	Tertiary Education Commission (TEC)	board members (6) CEO (2) policy manager (1) funding manager (1) monitoring analyst (2)
	State Services Commission	policy adviser (1)
	Treasury	policy manager (1)
<b>Non-statutory bodies</b>		
	Tertiary Consultative Group, 1992–99	chair (1) members (9)
	Tertiary Education Advisory Commission (TEAC), 2000–02	chairs (2) members (5) secretariat (3)
	Transition Tertiary Education Commission (T TEC), 2001–02	chair (1) members (5) senior policy analyst (1)
	Tertiary Consultation Committee, 2002–06	chair (1) members (13)
<b>Tertiary education organisations</b>		
	40 Industry Training Organisations	ITO directors or CEOs (3)
	20 Institutes of Technology and Polytechnics: 20 CEOs, 20 councils	chair (1) CEO (6)

	8 Universities: 8 chancellors, 8 vice chancellors, 8 councils	chancellor (1) vice chancellor (3) senior managers and academics (10)
	3 Wananga: 3 CEOs and 3 councils	chair (1) CEO (1)
	400 Private training establishments	CEO or director (6)
<b>Sector 'umbrella' bodies</b>		
	Industry Training Federation (ITF)	(8)
	Institutes of Technology and Polytechnics New Zealand (ITPNZ)	(9)
	New Zealand Vice Chancellors Committee	(4)
	Te Taihiti o nga Wananga (national association of wananga)	chair (1) member (1)
	NZ Association of Private Education Providers (NZAPEP)	executive (6)
	Independent Tertiary Institutes (ITI)	–
	Pacific Island Tertiary Education Providers if New Zealand (PITPONZ)	–
	Association of Maori Providers of Training, Education and Employment (AMPTEE)	–
<b>Quality assurance bodies</b>		
	Approvals, Accreditation and Audit (a unit of NZQA)	(1)
	Committee on University Academic Programmes (CUAP)	(2)
	Universities Academic Audit Unit	(1)
	Institutes of Technology and Polytechnics Quality (ITPQ)	(2)
<b>Unions</b>		
	Student Unions: NZ University Students Association (NZUSA) Aotearoa Tertiary Students Association (ATSA)	president (2) analyst (3)
	Tertiary staff unions: Association of University Staff (AUS)	president
<b>Other bodies</b>		
	Political parties	member and policy committee (2)
	Business New Zealand	policy analyst (1)
	Industry Associations	member (2)

Interviewees were selected using a 'snowballing' technique. People known to have been active in the set of policy changes that began with a change of government in November 1999 were identified through the researcher's personal knowledge of the policy community. Others were added as they were identified by members of the community as interviews progressed.

Interviewees were given background information on the research (Appendix 3) and asked to consent to recording of the conversation, consistent with the researcher's human ethics committee approval.<sup>3</sup> The opening prompt was to ask interviewees to talk about their experience of policy processes in tertiary education. Interviewees

<sup>3</sup> The interview approach was submitted to Victoria University's Pipitea Campus Human Ethics Review Committee for approval which was granted in June 2007.

generally chose their own starting point; however, if a further prompt was asked for, then the recent set of changes which began with the election of a new government in 1999 was suggested. This approach was chosen so that interviewees would have the maximum flexibility to (re)construct their experience of the policy processes (Abma, 2007; Hyvarinen, 2008; Riessman, 1993) and link events together in a way that made sense to them.

Interviewees (re)constructed the reality of their experiences of policy processes in the stories that they told. The individual narratives are a 'representation' of the actual experience, with the interviewee making some features of the actual experience discrete by their collection from their own stream of consciousness, reflecting, remembering and recollecting them into observations. These observations are laid out in the conversation in ways that are shaped by cues from the listener involving the listener in the construction of the narrative (Lemert & Branaman, 1997; Riessman, 1993).

The first dozen interviews were used to test the method and identify the need for any adjustments in the approach by seeking feedback from the interviewees. The approach was found to be satisfactory from the perspective of both the researcher and the interviewees, and therefore was continued. A diary note was made by the researcher after each interview to document impressions and comment on themes covered in the interview. Gaps and contradictions were identified from the researcher's memos, which were followed up in subsequent conversations. As time went on, it was possible to introduce perspectives gained from other interviewees' narratives that seemed different, and seek corroboration, contradiction, or further insights. In this way, each conversation was used to draw out further perspectives and to gain a better understanding of the particular event or process being described. Interviewees suggested other people who should be interviewed because of their role, or their particular perspective, which were followed up. In this way, the range of interviewees was gradually widened and deepened to the point where no new participants were named.

The interviews took place between June 2007 and November 2008. The aim was to get to a 'saturation' of interviewee interpretations of policy processes. Saturation

occurs when the question marks and gaps in the narratives have diminished to the level where there are no new perspectives and the overall story, at a thematic level, is consistent (Charmaz, 2008; Glaser, 1992; Glaser & Strauss, 1967). In all, 65 people, identified as participants in the tertiary education policy processes at some time between 1991 and 2008, recounted their experiences.

The majority were in lead roles in some part of the sector during the most recent period of policy reform from 2000–07 and a significant number had more than one role over the period. For this reason the numbers in table 4.1 appear to be higher than 65. A few people interviewed were not active in this period but were interviewed because others frequently referred to their significant role in introducing the policies that had shaped the sector to that time. Some of these policies were being changed by the processes that took place between 2000 and 2007. Four people declined to be interviewed. As a result, perspectives they might have contributed were revealed only through others, who reported their conversations with them about the policy processes, or spoke about them in some other way.

Because I had been a participant in the policy processes myself, as a group manager in the Ministry of Education from 1994 to 2005, I was aware of perceptions I had from my own experience. I did two things to manage the potential for dominance of these. Firstly, the people chosen for my initial interviews were from the tertiary education policy-in-action world – people whose experiences were most likely to have been different from my own. The second was to use the interview conversation to explore gaps and differences in perception. For instance, if an interviewee did not mention some aspect I thought they might have knowledge of, I would ask them about it; if they made a point or an observation that was different from my own perception or what others had said, I put the alternative view and asked for comment. Diary notes made after each interview were followed up in subsequent interviews, thus iterating perceptions to gain better understanding.

Policy documents relating to the processes and the submissions made by various actors at the time were treated as supplementary background data – an additional set of stories told at the time they were written, with a particular objective or purpose. A full discourse analysis of the policy documentation has not been undertaken. This is

because the research question, the methodological stance and research design are seeking to understand the dynamics of policy processes as interactive social processes and this is more difficult to detect through analysis of documents than through the method chosen. Reference was made to documentation mainly to establish sequence and dates, and furnish details absent from the interviewee narratives.

Data gathering in this research was not a linear process and was driven by the inductive, interpretative method being employed. It continued to the point where the overlaps and consistencies (saturation) in the stories being told began to emerge as a more thematic and abstract story based on the cumulative experiences of participants (Charmaz, 2008; Glaser, 1992). While not every member of the policy community was interviewed, the collective overlaps and differences in their stories provided the depth, breadth and saturation of perspectives to enable them to be retold as themed meta-narratives.

#### Analysis, identification of themes, iteration and testing

The recorded conversations were listened to more than once and transcribed for ease of reference and re-reading. At each pass, themes were identified and gradually refined. Hesitations, emphases and gaps were noted during transcription along with any reflections on the narrative from the researcher's perspective, or cross-referencing of different perspectives from other interviewees. Even though interviewees referred to the same events, each story emphasised some different aspects or new perspectives. Themes slowly emerged. Silences, gaps and anomalies were gradually filled in.

Interviewees' stories covered periods of time and specific events within the tertiary education policy process. The time-span of interviewees' narratives is not problematic in the context of the purpose of this research, and the view that policy processes have no beginning and no end (Haynes, 2008, p. 402). Each interviewee chose a reference point of relevance to them and wove a story forwards, and backwards, in time, linking actors, events and processes. Although interviewees were asked to recall events that had already happened, it is assumed each person will have experienced these events differently at the time they happened (Abma, 2007; Goffman, 1967; Riessman, 1993). Each participant's experience in real time, and their recall, will always be a matter of

reconstruction and representation and there will be multiple perspectives on what occurred no matter how recent the events.

Individual narratives were ‘punctuated’ by cross-references between actors, events, ideas and processes. They frequently said things like ‘to talk about X, I need to go back to Y’ or they ended with ‘X only happened like that because of what happened earlier’. Interviewees also talked about organisations as institutional ‘actors’, as well as about individual people in the organisation. Organisations were revealed to have characteristic concerns and ways of operating.

Consistent with an interpretative approach, themes were allowed to emerge from the individual narratives, written or spoken. It was almost impossible to avoid some preconditioned awareness of potential emphases such as the ‘participant’ influence and the role of the institutional entities. More subtle themes in the data emerged slowly through the iteration of interview data and existing theoretical concepts.

There are challenges in the representation of such rich narrative data. There is also a risk that the stop-start style of oral stories of personal experience get pasted together into something different (Riessman, 1993, p. 14). Presenting all the narratives as told is not feasible because of the sheer volume of data and selection of any one way to represent interviewees’ stories would be inadequate. I have elected to deal with this dilemma in two ways.

First, I have used the narrative form to retell the interviewees’ stories, relying heavily on interviewees’ words. Interviewees are identified by role and sector only because further identification would be an unhelpful distraction to the content. Minor cosmetic changes have been made to grammar in the quoted material to make spoken words more readable. An ellipsis shows omitted material not related to a particular theme.

Second, I have used the themes which emerged from analysis of the individual narratives combined with three dominant themes found in the policy processes literature, to organise three composite narratives, each one emphasising a different stance to expose different aspects of the interviewees’ stories. The final three composite narratives (5.2, 5.3, 5.4) are the product of much iteration between the

individual interviewee narratives, and the emerging composites, as they were formed. Overall, the three composite narratives drew from all the 65 participants' narratives and reflect the different perceptions heard. They represent what 65 participants have to say about policy processes from the perspective of:

- individual participants in the policy processes and their relationship to events and decisions which took place between 1990 and 2008
- organisations in policy processes, their issues and characteristic ways of working which are part of the policy processes
- the concepts and ideas around which the policy processes were shaped and enacted.

Because of the overlap of the three chosen themes with lenses found in the policy processes literature, they also represent what it might be possible to see in the data with these well theorised lenses.

### **4.3 Complexity-informed analytical lens**

An understanding of tertiary education policy processes began with the analysis phase and the construction of the three composite narratives described above. When Allison used three different narratives to help understand and explain the 1962 Cuban missile crisis, he talked of 'taking a walk around' the area under scrutiny, 'pausing at certain vantage points' (Allison, 1971). Like Allison, with the three composite narratives introduced above, I am looking at events that happened in the past to gain an understanding and explanation of the policy processes from different vantage points. The three narratives represent three ways of seeing commonly found in the existing policy processes literature.

Having developed the three composite narratives, it is necessary to consider how concepts from complexity theory could assist in providing a new perspective for the understanding and explanation of policy processes. This is done in chapter six, using the complexity analytical lens based on concepts from complexity theory described in the summary of chapter two. The elements of this lens are identified in Table 4.2.



Chapter six uses this complexity analytical lens to take another look at the three composite narratives as a whole. This complexity perspective does not lose sight of participants, organisations or ideas in the thematic narratives. However, it takes a new holistic perspective, highlighting patterns not seen through other lenses and exposes them in a way that enables new understanding and explanation of policy processes.

In the conclusion, this new complexity lens view of policy processes is summarised and points of consistency and difference with existing theoretical views are highlighted. The generalisability of the explanations developed through this research design is constrained by the methodological stance developed for this thesis. The researcher is not an external observer and the policy processes are not objects which can be fully and reliably described. Guba and Lincoln (1985) view every observation as constructed through interactions between the observer's purpose and the phenomenon observed:

Many elements are implicated in any given action, and each element interacts with all the others in ways that change them all while simultaneously resulting in something that we, as outside observers, label as outcome or effect.

Returning to the earlier reference to Bohm's hologram built of many perspectives and Alison's 'walk around' to 'view from different vantage points', the complexity narrative presents a way of seeing policy processes to assist understanding and explanation. Furthermore, it provides new insights into how these processes might be managed, and researched.

Table 4.2: Complexity analytical lens

<b>Complexity Elements</b>	<b>In tertiary education policy processes, to what extent do we see:</b>
System ‘whole’	<p>Many interacting parts, with an interactive and interdependent dynamism between the parts, such that the ‘whole’ cannot be understood as the sum of its parts, or reduced to its parts to assist understanding.</p> <p>The ‘whole’ behaves as a system resulting from the interaction between parts.</p>
Open systems and socially constructed boundaries	<p>Policy processes are open, undergoing changes in composition, and exchanging people and ideas with their environment.</p> <p>The boundaries of systems are socially constructed and there is more than one perspective.</p> <p>Paradoxes are apparent and ‘sense-making’ techniques are needed.</p>
Nested, interacting systems	<p>More than one system in interaction with other systems. Many complex systems are nested within larger complex systems, within still larger complex systems, and so on.</p> <p>Nested systems showing ‘self-similarity’ because the characteristics identified at one level of the system are also present in the whole.</p>
Multiple, interactive parts, creating ‘feedback’ mechanisms within and between systems	<p>Dynamics arising from each element that makes up the system being influenced by, and in turn influencing, each other constituent – feedback loops.</p> <p>Organisation of positive and negative ‘feedback loops’ around ‘attractors’.</p> <p>Changes in feedback loops or attractors resulting in further changes, including destabilising change.</p>
Adaptation and co-evolution within and between systems	<p>Changes in the environment (external) leading to changes internally in response, which, in turn, brings about further changes in the environment. As a result there is mutual influencing and adaptation</p>

	<p>of the system and its environment.</p> <p>What is regarded as environment and what is regarded as internal is a matter of artificial or socially imposed reference points. Environment, therefore, can be part of the system 'whole' depending on the placement of artificially constructed boundaries.</p>
Stable but not in equilibrium	Stable states are maintained by a variety of 'feedback loops'. Change or instability can be disproportionate to the stimulus.
Self-organisation and emergence	'Emergence' of new patterns through 'self-organisation' of the elements of the system which is operating far-from-equilibrium.
Starting points and history	<p>The history of the system influences its starting point for any change.</p> <p>'Path dependencies' are created where existing 'negative' feedback loops undo externally imposed change or limit what happens next.</p> <p>Stable patterns form around a small number of strong attractors, and unstable patterns result from multiple, weak attractors.</p>
Policy problems and solutions	<p>Policy problems in complex social systems that are difficult to define because they are multi-causal, and there are many perspectives on their origin and solution.</p> <p>The information needed to understand problems and their solutions is fragmented and distributed such that no one person has all the information needed.</p>

# 5

## **New Zealand tertiary education policy processes 1989–2008**

The first section of chapter five is a factual account of the policy events that took place from 1989–2008. It forms an introduction and chronological scaffold for the three narratives that follow. The second, third and fourth sections are composite narratives constructed around themes, using the method described in chapter four, from the information provided by interviewees, who were all participants in these policy processes.

### **5.1 Five periods of policy change in tertiary education**

The New Zealand government is a funder and regulator of tertiary education. A background paper written to inform a 2006 OECD review of tertiary education in New Zealand noted that policy processes to determine government’s policies for this sector had undergone four major periods of reform since the late 1980s when the New Zealand state sector was structurally reformed, as described in chapter one (Ministry of Education, 2006b). A fifth round of reforms, which took place in 2006–08 after the OECD review, has been added, adopting the same format used in the 2006 paper (Ministry of Education, 2008). The dates in the OECD paper identify when the policy changes came into effect. More extended time periods appear in the narratives in 5.2–5.4 because they cover aspects of the origins of policies, decision making, and implementation that span longer periods. The five periods of reform, and the policy areas they affected, are briefly described here, and they are also summarised in tabular form in Appendix 2.

### ***Reform period one: 1989–1990***

New legislation for the regulation and funding of tertiary education was passed in 1990 following an extensive review process. Each tertiary subsector (universities, polytechnics, teacher education, and industry training) had been the subject of reviews in the 1980s, without significant policy changes resulting. In 1988, following changes in state sector and public finance legislation which took place as part of wider public sector management reforms, the government initiated a review of education sector administration. It also initiated a review of all post-compulsory education and training which included education in tertiary institutions such as universities and polytechnics, and workplace training, apprenticeships, adult foundation learning, transition from school to work or to tertiary programmes, and community education (Hawke, 1988; Taskforce for the Review of Education Administration in New Zealand, 1988). The government responded to the recommendations of these two reviews with two policy statements called *Learning for Life* (Goff, 1989; Lange & Goff, 1989), which summarised the government's policy position and decisions which were then put into the enabling legislation. Hawke and *Learning for Life* both defined tertiary education as all post-compulsory education irrespective of where it was happening. That definition persisted and is widely accepted.

The policy changes created four new government agencies for the public administration of tertiary education: the Ministry of Education with responsibility for policy and delivery of funding to universities and polytechnics; the New Zealand Qualifications Authority (NZQA) with responsibility for regulation of the quality of all qualifications in New Zealand; the Education Training and Support Agency (which later became known as Skill NZ), to administer funding for workplace, adult foundation, and skill-based education and training programmes; and Career Services to provide career advice and guidance to people in transition from school to work and tertiary education. The Education Act delegated the responsibility for quality assurance in universities to the New Zealand Vice Chancellors Committee (NZVCC), acting under the overall policies approved by NZQA.

These new agencies replaced the functions of the former Department of Education and the Universities Grants Committee (UGC) (Butterworth & Butterworth, 1998).

The institutional pattern is consistent with the model adopted for all public sector management after the state sector changes in the late 1980s. The policy ministry reports directly to the minister and the operational agencies are controlled by boards appointed by the minister. This pattern assumed a policy and implementation split between the agencies which often created tensions between the agencies because the split was rarely clear (Whitcombe, 2008).

The policy changes also made the public tertiary institutions (universities, polytechnic, wananga and colleges of education) autonomous entities with a governing council consisting of some members appointed by the minister and others elected or appointed to cover various constituencies such as staff, students and employers. These institutions received public funding via the Ministry of Education through a new bulk funding formula which used the same metrics for all providers: the equivalent full-time student (EFTS), a cost category for each course, and a measure of the amount of education substance in the course, called the EFTS-value or the credit-value. Institutions were allowed to charge a standard tertiary fee set by the government.

The tertiary sector in 1990 was different in several respects from the one that existed in 1999, when the new Labour government assumed power, and today. There were seven universities (now eight because of the reclassification of Auckland Institute of Technology as Auckland University of Technology in 1999), each formerly with their own separate Act of Parliament. Although each university was autonomous, up until 1990, the UGC acted as an intermediary body to allocate funding from the government, and administer scholarships and various other functions on behalf of the universities.

Twenty-five separate polytechnics (now 20 separate institutions because of mergers) and six autonomous colleges of education (now none because each has been incorporated into a university), were created in 1990 as autonomous institutions, each with a governing council, some members of which were elected and others appointed by the minister. This was a change from the former arrangement in which these institutions were run from a section of the Department of Education, and their heads were employees of the department, under its control.

The 1990 legislation made provision for the establishment of wananga as public institutions,<sup>4</sup> eligible for the same student funding arrangements as the other three types of institutions already mentioned. Each of these types of public institution (universities, polytechnics and wananga), has a chief executive officer who employs all staff, academic and non-academic, and a governing council. The Education Act gives these institutions:

as much independence and freedom to make academic, operational, and management decisions as is consistent with the nature of the services they provide, the efficient use of national resources, the national interest, and the demands of accountability. (Education Act, 1989, s. 160)

The Act also recognised private tertiary education (PTE) providers that could meet the requirements of registration and course approval. The number and diversity of these providers has changed over the years. Up until 1990, many private education providers were funded through the Department of Labour to deliver youth training and employment skills training programmes.

In 1990, the NZVCC already existed as a collective of the seven vice chancellors (eight since 1999) and this body gained statutory functions in respect of quality in the university sector. On matters of collective interest to the university sector, NZVCC acts on behalf of all the universities.

The other groups of institutions also established ‘umbrella bodies’ to speak for them on matters of collective interest – Institutes of Technology and Polytechnics of New Zealand (formerly the Association of Polytechnics New Zealand); a national association of wananga – Te Taihū o nga Wananga; Association of the Colleges of Education; the National Association of Private Education Providers; and organisations representing independent tertiary institutions; Maori private providers; and Pasifika private providers.

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<sup>4</sup> Maori tertiary institutions, embracing ahuatanga Maori (tradition), and tikanga Maori (customs).

### ***Reform period two: 1991–1997***

The set of policy arrangements in *Learning for Life*, begun under a Labour government (1984–90), were continued when the government changed in 1990 to a National government. That government added a student loan scheme, a recommendation of the Hawke report. The standard tuition fee was abolished and institutions were allowed to set their own fees. Students have always paid fees to attend tertiary institutions in New Zealand, but since the 1990s they have become a more contested feature of policy.

At the same time that student tuition fees were deregulated, the system of student allowances for all students studying full time was severely curtailed and means-tested on parental income up to age 25. This change made allowances available only to students whose parents' taxable income was under a low threshold. There have been annual cost-of-living adjustments to the threshold, and more recently, slight relaxation of the income eligibility thresholds. In 1992, a differential student tuition subsidy was introduced for students moving to tertiary education from school (Studyright) compared with older students (Non-Studyright).

The industry training policy was developed to encompass the former disparate apprenticeship and training programmes and the Industry Training Act became law in 1992. It created a new framework for the funding of apprenticeships and work-based training under the industry training umbrella. These were linked to a single set of quality and qualification arrangements, the National Qualifications Framework, overseen by NZQA, already established under the Education Act, 1989. Industry training organisations (ITOs) were formed, responsible for the development of qualifications and for the arrangement of training for people working in the industries they represented.

Following an Education for Enterprise Conference, held in 1992, that talked to people beyond the tertiary education sector about education outcomes, *Education for the 21st Century* (Minister of Education, 1994) was published as a statement of government strategy for the education sector. It included goals for tertiary education participation.



Government money for tertiary education increased each year from 1991 to 1997 to accommodate rising enrolments. Some adjustments were made to funding rates and those for teacher education were reduced substantially. The nominal value of the EFTS funding was not subjected to an annual adjustment for inflation, causing its real value to decline from its introduction in 1991 to 1999. Student fees set by institutions began to rise each year from 1991 (Ministry of Education, 1999, p. 59). A Ministerial Review Group was convened to examine tertiary resourcing issues. It focused particularly on the cost of tertiary education and to what extent it should be shared by those receiving tertiary education: often referred to as the ‘user pays’ debates.

### ***Reform period three: 1997–2001***

Following an election in 1996, and the formation of National-led coalition government under MMP, there was a change of minister. Pressure was mounting for adjustments to the policy settings in place since 1991. There was political pressure from students for more universal student allowances. Institutions wanted higher levels of subsidies for some courses, particularly those covering the trades, practical sciences and engineering (Green, 2005). The new minister initiated a policy review of tertiary education. This review took place during 1997 and 1998 in two phases. First there was wide-ranging identification of issues and a range of options for their solution. These were published as a report, generally referred to as the ‘green paper’ (Creech, 1997).

Submissions on the green paper informed a subsequent government policy report, including indicative legislation, published in late 1997 (Creech, 1997). This report was usually referred to as the ‘white paper’. The policies promulgated included lifting the cap on the number of funded students each so that every student enrolled in a course leading to a quality-assured qualification would receive a government subsidy. This was implemented in 1999. Private training providers which had previously been funded through a separate funding pool were promised funding for student tuition subsidies under the same arrangements as the public institutions. This came into full

effect in 2000. The indicative legislation provided in the white paper was not introduced to parliament and never became law.

There was a change of prime minister in 1997. The government became a minority in 1998 following a breakdown in its coalition arrangement. The he minister responsible for tertiary education, changed in early 1999, which was an election year. During 1999, the government consulted widely on what needed to be done to stimulate New Zealand economic development. The discussion and options included the role that tertiary education might play in innovation and economic development. The election in October 1999 saw a change to a Labour-led, minority government, in November 1999. The new government quickly set up a Tertiary Education Advisory Commission (TEAC) to advise it on future directions for tertiary education. It also moved to limit student fee rises through an arrangement that increased institutions' funding provided that they agreed not to increase student fees. Changes were also made to the student loan scheme to allow for students' loans to be interest free for the period in which the student was studying.

#### ***Reform period four: 2002–2005***

Over four reports in 2001–02, TEAC made a total of 194 recommendations which included:

- the creation of a permanent tertiary education commission as a new government agency to allocate government funding to tertiary education
- the creation of a tertiary education strategy and statement of tertiary education priorities to ensure better alignment with national priorities
- a system of charters and profiles to help the commission influence the direction of tertiary education organisations and to improve alignment with the strategy the separation of research funding from funding for teaching and learning.

Amendments were introduced to the Education Act in 2002 to give effect to the TEAC recommendations, and enabling the creation of a new government agency, the

Tertiary Education Commission (TEC) and the disestablishment of Skill NZ at the beginning of 2003. Provision was made in the legislation for a performance-based research fund, and a regime to regulate the increases an individual tertiary institution might make to student tuition fees. The government also developed and promulgated the Tertiary Education Strategy 2002–07 as a five-year statement of direction for the tertiary education sector.

The government released a policy document *Excellence, Relevance and Access* (Ministry of Education, 2002) to outline its new approach. It drew elements of existing funding policies into an ‘integrated funding framework’. It included funding for teaching and learning (which incorporated the former student tuition subsidies paid to institutions for all enrolled students), funding for research, and targeted funding through a Strategic Development Fund. The interim fee stabilisation arrangements put in place in 2000 were replaced in 2003 by a new fee and course-cost maxima (FCCM) policy which set maximum limits within which institutions could increase student tuition fees without specific approval of an exemption by the Tertiary Education Commission.

The performance-based research fund (PBRF) was developed and the first quality evaluation process for funding allocation was held in 2003. The exercise was repeated in 2006 after a preliminary evaluation and fine-tuning. The next assessment exercise will not occur until 2012.

Interest-free student loans were extended to apply to all people living and working in New Zealand.

### ***Reform period five: 2006–2008***

There was an election in October 2005. A Labour-led, minority government was returned for a third term with confidence and supply agreements with minor parties. There was a change of minister responsible for tertiary education. Work begun before the election on a new approach to funding was quickly progressed. Legislation was

introduced and passed during 2006–07, clarifying the roles of the relevant government agencies, removing the need for charters and profiles, and introducing the need for an investment plan agreed annually with the Tertiary Education Commission, as the basis for funding of tertiary education organisations.

TEC took the lead on specific funding policy development and the Ministry of Education took a more macro policy and monitoring perspective, taking into account other areas of government policy development. Funding for tertiary education providers through the investment plan now had two components: the student activity component (SAC) and a component made up of amounts specific to a particular tertiary education organisation and its type (e.g. university, polytechnic, wananga), called the tertiary education organisation component (TEOC). The first investment plans were negotiated between TEC and each tertiary education organisation in 2007 for the 2008 academic year.

#### Policy processes

Participants in the tertiary education policy processes come from government and its public management agencies, the tertiary sector education organisations (universities, institutes of technology and polytechnics, wananga, private training establishments and industry training organisations), and also from the so-called ‘umbrella’ bodies formed to represent the interests of each subsector constituent. These elements which have been called the tertiary education policy processes community were identified in Table 4.1, p. 68–69.

The above summary of the main policy issues 1989–2008 does not help us to understand the internal dynamics and causality of the policy processes involved; how these issues and not others were on the agenda; how decisions were made; or how policies were implemented and the effect they had. Explanation and more effective approaches to analysis ‘of’ existing policy and analysis ‘for’ new policy, as discussed in chapter four, requires a lens to expose the internal dynamics of these processes.

The narratives which follow in sections 5.2, 5.3 and 5.4 tell the story of these five reform periods as they were experienced by the 65 participants interviewed. Each narrative has a particular perspective. Section 5.2, tells about the main participants in

these five policy reforms. Section 5.3, concentrates on the organisations that make up the tertiary education policy processes community. Section 5.4 follows the ideas that were prominent throughout the policy processes. Reform periods four and five receive more attention as they were the most recent policy processes in the experience of interviewees.

## 5.2 Narrative one: Participants' performance

Narrative one introduces the most mentioned individual participants in tertiary policy processes, the roles they played, and actions attributed to them. The narrative is ordered chronologically, identifying the eight ministers who, in turn, were responsible for tertiary education. This is a pragmatic, structural device to span the policy reforms from the late 1980s until 2008.

There were two changes of political leadership of government. After defeating a Labour government, the National Party governed alone and in coalition from 1990–99. The Labour Party also governed in coalitions, and through agreements with other parties, from the end of 1999 until November 2008. This narrative therefore spans two three-term governments of almost equal length.

While the various ministers responsible for tertiary education play an important role in policy processes, usually focusing on particular policy decisions, they are not the only significant actors, or the most important, and thus other people appear in this narrative. These people might be 'policy entrepreneurs' of varying sorts, they might hold roles in formal government agencies, or they might hold roles in sector organisations. This narrative is about the people in policy processes; what they did, how they saw the issues and how they acted.

A number of people remarked that the change of a minister within a government can be more dramatic for the change of policy direction it brings than a change of government.

I think you can see the effect of the changes in approach to things when a minister changes in the last six years. It's been the same government and the same overall goals but the minister changes things significantly.

[Policy consultant]

Interviewees did not have a linear view of the progress of policy processes, speaking of people and events from across this entire period.

### ***Phil Goff – Associate and Minister of Education 1987–1990***

Many interviewees began with the significant upheaval of policy and administrative relationships which were brought about by the Labour government at the end of the 1980s.

I would probably start with the Labour Governments of 1984 and 1987, with agency theory and their desire to straighten out the way in which the whole government sector operation worked. Tertiary education became very much a part of that. Gary Hawke's report,<sup>5</sup> among other things, was trying to organise the system so that, among other things, the systems for purchase were in a standard kind of way.

[University sector]

Government policy papers, *Learning for Life* and *Learning for Life: Two* (Goff, 1989; Lange & Goff, 1989) followed the Hawke review, spelling out the policy changes to be made. Many working groups, made up of sector people and government agency officials, were engaged in developing the detail and the plans for implementation. Some matters were incorporated in legislation by 1990 and implementation started, while others were still under development at the time of the election in late 1990.

### ***Lockwood Smith – Minister of Education 1990–1994***

The policy changes begun by Labour were continued after the change of government, coming into effect in 1991. The new minister, Lockwood Smith approved of the general direction of the policy changes but also had his own views about what needed to change.

The underlying problem to me was that analysis showed that we were way down the OECD rankings in terms of tertiary participation. It was very clear way back in the eighties that a successful economy in the future was going to be an economy where a greater proportion of the population had high level skills, or in general terms, a high level of tertiary education. I was less troubled

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<sup>5</sup> *Report on Post Compulsory Education and Training* (Hawke, 1988).

by the specific nature of the tertiary education and just wanted to see much greater participation.

[Minister of Education]

As the changes began people in the sector were generally pleased with the new administrative freedoms, although some aspects presented unfamiliar challenges.

The principals [of the colleges of education] were delighted by the Hawke report and the idea they were going to have all this freedom. They found that in industrial relations they had almost no freedom. They had to make decisions about having short term appointments. They had to get rid of people, and there were redundancies. Some of them got taken to court. These things impacted on the institution, for good or bad, whereas the old department had [previously] made nearly all the decisions.

[Colleges of education/university sector]

The new EFTS bulk funding model was begun in 1991 and each year, until 1998, some additional funding was provided in successive budgets to enable institutions to meet an increased number of student enrolments. There were no annual adjustments to the nominal per-student funding rates, so enrolling additional students in cost effective courses, in priority areas, became the main source of income growth in tertiary institutions. The policy was widely interpreted as creating competition for students between institutions.

The policy about competition had a big impact on us all. It did affect the collegiality that had always existed between the colleges. I don't think anybody wanted it to happen, but your survival depended on it. The funding policies during the 1990s impacted very heavily on the colleges and on other tertiary institutions because the funding per EFTS went down every year so you had to have more students to stay in the same place. So you started competing and spending a lot of money on advertising, and reputation and impression management which we had never done before.

[Colleges of education/university sector]

We fine-tuned the model for purchasing courses from universities, polytechnics, PTEs [and also wananga]. I know it was widely criticised as a



‘bums on seats’ approach, that we paid for whatever the institutions did, and institutions that enrolled [more] students tended to do better... We had a notion of priority areas. For the balance of programmes we allowed them to enrol as they saw fit. But if they failed to deliver in the priority areas, say they used their EFTS to enrol a whole pile of stuff in social sciences, for arguments sake, and we had purchased sciences as a priority area, then the next year their funding would suffer. The institutions began to understand this very clearly. The next year we would not purchase as much from them, because they had failed to deliver in the priority area. They would still be free to do what they chose, but they knew that their funding would be compromised if they failed to deliver the really important areas we were purchasing. The thing is we purchased things and institutions could have done something else if they wanted to but they would know [the consequences financially of] that next year.

[Minister of Education]

In 1990, the Labour government had established a flat student fee for all tertiary students for whom the EFTS funding was claimed. Smith abolished this standard fee and the institutions were allowed to control their own fee-setting throughout the 1990s. To encourage enrolment of school leavers in tertiary education, Smith created a differential funding regime with higher levels of government subsidy for younger students and lower levels for mature students. However, each institution could decide how they implemented this policy internally.

That created different tensions internally. You had policies ... like ‘Studyright’ and ‘Non-studyright’. You had interesting dynamics going on internally, with some people setting flat fees and others didn’t. Some set fees to keep them as low as possible while others set them possibly more realistically, and that was a council decision. The students were very cross with Lockwood Smith when he set that standard tertiary fee. Then institutions got the right to set their own fees and that moved the tension from the minister to the institutions and they then responded in different ways depending on how their councils viewed what they were doing.

[Colleges of education/university sector]

There was also tight fiscal control by the government throughout the early 1990s following the international financial downturn. New policies in tertiary education were funded by cuts elsewhere, e.g. student allowances. The rates for some courses, such as teacher education, were cut, and overall the average funding per-student declined each year.

Lockwood Smith ... got accessibility ... the loans scheme. He fought quite hard, but there was a consistent policy and thinking in Treasury, and I think to some extent, the State Services Commission, that too much money was being spent in tertiary education, and you had to reduce it. Which is why you see the [funding per-student] graph going down.

[Tertiary policy consultant]

Changes to the existing technical, trade training and apprenticeship systems had been canvassed in a review undertaken by the Labour Minister Goff but they were actually made by National Ministers Smith and Birch. The 1992 Industry Training Act created new bodies in the tertiary education scene by recognising industry training organisations (ITOs) (40 in 2008). Through the Act, ITOs became 'standards-setting bodies' for the purpose of developing national qualifications for their industry. The ITOs also formed a national body to represent them in policy processes, called the Industry Training Federation (ITF).

In many ways apprenticeships were controlled by the polytechnics [prior to 1992]. They determined the content of block courses and everyone had to do a block course at polytechnic. The Industry Training Act of 1992 turned all that on its head. It said 'let's put industry in charge of all that'. 'Let's put industry in charge of what should be the skills'. We changed industry training from being a time-served system to one of requiring people to acquire certain skills. Industry was quite supportive. They were feeling frustrated because they did not have much say in what the polytechnics did. We put in place industry training organisations where industries themselves were put in charge, which was all part of that freeing up of stuff. Industries themselves took charge of what skills were to be developed and what learning was required in an apprenticeship or traineeship.... The ITOs could purchase off-job training from PTEs. It freed the whole system up.

[Minister of Education]

### ***Wyatt Creech – Minister of Education 1995–1998***

The National-led government achieved a second term at the election in 1993. It formed a coalition government with a minor party which had promised a review of tertiary education. In 1995, Wyatt Creech, who had previously been Minister of Labour and Minister for Inland Revenue, took over as Minister of Education. Some have linked this change to the budget implications of Smith's 1994 vision and strategy document *Education for the 21st Century*. Smith was also offside with parts of the sector, especially students, because of decisions regarding student fees, loans and allowances.

In six years we went from down near the bottom of the OECD in terms of tertiary participation to damn near the top. We couldn't have done that if we did not have the [student] loans scheme ... and the means testing of student allowances.

[Minister of Education]

Institutional incomes increased from 1991–2000 because of increased student numbers and income from other sources such as overseas students. There was pressure to increase the level of EFTS funding per-student, largely unchanged since its introduction in 1991. EFTS funding was based on averages of institutional costs of delivery. Relative 'unders and overs' were smoothed through delivery as a 'bulk fund' which institutions could use at their discretion. However, changes in institutions' actual costs over time were disproportionately high in some areas (e.g. sciences). Institutions began enrolling more students in less costly areas (e.g. business, law, commerce).

Students were also becoming increasingly active in the face of increasing student debt attributed to more borrowing for higher student fees and living costs. After the 1993 election, the government negotiated a coalition agreement which included 'that a comprehensive review of all aspects of tertiary education will be carried out' (Green, 2005).

Creech commissioned a review of tertiary education which he positioned as a ‘long view into the future, to talk about where we want to go in the next twenty years or so’. He identified three trends and influences that would shape the tertiary sector: the demand for many more people to participate in tertiary education to extend their knowledge and skills and their employment opportunities; the development of information technology and its impact on how and when people learn; and the demand for New Zealand qualifications to meet international standards (Creech, 1997).

The sector did not welcome the review – they wanted more money per-student. A different approach to research funding was one part of the review.

The National government under Wyatt Creech launched yet another review. It was probably the third or fourth review ... since the early 1980s. I remember having some dialogue with [Creech] over the issues in that review. The Ministry ended up establishing a group to advise on the funding of research and that got me involved in a much more detailed way around the issues involved with the funding of research. By then I had become an advocate of moving away from an EFTS-based system for the funding of research in universities. I was attracted to the British model, as at least an option that one should be seriously considering.

[University sector]

The review was undertaken largely by officials in the Ministry of Education and the Treasury, in two steps. First, an issues paper (the green paper) was published in September 1997 ‘for the purpose of consultation and debate’. Following the analysis of submissions on the issues paper, the second step was a policy paper (the white paper) promulgating the government’s policy decisions (Creech, 1998). There was also a review of the policies for qualifications and quality assurance.

There was a lot of suspicion in the sector about some matters raised by the green paper and many thought that it was not addressing the issues most concerning the sector. Treasury analysts were active in the review process and tended to focus on the micro-economic efficiency of the sector through competition.

We did not sell what we were doing in 1997 and 1998 well. We were caught up in managing Treasury. So we packaged it to manage [the Minister of Finance] and Treasury, not the tertiary sector and not the public. We were having those meetings of the Tertiary Consultative Committee [a tertiary sector advisory group to the education minister and ministry], having conversations with people around the table there, and canvassing ideas with them, but we did not have a lot of room to move because the government was pretty adamant about where it was going. We were trying to get enough of a dialogue going. We had a lot of discussions with one of the vice chancellors.... We were not totally closed off from the sector.

[Policy manager, education agency]

Implementation of the decisions not requiring legislation began immediately after the review was completed in November 1998. These were changes to the funding system, with transition arrangements for 1999 and full changes to start in 2000. Two elements went together: open access to the same level of government funding for all students in quality-assured providers (public and private); and strengthened quality regulation processes, including the creation of a new body with oversight of all operational aspects of quality regulation. The former did not require any changes to legislation for it to proceed, the latter did (Green, 2005).

The sector's reactions to the decisions were mixed. The private providers were delighted because they were finally promised more open access to government funding.

The one big change that had a huge effect on us as a company was the availability of EFTS funding to private providers.... The changes that came into effect in 2000.... [Before that] the funding had been hugely variable. I remember that one year we got 100% funding for a business administration course. The next year we got about 20% funding. It was almost impossible for students to understand the variation going on in the course fees as a result of that.... [Our courses] in 2000 were going along quite nicely but to have that uncapped funding was a huge relief.

[PTE sector]

For the public institutions and the students' associations, the major decision on removing the cap on EFTS funding was unexpected. The dramatic annual increases in student numbers which had occurred in the first few years of the EFTS funding policy had slowed and therefore growth in institutional income had also slowed. Some adjustments were also made to funding rates, including a significant cut to the rate for taught postgraduate degrees. Throughout the 1990s, public institutions had been expanding the more profitable courses, selectively, but what they really wanted was more dollars per-student to increase institutional income and reduce the need to increase student fees. Increasing funding to the private sector added insult to injury.

A mistake was made in 1998. The government had flagged that they were going to stop the subsidy cuts that had been happening since 1991 and then they reversed that decision, because of the Asian crisis.<sup>6</sup> That was a mistake that irritated a lot of students and it came back to bite them later on. The other error that tipped the balance was the decision to lift the cap on funding, which was based on an assumption that participation had peaked and was unlikely to blow out. It was certainly true for universities and any credentialed courses that had any sort of entry criteria. But by lifting the cap holus bolus, and I don't think anybody realised at the time, there were potentially four million [the whole population] EFTS out there.

[Polytechnic sector]

Some adjustments were made to funding rates and one of these was a reduction in the funding rate for taught postgraduate courses. This decision assumed widespread over-funding of taught postgraduate programmes and directly challenged some behavioural patterns that had been operating in some universities.... Because the funding had been so generous, [universities] would dream up a new postgraduate qualifications, e.g. Masters of Asian and Pacific Politics ... the funding system was perverting the academic process by incentivising people the wrong way, to dream up these new post-grad qualifications ... the management of the university were telling their departments to come up with new ideas to bring in students at that level.

[Funding and monitoring adviser]

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<sup>6</sup> Economic recession.

The policy about the funding cap was advanced on the understanding of a very strong connection between the regulation of quality and the availability of funding. ‘The resourcing policy must be supported by a credible quality assurance system – firstly to ensure that taxpayer’s money is properly spent, and secondly, to give students confidence that the time, money and effort they invest in their education is of real value’ (Creech, 1998). That understanding was lost when the minister changed in early 1999, and further compounded by a change of government in November 1999.

In what we were trying to do quality was our number one priority ... all the stuff that was supposed to improve quality got axed. The funding stuff was meant to give the rationale for quality, and the quality was meant to be the brake on the funding.

[Policy manager, education agency]

Changes proposed to the role of NZQA in quality assurance regulation, and the creation of a quality register of all qualifications, inclusive of the existing Qualifications Framework, were not welcomed by NZQA or by all parts of the sector.

The Industry Training Federation went to see Creech and said you will ruin NZQA, and you will ruin industry training because at the end of the day, industry training will not work unless there is a national qualifications framework. Their view was that the National Qualifications Framework would not have survived [the qualifications white paper policy changes].

[ITO sector]

People in some education agencies implementing the funding changes understood the link to quality and criticised policy people for not keeping the ‘quality’ agenda to the forefront with sister agencies, such as NZQA, that needed to play an active role.

What you should have said to ministers is ... ‘if you are not going to do the quality assurance you should lock the funding down – no more funding – because we do not have the environment in which that funding will be expended appropriately’. The only place where it will be is the universities. We should have just said the two are side by side.

[Funding and monitoring advisor]

The strength of the electoral mandate within which the National Party governed declined across its nine years in government. The MMP electoral system, implemented at the 1996 election, introduced more minor parties into parliament. Coalitions with minor parties or the support of minor parties for confidence and supply were needed from then onwards to form a government (Boston, 2000).

### ***Max Bradford – Minister for Tertiary Education 1999***

When the minister, and the prime minister, changed not long after the white paper's publication in November 1998, tertiary education became a separate portfolio from schooling and early childhood education. Tertiary education was included in a 'ministerial team' focused on economic development which signalled the government's thinking about the relevance of tertiary education to economic development.

1999 was an election year. Max Bradford as Minister for Tertiary Education worked with ministers covering the economic development; research, science and technology; employment; and labour market portfolios to reposition the government's policies in these areas. Policy officials began to sense that the new set of ministers did not fully agree with the tertiary education decisions that had been made.

With Bradford, Williamson and English [part of the economic development ministerial team in 1999] we started to have [different] discussions. It was the first time I'd heard such a sustained attack on the funding system. It was quite aggressive. There was an element of truth in it. Their arguments were basically saying that you are funding for volume rather than for quality.

[Education agency CEO]

The 1999 Budget included a number of new initiatives such as scholarships for top scholars to do doctoral studies in New Zealand or overseas. There was a consultation process under the banners of *Bright Futures* and *Five Steps* (to economic development) following the budget. Getting more students studying and achieving in the right areas was one of the five steps.



Bradford agreed that Auckland Institute of Technology, which had applied to become Auckland University of Technology, met the required criteria to become a university from the beginning of 2000. This was not a popular decision in either the university or the polytechnic sectors.

The National effort under Bradford didn't really work. What we were seeing with the National Party was classic third term-itis. Labour was saying all the right things. I remember a business conference where Bradford stood up and did a 15-minute impromptu speech. In that 15 minutes he lost the business vote. We thought he hasn't heard a word of what we have been saying here – 'there are some things that are wrong and they need fixing!'.  
[Business and manufacturing sector]

Bradford announced there would be a 'higher education learning taskforce' set up after the election and money was allocated for this purpose.

#### Change to a Labour Administration

The National government lost the election in October 1999 and a Labour government was formed in November. Tertiary education had been prominent in Labour's manifesto policy:

Tertiary education and research is one of the most powerful tools available to promote the kind of social and economic development New Zealand needs to face the challenges of the 21st Century (New Zealand Labour Party, 1999).

It made an explicit link between knowledge, economic development and tertiary education before outlining its strategic directions for tertiary education which it said was impeded by:

- little co-operation across the system
- institutions and providers competing for students that provided the best financial return
- increasing homogeneity of the system as institutions and providers competed for students by offering the same popular courses
- the research role of universities being placed at risk

- regional institutions struggling to survive, even though they made a valuable contribution
- competition driving up the costs of education
- trades and technical education being placed at risk.

The manifesto proposed establishing a Tertiary Education Advisory Commission (TEAC):

to bring together nominees from across the tertiary education sector to develop and advise government on appropriate long term strategic directions for the sector and the immediate priority areas for additional funding. (New Zealand Labour Party, 1999)

The previous government's tertiary review (green and white papers) had left some elements of the sector opposed to the Ministry of Education:

There was an ad hominem element to the mistrust ... even with ministers.... I think the sector were quite anti (the policy manager).... She was a really strong advocate for the system that had been brought in. Maybe part of the reason for the distrust from ministers and the sector was because it looked like she was a true believer. So it was easy to think that she was the driving force behind the demand driven funding.... It seemed that the green and white paper processes were a more departmentally, and policy advice-driven, review processes than any of the subsequent ones.

[Ministerial private secretary]

The Labour Party manifesto represented the views of strong constituency groups within the party; for example the students' and the staff unions in tertiary institutions:

The Association of University Staff was very strong and pretty influential on Labour Party policy in this area and probably wrote that manifesto prior to 1999. The students wrote the student support side.

[Ministerial private secretary]

Strong views did not necessarily mean clear or united views about the policy positions with the Labour Party:

I used to be on the Labour Party policy council. I don't think politicians have concrete things in mind for something like tertiary policy. They have in mind that it must be available and out there for people; it mustn't cost too much; and that it must supply the needs of the country; and that there is a balance between that and individual needs, particularly when it is a very expensive resource. But that is about the limit of what you will get.

[Associate Minister of Education]

Some felt that the policy agenda was limited:

It looked like an in-group, whose views and interests were attended to, and an out-group. It was all about who was mates with whom.

[Policy manager, education agency]

Labour's ministerial arrangements included a portfolio Minister of Education with overall budget responsibility, and a number of associate ministers, including one with responsibility for tertiary education, another with responsibility for Maori education, whose roles and delegations were clarified through letters of appointment from the prime minister.

While I was Minister of Education, there were some pretty clearly defined roles. While I took a lot of interest in the fiscal side of things, I probably didn't take as much interest in the policy design, except for having a reasonable amount of political overview on it. With that caveat ... I saw a lot of [the tertiary education policy processes] as one of the ministers involved in the discussions, but not as deeply engrained as in other policy areas.

[Minister of Education]

Labour ministers with an interest in tertiary education did not have a clear or united view on all the facets of their manifesto policy:

When we came into government we had some pretty specific stuff around student support, but probably hadn't done as much work on the other parts of tertiary education ... there wasn't quite the intensity of policy development process, in a party-policy process sense. A lot of the issues hadn't been thrashed through; in the way that student support stuff or other stuff had

been.... There were different views.... People couldn't come together to get it absolutely right. You've got deputy prime minister as Minister of Finance, and later minister responsible [for tertiary education], who actually had some pretty clear views, that didn't quite go back to a grants committee [University Grants Committee] type form, but were more headed in that direction ... a clearer purchasing model.

[Minister of Education]

***Steve Maharey – Associate Minister of Education (Tertiary Education) 1999–2004***

Steve Maharey shadowed the education portfolio as an associate spokesperson from 1990 to 1993, served on the Education and Science Select Committee, and from 1996, was opposition spokesperson for tertiary education. He conducted a personal review of the tertiary education sector using *Learning for Life*, the policy document of the 1987–90 Labour government, and formulated some of the thinking that later appeared in policy during his time as minister:

When Maharey did his tour of the nation in 1996 [as part of his personal review], he decided ... that there should be a tertiary entity. I don't think he had a strong view about whether that should include industry training or not, but that it should be tertiary, that it should be quasi-autonomous, that it should have sector input, sector representation, and that it should be a complementary body to existing agencies. That was basically it.... He did consult on that idea, but he had the idea very clearly in his head.... He had the view that the agencies had an ongoing role but that there was a need for another kind of body ... I don't know that he necessarily had a view in 1996 and 1997 about whether or not it needed to be a funding agency. He was thinking more about sector engagement in policy making. I think he took the view that simply having a consultation mechanism wasn't sufficient, that you needed to have an actual entity.... He is an incrementalist. He thought that if you had a device whereby you had all of the stakeholders involved in the policy development, that you would be able to mitigate those violent [policy] swings.

[ITO sector]

Maharey came [to our institution] several times testing his emerging thinking. He started to test thinking of a controlled system and setting up the TEAC as a forerunner of the Tertiary Education Commission. He'd put up his ideas and

we would push back, and then he'd come back again.... When we pointed out the bits that we thought just wouldn't work, and that he hadn't thought through, it would never lead to a change. I think his testing wasn't really about testing the rationale testing, it was managing reactions. Very political and I can't criticise him for that, but he never changed his views in those meetings.

[Polytechnic CEO]

The role of the private sector was an area on which the incoming Labour government and its ministers had some strong positions:

That [position] clearly reflects the relationship between the Labour Party, and the public sector unions, and the teacher unions ... and the personal beliefs of Maharey, who is quite clear that public education is delivered in public institutions.

[University sector]

Particularly around the private training establishment (PTE) side of things, I did have some engagement with Maharey and Mallard in 1998 and 1999 – to educate them about the sector, because they were coming in with the traditional Labour Party viewpoint that private education was bad. What I did was essentially blunt that view, by having them meet some people, and so moving them from demons to actual people. I also provided a couple of papers to Maharey on how he could implement his view of 'complementarity', or 'complementary provision'. I suggested that it was quite complicated, which it was really. Maharey is fairly well known for complicated models that don't actually work ... he isn't a very practical person. I think he is quite an ideological person at heart.... We all have our ideologies, but we have to give them up sometimes to engage with what is actually going to work.

[Tertiary sector policy consultant]

Maharey was appointed as Associate Minister of Education with responsibility for tertiary education in 1999, holding that portfolio continuously until December 2004. Officials remember Maharey frequently told them in the early days that he favoured particular international scholars such as Anthony Giddens and Robert Reich whose thinking had informed the philosophy he wanted to bring to the tertiary education portfolio and what he wanted to do.

Maharey was seen, in an almost pejorative way, as one of the thinkers, ‘pointy heads’, in that Cabinet. He was someone with ideas who had come to politics from a position as an academic and sociologist. He was someone who was engaged with what is sometimes characterised as ‘third way’ kind of modern social democratic thinking. More particularly within the education policy domain, [he was] someone who was aware of the way in which Labour Party governments of the past had made what some would acknowledge as significant contributions to education policy in an historical sense. The Beeby<sup>7</sup> vision was always a core part of how Maharey approached education issues. I am not saying that he saw himself as a 2000 version of Peter Fraser<sup>8</sup> but the Beeby vision was important. That suggested a whole range of things including, and I think this was fundamental to education policy making in that office [as minister responsible for tertiary education], a much closer alignment between tertiary education policy and a set of broader economic and social development goals. The whole rationale behind the ‘Tertiary Education Strategy’ was to locate tertiary education policy in the broader context of the economic and social development goals, with education and education purchasing decisions informed by the economic, and to a lesser extent social development, imperatives.

[Ministerial adviser]

### Ministerial Advisers

A characteristic of the Labour administration was the use of political advisers (Eichbaum & Shaw, 2007). Maharey demonstrated this pattern by bringing to his office people with whom he had worked while in opposition and people with allegiances to the Labour Party. As a result, staff in ministerial offices consisted of people from two different backgrounds: one group public servants usually seconded from departments to work for ministers, and the other group selected by the minister for their particular knowledge and party affiliation.

He placed a lot of reliance on the political advisers in his office to act as a filter so that the party perspective could actually be included in the advice that was presented to him.

[Ministerial private secretary]

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<sup>7</sup> Director General of Education, 1939–1960.

<sup>8</sup> Minister of Education and Prime Minister, 1940–49.

Some of the ministerial advisers who worked with Maharey in government were in contact with him during the lead up to the 1999 election and some took part in the formulation of the Labour Party manifesto *Nation Building*.

I had got interested in the whole knowledge economy, e-commerce sort of stuff that was beginning to become a little trendy. I was becoming a little passionate about it and was looking for opportunities to do work in that kind of space, because I thought it was a kind of important thing in terms of New Zealand's development as a country. And at the same time [Maharey] was working on where he was wanting to go with tertiary education and writing *Nation Building*, the Labour Party manifesto. He was talking with various people in the sector including me and ... this is very much about positioning tertiary education as a change agent in terms of this stuff [economic transformation and knowledge economy].

[Ministerial adviser]

The advisers tended to bring particular interests and passions to their work and in two cases these were people with backgrounds in the student union movement.

I got involved in tertiary education mainly out of interest in student support issues. That probably was a combination of a general interest in income transfer and income distribution kind of issues.... The reason I decided I wanted to get back into [tertiary education policy] was the economic development aspect. I still think ... that *Nation Building* is still one of the best kind of markers of what it was all about, and what is it still about - that harnessing tertiary education to what we are now calling economic transformation.

[Ministerial adviser]

I had a particular interest ... in the school-to-work transition issues. The extent of any contribution I might have had in *Nation Building* was through informal contact I had with Maharey ... I remember having conversations with him and making the point that I felt that the incoming Labour-led government should focus on a number of things, and one of those should be school-to-work transitions given that an earlier programme, I think by the name of 'Skill

Pathways', had been piloted but then for a variety of reasons it had been discontinued.

[Ministerial adviser]

Policy people in the government agencies remember that Maharey referred to his ministerial advisers as his 'programme managers'. Their role was to keep track of the many pieces of work to ensure that Maharey's policy priorities were to the fore. For the sector, advisers were another pair of eyes, ears and hands to help ensure that particular issues were kept in front of the minister. To the government agencies, ministerial advisers could multiply the information demands and the sources of instructions about priorities.

I remember shortly after the election that there was quite a lot of enthusiasm and a wish to get things done – '100-days policy' – a pledge card saying particular things that would be attended to in the first 100 days. I came in [to the minister's office] towards the end of that period. Getting the student loans changes through and getting the dentistry stuff through [both issues in the 100-days list], was a particularly stressful time for everyone, particularly officials. The main thing I was working on initially was 'let's get the terms of reference for TEAC done and let's get it done quickly and used as a way of spelling out where we are wanting this to go' ... it was an attempt to rearticulate a lot of the themes of *Nation Building* rather than a blank slate. I ended up drafting a reasonable amount of that.

[Ministerial adviser]

Government agencies needed to adjust to the new administration.

One of the things that struck me was that some agencies seemed to be able to send advice through that was relatively untampered-with by the political people before it hit the minister, and it was accepted. Whereas other advice was subject to a lot more scrutiny. A lot of value was placed on personalities.... [The adviser] couldn't deal with all of the areas of action so he identified a half a dozen or so issues and he concentrated on them and all the papers on those issues went to him. He provided quite detailed views, often down to, 'this is what I think should happen', or 'this is what they have got wrong', or, 'hey, they have got it right!' That was very seldom, that last one. Sometimes [the minister] didn't listen to [the policy adviser's] advice. [The adviser] was



always in the position of providing advice but it wasn't taken for granted that the minister would agree with him. Sometimes the minister agreed with the agency's advice or just decided that it was a battle that he didn't want to deal with.

[Ministerial private secretary]

Between November 1999 and January 2000, Maharey dealt with the two high priority '100-days' promises: no interest while studying on student loans; and increases to the subsidies for dentistry to reverse cuts made by the previous government. Student support issues continued to be on the agenda with a promise to freeze student fees. This was difficult to achieve without legislative change to remove fee-setting from the responsibilities of individual institutions.

#### Tertiary Education Advisory Commission

With the two high-priority election promises dealt with, Maharey began to move on the rest of the manifesto agenda. Next was establishing TEAC. In launching a discussion document on the TEAC terms of reference in February 2000 Maharey said:

TEAC has the role of building a more co-operative and collaborative tertiary sector. This government does not believe that the tertiary education market place built up under National is capable of producing the educational or research outcomes New Zealand needs going into the 21st Century.

The Commission will be asked to advise me on the strategic direction of our tertiary sector should be moving in and how the various players can make it happen. We are also vitally interested in how tertiary education can serve to advance the position of Maori and the contribution it can make to New Zealand's social, economic and regional needs.

The government wants to work with the tertiary sector to develop post-school education so it contributes to our goal of building lifelong learning in a knowledge society.

[Steve Maharey, Press Release, 17 February 2000]

In a March 2000 speech to a tertiary sector conference, entitled 'The New Way', Maharey outlined his tertiary policy vision. He said that 'there was a readiness in the

sector for a reassessment of where we have been going'. He referenced his vision and values to those of a former Labour government.

Their's was a wonderful vision ... we want to take Beeby and Fraser's vision and update it for the 21st century. If their vision was about equity and democracy in the past century, we need to add a vision of where education can help contribute to building this nation for this new century. What that means is we want to build a knowledge society.... Our vision is grounded on two core concepts: the development of a knowledge society in which lifelong learning is the norm, and the concept of nation building.

There was no detail about how the vision was going to be achieved other than through the creation of TEAC. The remainder of the speech talked about TEAC, and what TEAC had been asked to do. Maharey concluded:

Agreeing on the future is never easy. Difficult issues like funding have a very bad habit of creeping into the debate and taking over.

[Maharey Speech, 29 March 2000]

By 19 April, Maharey had Cabinet's approval to establish TEAC, using the money the previous government had set aside for a higher education learning taskforce. In all, TEAC was given \$4.5 million for its operation over the years 2000-02.<sup>9</sup>

A lot of people, other ministers, talked about Maharey as being a 'minister of strategy', a person of vision. He wasn't a details person. I personally found it difficult to understand what his vision was because he was never able to articulate it. He was better at articulating what it wasn't, and when he didn't like something.

[Ministerial private secretary]

Parts of the sector did not believe establishing TEAC would address the most pressing issues in the sector in the right way, or quickly enough.

Maharey introduced the new Labour government's view of the tertiary education sector.... The first thing that Maharey said was 'we are going to have

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<sup>9</sup> Cabinet Office (2000) [CAB (00) M10/2B].

a major review of the tertiary sector. We don't believe in the competitive model. The competitive model has produced a whole lot of aberrations. We are going to set up the Tertiary Education Advisory Commission', and, I am obviously short-handing here, 'and the one thing it is not going to address is the funding level', whereupon all the vice chancellors and the other CEOs rose to their feet as one and said, 'let's get real here Minister! The level of investment in the institutions is the problem'.

[Vice chancellor]

Maharey selected a group of people to create his tertiary education vision through TEAC. The first was Norman Kingsbury as TEAC's initial chair. Kingsbury was a former university registrar, a former polytechnic council member. He also had long experience of working with the polytechnic and private education sectors, and on credit transfer issues with NZQA. At the time of his appointment to TEAC he was chief executive of NZQA.

[Kingsbury] was one of the people [Maharey] had been talking to about *Nation Building*. They had very much the same view about this particular thing, and a whole range of other things as well. [Maharey] met with [Kingsbury] once every week or two throughout that first year, and talked about emerging themes.

[Ministerial adviser]

That is part of the way Maharey worked, possibly still works.... If you were looking at this through some sort of systems analysis and asking who were key actors, then certainly Norman [Kingsbury] initially. Norman was someone who had appeal right across the sector, was highly respected. He had internalised the Beeby kind of philosophy, and the Maharey vision.

[Ministerial adviser]

When the Labour government came to power, Steve Maharey said ... he had wanted me to head a new Tertiary Education Commission which he intended to set up. He asked would I chair this. I said well I think it needs to be an advisory commission to begin with because there is quite a bit of work to be done, and also we need to bring in quite a lot of support. People need to feel that there is a process gone through, and understanding, and so on. So he set up TEAC and I was appointed the chair, as well as doing NZQA [CEO].

[NZQA CEO and TEAC Chair]

The membership of TEAC appeared carefully chosen to satisfy particular constituencies: political parties with whom the government had confidence and supply arrangements; education sector unions; Maori interests; and sector interests.

Maharey did that [chose the TEAC membership] based on a sociological model, informed by his old academic discipline, rather than a political model. I think he did it to get the balance right and the bright minds. He had a belief that out of this would come something special.

[Polytechnic CEO]

As well as Kingsbury as chair (replaced after report two by Russell Marshall, because of Kingsbury's ill health) TEAC's membership consisted of eight 'strategic thinkers selected for their vision, expertise and credibility' (Tertiary Education Advisory Commission, 2000, p. 34): Jonathan Boston, a university academic with interests in public policy and tertiary education funding; Hugh Fletcher, who had broad social and business interests; Tony Hall, who had interests in adult basic skills education and operated a private education establishment; Patricia Harris, a researcher from the Crown Research Institute; John Ruru, a Maori and forest management consultant involved in business and with experience of industry training; Linda Sissons, a polytechnic senior manager (later replaced by Shona Butterfield, a polytechnic CEO); Linda Tuhiwai Smith, a Maori academic and university researcher; and Ivan Snook, Emeritus Professor of Education. One member articulated how TEAC saw their role:

We seemed to be charged with working through the new Labour government's policy to have a less competitive and more cohesive tertiary sector. It clearly had designs on what they called 'steering the sector' because before that there had been a period of 'let a thousand flowers bloom', so to speak. Maharey and his mates came in with a policy to exert more steering. They quite liked that word.

[TEAC member]

There were some strong positions on particular issues within TEAC. Boston was convinced of the need for a research funding model based on excellence. Snook was a strong advocate for public education and a member of the Alliance political party with whom the government had some agreements, and also of a body called Quality Public

Education Coalition (QPEC) which had lobbied on public education issues and had as one of its aims ‘to counter the marketisation of education’.

TEAC was meant to be ‘a solution’ in the sense that what the sector needed would be found in the ‘process’ of getting there. Some key university sector lobbyists had advocated for a separate tertiary advisory body and didn’t want government agencies involved. One observer summed it up as:

‘Just get some wise heads together and we will solve it in a few weeks’.... The other thing that was completely apparent to us is that [the minister and his advisers] were determined not to use anybody with experience in policy and government, so [TEAC] brought in a person to manage the secretariat, who is no fool, but was completely at sea with what she had to deal with.

[Policy manager, education agency]

TEAC membership influenced what was focused on and how.

[TEAC] was perfectly balanced and that was one of its weaknesses because apart from Boston, nobody had any real experience of policy making or policy critique. None of them were trained policy analysts and everyone had their own little patch to protect.

[TEAC member]

One of the problems with the Commission was that there were a lot of agendas running within the Commission. People had been put on the Commission to represent those views rather than because of their expertise.... One agenda was elitism – try to force the polytechnics back, and strip degree provision.... There was the kill the PTE [private providers] agenda – PTEs were all bad, they were cherry picking and they had to have their wings clipped.... Another was governance and the whole right of academics to have a say in the governance of institutions – institutional autonomy and the role of academics in maintaining institutional autonomy.... Setting up a research fund based on the [the British research funding approach].... There was also an agenda for capping funding – just cap the institutions and tell them what they can and can’t do. Put a level between government and the institutions – the same sort of thing about the whole issue of institutional autonomy, and that was being driven by the university sector. There would be independence from government

– there would be someone other than government making decisions about how the funding worked.

[TEAC secretariat]

There were certainly tensions between the secretariat, and members of the commission. I think that came down to how the commissioners had been selected and how some of them saw their roles. I understand the minister wanted something like Dearing [review panel in the United Kingdom]. You get some brains together, they make some advice, and decisions in the national interest. There were folk there who were selected either to keep particular political interests happy, or to represent particular sectors, and saw themselves doing that.

[Policy consultant]

Many acknowledged TEAC's efforts to engage the sector. They also noted that TEAC was not entirely without political direction on what ministers wanted:

Maharey's office kept a very close eye on us. His adviser used to come to all the meetings. There was one occasion when ... we thought we would look at some student stuff. [The adviser] came striding into the meeting and sat down and said 'you are not allowed to do that!'

[TEAC chair]

We were very much subject to direction from the minister's office. The minister would come to meetings sometimes, but more often the minister's adviser would come, and go through any draft that we had done and say we are a bit worried about this, and a bit worried about that, but we like that. So we were being pretty closely steered as well.

[TEAC member]

Both Mallard and Maharey had some really strong views about the sort of things that needed to be fixed and both were quite closely aligned with the educational philosophies of [Kingsbury]. [Kingsbury] was quite instrumental in making that TEAC stuff have that broader participation, education, learning focus as opposed to being about structures, systems and steering, and all of that, which is where the ministers really saw the problems.... Making it work – getting all those different people on the Commission to sign up to that vision that was sort of natted-out prior – was quite difficult.... It was a very close relationship between the Commission, [the minister's adviser], and the

minister. There was quite a lot of direction from [the minister's adviser], and by the minister through [the adviser] into that process.

[Ministerial private secretary]

Kingsbury recruited the secretariat to support TEAC from outside of the education and other public policy agencies, a decision some thought limited the public policy experience and analytical expertise available to TEAC.

They could have seconded a top team from the Ministry and other government departments, like Treasury and Labour. I think [Kingsbury] would have because he used to come and talk to me quite a bit about it, but the government didn't want them to. Ministers were so of the view that [policy people in agencies] were all contaminated by this neoclassical right-wing stuff they were not going to like, they went and got their own people, and their own people couldn't do what they wanted.

[Policy manager, education agency]

Kingsbury didn't want the Ministry involved, but didn't have the means of bringing to bear an alternative set of intellectual capabilities ... the composition of TEAC was not ideal. There were people there that didn't have a significant contribution to bring to bear to the task. It was highly fractured in terms of its ideological and policy orientation. The first chair, Kingsbury, was fully committed as the CEO of a large organisation and didn't have the time to make the thing work. He eventually came to that conclusion and resigned. He, and another member, appointed a manager of the secretariat that did not have a policy background.... We had a through-put of people assisting us, some of whom were very able, but they didn't last [very long]. What you needed if you were going to do this job well, was a larger group of people with more expertise and experience, ... a fully co-operative arrangement with the Ministry, and other key bodies, and that wasn't there.

[TEAC member]

The secretariat did their professional best to serve TEAC. A determination for TEAC to be independent did not make it easy for the Ministry of Education to render professional, analytical support and assistance.

Our job was to serve the Commission and not to play games anywhere else.

I think that is why the Commission was so successful because we did keep our focus very tightly on what our job was.

[TEAC secretariat]

TEAC didn't like the Ministry for what ever reason. I hadn't been around long enough to understand that.... There was a tension there that never got resolved over the 18 months that TEAC existed. That it took so long to get someone from the Ministry into TEAC to help with the analysis was an indication. The fourth report never would have got written without that help.

[Senior policy analyst]

Maharey kept talking about his vision for a different kind of tertiary sector while waiting for TEAC to come up with the details.

Probably the first year, in particular, TEAC was the main vehicle for that, and [the minister's] speeches. Because [the minister] had decided to go about [articulating policy] via a think tank/committee, in a sense that meant that he couldn't be doing that much in the way of policy decisions right away. So the strategy he developed was 'jawboning change', and jawboning these concepts up. We put quite a lot of effort into those speeches in the first year.

[Ministerial adviser]

During its existence, TEAC produced four reports on the sector. The first was a high level set of conclusions about the state of the sector at that time, and what they thought needed to be changed. The following three reports detailed its analysis and recommendations. As TEAC reports two and three emerged, in 2001, there was certain amount of frustration among ministers because, while comprehensive, the reports were not concrete and specific enough to satisfy ministers in the areas of interest to them.

The minister had quite a simplistic view about TEAC. It was there to try and help give the body of opinion the government needed to go where it had already decided to go. There was a work programme set out right at the beginning about the reports to be produced that were going to give the government the answers that they wanted to get. The answers – to support the consensus – to support the decisions they wanted to have made. What ended up



happening was that TEAC decided that the minister didn't necessarily know best, and that there may be a better way forward. So we actually decided that we were not going to do what the minister asked us to do. We were going to do something else.

[TEAC secretariat]

As the whole TEAC process went on, I think [the minister] thought the whole thing was going to turn to custard because he wasn't finding that the reports that he was getting were going to give him what he needed.

[TEAC member]

There was one person there determined to stick it to the private sector, almost dogmatically, and did his best to have the Commission have them thoroughly marginalised from the system. There were certainly some tensions within the Commission over that... [Another] had a few axes to grind, and there were some issues on which you just could not engage him in a debate... [One] was determined to get his [research funding] model in. [There were also] people who were able to look outside their own turf and patch ... [There was also TEAC] versus the minister's office – there were quite clear tensions there. I had gone in, probably naively, reading the terms of reference at face value. It was an independent Commission but we had [the minister's adviser] ... say we want you to put in the report that private providers will be marginalised, and so on. We refused, and then a huge fight ensued.

[TEAC secretariat]

A further problem was that although ministers knew that they were not getting what they wanted, they were not particularly clear on what they did want.

Maharey ... had shadowed that portfolio for several years, but there was not any clear idea except setting up a Commission.

[TEAC chair]

One of the big areas of disagreement we had with [Maharey] was around developing a tertiary education strategy. The Commission said you go and tell the minister we are not going to do the work programme he has given us – this is what we are going to do instead – you go and negotiate that.... We got his agreement, but he was between a rock and a hard place, having set up this Commission, and that is what they had come up with.

[TEAC secretariat]

I think there was a lot of respect for the individuals in TEAC and a lot of appreciation of the process that they were involved in. Some of the reaction to their reports was that they were, maybe not concrete enough.... It probably goes back to lack of understanding about where the levers for change might be. Still sitting in there, we [ministers] saw an assumption of the level of growth and unconstrained fiscal demand, which I saw when we came into government, and that was not acceptable to the government.

[Minister of Education]

The argument was run from time to time, that we could have short-circuited the TEAC process, and said in a more directive sense, this is what we want; give us the policy advice to make it happen. There was a sense too in which Maharey was not just searching for ownership within the broader stakeholders and community, but also within his own government. There were key ministers, including the prime minister, who were critical about the direction of policy, and had to be won over. They would intervene from time to time, sometimes in unpredictable ways.

[Ministerial adviser]

It is very, very hard to do substantial change, where there are winners and losers, by consensus. I have known [the TEAC chair] for 20 or 30 years. He is a consensus builder. That is his style and that works really well. But when you have some very powerful and opinionated people who are always looking for things to work in their institution's or organisation's interest then it is quite difficult to build consensus to get change.

[Minister of Education]

Maharey and his office were attentive to particular constituencies. The ministerial advisers were responsible for the activity of keeping special constituencies happy.

That worked well. It was Maharey's office, mainly [his advisers] that we saw rather than Maharey himself.

[Students' association]

Policy and politics blurs so much in that policy making process in a minister's office. You are a key liaison with the department but sector groups think you are an access point to the Minister. The [adviser] did a lot of to-ing and fro-ing with the sector. The unions would talk to [the adviser] directly.

[Ministerial private secretary]

I remember ringing Maharey's office a couple of times to complain 'here is another thing and we are not at it!' It did seem to be a constant battle. It was so much easier at the ministerial level. There was an awareness and an acknowledgement of who we were and what we represented and a keenness to give us information as much as possible.

[Students' association]

The activities of the ministerial advisers created their own stresses for other policy process participants because their role in the policy processes was active, without their role or their mandate being clear.

Those ideas would come out of the minister's office. I couldn't get over the number of people, who had not long ago been student politicians, who were running around inside ministers' offices. This is something new.

[TEAC Chair]

While TEAC was working, Maharey kept the policy team in the Ministry of Education busy on a new policy and legislation for Modern Apprenticeships, policy work on information and communication technology (ICT) support for learning in tertiary education, the development of Centres of Research Excellence (CORES), and reviews of adult literacy, adult and community education, the training opportunities programme (TOP) and youth training.

The policy for Modern Apprenticeships could have been administered through Skill NZ, with minor modifications to the industry training scheme, but Maharey was insistent on legislation.

COREs are a success, and the focus on adult literacy.... Before we did the Adult Literacy Strategy we didn't have any focus on it in an outcome sense at all. We were doing endless reviews of TOP [a basic skills funding programme] and weren't going anywhere near what was really needed in substance which was the adult literacy [outcomes] stuff.

[Policy manager, education agency]

Maharey's office staff noted the minister's preferred style of working, and his dislike of any disagreement between his agencies:

So much of [how the office worked] is coloured by the minister and his desire for certain relationships..... Mr Maharey was always very keen to have harmonious relationships. He would rather have consensus reached, than be presented with different perspectives. Saying that, in the tertiary education area it is incredibly difficult for everyone to agree on everything. At the very least he preferred that his agencies did agree. I think it sometimes meant that you were not getting the free and frank advice that you might otherwise get.

[Ministerial private secretary]

The sector also noted the way the minister's office and government as a whole worked in that first term from 1999–2002:

It was reflective of a new government – they didn't know how to govern, also Maharey's very academic approach to things, as opposed to other ministers. You saw other ministers make those quick decisions – by the end of his time, extreme frustration with his inability to make those decisions.

[Students' association]

#### Transition to the Tertiary Education Commission 2001–2002

On 26 February 2001, Maharey informed Cabinet that he had received TEAC's second report, *Shaping the System*. He sought Cabinet's agreement to publish the report, noting that 'any change to central government organisation will need to be carefully examined by Ministers'. He provided a timeline for sector responses to the report, and a report back to Cabinet at the end of April, 'on the government's response to the recommendations including further work needed for their implementation' [CAB Min (01) 6/5]

It was really an unquestioned assumption that there would be a permanent tertiary commission. Part of our job was to recommend its set up and work out what it should look like.

[TEAC member]

The report-back asked Cabinet to agree to TEAC's recommendation 'to establish Tertiary Education Commission (TEC) responsible for the whole of the tertiary education system'. Analysis by policy officials from the Ministry of Education, the Treasury and the State Services Commission (SSC) on the TEAC recommendations and their implications, was provided to ministers in the format of three draft cabinet papers: one looking at the nature of the overall change, one looking at the options for the establishment of TEC to obtain the relationship and control that ministers wanted, and one examining the work still to be done, for example, around changes to the funding system. This analysis was largely edited out of the final cabinet paper which dealt with TEAC's recommendations.

The [draft cabinet] papers made it seem more complicated than Maharey wanted to present it, and probably contained too much of what he saw as negative, about the risks.... If Cabinet are not fully informed they will go for what the minister wants.

[Ministerial private secretary]

It was a major policy, structural issue that was being dealt with and, it was still being dealt with without an internal government consensus having been built. It was also slightly unusual, in that it was probably the biggest of the structural and machinery of government changes that I have seen that have not had the really active involvement of SSC [the machinery of government agency] in the shaping of them. As a result of that, some of the process stuff meant that people were not hauled together in quite the same way that happens in other departmental [changes].... It was pretty clear that [SSC] were not welcome in the process.

[Minister of Education]

The somewhat unconventional processes caught us all – everything was out of kilter with the expected processes. There was something missing in the process and people were left in a quandary about how to maintain their professional

integrity, while also acknowledging the prerogative of the government to define the process they wanted to follow.

[SSC official]

There were many gaps between what some ministers appeared to want to change, and the decision put to Cabinet. TEAC at that stage had published only two of its four reports, and there was much detail still to be worked through, particularly on the design of the regulation and funding arrangements within which TEC would work.

TEAC had also recommended that, pending the enactment of the necessary legislation, an interim body be set up to oversee the transition. Approval was given for the next step towards this – appointing a chair and deputy chair of what was initially known as the Transition Tertiary Education Commission, and would later become the Tertiary Education Commission, when the necessary legislation was passed (Tertiary Education Advisory Commission, 2001, pp. 38–47; Cabinet Office, 2001).

It happened very fast. On a lot of these things we put some trust in Maharey actually, in terms of just going along with some things, particularly those where we didn't have a lot of knowledge or a strong view. We made the decision to focus on a small number of things that were important to NZUSA which were mainly to do with funding and less to do with structure (with the exception of the learner representative on TEC).

[Students' association]

Maharey appointed Andrew West as the chair of the Transition Tertiary Education Commission (T TEC) and later the Tertiary Education Commission (TEC). West played an active role in policy processes:

In this whole policy formation process there were individuals who were highly influential obviously. West was a key player. He had impressed Maharey and other ministers in opposition, presumably through Select Committees where he had fronted up. He had been an adviser on the staff of [a former] Minister of Research, Science & Technology (RS&T) at one stage. West was pulled over from NZQA to head up transition TEC. West had always been an advocate of better alignment between economic development and tertiary education. That

was also being advocated elsewhere obviously. He was good at talking big ideas, and Maharey is someone who enjoys listening to the big ideas.

[Ministerial adviser]

West was new to the education sector, having spent most of his public management career in the research science and technology sector.

I got involved in tertiary education by luck ... the chair of NZQA was looking for a new CEO.... When he heard that I might be in the market he came after me. I went through that process and ended up at NZQA. I had no experience in education or education policy at all, so that was a steep leaning curve. Notwithstanding how stressful it was, I really enjoyed it. The part I really enjoyed was the whole intellectual content, which was immense. At the same time I was taking the job at NZQA I got a call from a cabinet minister saying we think you'd be a pretty good chair of the Tertiary Education Commission. So I said, now what do I do?

[TEC chair]

West and Maharey were in agreement on pressing forward with making changes quickly, even though TEAC was still working on its fourth report. Maharey seemed willing to allow West to do things his way.

Some of the shortcuts and lack of process early on, was as a result of [West's] wish to do things quickly, and without a proper governance arrangement.

[Minister of Education]

My impression was the instructions from the government to [West] were: 'here it is, it's your baby, get it up and running'. [West] was a prominent presence. He fronted up to the speeches. You were often running to catch up with what he was saying in terms of policy. There were a couple of interesting meetings, with ministers and others, where he'd say things and you'd think – where did that come from?... He had a number of big ideas which hadn't been thought through in terms of were they operationalisable.... Despite the government's talk of having a more strategic system, he was basically left in a vacuum without very much in the way of guidance from ministers. So it wasn't unreasonable that he would take it and run it. The problem with that is that

ministers would get into situations where they would think ‘what have we got?’ and have to rein him back.

[TEAC secretariat]

The government’s arrangement around the TEC were much too influenced by West. The model was an interesting one, somewhat unique in having a full time chair and a full time deputy chair, and a full time general manager. In that sense I think West was overly influential, and decisions were made at times to accommodate his particular impulse. Not in a corrupt way. He was a strong advocate of a particular approach to governance which had someone who was going to be building the strategy and external stakeholder management and someone who was going to be a competent manager inside the organisation.

[Ministerial adviser]

The appointment of West was followed by the selection of Kaye Turner, an academic from Waikato University, as deputy chair of TEC. Turner’s university sector credentials – as an academic assistant vice chancellor, and as a member of the university sector quality body, CUAP – were an important balance to West. Turner explains how she saw her role in the process:

When I came in to policy I saw myself as very inexperienced and a bit player essentially. I had been sought, I didn’t go looking for it, so I knew that whatever it was that I had to offer ... must be something that would be useful and would fit in the course of the reforms. I had read the TEAC reports. The Minister called me in July 2001, and I actually came into T TEC on 7 Aug. There were some TEAC reports available [TEAC 1, 2, 3]. I had no illusions about who was the really important person in this. It was West as the chair. But I knew I was going to be a crucial foil, especially of significance to the university sector. I could not have come in if the direction advocated by TEAC was not one that I was enthusiastic about supporting.... I have to have values that I can attach myself to in order to feel comfortable with something. That was the key for me.

[TEC deputy chair]

West and Turner thought it important to embody a symbolism of change, and maintain a sense of reform momentum. One area of focus for T TEC was the development of the detail for implementing charters and profiles as the regulatory



instruments recommended by TEAC as precursors for receipt of government funding, although they could not actually be implemented until legislation was passed.

The charters and profiles working party ... was a critical symbol, at the time. There was still one TEAC report to come. For me it was absolutely critical that this grouping of 16 or so people, from right across the sector, and some stakeholder groups, would come out of this process demonstrably working together. So when you say consensus, I believe for me that was absolutely the key.... I had to come out of that process with a consensus report [about how charters and profiles would work].

[TEC deputy chair]

[West] thought that you could direct the system much more easily – a lot more like the research, science and technology sector. He really wanted to [re]create that – that we would sort of decide.

[Ministerial private secretary]

One particular decision made by ministers at this time had significant implications for the shape and culture of the future TEC. TEAC had recommended that Skill NZ be disestablished when TEC was created, however the minister decided that it should continue, inside TEC.

[TEAC] kept saying to the minister that you have to be careful around implementation. You cannot just give this to Skill NZ, and make Skill NZ into TEC by a change of name. You must get rid of Skill NZ in this. We said you must have some continuity between TEAC and TEC.

[TEAC secretariat]

The NZVCC submission said whatever you do – don't create TEC by having 90% Skill NZ and 10% other. But that is what they did.

[Vice chancellor]

We were constrained by the deal that the [public sector union] did with Maharey over Skill NZ. It was a fundamental error. We were basically told you will take this organisation on and there will be no redundancies. That was a stupid thing to do. [TEC] had a completely different brief from Skill NZ.

[TEC board]

Skill NZ was like a brand name and the organisation was seen in some quarters as a symbol of the government's commitment to skill development and apprenticeships, so its inclusion in TEC was not welcomed because of the loss of the 'brand'.

It was a bit of a surprise when I was told that [TEAC] proposed to recommend the disestablishment of Skill NZ.... The Minister was convinced that was the way to go.... Some of us argued that you should follow the Ministry model, like the Ministry of Consumer Affairs, within a bigger [agency].

[Ministerial adviser]

Should Skill NZ go into the TEC, or stay out? On the side of the argument for staying out was the strong view that industry training would be swamped and ignored. Our view was that if it wasn't inside the TEC, it would be swamped and ignored. Skill NZ's view was if they went in, they would be ignored.

[ITO sector]

The Minister was very protective of Skill NZ, so there was no choice.... We had so much to do: charters; profiles; PBRF, adult and community education. Everything had to be done at once. There was no way that we were going to throw [Skill NZ] up in the air anyway. It was pretty difficult at times.

[TEC chair]

West, his fellow board members appointed by the minister, and a small team of individuals recruited by West began making key decisions on the design of TEC. They also contributed to the development of the first Tertiary Education Strategy 2002–06. The handover from TEAC to TEC was minimal.

I couldn't understand why when [West] formed the Board he didn't get us [TEAC and TEC] together and ask us what had been in our [TEAC] minds. What were the things that were driving you in this report? I don't think they even read the [TEAC] report to tell the truth. It just morphed into something completely different.

[TEAC member]

A general manager was recruited who would become the tertiary commission's chief executive (CEO) on its establishment.

I understood that there was a view that you had to have someone from outside the sector – a ‘cleanskin’. My view was that was absolute rubbish. If the person didn’t understand the sector they were bound to fail. You have a new policy environment, new agency, new policy levers – the last thing you need is a new policy agency CEO – you need someone with good current knowledge.

[ITO sector]

[West] used to say you are my CE, but I was called a general manager.... My job was to establish relationships with industry training, the non government organisations – all of that group. And certainly they excluded me from key meetings with TEIs.

[Education agency CEO]

The general manager had not previously worked in the education sector or at chief executive level in an organisation.

A lot of it came down to relationship skills and people management.... She was a details person. She liked to know the numbers and where everything was at. Sometimes I didn’t get to see her every week because she was very busy but I would send her an email saying ‘this is where it’s at, these are the things we have done, these are the risks’. That kind of thing, and she loved it.... She knew what she wanted to do.... She had some quite intractable personalities to deal with, which must have made her job very difficult. She liked doing things well.

[Funding manager]

T TEC also led the development of the performance-based research fund (PBRF) recommended by TEAC. It was strongly advocated by Boston while he was on TEAC, and he was supported by the university sector. West, coming as he did from the research sector, was also a supporter and happy to get closely involved in its development. This allowed work on research funding, started by the policy agencies and people in the sector before the election of the Labour government, to continue.

The research work that we started to do with a committee chaired by [a vice chancellor] was basically the forerunner of the PBRF. It got the sector ready, and almost recommended the PBRF.

[Policy manager, education agency]

[Boston] helped TEAC establish a research funding subcommittee, and establish a work programme in conjunction with all the key players in the sector. We worked through, with the support of the Vice Chancellors Committee, a series of options for research funding... After about 18 months we finally produced a report which was part of the fourth [TEAC] report that recommended a mixed model for funding research – a performance-based system, combining peer assessment and indicators. With some notable modifications that is what we eventually introduced after a lot of additional thought through the processes of the PBRF work group, and then the implementation processes within first, the transition TEC, and then TEC.

[TEAC member]

The PBRF was the only time we really got the sector engaged. The centres of research excellence – it was difficult to engage them at the beginning although they liked it at the end. In the PBRF we got them positively and constructively engaged throughout ... the government wanted TEC to do it but [they didn't have the capability at that time], so the project manager worked with the Ministry of Education policy team and Boston. Without a doubt he was the other architect of the PBRF ... Boston really championed it. He put a huge amount of time and effort into solving every problem as it arose.

[Policy manager, education agency]

The chair and deputy chair of TEC saw implementing TEAC's recommendations, such as the PBRF, and charters and profiles, as an opportunity to model the way the new tertiary organisation, TEC, wanted to work with the sector.

Because charters and profiles was first out of the starting blocks it provided some learning about other processes, and what might be helpful. With the PBRF, what was critical there in addition was: [the involvement of an eminent scientist in a lead role] Paul Callaghan; and the involvement of Jonathan Boston [as one of the originators of the policy design]. For something like the PBRF you needed a couple of people who absolutely had, in Jonathan's case, that absolute commitment and attention to detail, and in Paul's case, someone able to take on the authentic mantle of sector leadership and talk with the sector in ways that key players understood, responded to, and respected. That could not have been done by anyone around the board table, for example, or elsewhere.

[TEC deputy chair]

Because T TEC was not a legal entity, it received operational support from the Ministry of Education, although it was located separately.

Transition TEC was established.... It was a symbol. [West] was a symbol of that symbol, because he was very different from what existed, and what had come before.... The decision to establish a transition organisation was a very important message, another indicator of change, another way of maintaining momentum in what might have been a hiatus, an arena where nothing seemed to be happening, because it wasn't visible to the sector.... It was important that the transition TEC was seen to separate itself from the Ministry and to be seen by the sector to be separate.

[TEC deputy chair]

There was an expectation by ministers, the sector, and within T TEC itself, that the small number of people leading T TEC had sufficient tertiary sector, public policy and public management experience without any support from the Ministry of Education. The reality was different.

The make up of those three [the chair, deputy chair, and general manager of TEC] – the constituencies that they represented or appealed to, the division of labour around operational responsibilities and the strategic big ideas – the biological economy, and so on – and [the deputy chair] having come from the university sector but respected across the board – in a way, that was the problem. The institutional governance decisions were made on the basis the

skill sets of three individuals who were very significant actors in their own right. The institutional arrangements, the machinery of government arrangements were shaped around attributes of individuals, and the preferences of those individuals, whereas it should have been much more saying, 'these are governance and institutional arrangements for the long term and what are the kind of tests one would apply around appropriate and proper arrangements and then individuals'. The whole logic was back to front, and in that sense it wasn't surprising that the TEC didn't work well initially and went through a very difficult period. It involved the loss of people who, if you could run it all over again, should not have been lost to the public service.

[Ministerial adviser]

The general manager from my perspective didn't have the level of authority in the arrangement, and because you had day to day stuff from [West], you didn't have the checks and balances that you would normally have in an organisation like that.

[Minister of Education]

T TEC wanted to act but had no powers until legislation was passed. The Ministry of Education still had operational responsibility for \$2 billion of funding delivery to tertiary institutions and could see some actions were needed. Although advice still flowed to Maharey from the Ministry of Education about issues needing attention, particularly in the EFTS-funded sectors (all the public institutions and approximately 400 private providers), Maharey mostly wanted to leave action for TEC. A number of institutions required urgent financial bailouts by the government during this period, creating difficulty all round for decisions and actions.

Skill NZ, which delivered about \$180 million in funding through contracts to private providers and industry training organisations, was trying to make sure it survived in a form the senior staff and their board were comfortable with. They certainly did not want to become a part of the Ministry of Education. And the sector wanted things to happen.

You have various players and some attempt at high level co-ordination across transition TEC, Skill NZ, the Ministry. There were resourcing issues – whether the TEC was going to be appropriately resourced to do its job, or whether it

was to bear the legacy of a history of under-funding. It was a kind of fractious kind of institutional set in the tertiary education policy domain.

[Ministerial adviser]

That experience of a new minister and ministerial staff getting to grips with their portfolios was difficult. They come in desperate to do things, but don't necessarily have it particularly well defined in their minds. They know what they don't want or what behaviours they don't want. They have a bit of a utopia about what they do want, and they don't necessarily know how to get there.

[Senior policy analyst]

Maharey could have done a lot of stuff as the minister, but it didn't seem to be his style. But thinking about the positives, for a period of time a consensus was established. There was a genuine spirit of co-operation between all the players. [The students union] got caught up in that to some extent. We extended olive branches to organisations we hadn't really worked with before. For example industry training – I used to meet quite a bit with their person to understand that sector more. Even the polytechnics, we tried to develop relationships with people outside of AUS and the university sector. There was a benefit in getting us to think critically about our sector, and draw us out of our niches, to think about the other players. We did try to do that.

[Students' association]

TEAC's fourth report addressed the details of funding and steering the system. Many expressed disappointment in this report. Certainly, the Cabinet decisions made after it were not as cut and dried as the decision to establish TEC.

In the early TEAC times, you definitely got that sense of real agreement about where it was going.... The sector and the policy community, government policy agencies – Ministry, Treasury – convinced ministers, with good argument, it was going to be too difficult, with 90,000 courses, to pick and choose. Until you had a way of saying which things might be better for the economy, it was going to be very difficult to make those funding choices. They convinced them that you needed to have that more sector-led. Evolutionary rather than revolutionary was always Maharey's little catch phrase. The sector talked to [ministers]. Everyone else agreed that and talked ministers around to it. But I don't think that in their hearts, Maharey or Mallard or even the PM

was ever convinced. What happened was that they sort of signed up to it, but they believed that they would get more steerage out of it than they did.

[Ministerial private secretary]

TEAC knew they wanted a PBRF, they didn't actually know a hell of a lot else. Snook drove the Alliance agenda of wanting the private sector out of tertiary education. Boston wanted more money for the universities, and the PBRF. Linda Smith put in the Maori angle.

[Senior policy analyst]

### Tertiary Education Commission established 2003

TEC was formally established in January 2003 after a six-month delay in the passing of legislation, caused by an election at the end of 2002. The interim was filled with funding policy development, as well as implementation detail and operational policy for charters and profiles, and the development of the performance-based research funding system (PBRF). There were also organisational design and capability issues requiring attention.

Well, it was quite exciting ... from a policy sense, pretty exciting. You didn't need the legislation to give you power or influence. Everyone knew it was going to come.... What a lot of that period was about was the absorption of Skill NZ. There was a lot of mechanical, change management work, that had to be undertaken and it was quite stressful at times. The minister was a great fan of the general manager of Skill NZ, so you had to be careful in the implementation process of trying to absorb Skill NZ. The board of Skill NZ were nervous but very positive and constructive.

[TEC chair]

The election did create a hiatus but I don't think that it ever created particular difficulties. There were timing issues because we would have been empowered to do this or that. The real issues that we had as an entity were the powers, or lack of powers in the legislation, given the expectation of the minister. The minister had expectations that we would make institutions do things, but the legislation didn't give us the powers to compel them to do it. [TEC] got a slow start because of the insistence, as I understand it, of the minister that everybody had to go through the charter and profile process at the same time. We were not allowed to implement them incrementally; working first with those parts of the



sector (perhaps identified by TAMU) you needed to work most with. We went back to the minister on more than one occasion and said, ‘Minister, do we really have to, in the first year, have 900 institutions with a charter?’... It turned into just a compliance exercise because there was not the capacity to give the attention required to make judgment. So the weakness in the instruments and the Act made it hard for us to achieve what was the Minister’s aspiration.

[TEC board]

Other important work streams at this time were the design of a new funding system, a review of industry training, and completion of the reviews on adult and community education, and on adult basic education and adult literacy. This workload stretched the capacity of all of the policy agencies. The design of the new funding system, seen as unfinished business from TEAC, did not proceed smoothly. Achieving what ministers wanted in terms of a new funding system was difficult.

There was a lot of agreement about the vision, but when it got to the ‘how it would be implemented part’, and all the Cabinet papers around that, and ‘how it would actually work’, ministers got talked out of doing what in their heart of hearts they really wanted to do. They wanted to be much more directive around steering – not funding certain things, and stopping certain things that were going on, and encouraging more of the desirable things.

[Ministerial private secretary]

The emphasis was on designing a new system, rather than understanding the existing system, and why it was not performing as ministers wanted it to and if and how it might be changed to achieve what was wanted.

As TEC went along, they started to become more and more aware of the existing systems like the funding responsibilities handed over. TEC had a (funding) blowout – Tairawhiti with 85% of its EFTS in community education. Then TEC (management and board) began to be pulled down to the realities. But even then we were having these discussions around differentiation and distinctive contributions and all that sort of stuff. My sense is that (the management and board) were focused on having the organisation up and running and having the various rules and regulations around funding and

profiles and charters. They were focused on and trying to get that achieved above everything else, as was probably quite reasonable in that position. The extent to which things were happening [in the sector] was a distraction rather than their focus.

[Policy consultant]

The business sector was pressuring government to help alleviate skill shortages experienced as the New Zealand economy boomed from 2000 to 2005. Maharey was in a good position to respond because of the group of portfolios he held. Modern Apprenticeships were under way and there was an opportunity to resurrect the 'Skill NZ' brand name that had briefly disappeared with the eponymous organisation when it was incorporated in TEC.

So part of the deal ... if Skill NZ, the organisation, was going to go then the 'brand' was going to survive in some way shape or form, and it has.

[Ministerial adviser]

Political pressure to fix the problems, identified by particular groups, was strong, leading to some ad hoc decisions. Responding to pressure from the students' union, the minister asked the public tertiary institutions to freeze student tuition fee increases in the return for receiving an increase in the per-student funding rate. The May 2002 budget provided additional money to raise the funding rate. It also capped the funding available to the private providers, and reduced the rates available to them per-student. New funding rules determined that only priority courses, in private providers, would receive funding.

These decisions displeased many constituencies for different reasons. The public institutions wanted an increase in their funding but they did not want it at the cost of the autonomy of their institutional decision making on student fees. The students on the other hand wanted the student fees issue dealt with in a more permanent way. The private providers found the door that gave them access to government funding on the same basis as public institutions was closing. They were unhappy, both about the decision, and how it was made.

We would get called to a meeting in Maharey's office at short notice ... when there was an announcement coming up and there would be an attempt by him to manage us through the public servants.

[Students' association]

I remember meeting with Maharey prior to the announcement.... The policy itself wasn't good for our sector, but government have the right to make policy. It wasn't that. It was the arrogance that they weren't prepared to listen, and hear that stuck with me. The decision had been made without consultation.

[PTE sector]

Some of the more critical decisions on the new funding policy, such as how TEC would decide what courses TEC would and would not fund, were deliberated on for some time. There were disagreements between the agencies over details, and there were ministerial differences and ambivalence about what they wanted.

I ended up doing a lot of work on the funding policy. So many of the sector's behaviours were driven by the funding system, but it is only a tool and you have to work out what you want to do with it. I hadn't thought through all the possibilities and manifestations of that and I don't think anyone had. When I started you had a funding system that delivered to the providers in a pretty simple way, all your tuition, research etc. with little differentiation. There was quite a fight about putting in a little bit of differentiation for Maori and Pacifica students. Then there was a further fight about putting a cap on private providers. When you look at it these things are quite small. Although [ministers] had some concepts, I don't think the government knew where they were going to go. Having placed a cap on fees [Maharey] had all sorts of problems about 'how do I keep these institutions afloat'. His way of doing it, and it fitted with some of the quirks around the way the government was managing its funding then, was to leave an open ended funding system. I don't think they were brave enough to have the fight anyway at that time. They didn't want to go there and the TEC didn't want to go there either.

There were a series of hard calls that never really got made. When it came to the funding system, there was a clear wish to interact with a strategic direction as articulated through the tertiary education strategy but also a wish not to have

a great fight. Having already had a fight on fee control they [the government and minister] didn't want another fight.

[Senior policy analyst]

While decisions on the new funding policy were being made, the sector was continuing under the old funding policies. A comprehensive array of options for new policy was put in front of ministers.

The TEC hated it! They thought it was too hard. Mallard really liked it. Maharey didn't hate it but I think he was quite influenced by the TEC. They were saying it would take five years to be able to deliver it.... Where we ended up was – 'let's split out some money for research which was the PBRF. We'll slowly start developing a performance component on tuition, recognising that it is quite difficult. Then have the ability to block funding in some areas, if you are prepared to. So the funding system would still be open ended, but you can block things'. That was fine as a theoretical construct. The difficulty came when no one was ever able to define what they didn't want. For any course, it was always possible to find some merit.

[Senior policy analyst]

Continuing to operate under the old uncapped funding policy, some public institutions – mainly polytechnics and wananga – developed creative and innovative ways to increase income. Some of their activities became politically embarrassing. Short courses and community education courses, which could be given quality approval by an institution's internal academic board, began to increase dramatically. The political opposition drew public attention to questionable educational value-for-money of some of these courses, to the embarrassment of the government.

There was a big growth in [community education] funding which went up from \$5–10 to \$100 million a year. You had a reasonably small number of high profile blowouts and they were successive. They were mainly in the polytechnic sector. The wananga sector also grew spectacularly for a while. In some ways it was a predictable response because the government had tied the hands of the various players. There was an unanswered question about what to do with regional polytechnics. If we want provision in the polytechnics in all the regions, which is a perfectly laudable goal, how do we do that? Having 20

institutions of variable competence was never going to be easy but we didn't seem to be able to work through the politics and the fiefdoms to a better one.

[Senior policy analyst]

The frustrating attempts to agree on policy were eventually overtaken by a political response to the sectors' behaviour under the ongoing funding policy inherited from previous administrations.

When the [community education] funding disasters started to hit the fan, it hit a nerve with [ministers] because it was the stuff that they really thought they had put a system in place to deal with, and it wasn't dealing with it. So to some extent they brought down the hammer, the sledge hammer for the nut, because it was a symptom of how they thought they had been deceived, or betrayed. They thought they had already fixed this. I remember the prime minister saying things like 'I thought you'd fixed this – I thought this wasn't going to happen'.

[Ministerial private secretary]

Those things that could have been fixed within the extant system... They threw out the baby with the bathwater because they were very frustrated at that point.... The political tensions were extremely high. The party and the Cabinet table.... I imagine it was pretty tough for Maharey and Mallard around that stuff. Particularly as it just became such a huge media issue ... They had spent a huge amount of money on TEC. That was the other thing. 'We have spent all this money and we have spent a year going through Cabinet decisions so why is this? How come it hasn't been fixed?' was the overriding thing at the Cabinet table.

[Ministerial private secretary]

We ended up with systems that were reasonably logical in themselves and fitted together coherently at a theoretical level. They certainly weren't able to be worked, or no one was prepared to make the hard decisions to make them work. There are three or four ways you could have attacked the [problem] that all had different strengths and weaknesses. We were in a space where the implementation agency, the TEC, wasn't prepared, didn't think it had a real mandate, to actually say no to people. It didn't think it had clear enough directions around strategies. There are probably a range of angles to that ... Ministers wanted two things. They didn't want bad outcomes but they didn't want to say no to anyone along the way. They ended up deciding that they

didn't want to annoy people and then they were disappointed that they didn't get the outcomes, and the changes that they wanted. What they were wanting was very ambitious.

[Senior policy analyst]

### ***Trevor Mallard – Minister for Tertiary Education 2005***

The prime minister reshuffled her Cabinet portfolios in December 2004 in preparation for an election during 2005. Maharey was thought by many in the tertiary sector to have failed to make some hard decisions. As a result, the reforms that had been signalled in the 1999 Labour Party manifesto were stalled. Maharey was replaced by Trevor Mallard as the Minister of Education, including the tertiary education portfolio.

The sector did not particularly like Mallard because, although he was straightforward to deal with, which they appreciated, he was thought by tertiary people to be less interested in their sector than other parts of the education portfolio.

We were a bit nervous when Mallard became the minister because of his reputation. But he told you what he thought and his view changed significantly as he came to understand the PTE sector. There were government hidden agendas but I think he was reasonably straight.

[Private education sector]

You knew where you stood. There was a certain sense Mallard was more comfortable with the school sector. He wasn't so comfortable with the tertiary sector... Trevor was very straight forward to deal with and was proper in his approach to governance. He would set 'big P' policy, and then leave you to get on with it. So that micro-management very rapidly started to die away.

[TEC board]

Mallard was pragmatic in his approach, making some quick decisions to limit access to funding for short and community education courses.

I arrived [at TEC] on 12 July [2005], and on 14 July Mallard made the announcement of the removal of \$4.48 million of [community education] funding. Two things were actually announced: the removal of the community

education money and the appropriation of the quality reinvestment programme (QRP), of \$200 million over five years. I had been given a speech that said things like we will engage you in this and we will do it well and transparently and all the rest of it. I remember thinking at this time how can you take close to half a billion out of the sector in the same year? I found that that really interesting and it was my first experience of what New Zealand will do in a crisis really. They will just move.

[Education agency CEO]

### ***Michael Cullen – Minister for Tertiary Education 2006–2007***

The prime minister left Mallard as tertiary education minister only for the rest of that term of the government. After the election in October 2005, she gave the job to Michael Cullen. Cullen was also Deputy Prime Minister, and Minister of Finance, so Marian Hobbs, a former Cabinet Minister, and Associate Minister for Education, was appointed as undersecretary to support him. As the sector and TEC saw it, Cullen just took tertiary education by the throat and made things happen.

Once Mallard came in things got a lot better, and when Cullen became the Minister they were a hell of a lot better!

[TEC board]

It went from big bother boots trying to get things done to things actually happening. With Cullen it seemed things were easy and just happened really quickly.

[Students' association]

Cullen was very comfortable with the tertiary sector... Cullen was much more engaged in the 'big P' policy in terms of what we were trying to achieve, but again was very proper [in his approach to governance]. This is the policy, this is what I want to achieve, it's your job to do it.

[TEC board]

One Minister commented on relationships between education officials and ministers from the vantage point of having worked in other portfolios as well as education:

I don't think [exploring complex issues from multiple perspectives] happens in education so much because the playing field is so jolly small and they are all

divided.... So when you talk about the contract between the civil service and the community – if that is well done then the minister can work with it. But the minister has to be careful, needs a political adviser – bright young thing – and you have them alongside you to explore what the fishhooks are, and what other solutions are out there. That’s what I think is clever, and any progress we made in my other portfolio was because of that way of working. It seems to me that it never happened that way in education. If they had only worked together, more progress might be made.

[Minister of Education]

TEC’s board chair, Russell Marshall, took the opportunity of the change of minister and a new CEO at TEC to talk to Cullen about the problems he saw.

When Cullen started as minister I offered him my views on what was needed. One was give us TAMU. I thought it was much more sensible for the advice to be co-ordinated. The second thing is give us the policy. Then in a moment of recklessness I said, ‘if you really want to go for broke then give us the qualifications as well’, because at that stage NZQA wasn’t doing particularly well.

[TEC chair]

The new CEO Janice Shiner, newly arrived from England, began the process of forming a strong relationship with Cullen and his education adviser.

I remember going to Dr Cullen’s Christmas party in 2005 and him welcoming Treasury and all the other people he worked with, and then saying ‘and I probably need to welcome the TEC – how about that for a hospital pass!’. I vowed that he would never say that again. The following year he said – ‘it has been the best year of my career really – I have done more this year in terms of policy with tertiary’.

[Education agency CEO]

In April 2006, Cullen announced he was going to review parts of the system, and build on what Maharey had introduced. There was also a focus on the appropriate split of responsibilities between TEC and the Ministry of Education.



I think there were four or five Cabinet papers in June–July 2006.... Dr Cullen was incredibly influential, but more because he was so permissive. We saw him for half an hour a week, always with a slide presentation – ‘these are the questions we need to ask you, these are the reasons why’. We would work through it in true style.

[Education agency CEO]

Ministry policy development was very weak, and we thought that pretty much from day one. We thought our policy thinking was ahead of where the Ministry was. I think the micro-management of ‘small p’ policy had us thinking, ‘why are they worried about this? They should be worried about things like [the TEC board’s] top ten list’. Once we got that proper demarcation we did begin to see it was possible for the minister to engage with the ‘big P’ policy and we came up with that whole concept of investing in a plan. What happened in that period under Cullen was that the policy advice that he was running with was the stuff from TEC.

[TEC board]

Cullen was a busy minister and he worked through his education adviser, and the two worked closely with the TEC CEO.

[The adviser] drove us insane, but looking back that relationship between [adviser], me and Dr Cullen was really vital. He used to have ‘tertiary Thursdays’ and he used to see people [from the sector] all the time. He would test out whether what he was getting from us was going to work, was right, was understood, and so on. He tested it with the sector and other agencies. He was absolutely clear that we couldn’t do anything if we couldn’t take the sector with us. So that was very difficult and very challenging. Those early Cabinet papers framed the new system.

[Education agency CEO]

People in the sector had a feeling of artificial re-invention in the policies developed under Cullen and Shiner.

The so called reforms that Michael Cullen put in place were designed primarily to control expenditure and control waste. Although they are dressed up as a whole lot of distinctive contribution, and all the rest of it, the reality is that

[Cullen] capped and controlled expenditure – controlled, because it is not capped actually. Most of the rest of it has been fluff around these endless discussions about the shape of the system, and the negotiations and all the rest of it.

[Vice chancellor]

When Cullen announced his policies I asked him, is there any possibility that under the capped regime that we are moving back, so that qualified New Zealanders would not get into a New Zealand university. ‘No’, he said – ‘there is enough flexibility in the system’. Then individual universities came in behind, because they have been having discussions about this issue with the Commission. Cullen went further, and quite clearly said, ‘we won’t be turning any New Zealanders away’.

[University sector]

Many participants thought that Cullen treated TEC almost as a de facto Ministry of Tertiary Education, rather than the intended ‘buffer’ agency.

That is one of the big issues still on the table. We have an institution now that seems to have found its feet. It is running pretty well in terms of policy development in that it has proved that it can do the work that is needed. Is it really a Ministry of Tertiary Education? That debate started before [the CEO] arrived, and it carried on and got more intense. Cullen basically said, ‘no, just leave it’. [The opposition spokesperson] was making a lot of ground. Cullen shut the debate down and said ‘it is not something that is going to happen on my watch, this term [of government]. It might be something to explore at some other stage but not now. We have had more than enough change. Enough!’ That is what I mean about Mallard and Cullen being able to make big decisions and close stuff down, and not get sucked into small stuff.

[TEC board]

Cullen completed his policy changes and amended the tertiary education legislation in time for ‘investment plans’ to be put in place as the main funding mechanism for the 2008 funding year. The legislative requirement for charters and profiles was repealed.

*Pete Hodgson – Minister for Tertiary Education 2008*

The prime minister's appointment of Pete Hodgson, previously the Minister of Research, Science and Technology, to succeed Michael Cullen, was read by the sector as a signal that the 2006–08 reforms were over, and things were settling into business as usual. This did not mean that everyone in the sector was satisfied.

Every single point where ministers have changed has been absolutely crucial.... The essence of the reforms has been affirmed with each ministerial change. I also believe that from a political point of view it has been absolutely necessary for each minister to portray some of the discontinuities and the changes as the crucial thing. The most obvious example of that would be Minister Cullen and his portrayal that this is a new take on things. My own interpretation is that it is all just part of the process being realised.

[TEC board]

We ask Hodgson, 'what would you like to do about that, Minister?' His response is to challenge the data.... The fact is none of them [ministers] has the courage to reverse any of the trends of the past. Not only will they not force degrees back into research institutions, they won't even force post-graduate degrees back into research institutions.

[Vice chancellor]

*Summarising the participants' narrative*

The participants' narrative provides one lens for explaining tertiary education policy processes. It can be summarised as a number of general observations:

- A number of individuals, other than the formal decision maker influence policy processes.
- The number of participants is large, diffuse and constantly changing.
- Each participant brings his or her past experiences and perceptions of what is or is not, and should or should not be in tertiary education.

- Each participant also brings a prior knowledge, and expectations of some of the other participants. This knowledge affects how the individual participant acts and responds to others.
- The experiences and perceptions of participants can be as varied as the number of people participating.
- Some individuals act as ‘policy entrepreneurs’ – creating arranged marriages between problems and solutions – but their effectiveness is constrained by their understanding of both the public management world and the policy-in-action world.
- Common ground and agreement are subject to ongoing reinterpretation.
- Participants interact with each other in policy processes in ways that could not have been predicted at the outset, and they modify each other in the process. Therefore some changes occur as a result of this interaction, and not because of any exogenous cause.
- The interactions between participants, and the change dynamics they trigger, are ongoing, and therefore policy processes are ongoing because it would be difficult to say at any point where one process has ended and another has begun.

### **5.3 Narrative Two: The organisations' gavotte**

This narrative is about the organisations involved in tertiary education, including the institutions of government, and their parts in policy processes. They each have a characteristic dance which shapes, helps, and hinders their engagement with others. This narrative concentrates on the dance steps that were being rehearsed in the lead up to the policy reforms that began after the change of government in 1999, and how these evolved as the intentions of the government became clearer and changes were made through legislation and administrative actions by the government agencies.

While tertiary education policy processes take place through people, as seen in the participants' narrative, many of these people are clustered into organisations. These are part of the institutional infrastructure of tertiary education policy processes, and organisational purpose and concerns influence the policy processes. These organisations fall into two main groups. One group is tertiary-sector based, and the other is government organisations focused on the public management of the tertiary education sector – the development of policies and administrative practices, to give effect to the wishes of government.

The tertiary sector organisations are collectives of individuals or organisations that make up the tertiary education sector: the students; the various types of tertiary education organisations (institutes of technology and polytechnics, wananga, private providers, industry training organisations, and universities) which facilitate student learning; and the associations and unions of staff who work in those tertiary education organisations. This narrative portrays the concerns of these tertiary sector organisations.

The government organisations are the Ministry of Education, the New Zealand Qualifications Authority, the Tertiary Education Commission, and (the former) Skill New Zealand. Two other government organisations with roles in the tertiary education sector, the Teachers Council, and Career Services, are peripheral in the policy processes under consideration, and therefore not included in this narrative.

All the government and tertiary organisations operate within the wider constitutional institutions of formal government in New Zealand: Parliament, Cabinet, and Select Committees. These institutions are important, and although they are always there, they have only occasional parts to play. This narrative does not focus on them directly because policy processes rather than the formal decision making processes are the focus. Little bits of them, and other government agencies, are glimpsed from time to time, in a dance with one of the education agencies.

## **The tertiary sector organisations**

### *Industry training organisations (ITOs)*

In 1992, ITOs were the new kids at the dance. They had come into being because of the Industry Training Act and they had two key roles as the nexus between industry training needs and training providers. One of these was characterised as ‘arrangers’ and ‘funders’ of training, partially financed by government and partially financed by the industries they covered. How they did this evolved over time, and varied across ITOs.

When the Industry Training Act was set up there was this notion that there would be providers over here, who did the delivery, and ITOs over there – who developed the standards and qualifications, and the quality assurance systems, set up systems for learning to take place in the work place, and quality assured it – and that somehow they would be absolutely separate, and discrete, and would stay that way.... What happens is that the ITO develops the qualification, and then they find that they are having difficulty having it provided, either through a provider or in the workplace. So then they start providing support materials. Then they find that the concept in the national standard is a bit loose; so they produce resource materials and say that everyone should use this; and then they produce assessment guides and say everybody should be assessed this way. Then they go through another iteration. They start turning the resource material into interactive guides, and then it is not long before people are supporting those guides through telephone calls, and so on. Before you know where you are, without ever having intended to cross

the Rubicon, they have become a provider. So just by logically following their original brief, they have ended up as providers.

[ITO sector]

ITOs and the Industry Training Act were a central part of government's industry training strategy. They mostly interfaced with government through Skill NZ.

The industry training strategy went through four distinct phases.... At the birth of the strategy saying: 'let's get this up and going by throwing money at industry ... give money to industry to form ITOs'; then, 'throw money at industry to come together to develop the qualifications' – so there was product, product, product! Then it was 'we had better buy some training', and then the focus was to sign people up to training.... It wasn't until you got to the final phase of the initial policy development process, when the industry began demanding to know what the value of the industry training output was. So we had the performance management system. The one that Skill NZ brought in was the one pushed by the ITF. It was pushed by the ITOs because they were worried about losing money to poor quality ITOs in a capped funding environment.

[ITO sector]

The relationship between the ITO sector and the polytechnic sector started as a clash of established ways of working, cultures and power. Up until 1992, polytechnics had been as-of-right providers of block training courses for trainees in industry. The polytechnics determined curriculum, assessment and learning outcomes. The 1992 Act changed that to put ITOs in the driving seat, both for determining learning outcomes and assessment standards, and deciding where and how that training would be provided.

A lot of different things happened all at once. The change in funding regime for polytechnics and universities ... caused difficulties and adjustments at the same time as the Industry Training Act was set up. It now seems like a small sum of money that was identified as being used for off-job block courses and night classes in polytechnics, that was ring-fenced. It had to be used to purchase training from a provider, but the funding was given to the ITOs. That exacerbated things because some of what had previously been polytechnics'

money went to a third party. Then the polytechnics at the time had to show willing and jump through the hoops of the ITOs. The ITOs were only just setting themselves up and some of their hoops were pretty rabid. So that led to quite a lot of tension between the two sorts of entities.

[ITO sector]

Industry training was new to the education portfolio, having previously come under the Department of Labour. The relationship with the ITOs was mainly with Skill NZ as government's funding agent. It was largely a contractual one, initially focused on getting ITOs set up and increasing the number of trainees gaining qualifications. As the economy started to improve after the economic recession at the beginning of the 1990s, industries were looking for more from tertiary policy and their ITOs.

You began to see the tension emerging between ITOs and Skill NZ.... Where Skill NZ was still really pushing volume, the ITOs were having industry engage and say 'are we really getting value for money for this'? People in the ITF were saying to Skill NZ, 'you have to manage the ITO community differently, because at the moment we are worried that you are investing a lot of money in very low quality training, and meanwhile, you won't give me money to do what my industry demands'. That tension carried on for a couple of years.

[ITO sector]

The ITOs' umbrella body, the Industry Training Federation (ITF), formed to engage with government and government agencies on behalf of their sector, wanted to play a more active role in policy development.

The ITF had all these people who had been around at the formation of the industry training strategy who were saying 'we have run our cycle on this policy; we need a new policy; we need to expand'. Skill NZ had this notion of second chance learning, not workforce development. You had the Ministry of Education in the middle of a tertiary reform [1997–98 green and white papers]. Our sense was that there was a policy gap that we needed to fill, and we needed to fill it quickly because there was going to be a change of government... You had a policy vacuum, very strong and clever thinkers in the ITF, and a minister who needed some runs on the board. It just came together. There is nothing



better for a Labour government to be seen to be doing, than things that help industry ... and we had a supporter in the minister's office, as one of his advisers.

[ITO sector]

The ITF ... was the first sector organisation I'd come across that was constructive, interested in playing the ball, and in having policy debates rather than just defending their turf.... It was under the political radar to some extent. The ITO sector was seen as having a whole lot of potential – social, educational, economic – and the government had some ideas what to do, but not many so you weren't able to set part of the agenda.... The ITF were trying to get things up to a more strategic level, rather than get engaged in more detailed fights about this year's funding and the mechanism for that.... The sector took a lot of comfort from the first TEAC report that tertiary education includes everything. Industry training should be seen as part of the collective whole. That was seen as a big win. There were two or three strategies there. One was to promote research and evidence based debate. Another was to stimulate debate at a more strategic level and a third was to capture the research and policy arena around vocational education and training.

[Policy consultant]

The ITOs and the ITF pushed for a review of industry training early in the term of the 1999–2008 Labour government. The policy result was a broadening of the ITOs' scope allowing them to offer training to level 4 on the Qualifications Framework and giving them a strategic role in terms of planning for the future workforce training needs of their industry. Gradually ITOs came to see their role as increasing industry productivity through workforce development and training, a much wider canvas than their original role.

The argument for strategic leadership was a response to the view from the polytechnics that ITOs were only ever worried about here and now, and that polytechnics had a much broader view and that is why they did three or four year qualifications. The [policy] response was quite clever because it was 'let's give them the responsibility of strategic leadership'. And the other reason it was quite clever was because you had the Department of Labour doing forecasting and saying 'we can do macro information, but our sense is that the

ITOs have a whole lot of very soft data which is actually quite valuable. If you were able to bring that into a formal policy process it would complement this macro data and it would give us the ability to make more effective interventions down the line'.... What the ITF were saying is, 'you don't just use that information to make purchases in industry training. If the Agriculture ITO is telling you about the future of agriculture, why wouldn't you also use that information to make purchases from polytechnics and universities'?

[ITO sector]

Co-funding with industry meant that the ITOs had a different relationship with the government, and the funding agencies, than other parts of the tertiary sector.

I was always of the view that the 'Industry Training Strategy' was industry's strategy, and the ITOs were industry's representatives ... the Industry Training Strategy was a partnership and you can't dictate terms. As long as industry is kicking in 30-40% of the funding, they have got a voice.

[ITO sector]

In the lead up to the 1999 election, the ITF strategised to be more influential in the formation of policy. An example was given of their influence on the 2002 legislation:

[The ministerial adviser and a policy analyst] descended on our office and we nussed it out. Officers of the ITF said afterwards 'that is the space we want to be in, because we are at the table having the negotiation'. We have a set of words in the legislation. [Members had been saying], 'I will not agree', and 'I will not let you guys agree that there should be compulsory union representation on ITOs'. So our position to government was, 'we do not agree that there should be compulsory union membership on ITOs, but we do agree that 'industry' does not necessarily mean employer. Industry means more than employer'. But the actual negotiation around the words that went into the legislation, and the instruction to Parliamentary Counsel, was the moment where the ITF felt great; we are not always going to win the battles, but we want to be in there ... At exactly the same time there was the debate about whether or not Skill NZ should be part of TEC. Again, the members view was that if we are not in we are lost, and we will become irrelevant.

[ITO sector]

Many judge the ITO sector to have been quite successful in its strategy and that included industry training becoming part of the Tertiary Education Commission's mandate.

It's a fairly simple sector in many ways. They had some programmes, for example industry leadership and modern apprenticeships, which appealed to the public and seemed quite sensible; they were dealing with real problems. 'Trainees aren't passing because they are not getting enough support. So let's give them some more support and pay for it'. Also, ITOs were on the threshold of something important. They had built some capability, but they really needed to grow. They had recovered from the 1980s and 1990s, and all that production [of unit standards and qualifications] – all that sort of thing.

[The ITOs] had a very focused strategy from the start.... In the beginning it was engaging with the minister, and with Skill NZ, and that was about it. They started to gather some research to lift the profile, build relationships with industry groups and unions, and then moved on to this whole evidence based policy approach that they have been developing for the last seven years or so: building up their knowledge base; doing things like their vocational education and training conference; and their push for a vocational education and training research body. Generally getting on the right side of the skill shortages debates.... They have positioned themselves well by showing that ITOs are a key solution to skill shortages ... They have avoided having any of the dirty linen of ITOs getting out in public, which is probably helped by the fact that they are not obvious organisations. Polytechnics are the often the biggest organisation in town and gossip gets out, whereas nobody knows what an ITO looks like. ITOs are more anonymous [don't have their brand on buildings], often upstairs. Although some of them have got fifty staff now.

[Policy consultant]

### ***Institutes of technology and polytechnics***

There were two big changes for the polytechnics in the early 1990s. First, there was delight at being free of the Department of Education and becoming autonomous tertiary education institutions (TEIs), which gave them freedom to do things differently.

There was a transition ... to a new breed of CEO coming in... At the same time ... we had this sudden emergence of polytechnics going into the higher levels [of qualifications], and we started seeing polytechnic degree level programmes coming in.

[Polytechnic CEO]

Second, more relaxed regulation and market forces influenced the sector as a whole. Each institution adapted differently to the new environment. The sector became more diverse, and increasingly struggled to identify its collective character.

At the beginning, polytechnics were really struggling with the conceptual changes, and there were a lot of changes in the leadership about that time. The guardians of the technical institutes [as polytechnics were known before 1990] right through the eighties had nearly all gone by the early 1990s. There was a lot of struggling to define their role. There was the shift from community college to polytechnic and the shift to degrees. It was the quality era and the beginning of the thinking that if we have degrees then we need to be a university, in this totally market driven situation. There was a rise of 'brand'. It was the shift from being an educator.

[Polytechnic CEO]

The new bulk-funding system exposed differences within the institute of technology and polytechnics (ITPs) related to the role, size, and location of each institution. The effects were most marked in small regional polytechnics which had previously been community colleges.

Prior to EFTS funding of institutions, the Department of Education funded polytechnics on 'taught hours'.... The department was responsible for the buying and replacing of equipment. The principal of a technical institute back in those days had to manage the staff, the timetable, and the interface with students. Everything else was decided in Wellington [head office of the department]. Then suddenly [polytechnics] got bulk funding based on EFTS, and lost a chunk of polytechnic money to ITOs. The EFTS funding never really adequately provided for the capital expenditure requirements of trades. It didn't provide adequately for the capital requirements of quite a number of courses

that had high equipment costs. Also, it was a crude instrument for regional institutions, because they couldn't get the same staff student ratios [as city-based institutions].

[ITO sector]

The adjustment to a bulk fund managed by the individual institution was huge. In the early 1990s, it involved a lot of finding out how the rules worked and getting around them.

You had to know the history to be able to operate in the present. I had to be able to compare weighted student hours with EFTS and to know the people in the Ministry you could go down and have a beer with and get a \$1.5 million capital bid in and hopefully jump the queue.... In those days we had succeeded by knowing how the game worked.... The other thing you had to realise was that every year [the Ministry] would try and drag some EFTS out of you, by reclassifying them. So the game was you had to shoot for more than the top because the definitional arguments would see some money clawed off you as well.

[Polytechnic CEO]

A third theme, which emerged later in the 1990s and persisted in 2008, was the polytechnics' search for mission. Having lost the automatic right to the funding for block off-job courses for trades such as building, plumbing and engineering, the polytechnics faced increasing financial pressures as their costs rose and the numbers in some classes became uneconomically small. Some responded by branching out.

With encouragement from the professional associations – accounting and nursing – courses taught in ITPs were upgraded from diplomas to degrees. Some went so far down this route that they wanted to be a new kind of institution; not just an 'institute of technology' but a 'university of technology'. This route was actively pursued by the Auckland Institute of Technology which was re-designated as a university in 1999. Unitec [another large Auckland polytechnic] wanted to follow the same path but was blocked by the incoming Labour government in 1999 (Codling, 2001).

There was this explosion of degree programmes.... There was a momentum created – ‘can we afford not to be on this train?’ ... It prompted a reaction from NZVCC and the universities. They thought polytechnics should remain feeder institutions and focused on technician-level trades training.... That debate, and the arguments from the universities about what is appropriate for polytechnic education, continues to this day....

There was still this feeling that it was pioneering country waiting to be occupied. Once the first ones got accredited and approved and there didn’t appear to be an extremely rigorous process for them to get through to achieve that, then institutions began to say ‘can I afford to have an institution offering degrees?’ It still happens now in the debate around the ‘university of technology’. Is this going to create two tiers in the polytechnic sector? Can I afford strategically to try to stay in that tier? It was more driven from that aspect and the overall ambition of polytechnics. ‘My staff are good enough to teach and develop degrees’ – a status thing as well. That is why you got fourteen or fifteen polytechnics offering degrees in a space of only three or four years.

[Polytechnic CEO]

For the smaller regional polytechnics, finding their mission and staying financially viable, was much harder. The populations they served were too small to give them large classes in more than a few generic areas. Trades classes were small, and a financial drain to run. The small polytechnics’ market was nibbled away by PTEs at one end and universities at the other. They were cash-strapped and lacking focus other than ‘how can we get more income’?

We were looking at how we grow EFTS. It was the response to signalled policy, or draft papers, that were out there. Those signals that come in the draft policy are certainly picked up. At the second-tier level of the institution, right from the time of those signals, we were looking at growth and unfunded students. The institution had been affected in the change in the EFTS funding level for the teacher education so the institution was looking for other business.... The uncapped EFTS proposal that evolved into government policy quite quickly had a direct influence on our planning at the strategic level, both staff and board. It was the whole package: ‘where will we grow?’ ...

In 1999–2001, a large number of polytechnics, more than 50% were not getting the financial returns to meet the [tertiary monitoring unit's] benchmarks. Those benchmarks, at the time of uncapped EFTS, led polytechnics to think their only way to increase income was through student enrolments.... What you had created, in the absence of any other policy, was an ability to generate courses, and all sorts of ways of delivering courses that would have a low cost of delivery per student and a high rate of return.... I believe it was because of fear of financial failure. It was mainly the smaller polytechnics, struggling for financial viability. You began to see free computing courses opening up. There were no signals in any policy forum that you couldn't do it. It was on the basis of things that had been talked about in policies like 'Bright Futures' [the former National government's initiative] and related ones like 'Bridging the Digital Divide'. The EFTS price setting model didn't allow for the lower costs associated with non-classroom based delivery, so it was a very profitable thing to do and that underpinned a lot of the operation.

[Polytechnic CEO]

Some polytechnics faced financial failure and were assisted through Crown loans, which were usually accompanied by conditions; some eventually merged with larger polytechnics; and one closed.

We say polytechnics are community owned but really they are government owned. Really, and truly, you are answerable to the government, and people who don't understand that do their institutions a disservice.

[ITPNZ executive]

The polytechnics formed a national representative body at the beginning of the 1990s consisting of an executive of the chairs of polytechnic councils, and polytechnic CEOs. This body (formerly the Association of Polytechnic, New Zealand (APNZ), and now the Institutes of Technology and Polytechnics, New Zealand, or ITPNZ) represents the ITP sector in policy processes. Its big challenge was how to position the diverse polytechnic sector in policy debates.

[The polytechnics' association] sometimes had very much the psychology of the down trodden. In the TEAC days the position that was put was very much

the ‘university of technology’ position.... That was off the agenda quite fast really, but there was nowhere else.... This has always been the trouble with the [ITP sector]. There hasn’t been an acceptable image or framework in which to say what we are about. We are always fighting up from down below: ‘no we are not universities, but we are?’; ‘no we are not industry training, but we are?’ For ITPNZ, the ‘university of technology’ argument had the merit that it was a rallying point. It gave us something to cohere around. It had the virtue that, because it was a ‘university’, it could be quite prestigious; because it was ‘technology’, it could help us to gather around that; and because it was a single body, and we would all be campuses of it. As an organising principle it had a lot of virtues. When that went away we actually didn’t have anything for a long time. The ground was dug out from under polytechnics by the Industry Training Act. The difficult thing for polytechnics was they didn’t have anything to put in its place.

[Polytechnic CEO]

The national body re-branded and re-launched itself in 2002 as ITPNZ to coincide with the Labour government’s new policies coming into effect, and the advent of TEC.

There has been a little bit of a chip on the shoulder of ITPs. The universities always managed to have much stronger advocacy than the ITP sector. Part of that needs to be addressed by looking at the ITP sector itself, and how we frame the overarching association.... We didn’t get our act together. Part of that was going back to the pioneer days when they didn’t need to get their act together. Now we are running to catch up but a lot of the implications are in place and will take considerable time to either change or amend.

That is where the sector has to identify a very effective means of connecting to TEC ... in order to ensure a level of information and understanding. That may not change the policy, or proposed policy or strategy, but it will ensure that there has been a slightly more rigorous examination of the implications. That is the aspect that ITPNZ has to become more proactive on. It also has to be recognised by the agencies that they want ITPNZ to be more proactive in that regard. They need to actually welcome the rigor of that debate, that consultation and recognise that we end up with a better policy or strategy



position. Even if we don't agree with it all we will have understood and had the opportunity to at least present that dimension from the sub sector....

In 2007, for probably the first time in government language and publications, like TES and STEP, you are getting an acknowledgement that the ITP sector has a role to play in the applied degree areas. It legitimises something that has grown, almost out of control, over the last ten years.

[Polytechnic CEO]

### *Maori and wananga*

Maori educators had long been keen to establish tertiary education institutions that were run by Maori for Maori. The 1990 changes provided the window of opportunity for that to become a reality.

In 1986 I started shaping up Te Wananga o Raukawa ... the 1990 amendments to the Education Act had made wananga possible. We had started wananga teaching in 1981 with a Bachelor of Administration ... which up until then had been possible through arrangements with Massey University in particular and Victoria University.

[Wananga chair]

Although the Education Act 1989 made it possible for wananga to be established and operate on the same basis as universities and polytechnics, they struggled financially. They received the same operational funding as other institutions, but they had no assistance with capital funding for establishment. When ongoing attempts to negotiate with Ministers for the capital costs of establishment were unsuccessful, the three wananga resorted to the Waitangi Tribunal<sup>10</sup> [WAI 718] with their grievance. The Tribunal gave the matter urgency and in April 1999 delivered a report critical of the government's approach to date. It recommended that wananga be capitalised to the same average level as other public tertiary institutions, taking into account the courses they were teaching and their projected growth (Treaty of Waitangi Tribunal, 1999).

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<sup>10</sup> A court-like body set up through legislation to hear cases of alleged breach of the Treaty of Waitangi signed between the Crown and Maori in 1840. The Treaty of Waitangi sets out Crown and Maori understandings about their relationship and the guarantees made by each.

To get access to Crown funding for establishment each wananga needed to negotiate a 'deed of settlement' with the Crown. Negotiations on behalf of ministers were led by the Ministry of Education. The process of negotiation between the wananga and ministers was interrupted by the 1999 election and the change of government. Negotiations spanned nine years, with the final settlement being agreed with Wananga o Raukawa in 2008.

Wananga o Aotearoa provided courses mainly directed at adults with no or low qualifications. It agreed to settle quickly in 2000 with ministers of the new government. The funding from the settlement was to be used to implement the wananga's strategic vision which focused on accelerating the participation of Maori in tertiary education, particularly those with no or low qualifications, and unemployed, as a first step. New basic skills courses were developed to attract this group and as a result the numbers enrolled in the institution began to grow rapidly. The CEO had long seen this group of people as an important group to focus on for Maori development because the numbers of Maori people with no or low qualifications was, and still is, disproportionately high. He was also alert to the opportunity provided by the uncapped EFTS funding.

National (1996–99) appointed me chair of the Maori Training and Employment Commission.... I got all these reports in, analysed them and started thinking about the policies to put in place. Then National got voted out and Labour came in.... Everything stopped.... I thought what a waste of energy and money! They took all the work we had done, chucked it in the cupboard and left it in there. It has never been pulled out. When the cap came off [the funding] I planned strategically to put in place [at the wananga] the things that the research had told me we should be doing. It worked like a charm. You get good research and you apply the solution, it works. It actually worked better than I ever thought it would.... I gave us four years to have the fund and we actually did it in three.... I knew at the back of my mind that while the policies were enabling they would cap us before we went too far along the line. That is why I [moved quickly]. What it did do was show the huge need through the response. It created a thirst for learning in the Maori community that suddenly came alive overnight.

[Wananga CEO]

Wananga as institutions are only one part of Maori education and Maori development concerns close to the hearts of many Maori people. When Labour became the government in 1999, it focused on the gaps in participation and educational achievement for Maori, promising a national Hui Taumata Matauranga (a meeting on Maori education issues).

Hui Taumata Matauranga in 2000 coincided with the TEAC process and a renewed effort by Maori to express their aspirations for Maori education in positive Maori development terms rather than the language of gaps and deficits. Led by one of the Maori members of TEAC, a group of Maori leaders in tertiary education developed a *Maori Tertiary Education Strategy* to articulate aspirations and objectives for the participation and achievement of Maori in tertiary education.

It is a complex issue and it could comfortably be set in complexity theory - the whole issue of institutions having to drive forward, trying to take cognisance of both [Maori and non-Maori] world views. That is our challenge and it sometimes gets us offside with Crown agents who see it from one point of view. What we want to do is to change policy so we (Maori) are comfortable with it too.... Maori want to create a world that is cognisant of both worlds. I think the concept that I draw on is the one that Ngata<sup>11</sup> articulated in 1948. He wrote to a child: 'grow up tender plant in the days of your world, taking hold of all of the pakeha<sup>12</sup> world for your wellbeing, adhere to the treasures of your ancestors as a plume for your head, then go with God as the author of all things'. If there is anything that Maori generally adhere to, and you hear on marae,<sup>13</sup> it is that statement. It is almost etched on the Maori education mind. In addition to that, Mason Durie<sup>14</sup> in about 2003 spoke to the second Hui Taumata Matauranga and he said all education objectives for Maori should: (1) assist Maori to live as Maori; (2) enable Maori to take their place in the global world, that is enjoy the fruits of the pakeha world; and (3) enjoy good health and a

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<sup>11</sup> Sir Apirana Turupa Ngata 1874–1950. Maori leader, scholar and Member of Parliament.

<sup>12</sup> 'Pakeha' is a term widely used in New Zealand by Maori and non-Maori people to refer to non-Maori people.

<sup>13</sup> Formal and informal, tribal-based Maori meeting places.

<sup>14</sup> Maori academic and leader of thinking on Maori development.

high standard of living. He misses out on the wairua,<sup>15</sup> the god side but he would argue that the health, the hauora, includes the physical health but also the spiritual health, the mental health and the whanau<sup>16</sup> health. It is not just the physical health. In other words your health is influenced by your family and community.

[Wananga chair]

The good intentions of the Deed of Settlement negotiated between the Crown and Te Wananga o Aotearoa in 2000 did not translate to practice in the way the wananga expected. As a result Wananga Aotearoa went to the Waitangi Tribunal again in 2005 because the proposed changes in policy were affecting the wananga's ability to achieve its strategy and what it thought had been agreed in the settlement. The Tribunal found that the Crown needed to work more in partnership with Maori over policy changes.

Since the 2005 [Waitangi Tribunal findings], the Association of Wananga have willingly got alongside TEC, NZQA and the Ministry in a very supportive way. At the present time we meet three times a year with the heads of those organisations. We are making headway there in a sense that we are looking at what are the principles we should work on in order to work in a partnership way with government and government departments. We think we need to do that in order to avoid ending up at the Tribunal again.

[Te Taihū o nga Wananga, the National Association of Wananga]

### ***Private tertiary education providers***

The private sector is diverse, ranging from largish institutions which are not unlike small community polytechnics to community-owned providers tailored to a specific local education and training needs. Many target learners who have not succeeded at school; others tailor their offerings to specific industries or niches; and some offer mainly English language courses to international students. The latter group receive no funding from government, but they are regulated through NZQA. They were not part of the policy processes in this study.

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<sup>15</sup> Soul, spirit of a person that exists beyond the body.

<sup>16</sup> Family, usually meaning the extended family, not simply direct blood relatives.

Larger PTEs, offering qualifications at level 3 and above on the Qualifications Framework, spent the early part of the 1990s trying to get a toe in the EFTS funding door.

We only got \$4 million to hand out to the PTEs in the first year [1991] but the barrier had been broken. I don't agree with the policy that anybody can do anything but ... there should be mechanisms to fund PTEs for particular programmes that you want.

[Implementation manager]

A lot of the PTEs began as providers of labour market programmes funded by the Department of Labour during periods of record high unemployment in the late 1980s.

We didn't see ourselves as educationists at that time. We saw ourselves as industry people, training for industry. Gradually as the changes came in, and NZQA was the biggest one, we started ... to see ourselves as educationists.

[PTE sector]

The Budget announcements in 1998 were a high point for people from the private tertiary education sector. The government's decision on EFTS tuition subsidies meant that all students enrolled in quality assured courses in registered providers would be funded irrespective of the ownership of the provider. The PTE representative bodies had been lobbying for years for more recognition of the contribution of the private sector and more funding. What had been announced far exceeded their expectations.

I remember my colleague ringing me because she had been to the budget. 'I am dancing down [the street]', because it was such a huge thing for the private sector.... The funding had been hugely variable [up until then].

[PTE sector]

The good news for PTEs in 1998 was followed only a year later by an election, a change of government, and a period of uncertainty about what the Labour government's policy intentions meant for them. At the same time, PTE registrations grew and EFTS delivered through PTEs grew steeply. 'There was an annual growth

of between 30% and 40% at PTEs between 1999 and 2001 resulting in the proportion of domestic students at PTEs rising from 12.3% during 1999 to 18.8% during 2001' (Ministry of Education, 2005, p. 76).

When the government changed the policy on us and capped the fund ... we [at NZAPEP] got very upset about it.... We got top lawyers involved and it was recognised we had a strong case. Out of that came the agreement, a 'memorandum of understanding' of sorts between the minister and NZAPEP.... It required that on policy changes, with the exception of things like budgets, there would be consultation.

[PTE sector]

In 2005, the PTE sector had 14% of all learners in tertiary education (Ministry of Education, 2006a, p. 72) a drop from the high recorded in 2001.

Since that first cap came in, we have had a whole list of tightening; there was that initial cap; then people grew doing just loans and allowances; ... then interest free student loans came in, so the loans and allowances were tightened up in two different stages. All the potential for growth in the government funded tertiary education [in PTEs has been removed].... At the same time, the international student sector, which is the main non-government funded area, was struggling. Some of that was blamed on government policy around immigration which was inconsistent and changing. So there was a level of 'blame government agencies', like NZ Immigration, as much as government. [Overseas] students are coming in not knowing what the rules will be in a year's time.

[PTE sector]

### ***Students' associations***

The focus of students' associations, and particularly the university students associations, was on student support while studying, and student income and debt issues. Students were represented by a number of organisations: the University Students' Association (NZUSA); Te Mana Akonga, focusing on Maori students and Maori education issues; and Aotearoa Tertiary Students Association (ATSA),

representing students in polytechnics and PTEs. Each group had a different way of working.

The interest-free student loans and wider access to student allowances is a really good example of the success of the student movement. Talking politically about it, it's a campaign that has been running for 15 years. It is a good example of the success that can be gained by saying the same thing, if you are a well resourced lobby group, which students are.

[Students' association]

When the government changed in 1999, the students' associations had high expectations of government action on policies to reduce student debt and limit public funding to public sector institutions.

In 1999, Labour should have used the political capital it had. Part of that was the disarray in the tertiary sector, and they could have made some quick decisions around getting rid of PTEs. They could have cut funding to them in 1999 with absolutely no political fallout in 1999. They could have done some stuff with polytechnics, made them go back to their core role, and stop trying to be universities. They could probably have stopped universities from being competitive by bringing about the changes that they have introduced now, but could have then. What was wanted was a political response, whereas what you got was a huge bureaucratic and structural response.

[Students' association]

The students' associations were ambivalent about whether they wanted to engage in the full range of issues in tertiary education policy processes.

NZUSA was better at advocating for the students' interests but that was at the expense of being able to engage in that impartial way in the policy process.... It is easier for students to take that position than for others, when you are there for one year, and in an elected position. I used to think that everything I said had to be something I'd be happy telling a thousand students in the quad. That meant that all your energy was directed to the agenda of the organisation at the time.

[Students' association]

Compared with other organisations, they had difficulty in maintaining continuity of participation in policy processes.

There is usually a yearly or at best two-yearly turnover of people representing students, so a constant process of getting to know new people... You are usually thrown in with not much knowledge of the Wellington scene.

[Students' association]

Getting information was quite difficult. Our aim was to get as much information as possible to undermine the student loan scheme, and institutions charging fees and anything that was likely to lead to students paying more.

[Students' association]

Despite the turnover, or maybe as an unexpected consequence of it, students' associations tended to have people throughout New Zealand, and in power elites, who had worked together in student politics, with ongoing allegiances to the students' associations and their interests.

The really fascinating thing about working for the students was the extent to which, depending on how you play things, you get connected to some amazing networks of power. The student interests, the 'student mafia' as some used to call it, range throughout a number of organisations ... particularly in the Labour front, but not exclusively.... You had, if not credibility, then a foot in the door, which you wouldn't ordinarily have. Whether that translated into the organisation having more policy effectiveness or influence in changing policy I don't know. They probably did on the student support front, but not more widely.

[Policy consultant]

On issues other than student income and debt issues, the students' associations were less predictable in their positions.

We had supported the establishment of the TEAC. Our position was a little bit unformulated on what the future of the sector should look like specifically, but the concept of a sector review was something we thought was needed. We had been pretty vocal during the 1990s about the negatives of the competitive



model – the market model – so TEAC was actually something we were pretty happy about. We were also happy about some of the appointments to the Commission itself. In particular, we had a lot of confidence in [the first chair]. I remember spending a lot of time arguing that we should be at the [TEAC] table.... There was also at NZUSA, and also the other associations, a very strong sense of wanting to preserve our independence, wanting to be outside the tent, pissing in! We didn't want to take responsibility for decisions that were being made, or give away our right to speak publicly about things ... those sorts of discussion we were not engaged in or even trying to engage in. We were more concerned about winning the public debate on the big issues.

[Students' association]

On the issue of student and institutional funding the students along with institutional staff would have preferred an iron triangle where unions negotiate directly with government.

On certain things we would have liked the government to just make the decision. As students, we felt disadvantaged by the network model, which is a structural issue related to the annual turnover of people (student office holders). Established networks have a long time to establish relationships, whereas a student president has six months to develop their plan, and establish relationships to achieve it, then six months to achieve it, and then they move on. A relatively small number do two years. In comparison to the length of time some of the other people in the policy network have been around, that is still extremely short.

[Students' association]

Some student organisations' positions were strongly tied to firm ideological footings.

All of our lobbying and all of our representations were made on the basis that NZUSA had a policy for free education so everything was clouded by that. Every time we engaged it was on the basis that our policy is free education but if you want to do that then here is a compromise position.

[Students' association]

## *Universities*

The university sector is represented at the national level by the collective of the eight individual vice chancellors, known as the New Zealand Vice Chancellors Committee (NZVCC). They have a statutory responsibility for approving the quality of university academic programmes which they do through a sub-committee called the Committee on University Academic Programmes (CUAP). Universities have also taken responsibility for review and audit of their sector by establishing the Academic Audit Unit (AAU), which conducts a regular cycle of audits of university quality systems.

Before the 1990 policy changes, the interface between the universities and government had operated through the Universities Grants Committee (UGC) which received a five-year grant from government for the operation of the universities. The sector was shocked when it was abolished in the 1990 legislative changes;

representing the degree to which universities at that stage were isolated from the policy process’.

[University sector]

Resentment about the government’s actions in the university sector continued a decade later, and people still referred to it as a grievance in 2007 and 2008.

I remember the shock we all felt at possibly losing the UGC, which we then did. What angered us more was taking all that money, which had been going into scholarships.... \$25 million in 1989 was a lot of money which the universities had put in for scholarships, and so they had to find that again.

[University sector]

The cohesiveness of NZVCC was variable and limited to issues on which all the vice chancellors (VCs) could all agree.

NZVCC is a very good vehicle for VCs getting together and working out where they have common views on things, and using the collective strength of the university system to influence policy. At the Select Committee [over the 2007 legislative amendments], we had a single submission from NZVCC that was

endorsed by all of the eight universities.... The role of NZVCC is to protect the university system, and we generally speaking have pretty good consensus.

[Vice chancellor]

The VCs as a body, even though we were perceived as powerful by others, never looked like that from within. The VCs were always very agitated, in that they knew what they wanted to defend or protect, but not so clear about what they positively wanted to do. The things that really got them agitated were (a) funding in all its forms, and (b) attacks, as they would see it, on university independence.

[Vice chancellor]

In the lead up to the 1999 election, the VCs were united on one main issue – more money for universities. On other issues, there was less cohesion. At one end of the spectrum there were very liberal and inclusive views of the role of the universities as part of a whole system of tertiary education.

The universities have now stopped seeing themselves as separate from the rest of the education system. We universities should now see ourselves as the most important, most advanced, most privileged part of the sector-wide structure of tertiary education. The privilege and power that we have means that we are in a better position to organise that provision than anybody else. Most New Zealanders will move through the whole spectrum of provision. They won't just go to university. It is no longer the bright ones go to university, and the others go somewhere else. People are moving around tertiary education, for different things, at different times of their lives. We are still struggling with that concept. There may still be a role for the specialist, research based, very advanced university in the sector, but it is still only part of the picture.

[Vice chancellor]

At the other end of the spectrum, there were views that the universities had been homogenised, and the sector's distinctiveness and international standing compromised by the policies of the 1990s.

The universities felt that their special characteristics or mission was somewhat submerged in tension to the other developing sectors. That was because the

other sectors got more political attention because they were more spread out, and in a greater range of political constituencies. Many [other institutions] were struggling, and when you have them in smaller regional centres, [the government] can't afford to have the local institution fall over, which is what was happening.

[University sector]

By 1998, Auckland University was frustrated by a number of things related to tertiary education funding, and increasingly concerned about its capacity to maintain its role as an international research organisation. That coincided with a new vice chancellor's arrival ... that energised Auckland University even more so.

[University sector]

Auckland University (AU) was active in making its views of the 1998 policy changes, and the shortcomings of the system, known to agencies, ministers and opposition spokespeople.

AU was ahead of the others in thinking about how it was positioned internationally. Therefore it was about quality and research. It was very much about the vice chancellor having a vision for AU on the international stage. It was a manifestation of him bringing that more global business vision to it.

[Education agency CEO]

There are two university sector national bodies other than NZVCC, the Association of University Staff (AUS), and the university students' association (NZUSA).<sup>17</sup> On issues like funding for universities they could sometimes agree but increasingly not on the priorities for funding.

In 2000, I wrote a whole campaign plan for staff, students, institutions, to have more money and it fell over because the VCs didn't want to support the universal allowance for students. It was the VCs themselves ... not agreeing to it.

[University sector]

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<sup>17</sup> Both these organisation changed their names in 2009 when they absorbed other bodies and became respectively, the union for all tertiary staff and all tertiary students.

The 1999–2008 Labour government had a number of senior ministers, including the prime minister, the deputy prime minister, and the minister responsible for tertiary education for some of the time, who had previously been university academics. The VCs collectively, and particularly the VC of Auckland University, expended some of their efforts working directly with senior politicians in order to get attention for their issues.

If I have an issue I want to get serious consideration ... I will go and talk to the Minister.

[Vice chancellor]

The development of the performance-based research fund (PBRF) was largely driven from within the university sector. The funding of the research became an issue during the 1997–98 review process and it was picked up by NZVCC as one way to increase funding to universities.

For a long time, [the university staff union] and a lot of others probably were agitating for the research function of universities to be recognised. The funding structure through the 1990s treated all institutions equally for funding, despite the fact that some institutions were not researching even if they should have been for some of their courses. So PBRF was seen as a welcome response to that because it recognised what the universities were actually doing. But the side effects of how it has been carried out are quite significant. It has emphasised the teaching – research divide ... of course it should be a nexus. [The divide] was always there because the international career structure recognises research rather than teaching. It is not that the PBRF completely changed everything but it further emphasised the divide and made it more black and white and made it much more explicit what you had to do to be recognised as successful. You went to the right conferences and you published in the right journals.

[University sector]

[In 1998–99] the universities had commissioned some thinking and internal documents were being written by various people. [A senior research academic] at Auckland University had been invited by the Treasury to write a paper and

he advocated a modified version of the English RAE for New Zealand. So there were a variety of things happening, and ideas being put into the melting pot for a number of ways of changing the funding system.

[University sector]

The PBRF resulted in some interesting tensions within the university sector because the individual academic's research output was proposed as the unit of assessment.

There was opposition to the individual as the unit of assessment but the [staff union] agreed with the principle of a performance-based research assessment. There was huge risk in them doing that. I think the decision was a pragmatic one based on 'how can we get more money into universities'?

[Students' association]

While universities continued to contest their funding, by 2008 there was some collaboration on the difficult issue of quality.

NZVCC has signed a memorandum with TEC about quality in universities.... The quality thing is also bound up with performance measures and outcome measures. Those are quite difficult in tertiary education, in fact in any education. I think the TEC and NZQA are floundering in this. I don't mean that negatively. They are floundering because they are difficult issues and people are working on them and floundering world-wide really. The problem is that a lot of the measurable things don't really mean a lot and the things that mean a lot are not really measurable.... We have said to the TEC that we are very happy to have performance measures that are valid, that actually mean something and that are accurate, and when we find some we are very happy to use them. We do use a lot of performance measures. But we are not happy to have invalid measures or ones where the measurement of them can be done in several different ways. Even simple ones like staff/student ratios can be done differently.

[Vice chancellor]

As the 2008 election came on the horizon, the level of funding for universities was still top of universities' lists. Over the previous eight years significant increases in government funding for tertiary education had gone to students directly as allowance

increase and loan interest write-offs, rather than via the institutions, creating divisions within the university sector where previously there had been more sector-wide agreement.

We see the balance of investment continuing to grow in favour of the students which is a reflection of the efficiency of the student lobby. So what government are now doing is putting a massive cross-subsidy into the middle classes. We have seen the income per student of the universities placed under tighter and tighter controls and at a level that is substantially below our cost structure, which is mostly driven by people... [Government] controls our income from student subsidies and student fees. So our income goes up by between 2% and 2.5% a year and our costs go up by 5–6% per year.

[Vice chancellor]

## **The government agency dance**

Three government organisations of relevance to tertiary education were created by the state sector and education administration reforms of 1989–90: the Ministry of Education (MoE); the New Zealand Qualifications Authority (NZQA); and the Education Training and Support Agency (later renamed Skill New Zealand). These government organisations shared responsibility for tertiary education sector policy and administration, with accountability to the Minister of Education, to parliament and to the people of New Zealand (Boston, Martin, Pallot, & Walsh, 1991; Butterworth & Butterworth, 1998).

We were feeling our way in a whole pile of areas [in the early 1990s]. As far as the Ministry was concerned, there was a slight hesitation about exercising too much influence or control between itself and the agencies.... I often refer to those years as having turned the system upside down. Everyone had to learn what they were on about, and in the context of the other agencies, and that was an enormous revolution in a short period of time.

[Agency senior manager]

These three agencies grew into their statutory roles over the 1990s. Each had a distinctive way of seeing its own, and each other's, institutional role. They earned a reputation for not working together well.

There were a variety of reasons for that. There was a history and baggage in terms of institutions and individuals and that sort of thing ... It was a fractious kind of institutional set in the tertiary education policy domain.

[Ministerial adviser]

The policy reforms instituted by the change of government in November 1999 led to the disappearance of one of these three agencies, Skill New Zealand (Skill NZ), and the creation of a new agency, the Tertiary Education Commission (TEC). The perceived gap in mutual understanding between the agencies persisted after this change.

They [the agencies] were very different. I tell the story of the time that the senior teams from the Ministry of Education and the TEC got together to share some thinking and perspectives so they could work better together. We each [agency] went away to talk about how we saw our role. A TEC person said 'if we want to understand our role we go to the legislation'. I laughed and said, 'that is so not the way the Ministry will be thinking about it'. The Ministry came back and one person said, 'to understand our role, first I draw a triangle'. I tell that story a lot because it is such a good example of having two organisations with different world views. In a way it's a brilliant thing. You have a strategic policy agency, and you have an operational agency. You actually want TEC to be saying 'let's go to the legislation' and you want the Ministry to be saying 'let's draw a triangle [thinking in big pictures]! What was missing was [mutual] respect for that perspective.

[TEC manager]

### ***Skill New Zealand***

Skill NZ (originally the Education Training and Support Agency) was created in 1990 to bring a range of labour market training programmes that had formerly been under the Department of Labour under the new *Learning for Life* umbrella. The majority of



the senior staff had previously worked in the Department of Labour. They had a tight contracting approach to the organisations they funded.

Skill NZ's model is to treat everyone the same. Every time something went wrong in the system, the imposition was placed upon everybody. You just got ground down and suppressed into submission.

[PTE sector]

The relationships between government agencies and a subsector could be quite difficult, particularly if the government agencies did not understand each other well.

We always had a difficulty with Skill NZ. They always took a paternalistic attitude to industry training, and they hated the Ministry. The Ministry was always going to be more orientated to schools, universities and polytechnics. The difficulty we had was that Skill NZ thought that they were protecting industry training from the big bad wolf [the Ministry], but the big bad wolf didn't necessarily have a negative view of industry training. It was just never going to be front of mind.

[ITO sector]

Senior Skill NZ people despised the university sector.... They were part of the group of people that really believed that once everything got turned into unit standards, it was bye-bye to all this archaic stuff. They pushed really hard for industry training.

[Policy manager, education agency]

The contractual relationship with individual ITOs meant that Skill NZ was not supportive of the development of umbrella bodies to act on behalf of the interests of a whole subsector in policy processes.

I contacted the Skill NZ manager, and said I would really like to talk with him about the way Skill NZ works with the ITF. His reaction was, 'we don't; we only work with ITOs, we won't work with you'. That conversation recurred for a number of months between different people in the ITF, and different layers of Skill NZ. Finally, we went to the minister and said, we have tried very hard to

establish a relationship, and we are getting nowhere. We need you to come in and tell Skill NZ to play ball.

[ITO sector]

Skill NZ worked hard and co-operatively with NZQA and the ITOs during the early days after the passing of the Industry Training Act. Initially the focus was on forming ITOs and having them work with NZQA to develop qualifications for their industry.

Skill NZ managed it quite well. They got the ITOs up and running.

[ITO sector]

Skill NZ was a kind of tool kit for NZQA. It was a place where the stuff that wasn't being done in schools was going to be done.... Skill NZ sat alongside NZQA ... doing their stuff. They were subservient around the right stuff. They came from a labour market orientation; they were focused on the real world. They were nothing to do with stodgy old school or university stuff!

[Policy manager, education agency]

They were good at promoting and 'selling' the products of the organisations they contracted.

I saw Skill NZ as being like a wine cellar. They would be selling a bottle of [quality wine], and they would be saying, 'look at this lovely bottle of wine', while the real wine producer was over the hill [producing the wine]. They were just a contracting body, which contracted on the basis of some fairly simple performance indicators.

[Policy consultant]

As they moved into implementing the industry training strategy and funding ITOs to purchase training, Skill NZ was generally of the same view as the ITOs on training in polytechnics. It was expensive and had frills that industry did not want to pay for. Skill NZ focused on measurable results. It had regional offices and staffing to monitor delivery and performance of its contractors.

Everything they did: training opportunities; youth training; industry training; and so on, was all measurable results. They had all that infrastructure [well

staffed regional offices]. Funding was delivered at something like \$18/EFTS through the Ministry of Education funding team, and \$1000/EFTS or something through Skill NZ.... They had a strong team and a team approach. They had been working together for a long time, a number of them had been there 18-20 years, and they had a lot of loyalty to their regional staff and their regional network. That meant there was a strong culture in the organisation but it also meant that they were not really willing to change. Because they had the clear results, and they were consistent over time, they didn't really get any pressure to change.

[Policy consultant]

Skill NZ took the lead in implementing the new government's Modern Apprenticeship policy from 2000.

You had an enthusiastic response from Skill NZ who could see that it was part of their core business, and it was going to help position them. You also had people within Skill NZ who were particularly good professional public servants. Through Skill NZ's communications and publicity programme, without it being politicised at all, [the communications adviser] was able to put out good quality information and get the brand up there.

[Ministerial adviser]

The general manager and his senior staff were well regarded by the minister's office.

They knew their stuff, they were well grounded, and they provided good quality advice.

[Ministerial private secretary]

TEAC's recommendation that Skill NZ be disestablished and its ongoing functions incorporated in TEC was linked by other government agencies, and the tertiary sector, to its reputation in the sector. It was also linked to doubts about whether the programmes it administered were leading to education and employment outcomes.

Then you get to the point where TEAC recommended essentially the disestablishment. I think part of the reasoning there was possibly sectional

interest – people who were not all well disposed to Skill NZ for a variety of reasons.

[Ministerial adviser]

We did two ‘training opportunities programme’ (TOP) reviews, and two industry training reviews over that period, and it came out at every meeting. People hated Skill NZ, and yet it was always carefully put under the carpet again in the reports. You could never put anything much in the reports.... They were good at marketing, but they never got any results, and they never collected any data to find out if they got any results. They put out anecdotes about people who had done TOP courses. They only ever talked about TOP. They didn’t talk about industry training very much because the great enthusiasm was for TOP. There were people who had done TOP courses and had achieved very well. Very few people who did TOP courses turned out so well. Most of the people who did TOP courses just went on doing more TOP courses. [Skill NZ] were good at marketing and were good at avoiding having to have results, but no one much had results then, so it was easier.

[Policy manager]

The formation of TEC and threatened disestablishment was cause for defensive moves within Skill NZ. Assisted by the public sector union to which employees of Skill NZ belonged, it was decided to move Skill NZ into TEC, with no redundancies, and no structural change. When TEC was created, Skill NZ ceased to exist as a corporate entity, but its dance continued inside TEC.

Skill NZ expected to continue. They had a very loyal tight-knit staff, and they saw it as them against the world. The senior team was very loyal to each other, and very opposed to the rest of the sector. They saw themselves as part of the Department of Labour much more than they ever saw themselves as part of anything else.... When they heard they were to go into TEC, they fought it right down the line.

[Policy manager]

## *New Zealand Qualifications Authority*

The New Zealand Qualification Authority (NZQA) was created as a product of the *Learning for Life* policies. In the Education Act 1989 its object is ‘to establish a consistent approach to the recognition of qualifications in academic and vocational areas’. The first CEO had been one of the people who worked on the Hawke review and *Learning for Life*. He, and the senior policy manager, who also worked on *Learning for Life*, shaped the early structure and direction of NZQA.

People who were in the senior positions hadn’t ever run a large organisation before and hadn’t worked out what the organisation needed to do and what systems should be applied to exercise those responsibilities – human resources, finances, processes, delegations. All the basic things that any organisation should have tended to happen haphazardly.

[Implementation manager]

[NZQA] had people who were missionary.... You need people who are way out there stretching you all the time. In policy making you need to be open to all views and we certainly went through a phase where it was very hard to be heard.

[Foundation learning sector]

The role of NZQA was not welcomed by the university sector. Universities fought for legislative change to ensure that NZQA’s mandate for quality assurance of qualifications in their sector was exercised through the New Zealand Vice Chancellors Committee and could not impinge on their academic freedom. This issue, and the way NZQA executed its mandate, created a lot of friction between NZQA and the sector, especially in the first eight to ten years of its existence.

You had NZQA being set up, originally with a broad purpose of making some sense of the plethora of different qualifications that existed. I don't think anybody realised that they would head off down their unit standards framework, at the time NZQA existence and role was legislated. A new notion ... that in order to get a new framework of qualifications, you needed to have this new kind of framework, instead of some sort of inter-related database, with some straightening out here and there.

[University sector]

NZQA was up and running without a sector-wide or even a government agency-wide view of quality.

Not sufficient thought had been given to quality. What did quality mean, and how might it be applied in respect of NZQA's role?... The way in which quality was applied tended to be in a black and white paper sense rather than taking on any other value component.

[Implementation manager]

NZQA started with huge hype. The first CEO had fairly fixed views of what NZQA should be doing, and that it should encompass every qualification including university qualifications.... Quality assurance of qualifications in universities is a mixture of the Committee on University Academic Programmes [CUAP], plus the Academic Audit Unit [AAU]. CUAP only looks at initial quality assurance of courses while AAU focuses on ongoing quality assurance and you have to put the two things together.... If the relationship between NZQA and CUAP is good then that is because it has been the source [and site] of a lot of battles. NZQA has pulled back on some its more doctrinaire positions.

[Vice chancellor]

Despite its sector battles, NZQA had ministerial support for its role in developing the National Qualifications Framework. It was part of achieving the political vision for a more 'seamless' approach to senior school and tertiary education.

We wanted to expand that opportunity for learning. We had to make sure that it wasn't just the traditional university or polytechnic courses. We had to vastly expand the learning opportunities available for people. Yet what they were studying had to be recorded, hence the development of the qualifications

framework. It wasn't part of the reforms, but it was a crucial part of the reform because it enabled institutions to offer learning programmes where learning met certain standards and their achievements were recorded. It provided a system for people to pursue ongoing learning that met their needs.

[Minister of Education]

NZQA is a Crown entity with a board and the CEO is appointed by the board. Theoretically, the whole organisation is at arms length from government, and 'giving effect to government policy'. The high political profile of many of the policies NZQA was responsible for implementing often made this separation difficult, and created confusions for the governance of the organisation.

NZQA is different as a Crown agency because the government is more interested in the policies it is implementing.... So it makes the relationship with the board more difficult when there is ongoing direction to the CEO coming from the interaction between the CEO and the minister, more than between the board and the CEO, or the minister and the board. To some extent the board just didn't have the authority it should have.

[NZQA board]

A formative event for NZQA was the clear role and mandate to develop qualifications with industry after the Industry Training Act was passed in 1992. The tendency of NZQA's first minister to encourage competition rather than co-operation between his education agencies fuelled tensions between NZQA and the Ministry of Education over the lead on policy affecting quality and qualifications.

NZQA took over all of the ITO qualification development and also the schooling qualifications and it is an operational kind of agency, not a policy agency. That is why you didn't get much movement in the school area until quite a lot later.

[University sector]

Educational vision, and the size of the task NZQA faced, was not matched by organisational grunt and know-how on quality and quality assurances processes. Several more recent CEOs of the organisation had reservations about the organisation's capability to play its role in policy development, implementation and

administration. In its first 10 years of operation, NZQA had five different people in the CEO role, some acting, and some for only a year or less, making organisational development difficult.

There were senior people who didn't really understand their jobs and how to make them work as part of a bigger system. That was true of all sections. I used to say when I went there [as CEO] that there were 167 people working there, and there were 167 NZQAs. People just did what they thought was a good idea [rather than looking to the legislation].

[Education agency CEO]

There was far too much concern with compliance. NZQA never quite went through the progression from compliance to effectiveness, and then individual student achievement, that other education agencies did. They continued to have their emphasis on compliance. That reflected the nature of their people, but also the people they were dealing with, e.g. the language schools, where they did have problems all the time.

[University sector]

The thinking about quality was not picked up by the senior management because there was a dearth of policy capability in the senior management of the Authority.

[NZQA board]

They didn't tend to do good quality advice but their stuff was always signed off anyway. It was almost too hard to deal with some of the issues that they were dealing with. Either the Ministry would be brought in to mop up or it would be left.

[Ministerial private secretary]

In 2000, a step was made towards an across-the-sector approach to quality. NZQA established a forum for all the sector bodies associated with the definition, regulation and audit of quality which also included MoE and TEC. This Inter-institutional Quality Assurance Bodies forum continues to meet to address across-organisation approaches to quality policy and regulation.



### *Ministry of Education*

The Ministry of Education (MoE) was also formed in 1989 as part of the public management reforms. It was emphasised that the Ministry of Education was to be a policy agency. Closeness to the sector was viewed by Treasury and the State Services Commission to risk 'sector capture'. These two agencies monitored the performance of the Ministry closely to ensure that there was no return to the perceived sector capture of the former Department of Education. The upheaval of change from the Department to the Ministry in 1989–90 led to a loss of institutional memory (Butterworth & Butterworth, 1998), and made the development of policy advice more difficult.

You grasped what you thought was important, and immediate, and addressed that. It was only as time went on that the deeper issues of policy, and policy application came through needing to be addressed.... An example of that was the general thrust on the part of [SSC and Treasury] that the Ministry had been too supportive of individual institutions, and that they should be able to survive on their own. The Ministry argued that government was unlikely to let a tertiary institution 'go under', for either bad management or financial issues or a combination of both, but that wasn't heard.

[Implementation manager]

'Separation of policy from implementation', and 'avoidance of capture' were two public management themes of the early 1990s that affected the way the Ministry of Education approached its role.

The reason for that had nothing to do with the Ministry of Education. Policy analysts are bright people capable of analysing things, and providing advice to the minister. They don't come with any presumption that they know anything about the industry, the business or the activity they are analysing. There is not a prerequisite requirement that they actually know about the business. Public choice theory seems to say if you do, you are compromised. I remember [the Ministry] sent some new policy analysts up here when they had just been appointed and my financial manager said to them 'what do you know about this sector'? They said, 'nothing, we are policy analysts, and we work across the

public sector?. That is just not true ... but tenable because you were considered compromised if you had sector knowledge.

[Polytechnic CEO]

People involved in tertiary education administration in the early part of the 1990s frequently mentioned that tertiary education administration was inadequately designed and provided for in the Ministry, and that the staff lacked experience in tertiary policy.

The Ministry had been given a role without the resources to fill it – ever – since the Ministry was set up.

[TEAC and TEC chair]

The new funding system was supposedly to be put in place, only as an interim measure for a year or two, while the new Ministry of Education sorted out the funding system they would have. The Ministry didn't have anyone who knew anything about tertiary education at all because the new CEO had filled up all the positions in the Ministry in the beginning on schools and a bit on early childhood. People thought that there was going to be another big dollop of money come for tertiary education staff. Then [there were the budget cuts of the early 1990s] and there wasn't.

[Policy consultant]

The Ministry of Education was far too focused on schools. For what the government was wanting with tertiary, we were the 'Ministry of Schools'. We were [in 1994] and we were not less so [in 2005]. I think the CEO had prioritised schooling and early childhood, and he didn't want to prioritise tertiary. His lack of visibility in tertiary was a problem. If the group manager role had just been tertiary we would have had a much greater credibility.... The Ministry didn't see [tertiary] and didn't want to prioritise it. So the frustrations that the tertiary staff in the Ministry had were the same as the people on the outside had.... The Ministry should have said, 'we don't want tertiary any more', or they should have said 'we do want tertiary and we are going to do it properly'. By sitting in the middle, we did neither properly.

[Policy manager, education agency]

I was so struck by how the rest of the Ministry talked about education, but we never did [in tertiary]. We talked about loans and allowances, or allocation of funding, and there was never anything about the classroom ... no one ever talked about teaching and education.... If the Ministry had been driven by education, and not by funding, we would have looked at the prism in the other direction.

[Funding and monitoring advisor]

The policy and operational linkages between the Ministry, which funded, and NZQA which did quality assurance, were weak throughout the 1990s.

I rang NZQA and said 'hi I'm from the Ministry of Education'. Dead silence! 'I have just done an audit of [a particular PTE] and we are going to stop funding. I don't know what that does because you have to have money to pay staff and I wanted to let you know because you have registered and accredited them... So are we meant to notify you [NZQA]? What is the connection across the sector?' Well they said: 'I have never been rung by anyone in the Ministry of Education before'. 'Well I'm not sure what your business process at NZQA is, but you have now been officially notified by the Ministry of Education that there is no education going on there'. The lack of interconnectedness in the sector was unbelievable and it remains to this day.

[Monitoring advisor]

Attempts to align operational rules and definitions used for funding and quality across agencies did not always go smoothly because each agency did not sufficiently understand the needs of the other.

[The Ministry's funding manager] signalled that with the development of the Qualifications Framework, and the development of unit standards, he had decided that it would be OK to use 120 credits, [the metric used by NZQA for a one-year, full-time course] as the equivalent of one EFTS. I said, 'this is madness', because in fact it is not as easy as that, because credits are related to assessment, and they are not really related to the EFTS of learning at all. There is a loose relationship at best. That bizarre ritual continues until today. It is symbolic of the distance between the Ministry and NZQA. If you saw them both as arms of government then they would get their currencies lined up.

From the Ministry's point of view, they were able to heave a huge sigh of relief and think they had found a pragmatic way through it. Whereas what they had actually done was make a profound policy decision, and not even know they were doing it.

[Polytechnic CEO]

In the latter part of the 1990s, the government gave the Ministry some additional resources to establish a unit to monitor Crown risk in the public institutions (universities, polytechnics and wananga). This was in response to weak financial management in the smaller polytechnics, and even some of the universities, resulting in some cases of financial failure. In these cases the Crown was considered the default 'owner' and expected to finance a rescue package to avoid public criticism for 'allowing' a public institution to fail. The unit was initially called the 'Tertiary Ownership Monitoring Unit' to reflect the ownership-like risks it monitored but the name was changed to the 'Tertiary Advisory Monitoring Unit' (TAMU) in 2000, with encouragement from the minister, and to counteract the strong objection to the use of the word 'ownership' in the university sector.

Institutions would send us information, pretty standard stuff; financials, numbers of students, and staff members. We would be looking at trends in their costs and their different revenue streams. We would know a lot more about the funding [from government], and then we would go and talk to the institutions. They would give us financial information that was backward looking, but they would also give us budgets that were forward looking. You would get a feel for where they think they are going to be in the future, compared with the trends we were seeing in the data. If there were big losses projected then you would be looking at what is causing the losses, and therefore what sort of processes [the institution] needed to put themselves back on the straight and narrow....

We needed to build relationships in the institutions; with CEOs; and financial and planning people; to understand the business. The financials will tell you what has happened in the past, but it is really the business decision making that determines the financial outcomes.... We talk to CEOs about policy changes, and then later on when you are dealing with the chief financial officer, you find information is not filtering down to them, or they have a wrong understanding of the policy intent, or where the policy is going.

[Monitoring advisor]

As well as the tension over the name, TAMU was often negatively associated with aspects of policy that the sector did not like. TAMU was associated with Treasury-initiated plans to require a more fine-grained level of financial reporting from institutions in a preset form for inclusion in the Crown accounts. The government did not appear to be listening about the level of funding, but it was keeping pressure on institutions to manage well what they had.

One of the biggest tensions for students in terms of their relationship with government agencies was with TAMU. Whenever there was a fee-setting council meeting, and students are trying to make reasoned arguments around fees, the TAMU guidelines on financial performance would be thrown back at you. That was a difficult tension to balance because TAMU would say to you they are only guidelines and there could be strategic reasons not to follow the guidelines, but basically TAMU were sitting on the fence. Institutions took the message in a different way. They basically had the message that TAMU wanted to see that surplus.

[Students' association]

The university sector had been unhappy from the outset with the Ministry of Education replacing the University Grants Committee as government's funding agent. The Ministry was seen as too cut off from the sector, and not addressing the right strategic issues.

There was frustration amongst the unions when the Ministry had responsibility for tertiary education. There wasn't enough knowledge about tertiary education at the time.

[University sector staff]

My sense was [policy] drift. There was no clear idea of what a university was for. But that government was not alone on that because there was no new direction for tertiary education, except for the changes made as a consequence of the Hawke report which got rid of the Universities Grants Committee. Some of the bits went to NZVCC/ NZQA and some of the bits to the Ministry of Education ... As I got into the senior leadership of the council, I never got any sense of comfort about the Ministry having any ideas of its own either.

[University council]

University sector unhappiness with the Ministry of Education was exacerbated by its role in the 1997–98 tertiary review as the minister’s adviser, especially when the review did not produce the much wanted funding increases, and cut funding to taught post-graduate degrees which affected mostly universities.

When the decisions on the 1997–98 review were made, the Ministry began making improvements to the way it administered the delivery of funding by building a new system, and improving the quality of operational information collected for later analysis and policy monitoring. There was only one year to build the system before delivery of the new funding arrangements began in 2000.

It felt like all hell had broken loose. The reason for that was partly we had a lot of staff turnover. The tertiary information project [the new system] was just about to go live with the TFS [the funding delivery component of the system] and the SDR process [information collection component], so half our staff had been seconded to that. We were trying to transfer all the information into the new system.... All the stops had been pulled out to get this thing going.

[Funding manager]

The major policy change in 2000 was no cap on the number of EFTS an institution could enrol and receive funding for. The operational people who delivered the funding did not share the enthusiasm the policy people had for the changes and were doubtful that demand was as ‘satisfied’ as the policy people thought.

It felt like we were launching the implementation of a policy that was already past its use-by-date. The systems and everything that had been designed to support it were already past their use-by because the new government was saying that they were going to get rid of demand driven funding and they were going to cut funding to PTEs. So there were a whole pile of policy changes in the wind, and here we were launching this policy that went directly against that.

[Funding manager]

This difference in perspective became more marked as implementation rolled out.

About six months in ... I was talking to [the policy manager] about how the number of PTEs [getting funding] had gone from about 80 in 1999, and we were up to about 250, and climbing. She said, 'how could that happen?' We said 'because we have a policy that says if they meet the criteria they can come in'. She said 'it wasn't expected that every little tin pot hairdressing academy come in, we were only expecting the things that were like little polytechnics'. We said that 'there is nothing to prevent them. They meet the baseline criteria – they are registered by NZQA and they meet some pretty flimsy financial viability criteria – and we let them in. There is nothing we can do to stop it'. So that was pretty interesting to get her perspective on what the reforms were about.

[Funding manager]

Within a year of the 1999 change of government, TEAC was under way. Its second report recommended the creation of a 'tertiary education commission' that incorporated the tertiary funding and monitoring responsibilities of the Ministry of Education. People in the Ministry of Education directly affected by this recommendation supported the idea.

When TEAC started doing its reports and the idea of TEC was proposed, the Ministry of Education tertiary team was delighted. Pretty well, without exception, the whole tertiary resourcing team were behind the intent of the reforms because what they saw was a lot of wastage and bad control over low level or irrelevant courses. So the intent of the reforms was great and everyone thought that was fantastic. There was also that sense of tertiary being the poor

relation in the Ministry so there was quite a lot of excitement at having our own organisation where tertiary would be really important. So there was a really high level of optimism for our team. There was a little bit of nervousness around change, but everyone was quite excited to go to TEC, and quite excited about the reforms.

[Funding manager]

Notwithstanding general support for the proposed direction of change, the Ministry struggled to gain the Labour government's confidence on tertiary education.

The Ministry of Education was generally perceived as hostile to the minister's and the government's aspirations. That hostility may have been evidenced in an approach to policy making in the Ministry that was much more first principles – 'we have a responsibility to work up the options in a robust and vigorous manner'. Right or wrong, the perception was this is dragging the chain, being obstructive, bureau shaping behaviour.

[Ministerial adviser]

There were some weaknesses with the Ministry's policy advice. [Some] reflected the sector accurately but that was not common. Most policy analysts didn't have enough knowledge of the sector. It's actually knowing what different parts of the sector are going to say – if you don't know what they are going to say, how do you know that it is going to be implemented as intended?

[Ministerial private secretary]

When the government accepted TEAC's recommendation to form TEC, it created a transition body called Transition TEC (T TEC) which operated for about a year under MoE's umbrella, before legal establishment. The MoE funding, monitoring and analysis team moved to co-locate with Skill NZ and the T TEC in January 2002 and became part of TEC when it was established. Further exchanges of functions were made in 2006 when TAMU was moved to TEC. The Ministry retained its overall strategic policy oversight of tertiary education policy, working with TEC.



### *Tertiary Education Commission*

The idea for the TEC [at the beginning of] TEAC was because there had to be some system where the government could say this is more important than that, therefore we will fund this at a higher level. You get the needs of society into this – it shouldn't be entirely market driven. You have to have decisions made. The big one is what is more important than what? Is a higher degree in chemistry more important than aromatherapy in a regional polytechnic? If you have limited money – if you had unlimited money it's a different issue – then you have to have somebody to make those decisions.

I had seen the TEC as a being rather small organisation of perhaps 70 or 80 people. I thought the Commission would be involved, not in the actual work, but in the decisions about what was more important than other things and so on, which is why we put up the chair as a full time position. But through the processes of the State Services Commission, the TEC became the sort of Board. They really used the model of NZQA and Skill NZ and so on, which is not the way we had seen it. We had seen the Ministry going on doing all the nuts and bolts of it ... all I am saying is TEC is not like I envisaged it being when we recommended it from TEAC.

[TEAC chair]

Initially, TEC was a collection of parts brought together: one part ex-Skill NZ (about 240 people and \$25 million of contracts with PTEs and ITOs); one part ex-MoE tertiary funding unit (30 people and \$2 billion for bulk funding universities, polytechnics, wananga, and PTEs); and one part new people, mostly contractors, recruited to implement the new steering and funding instruments, e.g. charters, profiles and PBRF. As a consequence there was nobody in TEC who had working knowledge of the whole business, especially the ongoing business as usual. TEC tended to have a fragmented approach to its business in its first few years of operation. The new organisation did not consider support for the new operation from the Ministry of Education to be an option.

It was important that the transition TEC was seen to separate itself from the Ministry and to be seen by the sector to be separate. It was a necessary and symbolic part of the building of change.

[TEC board]

The legislative change to create TEC came into force on 1 January 2003, six months later than intended. It had a board appointed by the minister and the chair and deputy chair were full time from 2002 until mid-2005. Individual members of the board brought a range of complementary strengths.

The early board was a very strong skills-based board; people who had thought about the issues and had something to say. There was nobody on the board who was ideologically driven. People brought their own ideas and issues. I can remember the very first day when we got together as the transition TEC board. Everyone did a five minute presentation and said 'here are my top issues'. Everyone had different things but when you wrote it down it was a reasonably coherent list of about ten things that needed to be done.

[TEC board]

There was a push to get TEC operational, and the appointment of a general manager by the board chair and deputy chair while they were still T TEC, was part of the urgency. Although referred to as a general manager, this position in the legislation was that of the CEO of the organisation.

Having the full time chair, the full time deputy and a general manager – for the outside world it was very difficult to distinguish who they should be talking to. I think that was compounded by the fact that early on the chair and deputy chair decided that they would maintain/establish the relationships with the TEIs, and [the CEO's] job was to establish relationships with Industry Training, the NGOs – all of that group.

[Education agency CEO]

The general manager and the board began building a new organisation within the constraints they were handed. The Ministry of Education handed its tertiary funding operation over to TEC and all Skill NZ staff moved to TEC, including the former Skill NZ general manager (CEO).

The feelings of the Ministry people going to TEC was a completely different experience from the Skill NZ staff who liked what they did, liked the way they did it, and didn't see why anything had to change. Those two groups going into TEC had quite different expectations, and each of them had quite different experiences once they got in there. For the staff from the Ministry there was quite a feeling of being let down over time, by the TEC. In a policy sense, because the policy team at TEC were the ex-Skill NZ policy team, they were more operational. They were always more operational, and they understood operational risks. They had sat on the side and watched the Ministry of Education ... and thought 'we could do better'. The relationship with policy was fairly good in the sense that they wanted to understand where there were flaws in the system and where was there potential for the system to be improved, making it work better.

[Tertiary funding manager]

From the day [the Ministry funding unit] arrived they were minimised and chopped up. No one invested in understanding the business they did.

[Policy consultant]

TEAC's idea was that some of the operational money previously used by Skill NZ (approximately \$1,000 per EFTS for the Skill NZ delivery, compared with \$18 per EFTS for the bulk funding system operated by the Ministry) would be available to create a more differential approach to the operation of the EFTS bulk funding system. Achieving that in reality proved more elusive. Some key people in the Ministry funding team such as the manager resigned rather than transfer to TEC, and there were other destabilising staffing losses along the way, so that the EFTS funding team struggled to maintain capacity.

We knew that unlocking some of that [administrative] resource that had been in Skill NZ, to help us do this job better needed to happen. That wasn't talked about openly, but over a beer, it was 'wait until we get our hands on those 250 staff, and then we will be able to do the job well'.... We only had 4.6 resourcing advisers. I remember a regional manager ringing and saying it would be great if we could have one of the funding advisers up here for the week to sit with us. I had 4.6 staff and there were 14 offices – I couldn't do

it.... Most of the regional managers genuinely didn't understand. I brought a [Skill NZ] regional manager in as acting manager of the operational team and she was with us for a year. She would say 'the regional offices have no idea of what you guys do, and how you do it'. She was continually amazed by the scale.

[Funding manager]

The building of the new organisation as 'fit for purpose' was constrained by some of the conditions imposed by government at the beginning. Also, the board and general manager understood little about the size and complexity of the ongoing business of funding tertiary institutions that had to continue.

I [TEC CEO] inherited a group of staff who already had existing functions and existing activities. I didn't know till I took up the job that I couldn't make anyone redundant. I couldn't close any regional offices because that was the deal done between the chair and the minister. I think it was a wrong decision because it meant that I had a whole bunch of people who ... I had to motivate to move from what we have always done, into understanding the nature of the reforms, and that we were going to do things quite differently in the future. I needed that regional network to communicate with the sector whilst we were making those changes. No time frame was given for maintaining the regional offices so I was stuck with that structure. When I did do a restructuring it was in the context of arrangements I already had – if you like, 'the lead boot'. All I could do was re-frame and revise the structure to address the reforms. To put the right people in place to do the right things – PBRF, charters and profiles – and all of this was first time ever.

[Education agency CEO]

By the time TEC was legally constituted at the beginning of 2003, the tertiary sector and government expected changes in the sector to start happening quickly. Dates had been set by government and in legislation for the implementation of new policies for charters and profiles, and the PBRF.

The legislation was overly prescriptive and there was a delay in its enactment. So there was nearly six months of operation as Transition TEC in a space where there was no legal mandate for operation ... the dates in the legislation

were never amended to reflect the six months inter-regnum. We couldn't get anyone to do anything because we had no mandate... [All the tertiary education organisations] had to have charters and profiles – no charter and profile, no funding. That date never moved, and that meant that we had much too small a window to put [the new policies] in place.

[Education agency CEO]

TEC focused on implementing the new policies using a lot of short-term contracted staff. These people did not understand much about the existing funding operations.

Throughout 2002 and 2003 we had continual conversations with people who were working on the charters and profiles trials, about what was going to happen with things. We were driving our EFTS funding locomotive still and that's all we had time and resources to do. We would say, 'what is going to happen with, for example, special supplementary grants [SSG]? And they would say 'what do you mean?' We would say 'well we have these things called special supplementary grants. The legislation is being repealed. We won't have them any more. They won't exist. What are you going to do to build the process we run for supplementary grants into the profile process, which is how the charters and profiles working party which we contributed to saw it happening'... I went to all the meetings and worked a lot with the deputy chair and analysts on the detail and in writing it up, so I understood how it could work. So the bit in the profile guidelines that asked you to talk about how you were going to meet the needs of Maori and Pacific students – that was the bit where you would say yes or no and get the Maori and Pacific SSG.... This is how we saw it. A new system and ours would just dovetail into it. But they built a new thing and we got to the end of the year and they said, 'what we have done is not really going to help with SSGs, you had better just keep doing what you have always done'.

[Funding manager]

The sector also found TEC's approach lacked understanding.

When the charter pilots were being done we were asked to comment. We said please do not make the content prescriptive: one reason is that you have to allow institutions to demonstrate to you where they are at; also your people are going to have to make a judgment around these charters, and if they all look the

same, how are you going to be able to do that?... Totally ignored! It was just a tick the box exercise.... To me it was no surprise that they abandoned the approach that was trialled. It was the way Skill NZ had always operated.

[TEAC member]

The general manager's and the board's focus in 2002 and 2003 was largely on implementing new funding and steering instruments (charters and profiles, and the PBRF). Business as usual was left to look after itself. This created a kind of tension within the organisation, because of the mismatch between where the day to day operational focus was, and where the board and general manager's interests and attention were directed.

The expectation in having a full time chair and deputy chair was that they would be much more active, and the general manager's role would be more of an administration role. The reality was that [chair] and [deputy chair] were looking at the big picture stuff but they were not actually managing the organisation, and the organisation ended up taking control of the whole process. It became an even more bureaucratic Skill NZ.... It was all about process, the bureaucracy, and prescription.

[TEC board]

I did the calculations in my first year there – we delivered 90% of the funding, and we had 10% of the staff, and 5% of the operational budget to do it with. So when people said there is a project team, you would get about 20 people from the Skill NZ regions, and if you were lucky I might be able to spare one person part-time, but they had to keep doing their day job. We didn't have a strong voice around the leadership team table. The direct reports to the general manager – she had about 15 or 16 people – seven or eight of them were ex-Skill NZ managers, six or seven of them were new project managers, and there was me. So having a voice and getting heard was quite difficult. Towards the end of 2003 I was told that I had to give up three staff to go and work on the roll out of charters and profiles. I did, and they just came back frustrated, and said 'they are just not listening to us'. They were despairing of being listened to because they were in a much larger project team [of new and or ex Skill NZ people].

[Funding manager]

People in the sector and in government were aware that the organisation was struggling with the job it had been given.

There is no doubt that most of the board's heads, and some of the senior staff's heads, were about tomorrow.... Not that they were making much, other than their own organisation, by way of change in today.... An assumption ... was that a lot of institutions were starting from a pretty similar base ... which was pretty laughable when you look at [the actual situation]. So there was a lot of discussion about system, maybe with a fairly romantic view that such systems existed, and could change.

[Minister of Education]

There was a lot of bureaucracy, a lot of processes and suggestions, and a lot of attempts to steer the system, but there were very few forced mechanisms to make that happen. It seemed to be more important to keep people on side than to deliver an education policy.... TEC desperately wanted to develop good relationships with the sector. They seemed to think that was one of the most fundamental things you could do.

[Students' association]

The absence of visibility and understanding of \$2 billion 'business as usual' funding of tertiary institutions at senior management and board level of TEC , and the need for a shared business process with the Ministry of Education, led to problems.

Part of the increasing sense of frustration [was] that the [funding team] just couldn't do a proper job.... A range of fixes were considered. How would you take the riskier parts of the job – what are the bits where the risky decisions are made, as opposed to the parts that are less contentious. My team wasn't ideal for the job.... They had been chosen to be able to use the technology well and be on the phone and help the providers to fix problems and get their data return (SDR) in. So we got young people who were good at relationships, and good with the technology. They had to be because people were ringing them all the time wanting to know how to do stuff and they were really good at making the system work.... The Ministry still did the SDR, and it had recruited more technical people. Did they know what the funding was about? – I doubt it. There was a gap – the need for someone who understood the whole thing.

[Funding manager]

TEC was developing an organisational style of working with the sector which many thought came from Skill NZ.

When I did a contract [after 2003] it had become a lot more bureaucratic and it was obvious that the micro-managing Skill NZ crew had actually captured the beast... These hundreds of profiles turned up and they were assessed in a very tick the box manner, so the extent to which they had any effect was pretty much nullified..... [The inclusion of Skill NZ] stunted the culture of TEC, mainly because they took all staff including [the Skill NZ general manager]. The problem was that they took it across and they didn't change it. The ex-Skill NZ general manager was the key operational person.

When TEC brought in a new general manager for TEC, who didn't know anything about tertiary education, they probably relied upon the ex-Skill NZ manager a lot. Then another senior ex-Skill NZ person was made policy manager, and suddenly you had recreated Skill NZ.

[TEC] kept the regional network which ended up dominating because you had this small unit of about 20 people dealing with the bulk of tertiary funding and they were dominated by this huge group of about 150–200 people dealing with a small bit of the funding. So just in terms of the weight of management and everything else you ended up spending more time on that group than was probably warranted.

[Policy consultant]

Development of this style was a two way process.

TEC were under a lot of pressure to deliver from the minister. They were new, and they didn't know each other, or the sector. And the sector has been there for years, and they are pushing them around, and are good at playing games. And [the sector] would go and see the prime minister, and so on. There was a competence issue ... a bit of personalities, and a bit of the situation at the time.

[Senior policy analyst]

Ministers kept adding new initiatives unexpectedly to TEC's existing workload, compounding the learning curve and implementation challenges they already had.



There were things like when the Prime Minister gave some grant to the University of Auckland that became Partnerships for Excellence. There was unilateral, idiosyncratic, non-consultative, decision making that made the job of TEC pretty difficult....

There were constantly new ideas being fed in from the minister's office about new funds, but there was never any new money. When I had my first meeting with the vice chancellors, the first thing the chair said was, 'could you reduce the number of funds dramatically because there is no more money, and you just keep giving us one more idea about how to use the money that is already there'. Those ideas would come out of [the minister's] office.

[TEC board]

By 2004, sector frustration with TEC, and concerns within the TEC board at failure to get traction on what board members saw as their mission, had spread wider. TEC was the Labour government's creation, so public criticism about the lack of progress on the reforms to date was politically difficult.

The State Services Commission initiated a review of the education sector agencies – MoE, TEC, and NZQA. This report was published in July 2005. It recommended the agencies work better together, clarify their roles, and that the Secretary for Education take a co-ordination and sector leadership role (State Services Commission, Department of Prime Minister and Cabinet, & The Treasury, 2005).

In 2004, the TEC board decided to take stock following the departure of the initial chair to take up a new role. It initiated a review of TEC's governance and told the minister it thought it was time to move to a standard governance arrangement, with a CEO responsible for day-to-day leadership and management of the organisation, and the board responsible for strategy, and monitoring organisational performance. The board negotiated an earlier than planned end to the general manager's contract to enable it to recruit a CEO.

I still think the decision was right about why you needed to have a full-time chair and deputy. The rationale ... as it was explained to me was because

previous big reform programs had been analysed and reflected upon ... there was a lack of sustained advocacy, [and] there was weakness in the implementation. So it was an explicit effort to have basically full-time committed advocates who would put their shoulder behind that effort.

[TEC deputy chair]

The weakness of the appointment that we made to the general manager position, and the inexperience of the chair, meant that there wasn't the ability to get the best out of what we had. So we had a slow start. We put ourselves two years behind by some of the decisions.

[TEC board]

TEC's organisational capacity and performance created other tensions, and attempts by the Ministry to help were interpreted as intrusions on organisational independence.

The constraints we had seen in TEAC were passed on to TEC.... We were quite appalled at the level of micro-management we got from the Ministry, the minister's office, and the cabinet office and Prime Minister's department, in terms of the way that we would do things; how to get a charter, for example. The Act spells out what is involved and everything else is now down to us.... There was a real sense of people in the various entities not knowing how to work with what was supposed to be an arms-length, semi-autonomous, funding agency. I think that caused a lot of strife, and grief, because there was an immense amount of rework and constant negotiation, in areas that I thought were irrelevant. I think that was a major problem at the start. It soured relationships with the Ministry and various other key players for a number of years. It helped create a mindset in the TEC which was not helpful. It got off on the wrong foot....

We had ended up with an organisation trying to reinvent the work that a relatively small group of people had been doing.... Part of the problem was that we had this great rump of an organisation, whose work was, by comparison, relatively trivial, and that absorbed time too. It got to the stage where we were clearly unhappy as a board with what was going on. We kept on saying that our own organisation is missing the point. They are re-inventing.... Massive amounts of work went into process design. There was constant argument with

the Ministry and the minister's office. It got to the stage where we had to make some changes.

[TEC board]

The things that we wanted changed were often to do with provider behaviour, but there was a gutlessness around challenging the providers. There was almost an obsequiousness, especially in the TEC. They were in awe of the universities in particular. Both the staff unions, and the student unions were actually calling the institutions, but we were getting no support from the agencies whose objectives seemingly were the same as ours.

[Students' association]

2005 was an election year, and tertiary education was targeted by the opposition spokesperson. The reform implementation was struggling.

There was fatigue and then a loss of faith because the first solution wouldn't work, and then you were on to the second solution. Then the institutions would change their behaviour to get around that, and you would get to the third and fourth solutions to try and fix the problem.

[TEC board]

The TEC board began their search for the new CEO in early 2005.

[The new CEO] came in July 2005. I got the job in March, [then] the decision was made to do the education sector review. The offer of the job was delayed ... I knew that the future of the TEC couldn't be guaranteed.... In that period, between March and July, I stayed very close to what was happening. Read the local press, and had endless reports sent, especially the original TEAC reports.

[Education agency CEO]

The new CEO described the organisation she found on her arrival:

I could see that the responsibility for what the sector did was on TEC – to stop them doing the things we didn't want them to do ... 'we set the rules and it is your job to comply. You break them and it is our job to find out'. I think it was the first organisation culture.... There was a [TEC] view, that the sector was out to get us, or get New Zealand, and wastes money. The [media] headlines

reinforced that, twilight golf and singing on the radio and all the rest of it. There was a reinforcing culture of 'you have to stop them doing these bad things, because they won't stop it for themselves'. I had an organisation that was trying to police the system. We had three hundred people. TEC was never going to be able to do that.

[Education agency CEO]

In 2005, TEC still had the organisational structure and capability which resulted from earlier decisions about the incorporation of Skill NZ.

The Skill NZ people at that time were mostly out in the regions and very interested in their providers – 'we are here to protect our providers from the TEC' said one ... Of about 325 staff I inherited in July [2005] about 143 were in the regions, and dealing with less than 10% of our business in money terms. Because that was seen as an imbalance, the organisation had pushed out all the administration work, so actually, they spent a lot of time desk bound, and couldn't get to their providers.

[Education agency CEO]

When it appointed the new CEO, the TEC board wanted internal change and improvements in the relationship between TEC and the Ministry of Education.

Getting the right leadership in place; taking advantage of the initial chair leaving; and using that as an opportunity to start that process happening worked out remarkably well. The new CEO was able to bring that strategic leadership to the organisation. Still within the context of the board's list of things, and still working with some issues about what were 'sprayed in concrete' [because the minister or the legislation would not allow change]. The board had not expected to get involved [in operational issues]. 'The money was being paid out so why are we spending all our time worrying about process to pay the money out?' I think the board realised they had a problem within a year but it took basically till the chair and general manager had gone to fix it.

[TEC board]

Our relationship with our Ministry colleagues also shifted once we moved to TEC. In a way it could have been a real strength and a real advantage.... In TEC, there was always the Skill NZ people, the new people, and the Ministry

people. By the time I left, at the end of 2005, the management team at TEC was starting to operate much better. There was much better co-operation internally, there was starting to be a lot better co-operation with the Ministry, and things were working quite well.

[Funding manager]

A change of minister responsible for tertiary education after the election in late 2005 presented the board and new CEO with an opportunity.

The biggest issue in many respects was who was going to control tertiary policy. I formed the view that the Ministry of Education shouldn't do it. I thought that it was time to take it away.... TEC are doing the policy but whether or not they are legally doing it is another matter. We have been doing it de facto for quite a while.

[TEC chair]

The time between July 2006 and January 2008 was characterised by unbelievable amounts of activity, and outcome, in terms of Cabinet papers, consultations, systems, processes, and a restructuring of TEC. We had a period July–December 2005 getting our head around it, talking to [the new minister]; January–July 2006 getting the framework together; putting that out in July 2006; and then July–December 2006 putting it in place; which isn't very long. And we restructured the TEC!

[Education agency CEO]

[The board] said we are not here to come up with a new way to process payments. We are here because there is a sense that the tertiary education system has become irrelevant and poor value. Our job fundamentally is to help create a system that will support New Zealand's aspirations as an economy and as a society. So we were thinking very strategically.

[TEC board]

TEC designed a new process for funding delivery involving the need for each tertiary education organisation to have an 'investment plan'. Amendments were made to the Education Act in 2006 to remove the need for funded providers to have charters and profiles, and put in place the requirement for a three-year 'investment plan'.

The 'plans' enabled us to bring about change because we simply say we are not going to purchase it.... With the investment plan, the conversation ... of an ITO with TEC went like this: 'It may or not be illegal, but we are not buying it anyway'. Similarly, talking to a polytechnic, 'you may or may not technically be allowed to subcontract that training out of region through that PTE, but if you do, we are not going to buy it'.

[TEC board]

There was also a further clarification of policy and operational roles between TEC and the Ministry of Education during 2006. TAMU was transferred from the Ministry of Education to TEC in September 2006 and TEC took a more active role in policy development for the sector. The Ministry of Education would concentrate on broad policy frameworks for tertiary education, and monitoring of tertiary education outcomes. By then, TEC board members had a greater appreciation of the linkages between different aspects of the system and different policies.

It probably took that length of time for the TEC to build up enough knowledge about what institutions were doing; to start to make informed decisions about what was right; and what was wrong; what sorts of things were good investments on behalf of the government; and what sorts of things were poor investments. It took us that long to be able to do that.... Part of the other problem that TEC had was that until it was in a position to really come up with sustainable solutions for enterprises, the EFTS funded approach simply meant that people [in the institutions] had to come up with their own salvation. The [sector] chief executives were always going to be driven by having a bottom line, because they were accountable to their board for keeping their institution afloat. So they were driven by a completely different imperative. I think the legislation that came through [in 2007] that enabled us to separate the funding, and have the student led and institutional funding separated out, enabled us to differentiate between a small but regionally important institution that's never going to have good student staff ratios.... Until you get that part right, the institutions are always going to be forced to look for other revenue and the other revenue is always at the margins, and always in the political noise arena.

[TEC board]

After the 2007 legislative changes, the transfer of TAMU, the clarification of roles between the Ministry and TEC, and TEC's restructuring, the sector began to notice changes in TEC, compared with its first three and a half years.

What they have got now [in 2008], with TEC having more policy responsibility, is the right way to go. They have the capacity to do it now. They still have to learn to do it.

[Policy consultant]

It wasn't really until [the new CEO appointed in 2005] restructured in 2007, and got rid of those regions ... that you broke that [Skill NZ] culture, and suddenly you got the shift. I really respect [the CEO] for being the first person to make the organisation work, and deliver on what the government wants it to do. She set up a structure that will deliver on what the government has asked to be done.... Suddenly it has become the organisation it was always supposed to be. Unfortunately it has got a four or five year backlog of stuff that it hasn't done.

[Policy consultant]

TEC has become much more of a political body in that sense because the policy work has been done for the minister rather than as part of a statutory mandate. Where does that leave the board and the Ministry? What form of organisation is appropriate for that? I think we still need a buffer body but I am not sure whether the current structure is appropriate for that. That is something the TEC board is aware of. It is still unsettled. I suspect that in five years TEC could be quite different. They have to resolve that it either becomes the Ministry of Tertiary Education and it may still be the TEC but then the relationship with the minister becomes an interesting one. Or they have to clearly strip out the policy work and hand it over to the Ministry. I don't think that is a very sensible split.

[TEC board]

TEC is an interesting beast ... in part it will have an advocacy role when it faces the centre, and in part it has to have a change management, implementer role – almost sector leader role – when it faces from the centre out to the sector. That can be quite challenging.

[Treasury official]

Some people in the sector in 2008 still have concerns about the way the relationship between the sector and TEC works and how TEC conceives its role.

TEC, from what I have seen have vastly over-estimated the extent to which they can deal with institutions individually, other than on a formulaic basis. For a start, New Zealand is so small that everyone knows about differences in treatment from one institution to another. If you are doing something different in one region from another there has to be a jolly good reason for it. It can't be done because TEC won't have the information and they won't have the expertise.... TEC investment managers are variable in quality and capability and all pretty low in terms of their knowledge of the institutions they are dealing with, and they all deal with several institutions. The job they are being asked to do is pretty difficult and nigh on impossible, which is why I think they will need to resort to formula, with individual decisions only at the margins.

[University sector]

So many changes have come about in ways that defy logic.... I think this high trust system is actually a high suspicion system, not a high trust system at all despite the eloquence of the language. The policy that we argued for, and provided all sorts of analysis for, is not the policy that has been implemented. I don't think they really listened to what was going on, and when they came to implement it, they completely ignored the reality.... Why did they implement it like this, rather than believe my highly elegant words? I think they just went back to a simple, highly defensible model. One size table, population one side and polytechnics on the other, and put the dollars in the boxes according to a simple formula. I think they are more interested in being able to defend their decision rather than getting the right decision.

[Polytechnic CEO]

Building mutual respect in the interactions between the university and TEC is necessary.... I hear what the institutions say about TEC. They are unconvinced at the moment. They are saying here we go again. First we have to explain the universities to this person because they don't understand universities in general or this one in particular. They get a bit tired of that and they are doing it all the time. The system is complex, but individual institutions are quite complex too.

[University sector]



There is a feeling now that there is a little more opportunity to influence policy and strategy formulation at an early stage than there was ten years so. There is a cynical view, that even that opportunity to influence isn't a great one. There ... are more consultative connections both at institutional level and also at the sub sector level.... It does enable both parties to keep each other informed, with a degree of currency, of where the hot spots and the tensions are. For the nature of the model we are in that strength of connection is vitally important but it is hugely consuming in time.

[Polytechnic CEO]

Part of the problem is that TEC has very little understanding. It doesn't have a genuine understanding of the institutions, although they have tried to some extent. They don't understand how the system or the institutions will respond to a particular situation. That is part of the problem. And they have no understanding of the frustration in the institutions for the nonsense of the processes we get engaged in.

[Vice chancellor]

One of the things we currently [2007] suffer from at TEC is having enough people with enough knowledge to understand the sector. We have all these young guys just out of university who have no clues even about how it works in New Zealand let alone more widely.

[Polytechnic sector]

Tensions remain about TEC's degree of separation from ministers, and whether 'real' decision making powers lie with TEC or ministers.

Last year [2007] ... around the investment plan, we negotiated for six months. We took it seriously. Not all of the universities did.... We met every two weeks for two to three hours with our investment manager who was allegedly going to make decisions.... Well the investment manager was not going to make the decisions. His manager didn't make decisions either. Her boss didn't make decisions or his boss. His boss the CEO didn't either and her boss the board chair, and whoever was on the board at the time, didn't make decisions.

The decisions got made by the minister. So after six months of negotiations what happens? They come to us and say ‘the Cabinet has decided that this is the level of funding for next year, this is your share of it, so now you just have to cut your cloth to this amount of money’. So why six months of negotiation? We put up a whole lot of projects that we were looking to get funded in order to meet our strategic objectives and investment plan and it was a complete waste of time.

[Vice chancellor]

If you read the investment guide for example, it gives you a flavour of the way that TEC would like it to work.... It has to be to some extent about persuasion and setting goals that institutions can see some common interest in pursuing, along with government, society and whatever. Otherwise if you end up forcing it on the institutions in a directive way, if you are successful you will end up changing the institutions and making them into strictly management driven bodies and you just lose the creativity and the attractiveness of them to the people that we want.

[TEC board]

TEC is super cautious because we do get a lot of challenges. Most of the change we do get is by jaw-boning. So in the first round of investment plans we didn’t have to say no very often.... When we first went in there we came in with our own prejudices and beliefs. Most of us, probably all of us, have shifted our view on things. I certainly have on a number of issues.

[TEC board]

TEC’s Achilles heel – ministers too often won’t let them do what they really want to do for the good of the sector as a whole; and the quality of the people they have got doing the relationship stuff.

[TEC chair]

Questions about institutional capability persisted.

One of the problems the TEC had in its setting up and establishment was that it didn’t actually build an organisation with staff that would be there for ten years. They went for contract staff. They are still having that problem. Every

time they go to do something they are advertising for staff to come in and fill jobs. Some of them have had previous experience.

They haven't got to that point of a core of experienced staff with memory, people that have been working there solidly for a number of years, and have encountered a lot of problems. You need people like that and TEC haven't yet built that.

[University sector]

In one sense we saw [TEC] doing less than it does and in another sense doing rather more than it does.

[TEAC member]

### *Dancing together*

The interfaces between the government agencies were never black and white. They needed to work seamlessly across the boundaries as policy moved to implementation and implementation informed policy. This has been and remains difficult.

A big part of the reason the TEC was created at all was because the sector and [Labour] government didn't trust the Ministry. That was a big driver of all of it, because you didn't need the TEC to implement the policy that [TEAC and the government] had come up with.

[Ministerial private secretary]

Right through, a characteristic was bad relations: between the Ministry and TEAC, and then the Ministry and TEC. The Treasury was a bit of a player, less influential in those days. If the government didn't like the Ministry, they really didn't like the Treasury in those days in the early part of their term. It was a time of significant fiscal surpluses so there was no particular budgetary constraint [preventing the high cost option of setting up a new agency].

[Senior policy analyst]

The impression I got was that the government agencies didn't work together particularly well. There was patch protection and a reluctance to do anything

that might compromise the integrity of that organisation even if it was in the best interest of the sector as a whole. That is a natural way of operating I guess.

[Students' association]

The relationship with the Ministry of Education was not as clear as it might be.... Whenever the Ministry came to participate there was always this them and us feeling which I thought was not sensible and not helpful. It took a long time to break that down over the five years I was there.... Chairs didn't always know what was appropriate, and not appropriate, in terms of the way of doing things ... the chairs coming from the university sector didn't understand how the public service worked, didn't want to understand it. Didn't understand where the boundaries were.

[TEC board]

They still struggle [in 2008]. The Ministry, TEC and NZQA are a tripartite of unhappiness! Not in every relationship, but by and large the tension is not healthy, it is unhealthy. It feels at times that it is about demarcation disputes rather than about healthy differences in the policy debate, whether it is about 'big P' or 'little p' policy.

The way we look at it at TEC is – sometimes we carry the can for what happens in tertiary education. We get the blame although we are not entirely accountable for everything that happens. We get the blame and we often therefore are likely to reach across into NZQA and say will you sort that part of your business out. And they might not see it as their highest priority and then we say well if we had control of it, then we'd be able to sort that out because it is actually doing the system damage at the moment, or what ever. And then we look into the Ministry and we say we don't know how you came to give the minister that advice around tertiary policy because it is never going to happen. 'Where did your team of dreamers get that from because we are charged with trying to make that work'.

[TEC board]

I have worked in central government for 20 years so public servants and their institutions are not mystery things to me. They are just due processes. The fact that they have these fancy titles doesn't mean anything. To me they are just the

machinery of government and I don't pay them any respect because of that but neither do I pay them any disrespect because of that.... I have to engage with these people because that is the nature of the world I work in. My role is to do two things. Optimise my institution's relationship with them in terms of policy decisions and how they affect the institution and the second is to try to engage with them about policy to try and shape their thinking to get the best outcomes. That is not just for my own institution – I have a higher ideal than that. They are highly variable, highly unpredictable.

[Polytechnic CEO]

### *Summarising the organisational narrative*

In this narrative, the reader has encountered the organisations which participate in the tertiary education policy processes. These organisational participants have a number of characteristics of note. First, because organisations are made up of people, the reader might observe all of the characteristics of individual participants summarised at the end of the participants' narrative. However, there are also other things noted when organisations are involved:

- The individuals in each organisation are loosely bound together.
- There is some shared sense of mission and purpose which binds the people in a particular organisation.
- Although there might be some common aspects of mission and purpose shared with other organisations, each organisation tends to emphasise the differences between their organisation and others, thereby strengthening the artificial boundaries between the organisations.
- The people inside each organisation appear shaped and bounded by their organisational context and therefore approach policy processes from organisational perspectives rather than a problem solving perspective. These organisational perspectives help shape policy processes.

- There is an interplay between the rule or policy setting processes of government decision making and the organisation; also between the operational level of the organisation; and the organisation's management and governance frameworks. All of these levels and the interactions between them affect policy processes.
- Incentives for the organisations to work together towards common goals are often very weak when compared with the incentives to emphasise difference of view or perception.

## **5.4 Narrative Three: Ideas – shaping and being shaped**

Concepts or ideas that had currency in the tertiary education policy processes featured in interviewees' narratives. They were present in many of the interactions that took place in policy processes, and they influenced the day-to-day tertiary sector administration.

Ideas are less tangible than either the individual participants or the organisations in the preceding narratives, 5.2 and 5.3. They are more atmospheric, like the light and air in the room. They can colour and distort, be fleeting, and sometimes paradoxical, and yet policy processes are affected by them. These ideas move through networks of people: in the tertiary sector; in the government agencies; at different levels of the system; and more widely in the community. The ideas are reflected and refracted; shaping policy processes, even if they are only unspoken assumptions.

At the same time, ideas are also being changed by policy processes, and changing participants and their perceptions and actions. The ideas also interact with each other, sometimes emerging as new ideas (for tertiary education). Ideas that were part of the policy processes were sometimes expressed as the opinions, emotions and feelings of participants and these also affected the interactions between the participants.

This narrative focuses mainly on the concepts and ideas that coloured the policy processes triggered by the Labour-led government from 1999–2008. However, it is obvious that policy participants were still influenced by ideas that had been introduced during earlier policy reforms in, for example, 1989–90 and 1997–98. The main ideas that interviewees mentioned affecting the tertiary education policy processes are clustered into four general themes:

- ideas about New Zealand and its place in the wider world
- ideas about tertiary education in the wider New Zealand social and economic context
- ideas about policy processes
- ideas about how the tertiary education world operates, or should operate.

### *Ideas about New Zealand's view of itself in the world*

New Zealand is a small country, at the edge of the world. Its government, institutions, and people are constantly referencing what is done domestically to what is happening in the wider world, or some aspiration about how New Zealand wants to be seen by, and relate to, the wider world. Tertiary education policy processes are influenced by the concerns about New Zealand's global economic and social standing, which prevail in the conscious minds of politicians, and citizens, at particular points in time.

The 1990 tertiary education policy processes took place in a political environment that viewed large scale structural and administrative change as necessary for economic survival of the country, and therefore desirable (Gregory, 2002, p. 231).

In the 1980s, it was obvious that we were dealing with a different kind of government. It was a government that in my view really did want to examine from first principles how New Zealand society was developing, and then work out from that what kinds of policies were appropriate.

[University sector]

The education system, in the view of the agencies leading the public sector reform, was not as 'efficient' and 'effective' as it needed to be. Frequent references and comparisons were made to OECD statistics for numbers participating in tertiary education. In 1987, the Treasury wrote an entire volume on education in its briefing to the incoming minister. Its theme was that one of the causes of an under-performing economy was an under-performing education system, and low participation of New Zealanders in tertiary education (The Treasury, 1987, 1990).

'Equity' and 'efficiency' were the key phrases of the 1984-90 Labour administration. Although there was a change of government in 1990 there wasn't any major change in thinking about tertiary education policy in that period. It was all about efficient use of resources and education for economic growth.... I thought that was continuing with the change of government in 1999 but over time I realised some of the changes they were making were more important. Above all, one of the things that had been happening in the 1990s



was a gradual movement into thinking about public education in terms of what are the qualities that we are looking for. What you got after 1999, not immediately, but quite soon, was a return to thinking of public education as that delivered by public institutions.

[University sector]

New Zealand's participation in the 2007 OECD *Thematic Review of Tertiary Education* (Goedegebuure, Santiago, Fitznor, Stensaker, & van der Steen, 2007) is one example of the continuing influence of ideas and thinking from outside New Zealand on its tertiary education policy processes.

A lot of the changes come from both [the government's] bigger political programme, and from things that are happening internationally. A lot of the ideas come from places like the OECD, and the thinking that goes on there. Ministers attend meetings there, and the top Ministry officials attend them as well, and there is a lot of consensus built up on the direction to go at that level... [In the sector] we always felt that we were reacting rather than being able to drive any of that, and influence it in a positive sense.

[University sector]

The small size of the country and the relative ease of policy and structural change appear to have created certain attitudes to policy change:

We [in New Zealand] tend to be gung-ho about policy change. We are small, and we fancy ourselves as innovators, not always correctly. We have a very short electoral cycle, and the number of people who actually think about, and are involved in policy is relatively small.

[Vice chancellor]

### ***Ideas about tertiary education***

From time to time, tertiary education policy emerges from being the concern only of those directly involved in tertiary education, and it is elevated to being an instrument of some wider societal change or policy outcome – creating research capacity for innovation and economic development, or achieving aspirations for Maori development. This leads to discussion of ideas such as:

- 'what is tertiary education?' and 'who is it for?'

- tertiary education as a ‘commodity’, operating in a ‘market’, ‘competition’, ‘choice’, ‘user pays’, and education as an ‘export’
- tertiary education for ‘a more knowledge based society and economy’ and ‘workforce skills’ to meet the needs of the economy.

What is tertiary education?

A dominant idea found throughout the policy processes from 1989–2008 is ‘learning for life’; the idea of the individual learning how to learn, through both formal education and through doing, and continuing to learn throughout their life.

The notion of ‘lifelong education for all’ linked to UNESCO and OECD work. People vary in the degree to which they grasp that concept, but it is the real stratum that guarantees you continuity. Sooner or later it will change but I see no sign of it yet.... The basic ideas of the *Learning for Life* changes were built around the quality of education, but it did include the older idea of participation, and the idea that NZ wanted to move towards OECD levels of participation. In the course of the 1990s people began to get the impression that participation was all that was important, hence you get the characterisation of those years as ‘bums on seats’. That was never true of either the basic design, or of the way people set out to implement it.

[University sector]

In [the 1990s] we didn’t give sufficient consideration to life long learning and carrying credit.... I don’t think we were particularly focused on the learner. Maybe it was a factory concept: the learner came in, received a package of information, knowledge, and skills went out. We might see them again; we didn’t actually say we wanted to see them again; or that they might want to see us again; and therefore this package of skills, where is it going to take them?

[Polytechnic CEO]

In the early 1990s, ‘quality’ was not ‘front-of-mind’ the way it was in the 1997–99 and the 2000–05 reforms.

In comparison to other countries we were somewhat low in terms of percentages of people going on to tertiary. Quality alongside that wasn’t ignored but wasn’t given the same importance that it was later.

[Agency senior manager]

Learners' lifelong education needs influenced views about the education agencies and the status of tertiary education.

The argument for TEC was that tertiary education had become so large it was big enough to justify its own ministry. It is as basic as that. The original idea for a single comprehensive ministry [in 1989] was so that they could take a whole of vote education approach and that is quite a powerful argument. The problem was that the portfolio was so big and it is quite difficult, particularly in a fairly turbulent era to give sufficient attention to the problems in tertiary education. So the argument was for splitting tertiary off, and it has gained more and more currency, maybe because of the problems in tertiary education. Now, not only do we have a minister – we never had that before; we had an associate minister in the previous administration – we have the second most senior minister in the country as the minister of tertiary education, which is some difference from a few years back.

[University sector]

It also affected views about the organisation of qualifications and institutions and the approach to funding education.

The key issues were: what we wanted from a degree education; and what environment degrees should be taught in; and, how you resourced research institutions differently from institutions that had other purposes. The whole funding system was a complete nonsense. [The policy] funded the polytechnics and the universities at the same level.

[Vice chancellor]

### Tertiary education as a commodity – markets, price and access

The idea of tertiary education as a commodity being marketed to students and employers, and competition for students operating within that market, went hand in hand with the wider public sector structural reforms of the late 1980s. People linked it to the lifelong education idea because it was thought to widen access to tertiary education.

The thrust in 1990 was ... to open up the tertiary system so that it was more able to be accessed by a wider range of people.... It was allied to the whole

thrust at that time of ensuring that the gate-keeping that occurred in many aspects of tertiary would be limited... Quality control at the higher level was seen as part of this gate-keeping... Make more competition possible, by other institutions being able to offer higher level courses ... pressure being kept on university delivery by having them compete with other institutions that were also offering degree level programmes ... the perception of too much control by educationists, gate-keeping, and the need to have similar funding, similar training, irrespective of where the training was given.

[Implementation manager]

In terms of *Learning for Life* we knew it meant that we had to be more competitive and we regretted that. Universities took off with their marketing... There is still that competitive edge there and PBRF doesn't help by giving vice chancellors and others a chance to bicker about each others' performance.

[University sector]

The two ideas of 'lifelong learning for all' and 'a competitive education marketplace' worked in tandem to bring about greater diversity in providers, and greater diversity in the students attending and achieving tertiary qualifications.

We have had too much of an explosion of these minor variations around degree programmes in order to be able to position them slightly differently in the market. The reality is that for a country of this size we are trying to deliver far too many degree programmes, compromising quality and probably compromising the availability of funds to really focus on the very best ones.

[Polytechnic CEO]

With the market approach and 'bums on seats', polytechnics which looked like quite a good idea at the time, turned out to be not such a good idea. Provincial communities, where [having small polytechnics] seemed a good idea with the economy [doing well], started to look not quite so good [when there was an economic down-turn].

[TEC chair]

The tertiary institutions responded to the market as they saw it ... the behaviour that was rewarded was not to pay attention to the quality of what you are doing, but to go after the free market environment and get as much money out of the thing as you could, and then claim you couldn't do without it.

[Vice chancellor]

The universities, and tertiary education in general, have been seen in some quarters as highly competitive and that's a bad thing. I think that we are competitive and that's not a bad thing. Because we are looking to fill areas that need to be filled and also it gives you an incentive to improve your quality. Competition gives you an incentive to improve your quality as well. So I don't think competition is a bad thing as long as it's not destructive and I don't think it has been in New Zealand and in the universities.

[Vice chancellor]

Tertiary education from the 1990s onwards was thought about as something that could earn money as well as something that cost the New Zealand taxpayer.

We are much more outward looking and much more international looking. International in the sense of not just the old British university connections, now the focus is Asia, and North America and Europe, and even South America.

[University sector]

A feature of the tertiary education market is the price of tertiary education. This affected both the price government was willing to pay to have its population receive tertiary education, and perceptions about the price the student receiving it pays. Some accepted the idea of tertiary education more as a 'service' that students choose to consume, while others consider it a 'right of the student to education'. The tension between these two ideas created debates about who pays, and what proportion the government should pay.

We have got into that thinking that tertiary education conveys a private benefit which people have to pay for. It is handled differently [from lower levels of education]. The reality is now that it is almost universal. Everybody virtually will have some experience of tertiary education, so the old distinctions break down. I am not saying we should necessarily pay for all tertiary education through taxes.... The Todd report in 1994 was full of nice calculations about

whether university education conferred a public or a private benefit. It all proceeded on the assumption that this was a zero sum calculation – if the private benefit increased, then the public benefit was reduced.

[Vice chancellor]

The prominence of these ideas made institutional fee-setting politically contentious, influenced the policy agenda, and resulted in policies many regarded as political fixes.

There was a day when we didn't have [student] fees fixed by government. It was often a struggle among council members which was sometimes unpleasant, but we on the whole abided by it. [The fee maxima policy] was politics really ... the government saying to students we are on your side, and we are not going to let the fees rise too much.... What the government has done is to allow the student vote to dominate tertiary education policy.

[TEC chair]

Questions of how much government should pay for tertiary education and how much individuals should pay remain live in policy processes in 2008.

We have wasted 10 years of trying to reshape the system and recover from the laissez faire system, while largely ignoring the key issue.... If I doubled student fees tomorrow, I would have another \$180 million to spend on staff, and the number of students that would come to this place would still be the same.

[Vice chancellor]

Tertiary education for a knowledge economy and skills for the workforce

The new idea in the lead up to the 1999 election was the concept of an economy based on more than trading commodities: an economy based on use of knowledge to transform services and products.

By the end of the 1990s there was ... an increasing recognition that education, skills, research and all these other good things may have ... a very significant influence on economic progress. It is almost axiomatic that if you want to succeed economically, you invest wisely in higher education.

[Vice chancellor]

The 1990 reforms were bit more about institutional autonomy, provider funding and so on, whereas [after 2000] was a little more around how universities connect as an engine of growth, community development... It was part of a wider shift: to what extent do we need to change some of our economic paradigms. In a loose kind of way, in a knowledge world, you have a lot of New Zealand's intellectual capital sitting in the universities. So how do you get it a little more connected to your economic growth?... A modern kind of social partner idea ... and the role of the university in a democratic society ... concepts of steering the system, in some kind of way.

[Education agency CEO]

Ideas of knowledge economy, and economic transformation, particularly influenced the TEAC policy processes and the development of a tertiary education strategy.

We were going to describe this brave new world where we were going to stop being a commodity nation and be high tech, high value, and all of these things that we talked about at the Knowledge Wave Conference.... If we were going to guide the tertiary sector towards our national goals, where were we going to go to, to get an idea of what those national goals were, so that we could design a tertiary system that would take us there?

[TEAC member]

The whole rationale behind the *Tertiary Education Strategy* [in 2002] was to locate tertiary education policy in the broader context of the economic and social development goals, with education and education purchasing decisions informed by the economic, and to a lesser extent social development, imperatives.... There was a view that what was required ... was a paradigm change in tertiary education policy. That is captured in the notion of change from a market model to a model that was going to be less informed by market imperatives, particularly inter-institutional competition. Much more informed by a set of overall, overarching strategic set of priorities, as in the *Statement of Tertiary Education Priorities*.

[Ministerial adviser]

Employers and business interests in particular wanted tertiary education policy processes to focus on the skills needed in the workforce now and in the future.

It's now about – are your current skills fit for the future, where is your industry going, all those sort of questions? If there has been one success out of the entire reform process it has been about bringing ITOs squarely into the picture, alongside all the others.... That said, policy takes place in a labour market context, but that doesn't necessarily mean that the people who carry on the debates know much about the workforce or the way workplaces operate, and I think that is one of the ongoing challenges.

[Policy consultant]

That tension between generalist and immediately applicable content is always there. You have employers saying they want graduates that have the skills they need now but they also say they want graduates that are flexible and can adapt to every change that comes along. Both are perfectly reasonable but there is a tension there.

[University sector]

Colleagues in the other economic development agencies of government do not understand that most of the Vote Education is about teaching and learning.... They understand that there is something that they don't understand, but they don't know quite know what it is.... Dealing with the other agencies around skills growth, they think of adult literacy, language all that stuff as not relevant to economic development. They don't see the link. They are happy to talk about skills for managing firms, or developing scientists, but that is a tiny bit of the population. They don't understand that to run an economy you actually need a large skill-based population.

[Policy manager]

Getting participants in the policy process with different concepts talking to each other can be difficult because they often don't share a common language.

The whole time my strongest interests were around the economics of education and funding systems, qualifications and quality assurance issues and general strategic issues around stakeholder engagement. It's about the engagement between tertiary providers and the students and business. It's that middle space.

[Policy consultant]



### *Ideas about policy processes*

Interviewees made observations about policy processes, and their understanding of them, based on their experiences. These were about:

- their involvement in policy processes
- what issues get attention
- the difficulty of defining problems
- who decides, and how
- how policies get implemented.

### Participation of tertiary sector people in policy processes

People from the tertiary education world thought it important that they also participate in the policy processes world:

Unless you can get into the [policy processes] at some stage before things are cast, the policy can never take on board the quality information about the potential implications.... We [tertiary sector people] tend to think about education policy, and we fail to think about the potential impact of policy in associated ministries, like economic development and social development. We are poor at recognising or even understanding or informing ourselves about these policies. It is all very disconnected, different sandpits.... The sandpits have got to have some sharing, but at the end point, the user end, I don't think there is any, or sufficient feedback going in early enough.

[Polytechnic CEO]

Conversations between different parts of the tertiary world, and with other worlds outside of tertiary education, were seen as one way of influencing the policy processes.

He'd say 'I'll just have a word with so and so'. It's those quite little things that make the difference. People can say I changed the world, but it's all the little ripples that go along to influence people's thoughts that are as important as a formal meeting.

[Polytechnic sector]

We spent a lot of time with the minister. While you are doing [things] in your own environment you need to have a relationship with ministers, and have them know what you are doing, so that they trust you – keeping the home fires burning, while keeping an eye on the big flame!

[Polytechnic sector]

Resource asymmetries can be an impediment to participation in policy processes. This is particularly the case for the non-government agency participants.

I think our sector has never been in a position where we have been consulted so much in terms of policy direction.... TEC could not be effective without the Tertiary Consultative Group, and the [tertiary education sector] CEOs working with them on the reforms today [2007]. It is really important for [the meetings] to happen, but unless they are financed better than they have been it won't happen, and that will be the tragedy.

[Polytechnic sector]

People who are not part of the government policy agencies responsible in some way for the policy processes want a more enduring, long-term and respectful relationship with government agencies and see this as the only way to achieve good policy outcomes.

The theory of the current reforms, that there needs to be a relationship rather than a directive approach, is the only way that you can actually do it. The more you get into a directive approach, the more the institutions will resist and find their own ways around.

[University sector]

There is an art to public policy which I don't think anyone perfects. But until you have done it well and have done it badly – if you are smart enough to learn from your mistakes in particular, then you can get quite good at it, relatively.

[Senior policy analyst]

What issues get attended to?

The agenda for tertiary education policy processes can result from influences outside of the tertiary education policy process community. Pressure for change does not

automatically include an assessment of what currently happens in tertiary education, and why, or how much change is needed for the desired policy outcome.

The 1990 reforms were seen in the sector as part of a wider public administration reform process.... People are exhausted by [successive reforms]. There just seems to be constant, significant change in the sector. People can say that in this modern age you have to get used to change, but there is change that is useful and change that just seems to be change for the sake of it. There is that exhaustion – any Minister of Education, to prove his/her mettle, feels they have to bring in a major policy change.

[University sector]

Politics influenced agenda-setting for tertiary education. The issues focused on in political debates are not seen by those in tertiary education to be central to improving tertiary education outcomes and might even stop important issues getting on the agenda.

The political environment of the 1990s was different from the political environment of 2000s, and I think that prevented people getting to grips with the core issues.... Constantly redesigning the system puts off the day when you have to do the hard stuff.... There is this political banter that goes on, but none of it is genuinely about building great institutions.... That is the political cycle isn't it? I think it inevitable that there are political cycles.

[Vice chancellor]

Part of it is that individual politicians want to be able to say 'I did this' and 'I did that'.... We have had a quite lot of ministers of tertiary education over the years, and each one of them wants to be able to make their own mark.

[Vice chancellor]

A tertiary education subsector with a well thought out, well connected, and timely strategy can influence policy processes.

What happened was you had a policy vacuum, very, very strong and clever thinkers and a minister who needed some runs on the board. And it just came together ... the stars aligned.

[ITO sector]

## The problem of defining problems

There were many perspectives on policy problems identified during the tertiary education policy processes. Many participants believe that, more often than not, the processes did not identify and understand relevant information.

If you talked to anyone who had been close to the implementation end I don't think that it would have been unforeseen. We had been saying for some time that the demand on the pool by eligible PTEs was much larger than the available resource. Whether they were desirable PTEs? Maybe that got lost in translation. Just because they were eligible, didn't necessarily mean that we were sad about saying no to a lot of them. The criteria were quite loose and the only thing that had held them back previously was the lack of funding ... for the next few years there were lots of times when things would happen, and you'd think, well we said that this was a bit of a risk. We started likening it to a hose pipe with a bit of a leak, and you put your foot on that hole and it just bursts out somewhere else, because that was what it was like. There was the free computers and student loans ... it snowballed out of control. But even years later, when it quietened down a bit, some of the underlying policy questions of why we fund on enrolment and not on some method of completion hadn't been addressed ... there were those underlying policy questions like 'why do we fund tertiary education, what is it for, how do we prioritise'? If they had been addressed it would have been easier.

[Funding manager]

The sort of problems encountered in tertiary education policy processes are not easily defined because they have overlapping boundaries and there are many possible ways of looking at them and many perspectives on solving them.

TEAC gave in too easily to the idea that it was important to have a body that would essentially be the 'Grants Committee' but for the whole sector. It hasn't worked, and it won't work until they decide that it is a Ministry of Tertiary Education. Education is about the development of human capability. Even if there were to be a Ministry of Tertiary Education, there would still be overlaps and areas of working together to be worked out between the Ministry of Education, and the Ministry of Tertiary Education. Tension with the Department of Labour has not gone away, and that is part of the nature of

government. You are not going to make the Ministry of Education responsible for all the other things that the Department of Labour is responsible for, but the Department of Labour must have an interest in workplace and workforce development. Government is full of these [tensions].

[University sector]

A lot of it has to do with the politics, if you think about the transition from National to Labour, or before that, from Labour to National. The politicians have to be seen to do something different. [Labour] has an ideological objection to the free market approach as they saw it. They wanted to shape the system. They saw this big vision of a system, and they put all their effort into reshaping the system while completely ignoring the way in which they were spending money and what they were getting for it.... Allied to the political cycle, there is a tendency for people to want what they don't have, and so the grass is always greener, and, given that politicians are motivated to do something different, that drives the natural cycle. A vast amount of that effort goes into redesigning the system, and relatively little of it into the question of how we create a system that is properly resourced. From a political point of view, ignoring that question is a good thing to do, because you need to dress up whatever new money is provided in the best possible way.

[Vice chancellor]

Narrowly conceived problems are often not what they seem, and the result of policy processes can be unpredictable. There is something about knowing what you do not know.

The first lesson is don't be over confident that a straight forward prescription will have the effect you intend. Quite often things that you might see as 'this is the problem, and I am going to attack it by doing this'... You need to ask, 'how will the institutions react'? We don't know. Probably the first thing they will do is say to themselves is 'how can we remain vibrant and buoyant? If the government is not going to pay us to take these students we are capable of attracting, we will have to do something else'. What will they do? Nowadays what they will do is go positive and go for international students.

[University sector]

The tertiary education system is a very complex system. It's a complex whole and you only get to understand all the bits when you have been in it long

enough to understand the whole. The trouble we have is that all our policy makers have only been through one part of the system. They have only ever experienced universities. They have never experienced the polytechnic sector, they have never experienced PTEs. They have had nothing to do with ITOs. They have had nothing to do with the National Qualifications Framework, and the tensions that introduces. They have only been a participant as a student within a university.

[TEAC secretariat]

### Who decides and how?

The specificity and detail of decisions, the level at which decisions are made, who is involved in the decision making, and the decision maker's commitment to turning a decision into effect, all affect policy processes.

‘We’ll design a system and we’ll make it work’ – a sort of belief that if you set up the right system it will just work, if you pull this lever that will happen. And we can transform the economy, by the way, [by doing this].

[Policy consultant]

Ministers, and agency CEOs, were involved as commentators, rather than actively involved as a member of the team that was leading change. That meant Treasury, and probably senior ministers were not involved as early in the process as one might have thought. Often in these things there is a lot of discussion around options papers, quite a long way before Cabinet papers. It seemed to me that in that process we were seeing Cabinet papers or notes with dissenting views, rather than having the level of prior discussion you might have with groups of ministers.... It's sometimes faster to work out where you are going and then write the paper.

[Minister of Education]

In the whole policy process, not confined to tertiary education, although it is a good example of it, there has been, in the last 10 years, a reduction of the quality of advice that is getting to Cabinet. I don't just mean that Cabinet papers are poorer in quality. I mean in the kinds of things ministers are willing to put in front of their colleagues and the kinds of contestable advice. How much genuine advice about pros and cons and risks they want to expose in

Cabinet papers has gone down hill. Part of that story is the role of the political advisers in this government.

[Ministerial private secretary]

I miss ministers who are willing to receive advice even if they [reject it]. I miss having a public service that is open, and feels free to give that kind of frank advice.... It would be nice to have some crunchy, proper definition and analysis. I don't know what will drive that in tertiary because all the debate is around loans and allowances, the peripheral stuff, rather than what goes on in institutions.

[Policy consultant]

### How policies get implemented

Interviewees used the word 'implementation' to refer to making something happen in reality but they did not see it as the end part of a sequential process. Designing policy and making policy happen are seen more as related, continuous and parallel rather than separated in time. Implementation implies that there will be change but exactly what the change becomes is often unspecified and might not be intended.

There is all the theory about a split between policy and implementation, and there has to be a degree of that to ensure that the daily grind of implementation doesn't capture your policy. But at the same time policy has to be informed by the practicalities and the huge experience you pick up from implementation. A Crown entity is supposed to be a step away from the minister, but when you are engaged in policy work, then the engagement is daily.

[University sector]

I am not sure how well you can take policies and implement them just because of all the human factors of the people you have to involve ... in the whole flush of enthusiasm of the 1980s and early 1990s, the policy people became like gods. 'I am working in policy' people would say to you. They were the gods of the whole system. That is why you have people who have absolutely no concept at all of how you implement something, and what will make it work. The implementation people were regarded as a lot of rather dullard clerks. I have tended to think too much that you can get people who are remarkable people to do these things but by and large it is not what you get. I think

implementation needs a much higher profile and a much bigger respect and the people who do it need greater respect than they have had.

[TEAC chair]

There was never a decent discussion about the nature of the transition, and therefore how do you think about your transition path, how do you think about the risks associated with it ... as opposed to go and do it.

[Education agency CEO]

One of the key things – and it is probably the attitude of a politician, rather than someone involved in the sector, or someone involved in policy – throughout the process there was some frustration at the length of time it actually took to get to places. I think some of the structural policy responses, some of the organisational responses came from a sense of frustration at the time that it was taking... Throughout the process there was a dilemma about a sector that often said we were moving too fast in a particular direction – unless it was the direction that they wanted, and it almost never was because you couldn't get unanimity – and politicians who had a changing view of what they wanted, but wanted it yesterday.

[Minister of Education]

The trouble with the New Zealand policy environment, and probably everywhere else around the world – it all falls apart in implementation. Unless you have got the designers giving a check on the way it is implemented, it all starts going really wrong because people ... make it much more complicated than it actually needs to be. They try and deal with every little issue, instead of keeping a broad brush, big picture.

[TEAC secretariat]

The PBRF has been relatively successful compared with many other policy initiatives taken in respect of tertiary education over the last seven or eight years, in the sense that it was implemented, it remains in place, it appears to have had some positive effects, and looks destined to remain with us for some time, for good or ill. So if success includes implementation, some positive effects and some longevity, then the PBRF does moderately well certainly compared to some other ideas and policies that were either not implemented, or were not implemented anything like what was intended.

[University sector]



The PBRF which was set up as a funding system ends up being used as a staff evaluation system. So if you set up [the Investing in a Plan] system in TEC, it too will end up as evaluating the staff of a particular institution. Whereas what happens in the institution depends not just on what happens in that institution, but what is available in the system as a whole. So you might well have one bad area which you decide to discontinue, and one horrible area which you give additional resources to because in the first case there is an alternative in the area and in the second there is no alternative available.

[University sector]

People [in the tertiary education sector] are overawed by the Wellington thing [the seat of government]. I think everybody is the same. We just have different roles to play. Respect for and understanding each others' roles, and not feeling intimidated so that you can't make a contribution. Having said that, [each of us] only know a part of the piece.

[Polytechnic sector]

In a change process like the tertiary reform you, to a certain extent, have to ignore what people do now, if you want change. There is a real tension between, 'how much do we want to know about how people do things now', versus 'what will we do if we want to create something beautiful'? Why didn't it happen? I don't think the answer lies in policy I think it is in relationships, and there was so much distrust of people.

[Funding manager]

Even if [the policy reforms] haven't worked as well as were intended, they have at least changed the direction of the sector.

[ITO sector]

The best way to understand the world you are going into is to look at how others are going to perform in it.... If you put two teachers in the same room they have a meaningful exchange, but in this case it just doesn't happen and it is very frustrating.... I am seen as self interested and everything I say is discounted and [the government agencies] won't even give me the credit that I might even care about education outcomes. They are not on the same game.

[Polytechnic CEO]

A process of change like [the 2000 tertiary policy] is going to take a minimum of seven years and more like ten – The Hawthorne Effect<sup>18</sup> matters! You almost have to create artificial senses of change and impetus along the way ... if the reforms have been crafted in the way that I think these reforms have been crafted, then there is something there for every person who is worth their salt to actually have a sense-making mechanism for themselves ... There is always some thing that is not going right from the point of view of someone somewhere, or something from the point of view of all the players not going right.... If you can step back from everything that is going on and say broadly ‘are they coming along or is there resistance that is building in a larger way and is there really deep seated cynicism building’.... What I am looking for generally is ‘are we still engaged or is there disengagement and emerging possibilities of disaffection with the process’. That’s what I am always looking for.

[TEC board]

The endlessness of policy processes were sensed by many.

There never seems to be a holiday from changes in policy. We have these reforms going on now [in 2007] which have really been uppermost in our minds for the last eighteen months.... We’d barely got the TEC settled down. The TEC started with one model which had the chair and deputy chair running the place, and then that changed to a CEO. It seems that it all keeps changing. Does that imply that we are never getting it right?... Is the problem the tertiary institutions themselves? – That they are conservative, and don’t want to change, and so keep fighting aspects of it? – Or is it that ministers, and the Ministry are not clear enough, or right enough the first time round?

[Vice chancellor]

By the time we got to the end of the 1990s, there was an increasing realisation that things couldn’t go on. Even the richer universities were feeling the pinch.... I am a believer that no policy is perfect. What tends to happen is, as a new policy comes in, the institutions respond to it, and then gradually, and cumulatively over time, the down sides become more apparent. So in the end there is a demand for change. Suddenly everything is changed, and then we go

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<sup>18</sup> Tangible symbols of change are important.

through the whole process again. No policy is going to be right forever. Every policy is going to need adjustment.

[Vice chancellor]

### *Ideas about how tertiary education operates*

#### Tertiary education

The use of ‘tertiary education’ for all post-school education and training dates from the 1990s in New Zealand, and earlier in international policy discourses from, for example, OECD. It was a small step to consider all post-school education provision as part of a ‘tertiary education system’. Interviewees talked about what this term meant to them and how it is bounded.

I am an advocate of a tertiary education system, and I have always opposed the higher education thing that England has.... I like [the definition] as TEAC described it, everything outside of the compulsory sector. You look at it in its totality and have industry training and everything else.

[TEAC chair]

There was a really strong interest among people involved in the PTE and ITO sectors to have [Skill NZ] as part of TEC.... You couldn’t segment-off second chance and industry training.... So you simply had to include those in a whole of tertiary approach.

[Policy consultant]

If you compare 2000 to 1990, there is a much more common expectation that young people go on to some sort of tertiary education. It’s now the rule rather than the exception, and it was the other way around in 1990.... It shot up dramatically and now participation rates are good by world standards and of course diverse across a range of providers.

[TEC Chair]

One of the things about tertiary education is that you are at the mercy of two things. One is the demand for the people, and the other is the supply of students wanting to do those particular courses. In many ways what we have to do is match our response to the supply and yet we have to keep our eye ... on what is the demand for those students. It is no good having lots of courses set up and

no demand. On the other hand the other option is equally undesirable. This is quite a juggling thing for every tertiary institution. It is actually something that you have to be nimble on, and this applies more so in the polytechnic and ITO sectors than in the university, because these things can change, at both ends, so quickly.

[Vice chancellor]

### Academic freedom and institutional autonomy

‘Academic freedom’ and ‘institutional autonomy’ were often spoken about in the same breath as if they were two sides of the same coin which to some they were.

One of the things that I can remember about the 1989 process was the fear that [academics] would have their freedom of speech removed – the whole academic freedom issue.

[Implementation manager]

More often, policy processes were concerned with how these two ideas were balanced against other ideas of competing importance.

The [2000 Labour] government, and that party, believe in academic freedom and the independence of the universities, but they also believe in public institutions. They believe that they are ‘public’ institutions; publicly accountable; largely publicly funded; and all of that.

[Ministerial private secretary]

There needs to be room for the staff of institutions to make the decisions about what is in the curriculum, what they research, what they are allowed to speak out about, who they employ.... From the vice chancellors’ point of view, management autonomy is at least as important.

[University sector]

Institutional autonomy was viewed rather differently at different levels.

The problem that we had with the Ministry is fundamentally the same problem that we had with the TEC – we were not being empowered to get on and run good institutions.... If we are not doing a proper job then the minister should go to the council and say your VC isn’t doing a proper job, and you should fire the

CEO. That is the sort of thing that should have happened a lot more over the history of tertiary institutions. But until government gets to that point, if they are not going to invest in us properly they should get their hands off us and let us get on with the job, and preferably, free up our other options.

[Vice chancellor]

[University] staff have some scepticism about [management autonomy], and I suspect that there is increasing scepticism about it in government too. It is seen to be autonomy to escape from the whole purpose of steering, which is to get something out of the institutions that is of value for society, and the strategic directions that the government wants to follow. The dangers of this whole steering approach is that you can go overboard and say all we want out of these institutions is economic growth and these things. Then you risk losing a lot of the creativity there, but you also narrow the function of institutions to very narrow functional outcomes, rather than a much broader social purpose.

[University sector]

You can see why government would want to ensure that it didn't have too much duplication and didn't have any gaps and would want to be steering the system. But it does fall into a conflict potentially with the institutional autonomy argument. So if you go back to s. 160, 161 [of the Education Act], it does say institutions will have as much institutional autonomy as is appropriate given the national interest and efficient use of resources and all of that. So we do run into a tension there, and all of us recognise that tension is there.

[Vice chancellor]

### A buffer body

For the university sector, the idea of a 'buffer body' between the government as the funder and the sector was linked to the abolition of the Universities Grants Committee in the 1990 reform. The pressure for such a body tended to increase whenever there was consideration of limits on what might, or might not be funded. This was the case in the lead up to the 1999 election. Both parties with potential to form a government were talking of the need to make choices about which areas of tertiary education received priority for funding. There was a strong view in universities that these decisions should not be made by politicians. This idea took a number of different forms.

Get a group of people together to make those general decisions. The minister could still have the final say, but by and large it was something that ought to be separated from ministerial decision making because you can't expect the minister as a person to make that decision. And how do you make it, if you don't have a group that does it?... And I think you need some outside expertise.

[TEAC chair]

TEAC was a sort of halfway house towards a permanent intermediary body which some wanted. TEC which they finally decided upon wasn't really an intermediary body. I think there was always a tension around TEAC – is this just a review group which is what it ended up being, or is it going to be that intermediary body? I think it was a bit of a compromise before they decided if they wanted to go the route of having another body administering in some fashion beyond the Ministry. It was also a bit of test ground for how a sector-led body like that might work.

[Ministerial private secretary]

Initially [the tertiary commission] was meant to be a nice light-weight body, [with a] light touch, that actually was made up of people from the sectors that were seconded onto it to have a governance role right across at a sector level. To insulate it somewhat from government policy was part of the idea as well.

[TEAC secretariat]

We talked about a high level strategic body, with a light hand, and a mallet in the bottom drawer. That is how we used to describe TEC. That is what it was supposed to be.... What we imagined was this high level, strategic, light hand. The big thing about how you manage the sector ... was the notion of management by exception. What you did was focus on the top 10% and say what we need to do is extend this provision and make it better, and have incentives there for people to make it even better. And at the bottom end you pushed it – you gave opportunities for improvement, and an exit strategy for those that didn't want to participate. You allowed the rest of them to get on with it.

[TEAC member]

The first TEAC report talked about an autonomous commission. Anybody in their right mind would know that no government was going to allow this. [The

university staff association] may have wanted it, but it just wasn't in the real world.

[TEAC chair]

Prior to that, without this kind of buffer sitting between the Ministry and the sector, there was a much clearer demarcation, and less opportunity for policy to be informed by sector views. With the investment plan concept you do have a greater opportunity for that exchange

[Polytechnic CEO]

There was an argument for a separate tertiary organisation just on the grounds of the scope of the issues that needed to be dealt with; and you could draw a line between them, and the schools' perspective. The idea was probably right, but the execution has been poor. [The universities] always wondered whether it should have been more explicitly a buffer body, between government and the institutions. That was the kind of model the universities had in mind. The tertiary sector is so wide I can see that it wouldn't work very well for the 400 tertiary organisations the TEC is also funding in some way or other. The tertiary sector is so diverse.

[University sector]

TEC... I don't know whether it was right to have it as a commission, rather than a Ministry of Tertiary Education. I think that is going to have to be rethought. Either, TEC is a buffer body, and it doesn't then have a requirement to follow the Minister's instructions, or else it is a Ministry. At the moment we have a very strange situation where the Ministry of Education produces policy for the Minister of Tertiary Education and TEC.

[Vice chancellor]

This tertiary education reform process is about the fact that tertiary education has become so significant to the future of the country, and that is at the heart of the ongoing debates about what organisational form is appropriate to express that significance.... There isn't any perfect structure for carrying the reforms through to a successful conclusion, supposing that there is ever going to be a successful conclusion. What I think there is, is the best form/structure at a particular point, in terms of the complexity of the needs that are to be satisfied; which will partly be a question of government view – particularly ministerial view, but not only; sector view – in all its complexity; stakeholder view – in

terms of key stakeholder views and all their complexity; and that goes into the washing machine, and out comes ‘this will serve for now’.... Public institutional design ... it is quite important that it doesn’t become the focus, because it can become very diversionary. The trick for me is to stop the sector forever trying to design and redesign the structures at that level.

[TEC board]

### Funding, purchasing, or investing?

When the EFTS funding system became policy in 1990–91, policy people often debated whether it was a ‘funding’ system or a ‘purchase’ system. The distinction turned on the specificity of the connection between the money available for tertiary education from government and the education received. The spectrum ranges from specific services (outputs and contracts for services) to more generalised notions of education, capacity and capability building, and outcomes less concretely specified.

So often the discussions are about ‘we need more money for X’, rather than this is the need we meet, or this is the world we work in.

[Policy consultant]

The EFTS system was devised only as a way to cope with the [1990] transition. We thought it would be revised after a couple of years or so. It is essentially for large institutions, because it involves swings and roundabouts. Some courses in some fields will be much cheaper than other courses to run.... So when you are actually buying courses, that is a fundamental difference which ... people never understood. They kept on saying that you are actually buying courses with this. Whereas the system was not set up to buy courses, it was set up to fund – institutions essentially – big institutions, like universities and polytechnics.... But once you start using it as a purchase model, it isn’t actually carefully worked through.

[Implementation manager]

[Before 2006] you had two funding models – a purchase model in industry training, TOPS and Youth Training, and a bulk funding model for the institutions. One of the tensions was that you also had some cross-over particularly in the polytechnic sector and to some extent in the wananga sector.

[University sector]



The language was changed from ‘funding’ to ‘investment’ around 2006.

The basic idea of the Hawke report [in 1988] was the abolition of the universities grants committee, and a direct relationship between the universities and the Ministry of Education as the funding agent of government. The idea of a competitive tendering process for areas you wanted to develop, alongside a bulk funding process, was in the report.... I think problems are going to come out of the ‘investing in a plan’ notion. Firstly people take the idea of investing in different ways. Some take it to mean spending. Others think you have some way of monitoring what you get as a result.

[University sector]

The evaluation reports of investment plans, at the end of [2007] vary quite considerably according to the person who wrote them, which is quite a worry. If you are looking at the system overall, and different investment advisers are looking at quite different things, and writing their reports in quite different ways, you are not really getting a consistent approach.

[Policy consultant]

There are three parts: investment planning, funding and performance management. The investment and the funding are in place. There are huge amounts still to do, but the core is there and very true to those original Cabinet papers. Performance management – in time we will have some tremendous data about plan intent – what people planned to do and what they actually delivered.... The bit that is missing in that performance management assessment is the self assessment and quality assurance which is running behind, and struggling.

[Education agency CEO]

Each new notion of funding produces counter notions in the sector.

There is a KPI fetish. TEC want all these KPIs that you can measure across all the institutions, so that they can bulk them up, and show how the sector is changing. But they have almost no understanding of the unintended consequences of these measures. We will have some KPIs that we can aggregate all the way from the smallest PTE to the large university. They have very little understanding of the unintended consequences. Let’s all have high

completion rates for Maori. That's fine, we will make it difficult to get in, and difficult to get out [without completing].

[Vice chancellor]

### Steering the system

The 1999 Labour government's manifesto talked about 'steering' the tertiary education system. Both the concept and how it would be achieved, were much discussed.

There is a huge difference between a purchase and a steering system. The term steering was loosely used ... [and] there was a dynamic in the system that did influence the government's view.

[Education agency CEO]

The steering thing – it relates back to the nature of organisations. The view of the institutions during the 1990s was a very managerial one. All the government ever interacted with was the chief executives who then had authority throughout the institution to organise things and impose their will.... A university cannot be seen as a conventional organisation. It is so much a collection of individuals in many ways that the organisational representation is not a very useful way of understanding how you get these institutions to do anything. Some people would say people in the institutions are paid to teach and research so why don't they just get on and do it, but it is a little more complex than that. They have some allegiances to their institution but they have just as strong allegiances to their discipline and that may be national or international. Their career structure is not within their institution. It is an international one and there are all sorts of expectations built into that career structure like the importance given to research that means it's not just a managerial structure is a futile kind of approach. That then reflects into issues of steering. If it were a conventional organisation you could say to the chief executive this is what I want you to do, and to the board, this is what I want your objectives to be.

[University sector]

In terms of steering the system there needs to be some clear but not coercive hints, and then we can try and move in those directions. Bearing in mind that

we are a big ship and moving/steering big ships takes a long time.... It's easy to talk about, and it's hard to work out, particularly if you have people in Wellington who do not have much experience of what it [the tertiary system] is like. I think there won't be a lot of steering of the system except around the edges.

[Vice chancellor]

What was being wanted was greater institutional differentiation, and at the same time greater level of inter-institutional co-operation, within the ambit of an overall strategy – the institutional mechanisms being the charter and the profile. The logic becomes, you have the overall strategy; it is aligned to national development goals; it is also aligned with good, robust labour market information which is aggregated at national and also regional levels. Then in terms of charters and then profiles, specified purchasing around a particular period, you are actually trying to reflect those strategic purchasing goals.

[Ministerial adviser]

I thought you would have charters and profiles as a fundamental steering device, and then funding would follow that process.

[ITO sector]

Charters and profiles were meant to be it – they were supposed to be the means of steering.

[Funding manager]

Until the charters and profiles were tested as steering instruments, their inadequacies [were not] found out. On the one hand there was this desire by the minister, and it came through in all the documentation, that we wanted a differentiated, complementary, collaborative tertiary education sector working for the good of the economy from basic skills through to blue skies research. We didn't want money lost in unnecessary duplication of effort. But institutions by their very nature want to be best, and want to compete with each other, and we had no tools. Charters and profiles turned out to be inadequate tools to [get] institutions to behave in that way.

[TEC board]

If you are going in the right direction you won't notice the steering.

[TEC chair]

Excellence, relevance and access were three foundational notions in the steered system. In 2002, a document of that name set out how the ‘integrated funding framework’ would steer the system (Ministry of Education, 2002, p. 1).

The Integrated Funding Framework ... will see, from 2004, the evolution of tertiary education in New Zealand into an integrated system which will meet the needs of students, business, and regional communities; help achieve the government’s strategic goals; develop foundation and specialist skills; deliver excellent teaching and research; and demonstrate open and dynamic connectedness amongst providers, and between providers and business.... This government is about investing in and supporting a tertiary education system built on three pillars – excellence, relevance and access.

[Minister of Education]

The working parts of the system that could be ‘steered’ to achieve excellence, relevance and access were less often mentioned.

While we have been doing all this magic ‘shaping of the system’ there has been very little building of capability of the system, very little academic leadership, very little governance leadership.

[Vice chancellor]

## Collaboration

A more collaborative system, more connected – it was introducing system thinking. It was more about steering. It was more about linking the tertiary system to stakeholders ... what you might think of as a social democratic set of relationships.

[Education agency CEO]

When you have competition and collaboration in the same sentence, and in terms of regional provision and national strategy, and autonomy of the local institution for its own survival and institutional behaviours that are driven by needs, usually funding ... all the talk in the world, and all the policy meetings would be stopped by where the rubber hits the road between local autonomy and collaboration.... It would depend on whether the amount of money available was sufficient to change behaviours. If it wasn’t then behaviour

would not change. I don't think anybody has fully grasped that to the fullest extent, and I think that is still the case.

[ITPNZ executive]

The Tertiary Education Strategy is strong on institutions talking to each other. In a general sense [universities] losing subdegree qualifications, but making room for people who have come out of those from other institutions, typically polytechnics – to move into universities and get proper credit transfer for it... The system has certainly left open the possibility for those sorts of deals and innovations happening. At the moment it is a bit broad and blunderbuss-like in its approach, and the worry is that ... the university will have an investment manager, and the (local) polytechnic will have another, and whether or not they will be able to helpfully assess [what could be done in the collaborative space].

[University sector]

#### Distinctive contributions

The corollary to more collaboration and removing duplication was more complementarity and differentiation between the subsectors, and distinctive contributions from each, which raised many subtly different notions of the boundaries between the subsectors.

[The government] was also driven by this sense of duplication, waste of money. Too much time being spent competing for the same students to do the same course, as opposed to putting the effort into quality.

[Education agency CEO]

[The] idea of complementarity was much more complex. There wasn't a simple answer to it, and if you were going to define it, how would you do it – would you say it was defined on the course name, or different students, in a different area, or a different/complementary [teaching] method? That sort of discussion went on all the way through TEAC and at the TEC.

[Policy consultant]

It is a continuing worry that money is being spent often on things that don't matter as much as they should. Certainly everyone understands New Zealand's reliance on commodities can't last forever, and what this requires is selling more knowledge products with all that implies about having not only an

educated population but also getting more knowledge and education and being at the cutting edge. This latest move [from 2000] is just another attempt trying to pin that down more. The idea of distinctive contributions: at one point you had 'let's try and create the right incentives and levers and so on so that institutions are more likely to do good stuff rather than bad stuff'. You had the initial funding system where, if people took unfunded EFTS, then they were likely to get a funding increase in the following year. Arguably what that led them to do is... focus on things that could be delivered cheaply. Removing the cap ... took that behaviour to its extremes.

[University sector]

Differentiation ... was about getting universities to think of themselves in terms of meeting particular needs which might be occupational development and professional development across the whole of New Zealand, but also getting them to think about meeting needs on a regional basis as well.

[Ministerial adviser]

The essence of a polytechnic, in the view of the educators who had lead the development of that sector since the 1960s, was about producing those people who were technicians – more than tradesmen and less than professions. You certainly wanted to be able to move up from that, hence the argument about degrees. They were not just about night classes or second chance education. Polytechnics were varied in the extent to which they really took on 'lifelong education for all'.... They didn't want to be just mass educators.

[University sector]

The [Education] Act is often used by institutions as a barrier and a bit of a protection. We had several discussions around that time [2000] around how radical could you be in terms of the complementary nature of the subsectors actually working together, focused on the student. That interaction and point of connection between a university and a polytechnic, are there other ways of viewing that overlap, that connection, from the student perspective? ...

[The concept of distinctive contributions] has assisted the movement of the parties to a common position based on the distinctive contributions assigned to each part of the sector, but it still depends on how you can present complementarity of the parties while still having a broad distinctiveness. It still remains to this day that talking about new entities, people just turn purple and

have fits. You can't talk about new entities ... we are back with the (Limiting the Number of Universities) Bill and it is provoking a debate. It is the mirror of what happened six years ago ... That is when the New Zealand University brand, and the University of Technology as an over-arching body, were conceived.

[Polytechnic CEO]

Inherent elitism is present in the New Zealand system and it's reflected in the Education Act. The very fact that the universities are self accrediting doesn't come out of a rational view about their ability to manage quality. It comes out of an elitist view that they must be able to do this because they are so high in society.

[Polytechnic CEO]

The paper [*Distinctive Contributions*] the TEC board wrote was part and parcel of a dialogue across the sector about what those contributions might be – lots of people interpreted it as 'well that has focused everyone on their knitting'. I don't disagree with that. The real significance of it was that it contributed to the sector actually seeing that it was in the driving seat about a lot of this stuff. And, while that continues to be part of the growing picture, there have been huge changes over the last six years about that. And those are the things that I believe have really contributed to the change.

[TEC board]

Why can't people in the sector focus on doing what they are in a position to control, influence, and do very well, if they put their minds to it, rather than bothering with whether everyone else is doing or not doing their job and trying to be the Minister or the TEC, or the Ministry or everyone of the above all at once? The trick in this was to get the sector focusing on what they should be doing. ...So how do you do that? That's where I would identify the Tertiary Education Strategy and the STEP.

[TEC board]

### Quality teaching, learning, and researching

Conversations about quality – what it is, who defines it and how – are never far from the surface in tertiary education policy processes, but there are many perspectives on it as we see here.

Quality of teaching, learning, and researching? No, that's off the agenda – all we care about is meeting industry needs – we don't care about quality of teaching, despite that new centre that has been set up. That is one of the more depressing angles. Learners seem to have fallen off the agenda entirely. Give the student's their token 'rep' on some committee and that is it!... Quality assurance has always been difficult.... It doesn't help that there is not a common definition or understanding of quality. That would help focus minds.

[Policy consultant]

The sector say they do quality assurance but I think they do quality management systems rather than really understanding the student learning experience and what it is that impacts on that to get a better experience and a better outcome, which is a bit different.

[Education agency CEO]

Whatever quality means, I am sceptical about whether you can actually manage it. One aspect of it, in the quality industry if you like, is more about repeatability than the common use of the term quality. It is more about what you use the term excellence for, which is now much over used. Everything is excellent now, which it can't possibly be!... Good systems are useful, but whether they actually reach down to the average academic I am sceptical.... What I doubt is whether from the level of the TEC or NZQA that you can actually do much more than satisfy yourself that those processes are in place. It doesn't actually tell you much about what the student is actually experiencing or what the academic is doing. From a student's point of view, what is more important in many ways is the personality of the teacher.... It was setting up those policies [recognising good teaching] within institutions which had the most powerful effect on individuals. Changing the incentives in individuals within the institution is the most powerful thing, rather than [national level policies].... I am not saying that the piece of paper is necessarily bad. It may help a supervisor do those things. But a poor supervisor will simply fill in the forms, and when someone looks at them they will note the ticked boxes but from the student's point of view it hasn't changed anything, it is just another imposition.

[University sector]



I would say to my staff that we are all culturally bound, and you need to understand that when dealing with your students. The degree to which you can understand the people in front of you culturally, linguistically is the degree to which you can be effective in your teaching.... It is not just about delivering what we know, and walking out of the room – it's more than that – its an interaction with people, human beings in front of you, and all the intricacies of knowledge, and lack of knowledge, and complexity that brings.

[Wananga sector]

I don't think CUAP's way of operating was at all recognised, or understood by particularly NZQA, who had a different way of operating in degree approvals and so on ... I don't think the CUAP model is one that you could have applied to other institutions particularly well.... The CUAP system works well for established disciplines, because it stops people just jumping in, to make a buck in effect ... It works well when it encourages universities' own self review and regulatory procedures to work well, and by and large it does that. After a qualification has been approved, like two years later, and following its first graduates – you do a graduating year review, looking at number of students, and acceptability to employers. Different universities do this with different degrees of rigour, but more and more universities are doing it in an extremely rigorous way, and that then leads to real internal examination of questions like – is this the kind of qualification we should have introduced?

[University sector]

The rorts in 2000–04 were basically things that should have been contained by quality controls. The things that were not about quality controls, were more about enabling the people who were really on the outside of tertiary education, like adult literacy. If we had a proper adult literacy infrastructure that was properly developed, that would have supplanted a lot of the PTEs doing TOP, and that would have been their route in. Those PTEs offering TOP wouldn't have needed to morph into something that made money out of health and safety training. At the heart of the runaway on the money was the failure to recognise that the striking of the EFTS values was actually a driver of cost.

[Policy manager]

In our most recent report, the government is saying to everyone that you need to be doing recognition of prior learning, but nobody checks as to whether they are or they aren't. Nobody has a clear definition of what prior learning is or

how you go about it. And what sorts of learning you can reasonably recognise and what you cannot. It's different from credit transfer and so on. NZQA should first convene a conference of people who know about prior learning, because there are a number of institutions who do it quite well, and the government needs to decide how you get it implemented.

[Policy consultant]

The culture of students is largely naked self interest. As long as they get more money for living, it's pretty well the main thing you get from them. You get very little drive for tertiary quality from students, or really anybody.

[Policy manager]

The whole thrust – and it is not new – with students and graduates moving internationally, is the issue of 'is your degree qualification adequate'? – Is your degree acceptable in another country? Is your professional training OK? – It is all about that kind of thing, and increasingly there are networks of agreements that try to facilitate this, and that is to everyone's advantage. It has always been a bit of an issue and New Zealand has generally done quite well, but with the numbers of international students that we have now who come from countries like China and India, you have to have qualifications that are recognised around the world.

[University sector]

### ***Summarising the role of ideas in policy processes***

In this narrative, a number of the ideas that influenced the tertiary education policy processes are identified. There are some general features observed about their role in policy processes:

- The ideas influencing policy processes are mercurial. They are inconstant, everywhere, and less tangible than either participants or organisations in their role.
- Any one idea usually has multiple forms, and means different things to different participants.

- The ideas influencing policy processes change over time.
- The ideas are not discrete and they interact with each other. This interplay between different ideas can result in whole new concepts e.g. interplay between ‘efficiency and effectiveness’ being transformed into ideas of a ‘tertiary education market’, ‘competition’, and ‘user pays’.
- People approach policy processes with different ideas about tertiary education and different understandings about how it currently works and what needs to change to make it work differently in the future.
- Policy problems are understood in different ways by different participants.
- Policy solutions are also understood in different ways by different participants.
- There are often mismatches between the type of policy decisions made, the information available to inform decision making, and proximity to implementation.
- Different parts of policy processes as understood through the stages heuristic occur simultaneously. Problem definition and implementation can occur simultaneously.

# 6

## A complexity-informed view

In the previous chapter, the policy processes in tertiary education were viewed from three different perspectives commonly found in theoretical explanations: the role of individual participants and their relationship to events and decisions; the role of organisations and institutions; and the information and ideas around which tertiary education policy processes were shaped. Each of these ‘vantage points’ enables a particular perspective on policy processes but also has blind spots; these are briefly summarised in 6.1.

In 6.2, the complexity analytical lens developed in chapter four is applied to the data to provide a holistic and different perspective. This analysis aims to illuminate blind spots and reveal previously unseen patterns in the data in ways that lead to new explanations and understanding of policy processes.

This is followed by a discussion of the nature of policy problems and solutions when there are complex social systems in operation, and the implications for policy processes. The chapter concludes with a discussion on the generalisability of these findings.

### 6.1 Existing perspectives

Narrative 5.2 reveals many aspects of the role of participants in shaping policy processes. A number of individuals introduced ideas and used their power of office or other forms of influence to shape the policy processes. There were ministers who used the authority of their role, and also some policy entrepreneurs, who used ideas to link particular problem and solution streams and gain support for their solutions. The particular focus of these key individuals also meant that any particular time there were

perspectives that were not being seen or heard. There were always some things not in focus.

Narrative 5.3 tells how the three main government organisations and the relationships between them shaped aspects of the policy processes. These organisations had: unsettled boundaries; real and perceived capability gaps, affecting core expectations of them concerning policy development and policy implementation; bounded views of the tertiary education sector; variable leadership, sometimes not focused on tertiary education. They exhibited signs of path dependency in the way they failed to respond to policy changes. The tertiary education sector organisations for their part each had a distinctive step but were mostly limited in their capability and willingness to engage in any new steps. Overall, the sector and government organisations acted as large brakes on change. This meant that there was a lack of effective communication and alignment between the constitutional rule setting layers of policy processes, the administrative, and the operational layers with the predictable problems in implementation and achieving the intended outcomes.

The ideas that shaped the tertiary policy processes in narrative 5.4 changed over time in response to changing global socio-political and economic events which changed public and government views of what sort of outcomes New Zealand wanted from tertiary education. There were different interpretations on these ideas in different parts of the tertiary sector and these did not necessarily align with those of the public management world. Furthermore, many of the ideas on how the tertiary sector worked and might best respond were paradoxical or at least difficult to define clearly, leading to many different interpretations influencing the policy processes in inconsistent ways.

While these three perspectives offer some insights into policy processes and some explanations of things that occurred, there is more to see than these three narratives focused on. However to see different perspectives on policy processes a new lens is needed.

## 6.2 Complexity perspective

In this section, the complexity analytical lens developed from the analysis of the potential applicability of complexity theory to explanation of policy processes in chapter two is used to obtain a new perspective on policy processes. Overall patterns in the data as a whole are examined using the elements of the complexity lens identified in table 4.2, while retaining the insights of the three vantage points in the preceding narratives. The elements of the complexity analytical lens are:

- system ‘whole’
- open systems and socially constructed boundaries
- nested, interacting systems
- multiple interactive parts, creating feedback dynamics
- adaptation and co-evolution
- self-organisation and emergence
- starting points and history.

The complexity lens is applied to the whole of the narratives in 5.2, 5.3 and 5.4 so that these three perspectives are overlaid upon each other. In introducing the complexity lens, the question was asked ‘to what extent do we see manifestations of each of these elements in tertiary education policy processes’. These manifestations take the form of the language interviewees used to describe policy processes and the ways in which they describe what they saw occurring in these processes. The analysis in this section answers the question for each of the elements in turn. The page numbers cited are not an exhaustive list of occurrences, merely examples. One example – industry training – is elaborated in more detail to exemplify these elements working together over time. Some points of commonality and difference with existing theories of policy processes are noted along the way.

### System ‘whole’

The three overlapping and interconnected worlds identified in the research design (p. 60) can be viewed in the data as the policy-in-action world of tertiary education, the public management world, and the world of policy processes where these other two worlds come together on agendas for policy and decisions affecting tertiary education,

and to enact those decisions. While the focus of this research is on the latter, it cannot be completely separated from the other worlds of tertiary education and public management which are seen in the data to interact reflexively with each other over time to form a 'whole'.

The interaction of this 'whole' was seen in action in many examples in the data. For example, the election of the new Labour government in 1999 brought about a change in the public management world – new people, new ideas, and changes to existing relationships. These changes in the public management world triggered other changes in the policy processes world, and in the tertiary education world, in response, not just once, but repeatedly (pp. 96–138). Existing theories of policy processes might view the changes as a 'window of opportunity' opening (Kingdon, 1995), or a change in 'information attention' (Jones & Baumgartner, 2005), but neither provide much insight to the dynamics which followed.

Using the complexity analytical lens, these three worlds are viewed as three interacting and interdependent complex systems which form parts of a system 'whole'. Policy processes resulted from interactions between the public management system and the policy-in-action system. These interactions were not dependent on an external event to make them happen – the dynamics of policy processes were ongoing (although external events had effects). Policies enacted by previous governments, such as the EFTS bulk funding policy of the 1990, and the uncapped funding decision of 1998, continued to affect policy processes long after those governments had ended. Similarly, spoken ideas and intentions affected policy processes long before any formal policy processes were initiated (pp. 141–66).

The tertiary education policy-in-action world acted as a system, often referred to this way by participants (p. 220). For participants, it was a 'whole' made up of interdependent parts which included the education institutions, the ITOs, and the people in all of these. Parts of the system were identified in ways that distinguished them from other parts – the distinction between universities and other parts of the tertiary system, or the distinction between the sector and the government agencies in the policy processes system, or even between the various government agencies, for

example, TEC and the Ministry – but were also recognised as interdependent (see p. 141, for example, but many others abound, particularly in 5.2 and 5.3).

Policy processes, according to the data are affected by individual elements within the system such as people and their personal traits (5.2), and institutions, their ways of operating and boundaries (5.3). Some individuals, like the chairs of TEAC and TEC, actively tried to connect the public management and policy-in-action worlds, much like Kingdon's (1995) 'policy entrepreneurs'. Their effectiveness in doing this required them to understand the two worlds well, so they could 'translate' between the worlds (pp. 106, 117, 122). A minister's power of 'office' was insufficient without understanding of both worlds (pp. 109, 111). Public officials sometimes played the 'policy entrepreneur' role but perceptions of their organisational 'boundedness' more often impeded this.

The behaviour of individuals affected others and, in turn, shaped their responses. For instance, in 1999, people in polytechnics heard the new minister's intention to change policy. Polytechnics immediately began to change their behaviour in response by enrolling more students (p. 149). Their actions were also partially informed by previous experience. Thus the behaviour of the whole was affected by cognitive processing of information and the actions of individuals, the smallest element of the system, in response.

#### Open systems and socially constructed boundaries

The worlds of tertiary education, public management, and policy processes are made up of many interacting participants (5.2), and organisations (5.3). The boundaries between the worlds are fluid and open, with people and ideas (5.4) moving between them. The boundaries between the three worlds are created by the people making up those worlds. The data contain many examples of people coming and going, and changing their roles within these worlds and creating the boundaries of these worlds through their interactions. The artificial boundaries between organisations are particularly clear in narrative 5.3. The composition and reference frames of participants, and ideas, shaped these worlds (5.4). Changes in participants and ideas caused changes to the landscape of these worlds.



An example of open systems at work was seen following the election of a new government in 1999. The election created changes in the wider public management landscape through changes in people and dominant ideas, which in turn influenced policy processes in tertiary education. Government and the public management system began to focus on tertiary education as more than a system to deliver education services to learners. The government saw it as a means of creating economic change. People began to talk about a connection between what people learned and researched and how well the economy performed (pp. 209–15). These ideas, in turn, influenced the tertiary education world and the policy processes world. The tertiary education sector became active in discussions of the ‘knowledge economy’ and participated in ‘Knowledge Wave’ conferences with business and other sectors. The public management world responded with the ideas of ‘strategy’ for tertiary education, ‘excellence’, ‘relevance’, ‘access’, and ‘steering the system’ (pp. 233–35).

Participants described the people from different systems coming together in policy processes and yet remaining bounded by the systems they came from. People from the public management world were unable to go beyond the boundaries of that world. While people from the tertiary world were aware that they had moved from their tertiary world to a new world of policy processes, they were often unable to achieve a way of operating effectively in the policy processes world. Either they remained limited by the boundaries of their world, or they became frustrated when that world had little understanding of the tertiary education world and how it worked (pp. 216–25).

There are examples of overlapping boundaries and mismatches in boundaries which led to different understandings of policy problems and solutions, e.g. the changing concept of tertiary education over time. In the early 1990s, there were boundaries around the tertiary education system, and the systems nested within it. These boundaries clearly delineated tertiary education from other systems, such as the knowledge creation and innovation systems, or the economic development systems, in the policy development processes. The existing boundaries were challenged in the aftermath of the 1997–8 review and by the new Labour government in 1999.

The boundaries were socially supported by participants within the tertiary education system and outside of it. This occurred even when the artificiality of those boundaries was apparent. For example, the boundaries around tertiary education and other systems gradually blurred throughout the 1990s (pp. 208–15). They were gradually recognised as more permeable and open, but their existence was reinforced through policy processes, for instance, in the rhetoric of distinctive contributions. When system boundaries were ignored in policy processes this led to difficulties because of conflicts in understanding of the systems at work and the interactions between them (pp. 236–38).

#### Interacting and nested systems

The narratives show policy processes involve many interactions between people and processes in both the public management world and the tertiary education world (5.2). Although these interactions take place at a number of levels, people and processes move easily between them. Thus, for example, there are interactions between the constitutional ‘rule-setting’ level, the operational level, and the public management level. The same people sometimes operate at all of these levels as was seen in the discussion of quality (p. 238).

The general ‘messiness’ of these interactions and the dynamics they created might usefully be explained and understood as a series of interacting, open systems, some of which are subsystems nested within larger systems. Each layer of the system contains all the elements of its constituent parts and exhibits characteristics of those parts. The parliamentary processes involved in law making involved some of the same people and ideas used to formulate a policy, and give effect to it in an operational sense.

The concept of multiple, interacting systems is illustrated by the workings of the tertiary world meeting the public management world, and the way they influenced each other continuously. Each of these systems is also made up of multiple, interacting systems nested within them. Parts of the policy processes system such as the students, the various types of institutions, the ITOs, their peak bodies, and the government agencies and ministers, talked about themselves in relation to the other

participants, acknowledging their interdependence. Participants identified many interconnected and interdependent systems, and some systems nested within systems (Figure 6.1). The funding system, the industry training system, the polytechnic system, and the quality regulation system are four examples in the data. Changes made to one part of the system affected other parts of the system such that there was a sequence of changes, and changes in response, that reverberated for some time after an initial change, as exemplified in the ITO (p. 141) and wananga (p. 152) narratives.

*New Zealand's public management system*

Tertiary education policy processes interacted with the institutions and processes of New Zealand's public management system. These include the legal and institutional structures of New Zealand's governance system and its rules, practices and processes, e.g. the Cabinet Office Manual, the protocols of relationships between ministers and public servants, the procedures of Parliament and formal government decision making and law enactment.

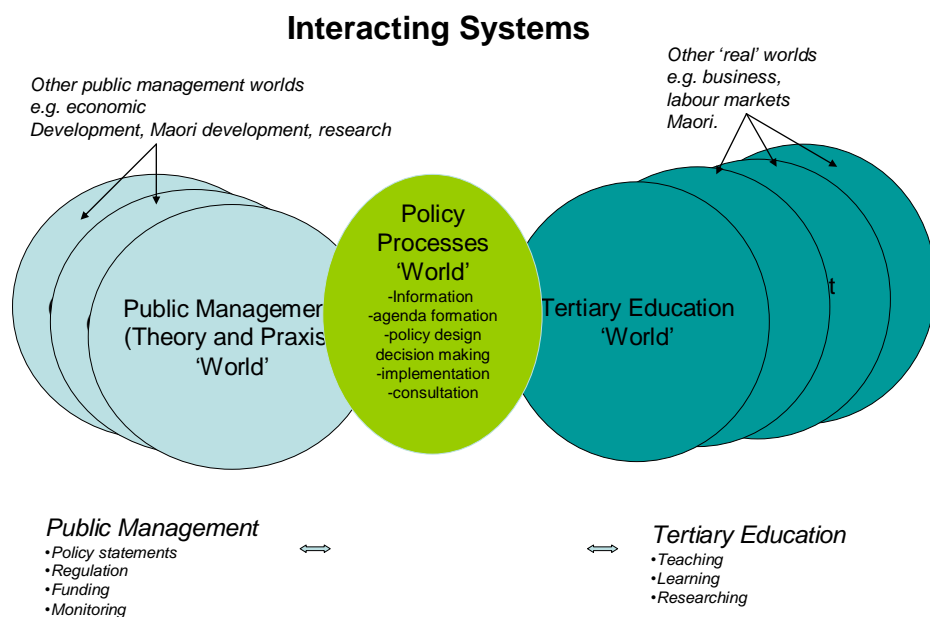


Figure 6.1 Interacting systems

Decision making was often viewed as constrained and unsatisfactory in its outcomes, especially by people from the tertiary education world. Information considered at

decision points was often limited and lacking in breadth and depth of understanding about how the tertiary education system worked. Information was filtered in order to facilitate the interaction between the two systems and enable yes/no, stop/start type decisions to be made. People said things like, ‘we knew this (factor) was being ignored. It had to be – to enable a decision to be made’. Almost immediately after a decision was made or legislation enacted then the complexity of different perceptions, paradoxical information, and indeterminate ideas and concepts again become apparent and the black/white surety of these decisions become grey and problematic, making implementation difficult. The decision to create TEC was an example where different perceptions of the model and how the system would be ‘steered’ were ignored in order to get the decision made. Afterwards it was clear that there were many perspectives on how it would function, even contradictory ones held simultaneously (pp. 116–7, 228).

As would be expected in a complex system, tertiary education and public management keep moving and changing. Policy decisions did not fall on a static landscape; they entered a policy processes ‘flow’ that was already moving and changing its course in response to earlier decisions. That flow made further changes to the landscape in response to the initial change, thus demonstrating that these dynamics are perpetual. In the data, policy processes often ignored these dynamics because they were difficult to understand, and not always obvious. This occurred in the attempts to establish policies to steer the tertiary education system (p. 233). The dynamic triggered by declining per-student income, the 1998 funding decisions, the influence of other worlds such as Maori development in wananga and economic development on the sector as a whole, were ignored.

### *The funding system*

Throughout the 1990s, the EFTS bulk funding, was the main source of funding for universities, polytechnics, wananga and some PTEs, and shaped the behaviour of people and institutions in this part of the tertiary education system. Funding, through the complexity lens, is a very strong ‘attractor’ and its effects are seen in the positive and negative feedback loops set up within the system to maximise income. It motivated behaviour in the tertiary sector, creating efficiency gains and also changes in the profile of the number of students and what they were studying. Over time, more

students were educated for fewer dollars per EFTS as each institution reacted in ways that would maximise its income. Courses were updated, diversified and adapted to what employers wanted. Institutions diversified their income sources; they enrolled overseas students and increased their contracted research. Wananga and polytechnics enrolled more students in lower level tertiary courses.

Institutions ill-adapted to this more competitive environment, where income depended on enrolments, could not survive without intervention. Government's reaction was to increase its monitoring of financial performance. The Tertiary Advisory Monitoring Unit (TAMU) was created in the Ministry of Education in the latter part of the 1990s (p. 179). TAMU's activities made the financial trends become more visible. Indicators of good financial performance were positively reinforced at the institution level. TAMU promoted a performance guideline that institutions should operate with a 3% profit margin. This prompted councils and CEOs to pay more attention to income generation and efficiencies rather than less easily measured indicators of educational performance. Students interpreted this change as TAMU influencing institutions to raise student fees.

From 1991–98, there was only a small marginal increase each year in government-funded EFTS and the allocation of new EFTS was based on previous performance in areas identified by government as 'priorities'. This influenced institutions to enrol students in excess of their government-funded EFTS each year because they were likely to receive funding for them the following year, thus advantaging their overall funding position.

The decision, in 1998, to remove the fiscal cap on EFTS funding interacted with and reinforced the existing institutional behaviours focused on generating more income and maintaining a 3% profit margin, stimulated by the TAMU intervention. Institutions looked for ways to be more innovative in delivery so that they could enrol more students. Institutions wanted to be lower cost in their delivery and also quicker to market. This meant avoiding lengthy delays in related systems such as the quality assurance system, and tapping into new students to increase student:staff ratios and increase the returns on course development costs. The result was institutional innovation around course type and variety, modes of student recruitment and

education delivery. The two policies magnified each other, producing some rapid changes, between 2000 and 2003, in numbers enrolled, and what they were enrolled in.

Labour politicians and sector groups, particularly the university staff union, did not like what they saw happening. Their talk was that ‘there will be change’, which was interpreted by institutions as ‘go faster and make money while you can’ (p. 149). The Labour government’s intervention was to create TEC, a new participant in the public management system and unfamiliar with the institutional part of the tertiary sector (pp. 115, 184). It took eight years for TEC to become established and understand enough about the system to influence change of the type the government had wanted at the outset.

#### *Other systems*

The systems associated with tertiary education policy processes co-existed with, and were linked in interdependent ways to, other systems – an economic development system, a labour market system, and a Maori development system for example. Wananga were developed by people familiar with the Maori development world and the tertiary education world. These were less well understood in the policy process world especially when the agreements made through the Waitangi Tribunal settlement interacted with tertiary policy processes (p. 152).

System boundaries were matters of perception and negotiation by participants. Maori and wananga located the boundaries between the Maori world and tertiary education policy processes world differently from the public management world. There are other examples where different participants had difficulty with system boundaries. Sometimes boundaries were arbitrarily imposed. Institutions such as the Ministry, NZQA or TEC often did this through their establishment of rules and processes, for example eligibility rules for funding or processes for quality assurance (p. 178). In other cases people and institutions challenged boundaries, e.g. Maharey and the Labour government challenged the boundary between public and private education; the polytechnics challenged the boundary between university and polytechnic; the boundaries between the funding and policy quality systems were blurred and not well understood by the sector or the public management world; the boundary between

skills training and education was unclear; people were unsure where the balance lay on policies focused on learning for life and on skills for work. The application of artificial boundaries, or the lack of care in defining boundaries, and the denial of the paradoxes, contributed to problems in policy processes and unexpected outcomes when different groups or individuals defined these boundaries differently. Instances of this are described in the industry training example below.

### Feedback loops

The data reveal dynamics created by the interactions within policy processes. The complexity lens provides concepts and language to describe what participants saw occurring. The interactions between participants and parts of policy processes becomes more transparent when they are considered as parts of interactive systems, with dynamic stability or instability, created by feedback loops within and between parts of the system.

Using the complexity lens we would see systems maintaining their stability through negative feedback loops. In the data, participants talked about the effects of the introduction of new parts to the system (e.g. TEAC, and later TEC) and also how changes in one part of the system affected the system as a whole (pp. 106, 117). Between 1990 and 1999 the tertiary education system had developed a dynamic stability around particular attractors e.g. the EFTS funding system and the quality system. Ministers of the new government in 1999, and then TEAC, talked about changing that system. Consideration of the existing dynamics, and how the system would respond, was not part of the policy conversations.

The multi-part, interdependent and dynamic character of tertiary education policy processes is exhibited in the funding story above. Some policy changes were further amplified (through positive feedback loops) by the changes they triggered internally, e.g. the TAMU intervention (p. 179). Others, such as the quality changes, were cancelled out by compensating internal changes (negative feedback) (pp. 146–51). The strategic behaviour of individual tertiary providers was directed towards achieving their own strategic position in terms of students, money and reputation. In the funding example, feedback loops shaped behaviour around the funding attractor.

Some feedback loops reinforced external change while others undermined it. Institutions began changing their internal quality systems, enrolling more students, creating more courses, changing hours and modes of delivery, triggering reactions in interdependent systems such as the political world (pp. 131–132).

The data describe how the EFTS funding system, despite the policy intents of its designers to provide incentives for quality through competition, resulted in two feedback loops within institutions, one much stronger and more immediate in its effects than the other. The first was reputation and quality of student outcomes. If the provider had relevant, high quality courses, good teaching, and good student outcomes, then the institution was positively reinforced by increases in student enrolments, and the institution's reputation rises. The converse was true for poor courses and outcomes. The lags in this feedback loop were long – maybe more than five years – the time it takes from initial course design for graduates to emerge.

The other feedback loop was the financial performance outcomes for the institution. These were regularly monitored internally by institutional management and governors, and through publication at least once a year. The feedback loop associated with good or poor financial performance acted annually giving it a stronger and more immediate effect than those associated with quality, especially in institutions that were struggling for market share, and mission, as the polytechnics were.

The balance between feedback loops and attractors maintaining quality were shown to be finely balanced, producing quite unpredictable outcomes when disturbed. This occurred in the polytechnics and wananga in the period 2000–4 as they reacted to changes in the funding system, increased competition and pending changes in regulation. These institutions were also influenced by a plethora of small funds and other public management-led activities such as the development of charters and profiles, which created multiple 'weak' attractors and led to more unpredictable behaviour. The complexity lens view is that systems tend to stabilise around strong attractors and become more chaotic when there are multiple weak attractors. Chaotic behaviour was seen in 2002–5.



The development and implementation of the performance-based research fund (PBRF) with the intention of promoting quality research outcomes is illustrative of how consideration of feedback loops might be used in policy processes. The new fund, from the time of planning, acted as another stimulus for provider behaviour – an attractor which influenced existing feedback loops. The strong attractor effect of funding was evident in the first two rounds of the PBRF, conducted in 2003 and 2006. At the rule setting level there was a reaction from the polytechnic sector, in particular, to the creation of the new fund. They saw the PBRF shifting the overall balance of funding between the subsectors because the PBRF is aimed at research quality, and polytechnics are not, in the main, research institutions. Compared to universities, other providers would receive very little from the fund. Polytechnics therefore looked for ways to restore the balance of funding between the subsectors, lobbying for a compensatory fund for polytechnics. The government created the Strategic Priorities Fund to help polytechnics refocus their course mix on trades and skill development, thereby creating another attractor.

Within the PBRF-eligible institutions positive feedback loops worked at two levels, and unlike the EFTS funding example above, they reinforced each other. The management and governance levels of institutions were motivated to improve overall income and public reputation, instituting a series of changes to achieve that. One feedback loop was focused on the individual researcher – a metric within the PBRF funding-determination rules. Institutional feedback to the individual researcher was about measuring, monitoring and improving the individual researcher's score. Individual researchers were also concerned for their own research assessment and peer standing, so the incentives on the researcher and the institution had a reinforcing effect. Thus the effect of the PBRF on the system as a whole, was in the perception of some, particularly students, greater in its influence on research activity than was expected and also greater in its negative influence on teaching than was expected because so much individual and institutional activity was directed towards improving the institution's PBRF score and share of the funding.

### Adaptation and co-evolution

The data describe processes of constant adaptation and change. Participants at the individual or the organisation level were constantly adjusting themselves in response to the actions of others, with the effect that over time there were repeated, reciprocal accommodations. Such patterns seen through the complexity lens are examples of adaptation and co-evolution. The data contain descriptions of many series of progressive adjustments in the system where change in one part or one element of the system produced adjustments in other parts which, in turn, triggered further change and adjustment, for example in the adaptation and co-evolution of the organisations in tertiary education in the lead-up to and following the 1999 election (5.3).

When TEAC began its consultation in 2000, the political, policy and tertiary landscapes were already showing signs that they were different from when the government assumed office. Politicians, having dealt with the urgent matters promised priority before the election, were keen to see change. Political supporters, such as the students' associations and the staff unions, were also impatient for the changes they wanted and the TEAC process from their perspective was taking too long. TEAC had begun to discover new perspectives on the tertiary world, making its deliberations more open than some wanted, resulting in political pressure on the minister and undermining the minister's original rationale for TEAC.

From 2000–5, the public management landscape became cluttered with new policies (modern apprenticeships and reviews of every other aspect of tertiary education not covered in the TEAC terms of reference). Relationships between ministers, political advisers, and career public servants were new and trust was low. These interacted with relationships between public officials in the various public management agencies, which were not always constructive or co-operative (pp. 166–204).

At the same time, the previous government's policies for funding and quality regulation in the institutional sector were coming into effect and changing the tertiary landscape. Individual institutions began to adapt their behaviour to maximise their benefit from them. The industry training sector, with attractive and relatively cheap offerings, wanted to have a greater influence in the sector and in policy processes so began wooing ministers, government agencies and TEAC.

The institutional changes created through the establishment of TEC, instead of improving the connection between the policy processes system, and the tertiary education system as intended, did the opposite because of the changes in people and the disturbance of existing feedback loops.

From 2000–5, the previous links between policy processes and the tertiary system were broken or not used. The tertiary education system did not understand the new policy processes system. The people were all new. The two-way communication flows were poor, and actions within the policy process system often reinforced unwanted behaviours in the tertiary education system. The data reveal that it took eight years for TEC to establish, and be in a position to use, the feedback loops effectively to achieve the ‘steering’ the original policy design had called for.

#### Self-organisation and emergence

The data reveal a constant dynamism and the frequent appearance of new phenomena. Using the complexity lens, this illustrates the difference between stability and equilibrium. The ‘fine balance’ in 1998–99 (p. 93) was not equilibrium. If it were then the system might very quickly have returned to its stable former position after some external disturbance, unless there was a force to keep moving it in a particular direction. The changes described in the data are not so predictable. Sometimes a determined external effort to produce change in a particular direction produced little change at all; for example all the activity from 1999–2005. In other cases, without an apparent trigger, dramatic new phenomena, such as new organisational structures, or course innovation in the polytechnic and wananga subsystems, happened. There is no satisfactory explanation for such phenomena in existing theories – Bardach (2007) called them ‘developments’.

The policy and political landscape to which the tertiary sector had adapted over time, seen through the complexity lens, sometimes has the appearance of stability. This apparent stability is explained as the product of feedback loops and organisation around attractors. When the new government signalled change, it triggered some sector responses out of proportion to the minister’s initial actions. Ongoing stability in

the face of change and sudden and unexpected events can be explained using the complexity concepts of self-organisation and emergence in far-from-equilibrium systems.

The dynamics within policy processes, which are far-from equilibrium systems, can bring about totally new phenomenon through self-organisation and emergence. Interviewees mentioned ‘unintended consequences’. Seen through the complexity lens, these phenomena would be thought of as unavoidable – the result of reciprocal adjustments in a dynamic system. Using the concepts of systems, attractors (or adaptive peaks) and feedback loops, a first consideration would be identification of the feedback loops and attractors at work whenever change is contemplated. Attractors shape deep behaviour in the system. The behaviour of the EFTS-funded institutions is an example. With more attractors, sector behaviour became more difficult to understand and predict because different parts of the sector, for their own strategic reasons, addressed themselves to certain attractors differently. This occurred with the PBRF. From 2000–05, there were a lot of new initiatives, new policies and new funds, around which individual parts of the system organised themselves, making the overall dynamics of the sector more complex and difficult to understand. It was in this environment that new behaviours emerged in the tertiary system.

Through the complexity lens, the tertiary education system ‘self-organised’ to do things differently in response to the policy processes landscape, and ‘emergent’ new phenomena appeared, e. g. short courses that bypass the national quality assurance system, taught through ICT (low costs, high rate of return). The risks of poor quality were borne by the system as a whole while benefits in income accrued to the institution. Therefore, individual institution behaviour was reinforced by the significant improvement in financial position and the delayed, transferred, or absent risk to reputation. Government agencies reacted by tightening or changing the rules only when the effects were multiplied across many institutions.

Negative feedback loops from the policy processes system, or the tertiary system as a whole, were damped and slow, making it difficult to identify exactly which phenomenon was the problem and which was the response. This uncertainty was further obscured by the constant evolution of the system and its adaptation to ongoing

change. A complexity analysis would recommend a pause in externally triggered changes, and probing to understand the existing dynamics of the system. The response in tertiary education was the opposite. More policy changes were made, more new funds were created, and quality and funding rule changes were made. These external policy changes triggered another round of adaptation within the system, and as a consequence, evolution and emergence of more new and unexpected phenomena.

### Starting points and history

In the narratives, it is often noted that some previous event or state of being was viewed as relevant to what happened in response to some new event or change. Existing theories do not take into account the existing state or dynamics of a system. However, the data contain many examples of policy changes which interrupted and modified the existing dynamics of the system in unpredictable ways.

The tertiary system in 1997–98 was referred to as ‘finely balanced’ between the effects of the funding and quality systems operating at that time, and the independent and strategic interests of the individual institutions. This observation provides insights into the effects of history and ‘starting points’ on policy processes.

Two policy changes were proposed in 1998: a loosening of the rules on access to government funding and a tightening of the quality system requirements. These became separated over time but they had already begun to affect the behaviour of the tertiary education system. When the new government began in 1999, the funding changes were under way, without the quality system changes which required legislation. The new government was not focused on the existing policies and the dynamics they created, other than at the level of knowing that they wanted to change ‘the system’. By the time the new government was ready to make changes in line with its own agenda, which was two years later, the system had evolved under the influence of the old government’s funding approach. The government had decided on a way of producing change which did not take into account the state of the system that existed when it came to enact those decisions and formed TEC. The creation of TEC further delayed changes being made to the funding system to do what the government had wanted.

### **6.3 A complexity lens view of one part**

In practice, the elements of the complexity lens described above are not separable and work together in policy processes. Industry training provides an example of this in one part of the overall policy processes system described in the data. It concerns attempts to change the interdependent systems which include ITOs, industries, polytechnics and learners.

#### Industry training

According to participants, before 1992, polytechnics controlled curriculum and assessment for industry training to the virtual exclusion of industry influence, which helped to create changes made through the Industry Training Act 1992. ITOs, formed by industry, took over responsibility for determining assessment and outcomes from training, thus creating new participants in the tertiary education and policy processes worlds. About \$20 million, previously given directly to the polytechnics to provide off-job courses for apprentices, was transferred to a new industry training fund to be used by ITOs to purchase training through the newly formed ITOs.

The ITOs were keen to redress what they thought was wrong with the previous system. Therefore, when they initially enacted their standard setting and purchase functions, they mostly rejected the capability, knowledge and experience in polytechnics. In the words of one informant, 'the ITOs were out to kill the polytechnics'. ITO contracts for training mostly went to private providers because they could undercut the larger, multifunction polytechnics by offering courses which had lower overheads and were more customised to the requirements of the ITOs and employers. More use was made of workplace learning and assessment opportunities, in the place of off-job courses in institutions, because of lower per-learner costs. The actions of the ITOs, and competition from PTEs saw a decline in the viability of these areas in the polytechnics, leading to the closure or rationalisation of faculties and courses over the next few years.

Responses were triggered in the polytechnic sector. Polytechnics established new courses (often called pre-employment courses) in the areas covered by ITOs, for which they could claim EFTS funding from the Ministry of Education. Learners who did not have training agreements with an employer could enrol in a polytechnic and be eligible for government funding through the EFTS funding system. These students were also eligible for student loans and living allowances. In contrast, learners in employment, with a training agreement with their employer, received training arranged through the relevant ITO. The funding for training arranged through ITOs came from both the industry concerned and the industry training fund administered by the government agency Skill NZ. Training available through this fund was for the low end of the Qualifications Framework – up to level 4. Learners progressing to higher levels were funded through the EFTS funding system and might or might not be assisted to pay the fees for this enrolment by their employers.

Over a short period, two systems emerged for producing industry skills: an ITO-funded system and an EFTS-funded system but they were not independent. They both had a relationship with the industry that employed the learner, with providers, learners, industries and government agencies common to both systems. Government money went to both, although the funding level per learner was higher in the polytechnic than it was through the ITO, because of the industry contribution in return for control over assessment outcomes and purchase. These two related systems illustrate interdependency and openness to flows of money, students, industries and providers. They also adapted and co-evolved over time.

The passing of the Industry Training Act in 1992 influenced the feedback loops maintaining the stability of these two interacting systems. The polytechnics responded to the ITO decisions and their loss of income in a range of ways. Their responses generally undermined the ITO influence and restored their lost income. Polytechnics mounted new courses in competition for the learners, forming alliances with parts of industries poorly served by ITOs, and by purchasing PTEs which they operated as wholly-owned subsidiaries. The polytechnics also shifted the overall balance of their business away from the trade training areas into business courses and degree-level programmes. This is an example of polytechnics searching for new adaptive peaks in the changed landscape. In 1999–2000 the government lifted the EFTS cap on funding.

Under the new funding policy, all growth in student enrolments was funded. The polytechnics then accelerated the moves that they had begun making into alternative areas (a positive feedback loop reinforced by a further positive feedback loop).

From 1992–2003, ITOs were contracted and tightly performance-managed by Skill NZ. The contracting arrangements focused on measures of performance – number of trainees and number of credits gained by learners – creating a positive feedback loop. ITOs were positively reinforced for concentrating on numbers of trainees, rather than quality issues such as what the industry needed then or in the future.

The operation of the ITO performance measures triggered further responses from the system. The ITOs clubbed together and created a new body, the Industry Training Federation (ITF), to represent them collectively. Individually and collectively ITOs were developing strategies, working closely with their industries and employers. The ITOs considered they belonged to industry and were becoming increasingly resistant to micro-management by government agencies. The strategic thinking of individuals in ITOs flowed into the ITF and helped to build a stronger ITO-owned sense of the industry training strategy and future strategy. The contracting relationship with the funding agency did not allow for interaction around strategic thinking and forward looking matters because of the way the boundaries had been defined by the funding agency. So the ITF began to look for other ways to influence the policy processes system, initiating engagements with other parts of that system such as the Ministry of Education, ministers, and even other policy systems such as the labour market and employment policy systems. As a result of these pressures, the new Labour government initiated an Industry Training Review in 2002, later agreeing to a stronger strategic role for ITOs. At the time of writing there was still little movement on how the strategic functions would be operationalised within the performance management approach adopted by TEC.

People involved in the industry training and policy processes systems talked about the way each part of the system adapted to the change. The polytechnics sought alternative income and alternative ways of delivering courses for industry. Some polytechnics abandoned their industry training role and went in search of other



students, for example, overseas students. As a result, polytechnic courses and the student base changed and less trade training was done in polytechnics.

The ITOs strengthened their relationship with industry and as a result their industry knowledge deepened. ITO strategies became more sophisticated and more differentiated according to the industries they covered. Not all ITOs were equally good at their job. The firms and industries they represented were not uniform and there were tensions in the development of individual training strategies. A lack of fit between an ITO and some parts of industry provided incentives for individual employers or groups of employers to look for alternative ways to get their needs met.

There were polytechnics ready to look at new arrangements with industry. New courses were developed by polytechnics. Thus, there was adaptation in individual polytechnics, and evolution of the polytechnic system as a whole, as individual polytechnics pursued new strategies to compensate for the initial ITO changes. Over time, the system evolved into something different from before the ITO changes were made. Not all of those changes were part of the policy design or desired. Some changes people regarded as an improvement and a benefit that was not anticipated. These included strong working arrangements with local government bodies on regional development, and with specific industries.

At the same time this mutual adaptation involving the polytechnic system and the ITO system was occurring, the change to open EFTS funding introduced a further opportunity for adaptation and evolution. ITOs and some firms saw the opportunity to form PTEs. These PTEs were customised to deliver on a firm's training needs, thereby reducing the transaction costs in contracting providers to deliver through ITOs. Under this new arrangement, a firm could transfer its in-house training, formerly done at its own cost, to a PTE and receive government EFTS funding. Solutions emerged within the ITO system, without any apparent policy process intervention, and some are a long way from the intended policy. Some ITOs are no longer focused on their core role as training brokers – they are training providers. Something new has emerged that the policy had not considered because it did not exist, and the possibilities for it did not exist when the policy was first decided, and before the system began to adapt and evolve with the policy.

## 6.4 Policy problems and solutions

The policy problems which were part of tertiary education policy processes can also be viewed through the complexity lens. They are complex problems in that they are difficult to define and equally difficult to solve, because understanding of the problem is multi-causal, fragmented and distributed in the many participants in policy processes. In tertiary education, people supported general ideas such as ‘making tertiary education more relevant’ or ‘meeting the needs of the economy’. However, what these ideas meant in policy terms was very difficult to define and agree on in policy processes, and even when a decision was made, there were many interpretations of what that meant in practice.

‘Steering the system’, ‘relevance’, and ‘excellence’ were policy goals that many agreed with, but different parts of the system interpreted the meaning in ways that reinforced some existing patterns. The wananga interpreted relevance as meeting Maori development needs. The polytechnics responded to employers’ needs by mounting short training courses and courses to attract people with no or low qualifications to begin tertiary education, with the result that more government funding went to areas not formerly funded by government. The public management system interpreted the concepts to mean fiscal control and value for public money spent. The absence of a ‘whole’ system view and the lack of attention to how this landscape had been created and its internal dynamics, meant the individuals, and the system as a whole, were unprepared for and mostly did not understand, the policy processes that followed.

Designing and implementing policies to address complex problems when there are many participants engaged in complex social interactions seems to demand different processes. There were two tertiary education examples where the processes seemed to lead to a policy outcome that most accepted and that addressed the policy goal. One was the development of the Centres of Research Excellence and the PBRF to encourage and reward research excellence. Here, researchers and institutional

participants, as well as other levels of the system were engaged in the development of the ideas and how they were implemented. In the second example, in 2002, the industry training review built on ideas that had come from participants in that sector, so policy followed rather than led implementation, a view supported by Hill & Hupe (2002, 2009).

## **6.5 Summary and generalisability**

The complexity lens applied to tertiary education policy processes provides language and concepts to reveal the internal workings of these processes while maintaining the ‘whole’ perspective. The participants and institutions are all parts of interacting, nested complex social systems. They are not static or linear in their processes of change. Thus the starting point for any externally triggered change, such as a change of government policy, begins with an understanding of the dynamics that are already at work in the system. There will be attractors that are maintained by feedback loops giving an appearance of stability. If this stability is mistaken for a simple, static state then attempts to make changes can be expected to have unintended consequences.

Over time, negative and positive feedback loops can lead to greater stability or increasingly unstable effects. Whichever is the case, the system will go on adapting to the ongoing effects of change. Change can arise endogenously through the processes of adaptation, co-evolution between the parts of the system whole, and self-organisation. Each attempt to change a policy-in-action system through externally triggered policy change will result in further changes in the system – an ongoing process of adaptation, co-evolution and emergence of new phenomena. Thus any externally triggered and deliberate change processes need to take into account the existing dynamics of the system at the start.

This explanation of tertiary education policy processes has explanatory value which might be used more generally for the explanation and understanding of policy processes. Tertiary education was chosen as the empirical example for this research because it had the characteristics of a complex social domain that might be

encountered in many policy processes. Thus, although there are always context-specific aspects of policy processes, at the level of the whole, and in the internal interactions between the elements of the whole, described with the aid of the complexity lens, there are features of policy processes that are generalisable. The usefulness of the explanatory power of the complexity lens is discussed in the next chapter by comparing it to some existing explanations.

## **Towards a different understanding of public policy: conclusions and recommendations**

This chapter draws the elements of the argument in this thesis together. It discusses the understanding and explanation of policy processes gained through the application of the complexity analytical lens in comparison with existing theories of policy processes explored in chapter three. The chapter closes with conclusions about the contribution of complexity theory to the understanding and explanation of policy processes, the implications for the management of public policy processes, and areas for further research, drawn from this discussion.

### **7.1 Theoretical understanding of policy processes**

Chapter three concluded that although explanations of policy processes had developed to include more ‘holistic’ views of policy processes involving internal dynamics, there was no one theoretical account which brought together a focus on all the various elements identified for understanding and explaining policy processes.

The empirical data from tertiary education exemplifies a socially complex policy problem domain. The issues and problems encountered were difficult to define and open to many perspectives and interpretations. Their solutions were equally so. The use of the complexity lens for analysis of the empirical data enabled a view of policy processes in tertiary education that took account of both the ‘whole’ and the internal dynamics, while still maintaining a focus on the well-theorised factors such as the role of participants, organisations and ideas. These policy processes were explained and understood as:

- continuous and ‘whole’

- multiple interacting systems
- dynamic and interdependent systems exhibiting organisation around attractors through the action of positive and negative feedback loops
- systems exhibiting adaptation, co-evolution, self-organisation and the endogenous emergence of new phenomena over time
- systems influenced by their history.

These five aspects of policy processes, taken together, enabled consideration of social complexity in both the nature of policy problems and in the multi-participant policy processes involved in addressing these problems. This complexity perspective is consistent with aspects of some extant explanations and this is highlighted in the following summary. It also identifies phenomena not explained by existing theories, where the complexity lens provides new and additional perspectives for understanding and explaining policy processes.

#### Policy processes as continuous and whole

Traditional explanations of policy processes implicitly or explicitly support the view that they are linear, with a discrete beginning and end point, and that they can be decomposed into parts or stages for the purpose of study or explanation. The empirical data challenge those assumptions. They support the view that policy processes are continuous, with no discrete beginning or end. Events and decisions were, nearly always, linked to prior decisions and events. Policy processes underwent many nonlinear and unpredictable changes, and could be better understood when viewed holistically, and over time. Overlaying the individual narratives, which spanned 20 years, produced a holistic picture of the dynamics of the processes at work, and revealed some deep patterns of order and continuity.

Policy development and policy implementation are often presented in the literature as separated in time, and as distinct in the activities involved. In the tertiary example, they are much more ongoing and intertwined, consistent with the conclusion of Hill & Hupe (2002, 2009). Some participants saw the period between 2002 and 2005 as implementing the policies already recommended by TEAC, while others saw it as a period of policy development during which funding and steering policy were still

being formulated. Both or either could be reasonable propositions – underlining the nonlinearity of policy processes. As something new is discussed and planned for, in a policy development sense, it affects and is affected by the policies already in the continuous policy processes ‘flow’.

New people and ideas cause disturbances in the dynamics of policy processes, bringing about further adjustment and adaptation that change the existing dynamics. The landscape (in the public management and policy-in-action worlds) shapes policy processes, and the landscape is also shaped by the policy processes themselves, iteratively. Thus, policy is being implemented – bringing about change – even while it is still being designed. Equally, when a set of decisions is ‘implemented’, they are modified by the policy processes flow, and modify whatever else is encountered in that flow. The result is that policy as designed and policy as practised are not the same. This occurred, for example, in the discussion on and decision to create TEC. The policy and the implementation co-evolved synchronously, and differences are noted in the TEC of 2002, 2005 and 2008.

The research design posited that there were three interrelating worlds in policy processes (p. 60). The complexity lens highlighted these worlds as interdependent, complex social systems. It also drew attention to the boundaries between these systems and what needs to be considered as part of the policy processes whole. There is very little in the existing literature on policy processes that considers boundaries and the concept of the policy processes as ‘whole’ involving interaction between the public management world and the policy-in-action world, and creating dynamics of its own making.

Some existing explanations of policy processes – Kingdon’s multiple streams, and Jones and Baumgartner’s information attention and punctuated equilibrium – see policy processes as whole. In both cases they envisage a continuous process, periodically interrupted by changes brought about by some disturbance originating externally to the policy system. Both of these explanations are consistent with a holistic and continuous view of policy processes. However, their explanations of, for example, the role of interactions between participants, and endogenous changes

within policy processes, both noted in the tertiary education policy processes, do not focus on the endogenous dynamics in policy processes.

Unlike Kingdon's problem and solution strands, which lead almost independent existences until the opening of a window of opportunity, problems and solutions in the data, are present in the same individual. Therefore the separation is often not a physical one but more often a case of cognitive dissonance with each participant carrying aspects of mismatched problems and solution strands in their heads and using them separately and together according to the circumstances.

Policy processes need to consider system boundaries in ways that see into the policy-in-action world – how it operates and what is needed to make it work to achieve a desired outcome, and also into the public management world and the needs of the policy authorising environment (Moore, 1995). There is no right or wrong answer about the placement of boundaries since their existence is artificial. However, failure to consider boundaries as they exist in practice, and understanding how those boundaries are identified by participants, and maintained by them, can lead to a lack of coherence in how problems and solutions are understood and difficulties in the management of policy processes.

#### Role of participants and the interactions between them

The data show that there are many participants in policy processes, and that there is a complex and ongoing array of nonlinear, social interactions between those participants. Existing theories have recognised that these interactions exist, although in some cases their role in the causality of policy processes is not explained fully. They are generalised as 'muddling through' (p. 32) or as the 'chaos, messiness and unpredictability of politics' (p. 35).

Participants undergo change as they are acted upon by phenomena and events external to policy processes, but more importantly because of interactions between internal elements. Existing theories focus more on the former. The data show that internal interactions between participants, and other system parts, are equally important in the causality of policy processes.



Consistent with Kingdon (1995), there were ‘policy entrepreneurs’, in the data, who helped create ‘windows of opportunity’ and arranged marriages between policy problems and solutions. However their existence is not sufficient for understanding and explaining policy processes. Individual people and institutional actors interact in ways that create policy processes and their outcomes. Individuals process external events and information in ways that are unique to the individuals concerned, and therefore, are not fully predictable. This was seen in the actions of polytechnics and wananga in response to signals from government in 1999–2003. Understanding policy processes requires an understanding of the individual, and organisational participants involved, and the interactions between them. The processes are constructed by the participants and their interactions with each other, and their external environment.

Sabatier’s advocacy coalition framework connects the number and plurality of the participants to the nature of the policy issue. The data suggest that emphasis is also needed on the means through which an issue is deemed to be ‘simple’ or more ‘complex’. In the data, some issues or problems were identified as ‘simple’ and of concern to a narrower group of participants; for instance, student support policies, student fee policy changes, the responses of institutions to funding decisions, and responses to the call for distinctive contributions and avoidance of competition. In each of these examples, the narrowness of the boundary definitions adopted in the problem definition and decision making enabled a ‘simple’ view of the solution. A more complex perspective became evident during the process of putting the solutions into action, when different boundaries were revealed to exist in practice.

In the data and Midgley (2000) we learn that system boundaries play an important part in understanding the goal conflicts which impede problem understanding, and the identification of workable solutions. Boundary definitions need to be sufficiently broad to encompass the perspectives of the participants who must be part of the solution. It is not always immediately apparent who these people and organisations are, and how they might be affected, therefore policy processes need to include an ongoing analysis of boundaries. The focus in the tertiary policy processes on the ‘competition’ problem ignored the perspectives of CEOs and councils about lack of clarity about institutional mission, and financial viability.

What initially looks messy, unordered, or even chaotic, in traditional policy analysis, is broken down and bounded by participants in ways that make the problem tractable because of the way it is framed. This is often achieved by ignoring participants and perspectives on the problem, at least up to the point of decision making. During implementation, it becomes harder to ignore their existence because they are affected by the intended changes and their presence becomes manifest. Some informants saw this as a failure of policy, others, as a failure of implementation. From a complexity lens perspective we might see it as a failure to frame and make sense of the problem in ways that allowed problem understanding from multiple perspectives.

Messy, unordered and chaotic real worlds like tertiary education can only be partially understood. Kurtz and Snowden (2003) offer a sense-making approach to this dilemma, enabling diagnosis and action. The identification of actors and perspectives can remain open, but also be temporarily frozen to allow an agreed action. The effects of the action(s) are taken into account and factored into subsequent analysis and actions. Their approach is a practice-orientated one which addresses the issues of framing in policy processes raised by, for example, Fischer (2003b) and Rein (2006).

#### Institutional participants

The institutions in the data exhibited many features identified in existing theories – a particular focus and role, legitimacy, and stability over time. One of the most unstable institutions in terms of continuity of individuals, the students' association, was quite stable in terms of its focus and ideas about education – primarily on student support issues, and a right to free education for all.

Institutional theorists, e.g. Ostrom (1999, 2007) and Hill and Hupe (2006), allow for different levels nested within the policy process: the individual, the organisation and the constitutional/legislative system. These conceive of each layer having a distinctive role to play in policy processes. There are levels of organisation in the data: the level of the individual institution, the level of collective interests, e.g. all the polytechnics, the level of the operation of policy involving the interactions between, the Ministry of Education, the Tertiary Education Commission and the institutions, and the policy-

setting level involving ministers, government agencies and institutions or their collective bodies.

In the data, these levels functioned as nested, interdependent systems. Each of the levels of the system is self-similar, meaning that there are similar characteristics at all levels, e.g. interactions between individuals. There are interdependent interactions within and between the levels. These include changes of behaviour within one institution in response to changes made in another (e.g. changes in course mix), self-organisation to form new levels of organisation (e.g. the formation of new collective bodies), and activities at one level generating changes at another (e.g. changes in the rule setting layer bringing about spontaneous responses at the operational layer, such as the generation of new courses in areas to maximise institutional income). Decisions within the rule-setting layer can affect the operational layer. This was seen in the quality system and the policy processes system and the interactions between institutional systems within NZQA and TEC.

There are also emergent properties or functions associated with each successive level of complexity. The data suggest that policy processes need to focus on both the emergent properties and the self-similar properties. For instance, when focusing on the administrative role of NZQA as part of quality assurance policy change, NZQA's internal capability and vertical and horizontal connectivity also needed to be considered, even though these are at a lower level of organisation, because change in the former was dependent on change in the latter, as was seen between 1999 and 2005.

The creation of TEC as a new institutional actor brought about a change in the relationships between the existing actors. The individual, policy or rule setting, and constitutional levels of interaction between the new organisation and the existing organisations were ill defined. This is an unavoidable problem because it is impossible to adequately anticipate all of the interactions that will be encountered during operation. These are to some extent dependent on the interactions between individuals, and are affected by context, ongoing dynamics and prior experiences. Thus the design phase of TEC could not adequately anticipate and specify the policy,

or operational, details for the new organisation and its relationship to the existing organisations.

The complexity analysis tells us that prior specification will always be to some extent wrong or inadequate and that details need to be worked through in practice, another example of policy development and implementation needing to be synchronous. However, in the TEC instance, time, willingness and opportunities did not exist within the policy processes to enable them to become better defined through interaction and practise. Once the constitutional independence of TEC was established through the passing of enabling legislation, then operational independence was assumed and that operational independence was also assumed to be independent of the rule setting/policy level which remained partially in the Ministry of Education as a separate organisation.

#### Policy communities and networks

Theories about policy processes as communities focus on the interaction between policy participants as horizontal networks of relationships and the collaborative processes required to manage them. These theories acknowledge a complex dynamic of nonlinear interactions between participants which can have the appearance of games in that the interactions between the players are contingent, and unpredictable.

Tertiary education policy processes took place in an identifiable policy community. The participants knew that others operated in the same community and showed at least partial understanding of the perspectives and issues of concern to other parts of the policy community. They were also aware that changes made by others would affect them, and vice versa.

Some ideas were distributed throughout this community, while others were localised in sub-communities that were only part of the policy system; for example, the role of ITOs in tertiary education was conceived mainly within the ITO sub-community; and the creation of a research fund was largely a university sector idea. When an idea is translated from concept, through policy processes, to practise in the tertiary education system, it involves people from the government management system and people from

the tertiary education system. Other parts of the system are affected irrespective of whether there is an intention to do so or not. The development of the research fund (PBRF), which involved mostly the university sector, also resulted in a focus on the role and mission of polytechnics because the PBRF development highlighted that polytechnics, largely, were not research institutions.

The complexity analysis indicates the need for an intention and design to involve people affected by policies in their formulation and understanding. Inclusion of the people and organisations affected, in the design of solutions and their enactment, tends to contribute to better policy understanding, better informed policy analysis ‘for policy’, and more awareness of implications and outcomes, sought and unsought – exemplified in the development of the PBRF in tertiary education.

Policy processes sometimes appear to follow rules and at other times appear chaotic. The use of the complexity analytical lens adds new concepts and language for understanding and explaining what is occurring in these nonlinear processes. It reveals these policy and governance communities as a series of nested and interdependent social systems. Each system has its own dynamics and internal interactions. The data shows interactions between the subsystems, e.g. between the polytechnic subsystem and the ITO subsystem over the development and implementation of the industry training policy. Sometimes these interactions were reinforced, and other times undermined, by existing dynamics within these systems. The search for mission, and the declining financial viability of polytechnics, was reinforced by the activities of the ITO sector. There were also interdependent interactions between the constitutional and political systems which reinforced some parts of the ITO policy change.

Key people affect the operation of policy processes, e.g. a change of minister, even within the same political administration. ‘Policy entrepreneurs’ create interpretations of policy concepts and solutions which can remain tied to them as individuals and dependent on their ongoing involvement. The first chairs of TEAC and TEC played large parts in putting particular concepts into the policy community and building an understanding of how they could work in practice. Neither chair was around to help with the policy processes through which these concepts and ideas would begin to take

a more concrete form. As a result, the understanding of complex and paradoxical concepts and ideas became more pluralistic, making policy decisions and policy implementation more difficult.

Consideration of policy communities and networks as parts of open, interacting policy systems adds insights into the ways these interactions might shape policy processes and an understanding of their game-like dynamics. The complexity lens shifts the focus to the boundaries between these communities and how they are interacting, and also to the feedback loops within and between networks which shape ideas and create change.

#### Role of information

Jones and Baumgartner's focus on information attention and disproportionate information processing implicitly incorporates multiple policy processes participants, and their interactions. The participants are sentient beings and their information processing is dependent on cognitive, social and emotional states of the individuals, and is therefore nonlinear and unpredictable. In this respect, Jones and Baumgartner's theory is consistent with the empirical data and a complex social systems view of policy processes. Yet, their focus on the limitation in human cognitive attention and information processing as the mechanism for shaping and determining either policy system stability or policy system change is only partially useful in creating understanding of how those processes might be understood and managed because it does not provide language and concepts to describe the internally generated dynamics involved.

Information is an integral part of policy processes – whether it is the information that defines the issues to be considered for policy, the information that is selected for understanding policy problems and options, or the information used for making decisions, monitoring and evaluating success. The data show that there is no shortage of information in policy processes. They abound with concepts and information about tertiary education and its relationship to other systems. Individual and institutional actors refer to particular subsets of the total information and perspectives at different times. Contradictory or paradoxical perspectives are sometimes held at the same time

by the same individual or parts of the system. It is difficult to view information separately from the people and social processes that shape and disseminate it.

The complexity lens provides some further concepts for understanding the mechanisms that are at work endogenously in the policy processes system that affect information processing. These include attractors, feedback loops, adaptation, evolution, self-organisation, and emergence which all affect information processing. The behaviour of participants in policy processes is shaped around particular attractors by positive and negative feedback loops. Information about 'a knowledge economy' and 'relevance' in tertiary education was resisted and aided at various points by these feedback loops. Drawing on these concepts, policy processes participants can attempt to identify the feedback loops at play, and which of these are maintaining stability and suppressing new information. They might also look for attractors and the ways in which positive feedback loops, which are moving the system in the desired direction, might be accelerated, and those that are moving the system against the desired direction might be negated, or redirected. This is consistent with Morgan (1997) and Stacey (2003) on changing organisations (p. 20–21).

#### Policy processes as interacting systems

Theoretical explanations of policy processes as interacting systems are few, although the data in this thesis is better understood using this view. Understanding tertiary education policy processes, at the macro level, requires a focus on at least three interacting systems: the tertiary education system, the public management system and a policy processes system. Each of these is also viewed as consisting of nested complex systems that interact with each other and the system whole.

There are other systems such as economic development, research and innovation, or Maori development, which also interact and we notice their presence from time to time through their effects on the policy processes system. We know that these systems exist and are dynamic complex social systems because of the dynamic properties they exhibit. There are limits to what can be known and how it can be known when dealing with complex systems because of the ongoing dynamic in all these interacting

systems. Acceptance of the complexity view means that 'control' of the future evolution of a complex system in conventional ways is impossible.

### Dynamic processes

In the data, individual people, specific ideas, and events shaped the process. But they did not do this alone and none could be identified as causal at more than a micro level. The 'whole' of the policy processes and their outcomes was more than the sum of any one of these people, events, or ideas. It is the product of their nonlinear and unpredictable interaction. Whenever tertiary education policy processes turned out in a way that was intended, or was generally approved of, they did not do so predictably.

There were nonlinear interactions between the many parts, self-organisation around attractors, and feedback loops at work, amplifying and damping change. The systems involved were self-referencing, and often self-correcting, in the face of external change. The systems adapted to changes, and related systems co-evolved as they adapted to each other. From time to time totally new phenomena emerged from these processes of adaptation and co-evolution.

Only a few existing theories and explanations of policy processes have considered such dynamism in policy processes. A few have used the terminology of complex systems and complexity concepts such as feedback loops and co-evolution. Some have limited their consideration of nonlinear dynamics to circumscribed parts of policy processes e.g. Butler and Allen (2008) to implementation, or Meek et al. (2007) to administrative management. A further set of scholars talk about dynamism in policy processes, describing these using a variety of metaphors without explicitly using the terminology of complex system (e.g. Bardach, 2006; Klijn & Teisman, 1997, Mayer et al., 2004; Wildavsky, 1987).

The analysis in Chapter 6 demonstrates that the phenomena which are characteristic of complex social systems: open boundaries; self-reference and feedback loops; adaptation and co-evolution; and emergence are useful for understanding and explaining policy processes. Recognition of these phenomena provides useful additions to the language and concepts that can be used to describe, understand, and



explain them which go beyond mere metaphors. The complexity lens opens up new ways of understanding the interactions within these processes, and how changes might occur as a result of policy intervention, and other factors, exogenous and endogenous, interacting with policy over time. The language and concepts from complexity, discussed below, can also contribute to how policy processes might be managed in practice.

### Open systems

Understanding and explanation of policy processes requires consideration of boundaries and system wholes. The whole is an interaction between of the complex worlds of public management and a policy-in-action. 'Boundary critique' is part understanding the 'whole'. Because the boundaries of these systems are socially constructed, their definition will vary, depending on who is involved and their perspectives. Participants and subsystems define their boundaries through their interactions with others. Language, terminology, values, culture, behaviour are used as a means of boundary setting, and are also artefacts of the process.

Policy processes can shift boundaries, but they cannot do so easily or trivially, and they certainly cannot do so by ignoring their existence and existing perceptions of them.

### Self-reference and feedback loops

Complex social systems are self-referencing. When changes occur externally, the system takes steps to retain its position or original trajectory. Policy processes and policy-in-action systems exhibit this characteristic. Reflexive processes and negative feedback loops tend to restore stability and the status quo even in the face of policy intent for change. For example, the policies intended to limit the scope and the role of the polytechnics, in which institutional financial viability was not considered. The existence of strong attractors, such as the incentives to stay financially viable, and positive feedback loops influencing change in a particular direction make it very difficult to influence a different direction of change.

There is also a temptation to ignore the negative feedback loops that may be limiting the speed of change, and creating a very fluid base on which the positive feedback loops can work. Attempting to influence a direction of change, without understanding both the negative and positive feedback loops at work, risks unintended effects. This was evident in a number of instances in tertiary education policy processes.

#### Adaptation and co-evolution

The parts of complex systems shape each other and over time there is mutual adjustment. The political, policy and sector landscapes are all fluid and undergoing constant change in response to each other and to external events. The complexity lens takes into account the fluidity and adaptability that happens between this landscape and policy processes. The one begins to modify the other such that what fitted together one day does not fit the same way later. The landscape has peaks and troughs in much the same way that a physical landscape does and the system parts adapt to fit. The tertiary system adapted to take the best advantage of the policy processes landscape at particular points. However, at the same time the tertiary system was also having an effect on the policy processes landscape and changing it. The result was that they co-evolved but not always in the same direction. What was a fitness peak one day became a trough (or part of the problem by tomorrow). The wananga and polytechnic systems both experienced this between 2000 and 2008.

Another example of these phenomena was the adjustment between the public management and tertiary education systems – between 1998 when a new uncapped EFTS funding policy was announced, 1999 when a new government announced a change of direction, and 2003 when the new set of policies came into effect. Initially, there was adaptation and mutual adjustment within the tertiary education world to the new policy. This was followed by a change in the policy processes landscape as the 1999 government began to explore a change of direction. Again there was adaptation within the tertiary education world to the anticipated change. Finally, in 2003 there was a further change to the landscape as a new agency (TEC) came into being, and another period of adaptation and co-evolution followed.

## Self-organisation and emergence

Complex systems can be stable or chaotic but they are not in equilibrium. There are however deep patterns in such systems created by the feedback loops at work. Because of the action of negative feedback loops in maintaining the status quo, a recognisable, stable pattern is created. Policy participants observed a stable pattern in the tertiary education system in the latter part of the 1990s. The 1998 policy change to lift the EFTS cap mistook this stability for equilibrium and therefore did not predict the adaptation that would go on in the system in response to changes.

Complex systems operate far-from-equilibrium. Stability can be maintained by dynamic feedback loops or it can also suddenly collapse in response to apparently minor internal or external changes. Some scholars, e.g. Klijn (2008) and van Buuren & Gerrits (2008), have used the term equilibrium when in fact they are talking about 'stability'. When a system appears stable, people involved in policy processes often assume that they can make changes and the system will move as if from some zero equilibrium point to some new equilibrium. This is not the case, as the tertiary education example illustrates.

Policy processes have unexpected effects because complex social systems usually operate far-from-equilibrium. The micro and macro feedback loops that are maintaining stability are not immediately visible. It is very difficult to describe how the status quo in a complex system is maintained because there are so many interdependent parts capable of changing and so many interactions between the parts. This makes the precise response of the system to change unpredictable. Complexity thinking provides two scenarios: (1) nothing because the system adapts internally and stays the same at the macro level; or (2) a major feedback loop is altered and the system swings off dramatically in some completely unanticipated direction. Kurtz and Snowden (2003) have offered a tool for examining and intervening in such systems.

The concepts of self-organisation and emergence provide an explanation for why events and phenomena occur in policy processes without any external stimulus. They arise from the interaction between the components of the systems. Unique recombinations of the existing system parts will occur to create something that was

not there before. In tertiary education this phenomenon was observed repeatedly from the early 1990s to 2008. The emergence of new partnerships, new entities, and new ways of recruiting and teaching students are some examples.

In the data, emergence was less in evidence in the public management system. A possible reason for this is that although policy processes are ongoing in the sense referred to in this thesis, the public management system often artificially truncates and separates them in a time sense. Therefore the people, networks and relationships in the policy processes world are constantly being interrupted and refocused by externally imposed factors resulting from the public management system. Examples include changes of ministers, changes of government, and government agencies and shifts in policy attention which occurred in the data between 1999 and 2008.

#### Starting points and history

The history of what has gone before does not determine the future but it shapes the present. The importance of starting points and history is actually a consequence of the dynamics of the system. Understanding how you got to where you are now and the patterns of the past is essential to understanding the system now and its dynamics, and therefore how those dynamics might be changed.

In the tertiary policy processes, participants constantly referred to past events and decisions, and the continuing dynamics generated by these decisions and events, as causal in their influence on future processes and events. One example frequently referred to was the inclusion of Skill NZ in TEC and how that decision contributed to future organisational approaches to relationships with the sector and management of practices. Another historical chain was traced through the funding and institutional management decisions. Institutional behaviour in 2002–03 was traced to policy decisions made in 1998 which came into effect in 2000.

## 7.2 Conclusions

In this chapter, complexity theory concepts and vocabulary have provided new perspectives on policy processes which highlight aspects not focused on by existing theories and explanations. Three groups of conclusions are drawn from the data and complexity analysis undertaken for this thesis:

- the contribution to theoretical explanations of policy processes
- the implications for designing and intervening in policy processes
- an agenda for continuing empirical research.

### Contribution to theory

Complexity concepts add understanding and explanatory value to existing theories of policy processes in two respects. First, the concept of a complex and constantly evolving system creates wholeness of view while still enabling a focus on a part of the system. It does this because the whole is not ignored when focusing attention on one area. Other parts and other systems are constantly brought into play, through their interactions, to help understand the part in question.

Second, the application of the complexity lens has the potential to integrate a number of other existing scholarly explanations and theories of policy processes in a way that adds to these theories. Three examples where this is so are the multiple streams model, e.g. Kingdon (1995), the network models e.g. Kickert et al. (1997), and information in-attention and punctuated equilibrium (Jones & Baumgartner, 2005). Complex systems theory and its associated concepts do not contradict these theories. It provides dimensions to each not focused on in the original form, and collectively adds perspectives which help these three explanations become more holistic.

In the case of the multiple streams, the complex systems concepts explain the streams as parts of a system whole. The streams interact but stability is maintained through negative feedback loops until such time as an event or attractor creates a sufficiently strong positive feedback loop to cause the system to change, suddenly and dramatically, to another attractor pattern. The system changes because of the individual actions of the parts responding to the initial change. A new state of the

policy processes system is achieved and adaptation and evolution then begin to work within that new system as it adapts and co-evolves. A new stable dynamic is achieved and will remain until another event again produces new or changed attractors in the system and positive feedback loops that will result in further change.

Network theories acknowledge policy processes as involving dynamic, nonlinear human interactions. The focus on network management is enhanced by the addition of complex systems perspectives. The network is both the means of bringing about change in the system and is also part of the system. Therefore network management is successful to the extent that it correctly understands the systems involved, and the feedback loops at work – which ones need to be changed and which must be preserved. The more inclusive, open and democratic processes advocated by Fischer (2003) and others are assisted through the understanding of the array of attractors and feedback loops at play and how they assist or work against change. In the complexity view, the more attractors there are, the more chaotic the system's behaviour and the more difficult the management of policy processes.

Information in a complex system is highly distributed and fragmented. It exists in the consciousness of each individual person within the network and social processes determine what information is attended to. The processes of interaction between individuals will reveal the partial information held by individuals. Politics and power can act in ways that reinforce some feedback loops and ignore others. The attention of individuals is shaped by their sense-making of the patterns around them and can be reinforced or undermined by policy processes. When individual sense-making is reinforced by signals from other individuals and organisations in the system, it reinforces the individual's intended action (or inaction) as a result. In the alternative scenario, the individual could get feedback from other individuals and the system that the information they have about the system is different from that others hold. This is likely to be a threat to the status quo so the individual moves pre-emptively to protect themselves, or sets about influencing others, or both. These processes of individual information attention are felt at the system level only when they are amplified by many reinforced occurrences or by political power, or both, which was the case in tertiary education in New Zealand after 2000.

This thesis makes a contribution to the explanation and understanding of public policy processes. Extant explanations and theories of policy processes are enhanced and become more holistic in their explanatory power when concepts and language from complexity theory summarised above are added. That is, policy processes can be understood as complex social systems in interaction with other complex social systems. These systems consist of large numbers of interdependent and self-referencing participants. These participants interact with each other in ways that are nonlinear, influenced by prior experiences, and unpredictable in any precise sense.

What then can be known about policy processes? It can be predicted that phenomena associated with complex social systems and nonlinear dynamics are part of policy processes and the complex systems they seek to affect. For example:

The boundaries of these systems will be uncertain, socially defined and open to multiple interpretations. Thus, a first part of any policy process involves identifying participants and boundaries using techniques such as the narrative analysis used in this thesis. The systems in question will constantly be changing and adapting to changes in interdependent systems around them and narratives can assist to identify these dynamic and the multiple perspectives different participant have.

There will be positive and negative feedback loops at work and any external changes will affect them. Feedback loops can maintain stability of the system around some deep systemic patterns called attractors.

Attempts to change apparently stable, far-from-equilibrium systems can have unpredictable effects. Stability may continue because of the counteracting effects of negative feedback loops or the system might change suddenly to organise itself to operate around another attractor, with unpredictable effects.

Policy processes need to take into account both the feedback loops within the system they seek to change and within the policy processes system bringing about those changes because there will be interaction between them. They also need to take into account the starting state of the system and dynamics arising

from former changes that are still influencing the system. It is like trying to swim across a river when the river is in the process of changing its current and its path.

Adaptation, co-evolution and emergence of new phenomena can be expected as part of the dynamics of policy processes. Even without external intervention, there will be adaptation and change within the system arising from the self-referencing and adaptation of the parts, which will co-evolve as they change in response to each other. Furthermore new phenomena will emerge from these interactions in the system. Consequently, techniques which monitor the emergence of these new phenomena are needed, and policy analysts and decision makers need to be willing to incorporate this new information into their understanding of policy problems.

#### Contribution to public management practice

Working with and in complex social systems requires knowledge of these concepts and language and practices for dealing with them. The data and complexity analysis of policy processes in this thesis contain a number of implications for how we think about and practise public management.

#### *Policy problems*

Policy problems, particularly those associated with social outcomes, such as those experienced in social policy areas like education, are not simple. They are multi-dimensional and subject to multiple interpretations. The information needed to understand these problems is highly fractured and dispersed. As a result, the processes needed to understand the problem are the same as those needed to solve it and have implications for traditional understandings of policy development and implementation. The use of individual participant narratives is one technique whereby different understandings and perspectives can be revealed, and sense making tools such as the one developed by Kurtz and Snowden (2003) can be used.



Policy problems cannot be understood without the involvement of and contribution by the people affected by the policies. Processes of sense-making are needed to understand the problem and possible actions which allow steps to be made towards resolution. Individual narratives revealed multiple perspectives and different understanding of both problem and solution. Thus policy development and implementation, as Hill and Hupe (2009) and others have said, must proceed side by side.

#### *Inter-system interactions*

Defining policy problems involves identifying boundaries. These boundaries, by their nature, are artificial and socially constructed by participants. Therefore, there are implications for how policy processes approach the identification of boundaries, and processes such as narrative analysis are needed to reveal the multiple realities at work. The paradox is that boundary setting is part of problem identification and solution finding and it is also an impediment to it. Dealing with this paradox requires approaches within policy processes which can keep the boundaries between interacting systems in view. These approaches need to focus on how changes in one component will affect other components within an interacting system. This must be done by exploration of change impacts from multiple perspectives. Furthermore, changes within one system may bring about compensating changes in related systems that had not previously been considered. This means that there needs to be constant monitoring of these system changes and adjustment of system boundaries.

#### *Stages of the policy process*

Traditional approaches to policy conceive of a progression through stages over time. While there is a linear progression of time, policy processes are not linear and do not progress in an orderly way from one stage to the next or start to finish. Furthermore the continuity of policy processes has implications for how policies are monitored and evaluated to take account of ongoing dynamics within the affected system.

When policy problems are multidimensional and complex, the processes needed to bring about an understanding of them for policy purposes, will also be the same

processes that begin to bring about adjustment. Thus problem definition, implementation, and monitoring can proceed hand in hand.

Decision making is usually thought to follow agenda setting and problem definition. However in complex systems dealing with complex problems, the more important question is what kind or level of decision making? A decision taken at the beginning of a policy reform process which articulates a direction of change, without prescription of how it will be achieved, can help set the agenda for discussion and facilitate discussion of boundaries, problems and solutions, and ensure that change proceeds in the intended direction. Detailed decisions about how a system is to work can be specified appropriately only after the process of implementation has been progressed sufficiently for the dynamics that decisions are to regulate to be well understood.

### *Policy processes*

A complexity lens view of policy processes requires approaches that are consistent with the complexity of the systems they need to manage. Sense-making approaches such as narrative analysis, and other research techniques designed to reveal multiple perspectives, are required to help identify participants, boundaries, system attractors and feedback loops in ways that are consistent with the change being considered. The use of a vocabulary which includes complexity concepts, and tools designed to work with those concepts, could assist people involved in public management to describe and understand better the systems they want to intervene in and the processes they might use to do so.

### Agenda for continuing empirical work

Tertiary education in New Zealand has provided one example of policy processes examined over time as continuous, open-ended, complex social processes.

Two areas for further empirical work would build on the development of the complexity lens view developed in this thesis. The first is examination of policy processes in a wider range of policy domains and contexts including international

comparisons. In this way the complexity lens could be further refined to become more robust and useful.

The second is to continue investigation and development of methods for intervention in complex policy systems, encountering complex problems, building on the approach in this thesis to further understanding and effectiveness of policy processes to achieve desired change and avoid unwanted effects. Tools and approaches built with knowledge of complexity and its implications are required.

## Appendix 1: List of abbreviations

AAU	(Universities') Academic Audit Committee
ACENZ	Association of Colleges of Education New Zealand
AMPTE	Association of Maori Providers of Tertiary Education
APNZ	Association of Polytechnics New Zealand (reconstituted as ITPNZ in 2001)
ASR	Assessment of Strategic Relevance
ASTE	Association of Staff in Tertiary Education - a union representing staff in Polytechnics and Colleges of Education)
AUS	Association of University Staff (from January 2009 the Tertiary Education Union)
CRI	Crown Research Institute
CUAP	Committee on University Academic Programmes
DoL	Department of Labour
EFTS	Equivalent Full Time Students
ETSA	Education, Training and Support Agency (renamed as Skill New Zealand)
FCCM	Fee and Course Cost Maxima
ITF	Industry Training Federation
ITI	Independent Tertiary Institutions
ITO	Industry Training Organisation
ITPNZ	Institutes of Technology and Polytechnics of New Zealand
ITPQ	Institutes of Technology and Polytechnics: Quality
KPI	Key performance indicator
MoE	Ministry of Education
NZAPEP	New Zealand Association of Private Education Providers
NZQA	New Zealand Qualifications Authority
NZUSA	New Zealand University Students Association
NZVCC	New Zealand Vice Chancellors Committee
NZAPEP	New Zealand Association of Private Education Providers
PITPONZ	Pacific Island Tertiary Providers of New Zealand
PTE	Private Tertiary Education Provider

QAANZ	Quality Assurance Agency of New Zealand
RAE	Research Assessment Exercise
SAC	Student Activity Component (SAC and TEOC replaced the EFTS component of funding in 2008)
SDR	Single data return (statistical information used to calculate funding)
SNZ	Skill New Zealand
STEP	Statement of Tertiary Education Priorities
TEOC	Tertiary Education Organisation Component (TEOC and SAC replaced the EFTS component of funding in 2008)
ToW	Te Tauihu o nga Wananga/ National Association of Wananga
T TEC	Transition Tertiary Education Commission
TEAC	Tertiary Education Advisory Commission
TEC	Tertiary Education Commission
TEFANZ	Teacher Education Forum of Aotearoa New Zealand
TEI	Tertiary Education Institution (Public Tertiary Education Providers)
TEO	Tertiary Education Organisation
TES	Tertiary Education Strategy
TOP	Training Opportunities Programme
TWoA	Te Wananga o Aotearoa

## Appendix 2: Chronology of key policy decisions

Chronology based on Based on Goedegebuure, L., Santiago, P., Fitznor, L., Stensaker, B., & van der Steen, M. (2007). *Thematic review of tertiary education. New Zealand country note*. Paris: Organisation for Economic Co-operation and Development.

1970 – 1989	<p>Before the reforms:</p> <p>The universities were regulated through the University Grants Committee (UGC). The UGC managed the system's accountability to government and allocated government funding to universities under a quinquennial system, using the equivalent full-time student (EFTS) as a funding metric.</p> <p>While the universities funding was received as a bulk fund, the government controlled major capital investments.</p> <p>The management of the institutes of technology and polytechnics and colleges of education was closely controlled by the Department of Education.</p> <p>Tuition fees were low and much of the fee was paid through the student support system.</p> <p>A tertiary grants system supported students' living costs.</p>
1989 – 1990	<p>The first round of reforms:</p> <p>The Education Act 1989 was enacted – setting the statutory framework for all tertiary education. The UGC and the Department of Education were abolished. The Ministry of Education and NZ Qualifications Authority (NZQA) were created.</p> <p>All tertiary education institutions (TEIs) were given autonomy. Councils had a governance role, with chief executive responsible for management.</p> <p>Funding was delivered to all as a bulk fund, using EFTS as the metric, with the amount of funding dependent on the number of EFTS in different funding categories. The principle of equal funding for similar courses underpinned the funding system. TEIs had control over their capital spending.</p> <p>Quality assurance responsibilities were split between the NZQA and the NZ Vice Chancellors' Committee.</p> <p>Awarding of non-university degrees was permitted.</p> <p>The standard tertiary fee was created.</p> <p>The tertiary grants scheme was replaced by student allowances – with targeting on the basis of parents' income for those under 20.</p> <p>TEIs were free to enrol international students on a full-cost-recovery basis.</p>
1991 – 1992	<p>The second round of reforms:</p> <p>The standard tertiary fee was abolished, with TEIs given the freedom to set their own fees, including the right to set fees with differences between levels of study and/or fields of study.</p> <p>Some limited funding was made available for private training establishments (PTEs).</p> <p>Targeting of student allowances was extended to the age of 25 years.</p> <p>The student loan scheme was created.</p> <p>A moving cap on the number of EFTS places that could be funded was</p>

	<p>set.</p> <p>The Studyright policy was implemented – introducing funding differentials between students of different age groups.</p> <p>Industry Training Act was enacted – enabling industries to develop qualifications and implement work-based training arrangements that are responsive to the needs of industry.</p>
1993 – 1998	Over this time, additional spending was put into funding additional student places. There was also a series of funding rate cuts. Fees rose in consequence.
1994	Publication of <i>Education for the 21st Century</i> as a statement of the government’s strategy for tertiary education.
1995	Ministerial Consultative Group (Todd Review) was set up to examine tertiary education resourcing – and in particular, the issue of the balance of the public and private contributions to the costs of tertiary education.
1997 – 1998	<p>The third round of reforms:</p> <p>The government developed a consultation paper (green) followed by a policy paper (white) on tertiary education. While many of the reforms proposed in these papers were never enacted, some of the changes were implemented – for instance, removing the fiscal cap on tertiary funding, improved monitoring and improved information systems.</p>
1999	The moving cap was lifted – funding in the TEIs became demand driven. At levels 3 and above, the funding of PTEs was put on a level footing with TEI tuition funding.
2000 – 2001	<p>The Tertiary Education Advisory Commission (TEAC) was established to map out a new direction for tertiary education.</p> <p>TEAC proposed:</p> <p>The creation of a tertiary education commission – a new government agency to allocate government funding.</p> <p>The creation of a tertiary education strategy and statement of tertiary education priorities to ensure better alignment of tertiary education with national priorities.</p> <p>The system of charters and profiles to help the commission influence the direction of tertiary education organisations and to improve alignment with the strategy.</p> <p>The separation of research funding from funding for teaching and learning.</p>
2000	<p>The government introduced fee stabilisation, providing extra funding in exchange to tertiary education providers in exchange for an undertaking to hold fees. Fee stabilisation remained in place for three years.</p> <p>The government also moved to write off the interest of student loans for those in study.</p>
2002	Limits were placed on funding for PTEs.

	The first Centres of Research Excellence were established.
2002 – 2003	<p>The fourth round of reforms:</p> <p>Amendments to the Education Act 1989 gave effect to many of the TEAC proposals, including the creation of the Tertiary Education Commission. The legislation also provided for the performance-based research fund and for fee and course costs maxima.</p> <p>The <i>Tertiary Education Strategy 2002–07</i> was published.</p>
2003 – 2005	<p>Limits were placed on growth in some areas of tertiary education provided by TEIs.</p> <p>Government removes interest on student loan scheme borrowers for those that remain in New Zealand.</p> <p>Fee and Course Cost Maxima policy replaces Fee Stabilisation policy by setting maximum limits within which fees set by institutions might be increased without specific approval for an exemption by TEC.</p>
2006 – 2007	<p>The fifth round of reforms:</p> <p>Amendments to the Education Act 1989 to require government funded tertiary education organisations to have a three year plan and to allow TEC to make decisions on funding for individual TEOs based on that plan.</p> <p>TEC develops new funding policy to replace EFTS bulk funding policy and give effect to the Investing in a plan policy. The new approach consists of two elements:</p> <ul style="list-style-type: none"> <li>▪ a tertiary education organization component (TEOC) to provide the government contribution to costs that enable providers to focus on their specific and distinctive role in the tertiary education network of provision</li> <li>▪ a student achievement component (SAC) to provide the government contributions to the costs of teaching and learning and other costs driven by student numbers.</li> </ul> <p>TEC prepares operational policy to support investing in a plan that differentiates each subsector in tertiary education.</p>
2008	First year in which TEC funding of TEOs is based on a three-year TEO Plan.



## Appendix 3: Interviewee information and consent



### PhD Research project on Complexity Theory and Tertiary Education Policy in New Zealand 1988–2007

#### Information Sheet for Participants in Conversation Interview on Tertiary Education

**Researcher:** Elizabeth Eppel: PhD student, School of Government, Victoria University of Wellington

I am a student studying towards a PhD in the School of Government at Victoria University of Wellington. I am undertaking a research project looking at recent tertiary education policy changes using a theoretical framework derived from complexity theory. While I have previously been a participant in the tertiary education policy community, my role in carrying out this research is as a research student. My purpose is to elucidate the nature of the processes that occur during policy formation and implementation using tertiary education as my example, using concepts drawn from complexity/nonlinear dynamical theory. This elucidation using complexity theory may have wider relevance to how public policy is approached in New Zealand. This research will be written up as a thesis and submitted to examiners. The material in the thesis might also be published in other forms such as journal or magazine articles or a book. The University requires that ethics approval be obtained for research involving human participants.

I am inviting people who have been involved in various capacities in tertiary education policy formation and implementation to participate in a conversational interview in which they tell about their experiences and the sense they made of what was happening at various times throughout the period of policy formation and implementation. While these conversations are intended to be entirely open-ended, in order to allow participants the greatest latitude to address matters as they saw them, I have appended a sheet noting the approach I am planning to take to the interview. This note is not intended to limit the conversation but to help trigger the participant's thoughts. I expect the interviews to take 1-2 hours.

I prefer to tape interviews but will offer participants the option of notes only. Individuals will not be named in any report of this research without their written permission. However quotations might be used, identified by type of source, e.g. *ITP CEO, university sector academic and policy advocate, student union office holder, or "an informant"* (if there is any sensitivity about the quote or the comment could easily be traced to a particular individual). Individual interview content will be treated confidentially and stored securely and will be seen only by people directly involved with this research i.e. my self and my academic supervisors, Professor Miriam Lips and Dr Amanda Wolf in the School of Government at Victoria University. Interview tapes and notes will be destroyed in 2012 or returned to you (tapes). The raw data will be used only for the research described here and for any follow-up investigation consistent with the requirements of PhD examiners or academic peer review of scientific publications based on this research.

I have attached a consent form for your review. Should you agree to an interview, I will ask you to sign the consent. If you have any questions or would like to receive further information about the project, please contact me at [elizabeth.eppel@xtra.co.nz](mailto:elizabeth.eppel@xtra.co.nz) 027 44 11 381, 04 473 5040 or my supervisors, Professor Miriam Lips (phone 463 5507) or Dr Amanda Wolf (phone 463 5712), at the School of Government at Victoria University, P O Box 600, Wellington.

Elizabeth Eppel

## **Interview Approach**

Participants will be asked by the interviewer to reflect on what they see as significant events in the formation of tertiary education policy.

The interviewer will probe for insights on why the particular event(s) chosen are significant to them.

Follow up probe questions to keep the conversation going, if it doesn't flow unaided, might include: what role did the interviewee play in these events; who else was involved; what role did they and the other actors they identify play, what sorts of interactions did they observe between the actors.

Further probes might ask for any links the interviewee saw between the events.

As these interviews are preliminary, feedback will be sought on the approach taken in the interview and interest and contributing further in later stages of the research.



CONSENT  
IN RESEARCH

TO

PARTICIPATION

**Title of project: Complexity Theory and Tertiary Education Policy in New Zealand 1988–2007**

I have been given and have understood an explanation of this research project. I have had an opportunity to ask questions and have them answered to my satisfaction. I understand that I may withdraw any information I have provided by notifying the researcher before [date: approx six months after interview date] without having to give reasons or without penalty of any sort.

I understand that any information I provide will be kept confidential to the researcher and her supervisors.

Consent on attribution:

I consent to information which I have given being attributed to me **by name** in any reports on this research, except for any information which I may explicitly ask to be off the record.

I consent to information which I have given being attributed to me **by role and/or organisation description only** in any reports on this research, except for any information which I may explicitly ask to be off the record.

Consent on taping:

I do not consent to recording. I understand that notes from this interview will be destroyed at the end of the project (which is not until 2012)

I consent to the recording of the interview, and understand that the tape will be electronically wiped at the end of the project (which is not until 2012).

Other matters:

I understand that the data I provide will not be used for any other purpose or released to others without my written consent.

I would like to receive a summary of the results of this research when it is completed.

I agree to take part in this research

signed:

name of participant  
(please print clearly)

Date:

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