

# Changes in Student Allowances in 2008

## Recent changes

From 1 January 2008, the lower parental income testing threshold for students under the age of 25 years with no dependants was increased by 10 percent to \$44,334 per annum—the latest in a series of increases that started in 2005. The cut-out points also rose by 10 percent<sup>1</sup>. From 1 April 2008, an annual inflation adjustment of the personal income abatement threshold was introduced to reflect changes in the cost of living.

In 2008, the number of recipients increased by 3,200 (or 5 percent) and reached 65,700<sup>2</sup>. The increase was due to more recipients under the age of 25 years who received targeted, parental income-based allowances. The main changes occurred in universities (contributed 65 percent of the increase) and polytechnics (25 percent of the increase).

In 2008, expenditure<sup>3</sup> on allowances increased by \$11 million (or 3 percent) and reached \$397 million. The average annual gross allowance decreased by 2 percent to \$6,000. The decrease in the average annual allowance occurred mostly because of the increase in the proportion of relatively less expensive parental income-based allowances.

In 2008, the average age of allowances recipients was 26.5 years.

Since 2005 the number of student allowances recipients has risen by 5 percent each year, reaching 65,700 in 2008. These increases followed a period of falling uptake.

The number of student allowances recipients dropped by 19 percent from its peak of 70,200 in 2001 to 56,800 in 2005. In this four-year period, student allowances expenditure decreased by 13 percent, from \$399 million to \$346 million. The downward movements in volumes and values mostly resulted from two factors: the parental income testing thresholds being fixed (for students under the age of 25 years with no dependants) between 1992 and 2005 and a decrease in unemployment. The latter improved the availability of part-time jobs for young people and it also had the effect of boosting family incomes, resulting in fewer families with incomes under the fixed parental income threshold.

## Key facts in 2008:

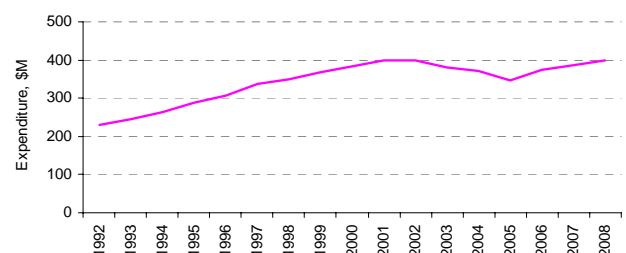
- There were 65,700 student allowances recipients; up by 5 percent on 2007.
- 54 percent of allowances recipients were female.
- 60 percent of allowances recipients were under the age of 25 years.
- 70 percent of allowances recipients received an accommodation benefit.
- 55 percent of student allowances recipients were studying at university and 25 percent were studying at institutes of technology and polytechnics.
- The average age of allowances recipients ranged from 24 years at universities to 41 years at wānanga; the overall average age was 26.5 years.
- There were 37,400 targeted parental income based allowances; up by 10 percent on 2007.
- 14 percent of allowances recipients were living in relationships (married or de facto couples) and 8 percent had one or more children.
- 81 percent of student allowances recipients also borrowed through the student loan scheme.
- 35 percent of student allowances recipients also received a living costs loan entitlement.
- Receiving both student allowances and student loans is more prevalent amongst those studying for higher qualifications.
- Expenditure on allowances was \$397 million; up by \$11 million on 2007.
- The average annual allowance ranged from \$2,500 for students with earning spouses to \$10,800 for students with dependent partners. Overall, the average annual allowance was \$6,000.

1 To \$69,081 for students living at home and \$75,269 for students living away from home.

2 The numbers of allowance recipients are rounded to 100 and the average annual allowances are rounded to \$100.

3 Student allowances expenditure consists of the amount paid to students in a particular year and is net of any repayments. It differs from the official general ledger figure calculated on an accrued basis by less than 0.4 percent a year due to not accounting for payments to the previous years' students.

Figure 1: Gross expenditure on student allowances



**Table 1: Student Allowances expenditure and recipient numbers**

	2004	2005	2006	2007	2008
Number of recipients	60,800	56,800	59,400	62,500	65,700
Change from previous year	-5%	-7%	5%	5%	5%
Expenditure, \$M	371	346	374	386	397
Change from previous year	-3%	-7%	8%	3%	3%

The changes in student allowances observed in 2006 to 2008 resulted from a number of policy initiatives designed to widen access to allowances for targeted groups of students.

Students under the age of 25 years with no dependants whose parents have low or middle incomes is such a target group.

Eligibility for allowances for such students depends on their parents' incomes. Student allowances are abated if the combined parental income is above a lower threshold, but below an upper threshold or cut-out point.

In 2006, the number of recipients increased by 2,600 (or 5 percent) and reached about 59,400. Allowances expenditure increased by \$28 million (or 8 percent) and reached \$374 million. The average annual gross allowance increased by 3 percent to \$6,300. This increase in the average annual allowance<sup>4</sup> was mostly due to the increase in the personal income threshold introduced in January 2006<sup>5</sup>.

From 1 January 2007, the parental income testing threshold for students under the age of 25 years with no dependants was increased by 10 percent. Since 1 April 2005, these parental income limits have been adjusted annually to reflect changes in the cost of living. From 1 January 2007 the entitlement to student allowances and loans was aligned to tuition subsidy funding – meaning that if a qualification doesn't qualify for funding, then students studying for that qualification are no longer eligible for allowances or loans.

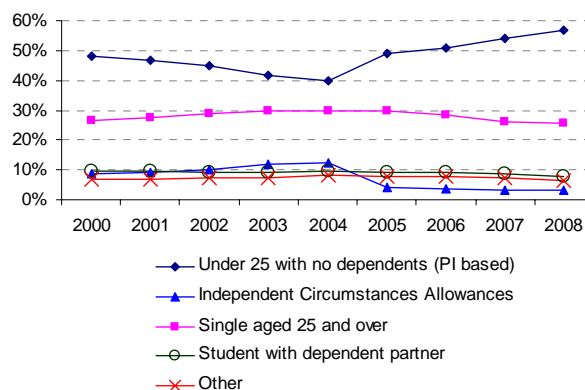
In 2007, the number of recipients increased by 3,050 (or 5 percent) and reached about 62,500. Allowances expenditure increased by \$12 million (or 3 percent) and reached \$386 million. The average annual gross allowance decreased by 2 percent to \$6,200. This fall in the average annual allowance was mostly due to the increase in the proportion of relatively less expensive parental income based allowances.

The proportion of targeted parental income-based allowances was around 40 percent in 2004. As a result of a 20 percent increase in the parental income threshold from 1 January 2005 this proportion increased to 49 percent in 2005. The proportion of targeted allowances increased again to 51 percent in 2006 and 54 percent in 2007.

## Allowances recipients by allowance type

The number of parental income-based allowances for students under the age of 25 years with no dependants (a targeted group) increased by 8 percent in 2006 and by a further 12 percent in 2007.

**Figure 2: Proportion of allowances recipients by allowance type**



In 2008, the number of targeted parental income-based allowances increased by 10 percent to 37,400. The proportion of parental income-based allowances increased by 2.7 percentage points and reached 57 percent. Compensating percentage point decreases occurred for students with dependent partners (down 0.8), single students aged 25 years and over (down 0.7), and Independent Circumstances Grant recipients<sup>6</sup> (down 0.2). The decreases in the proportions of other allowances categories were smaller.

**Table 2: Allowances recipients by allowance type<sup>7</sup>, 2008**

Allowance type	Number of allowances recipients	Average main allowance	Average Accommodation benefit	Average annual allowance
16-24 year-olds, parental income tested	37,400	\$4,600	\$1,200	\$5,300
Independent circumstances allowances for 16-24 year-olds	2,100	\$4,500	\$1,000	\$5,400
Single, aged 25 years and over	16,800	\$5,400	\$1,000	\$6,300
Student with earning spouse	1,200	\$2,400	\$500	\$2,500
Single student with child(ren)	1,600	\$7,800	\$1,400	\$9,100
Couple, one eligible	200	\$6,600	\$1,000	\$7,400
Couple, both eligible	1,200	\$4,800	\$1,000	\$5,700
Student with a dependent partner	5,200	\$9,900	\$1,000	\$10,800
All	65,700	\$5,300	\$1,100	\$6,000

4 The average annual allowance in this report includes the average accommodation benefit.

5 From 1 January 2006 the personal income threshold increased from \$135.13 per week gross to \$180 per week gross and a cliff-face exclusion for personal income over the threshold was replaced with a 100 percent or 'dollar for dollar' abatement regime.

6 The Independent Circumstances Grant is paid to single students under the age of 25 years with no dependants who are eligible for allowances but who, for special reasons, cannot be supported by their parents.

7 The following categories of allowances recipients might or might not have child(ren): student with earning spouse; couple, one eligible; couple, both eligible; student with a dependent partner.

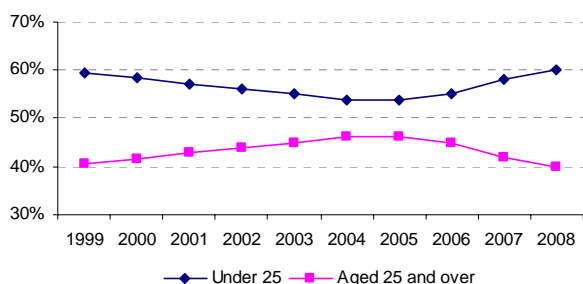
The proportion of recipients whose allowances were abated on parental income test grounds from the total number of parental income-based allowances decreased from 36 percent in 1999 to 34 percent in 2002 to 32 percent in 2004 and to 28 percent in 2007. In 2008, the proportion of abated allowances decreased to 26 percent. Consequently 74 percent of students received a full parental income-based allowance.

In 2008, the average annual allowance ranged from \$2,500 for a student with an earning spouse to \$10,800 for a student with a dependent partner.

### Allowances recipients by age group<sup>8</sup>

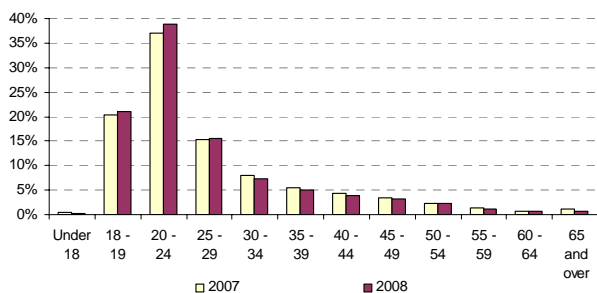
In 2008, the average age of allowances recipients dropped by 2 percent to 26.5 years. This was mostly due to a marked increase in the proportion of allowances received by students under the age of 25 years.

Figure 3: Student allowances recipients by main age group<sup>9</sup>



In 1999, around 60 percent of allowances recipients were under the age of 25 years. By 2004, the proportion had dropped to 54 percent. In 2008, the proportion returned to the 1999 levels, with 60 percent of allowances recipients under the age of 25 years and 40 percent aged 25 years and over.

Figure 4: Distribution of student allowances recipients by age group



The decrease in the proportion of allowances recipients under the age of 25 years between 1999 and 2004 was due to the decrease in the proportion of this age group among those eligible for student allowances. This resulted from the fact that the parental income limits were frozen over that time, while average parental incomes were rising. In addition, there was a gradual ageing of the student population during that period.

8 Age of allowance recipients as at 31 December  
9 Note that the Y-axis starts at 30 percent.

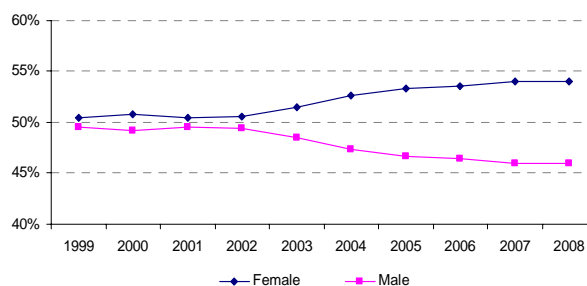
The difference in the average annual allowances for the main age groups was relatively stable between 2005 and 2007, at around \$2,000. However in 2008 the average annual allowance of a student aged under 25 years increased by 1.9% to \$5,400 while that for a student aged 25 years and over dropped by 6.7% to \$7,000. These changes lead to a decrease in the gap, with a student under the age of 25 years receiving about \$1,600 less than a student aged 25 years and over.

### Allowances recipients by gender

Between 1999 and 2002, about half of the allowances recipients were female. From 2003, the proportion of female recipients increased and it reached 54 percent in 2007 and 2008.

The increase in the proportion of female allowances recipients resulted from the increase in participation of women in tertiary education.

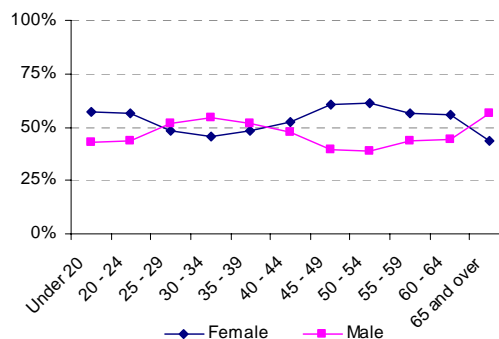
Figure 5: Student allowances recipients by gender<sup>10</sup>



In 2008, the average age of female allowances recipients was 26.3 years and the average age of male recipients was 26.7 years.

The proportions of female and male allowances recipients differ for the various age groups. In 2008, the proportion of females was higher than for males in all age groups except for 25 to 39 year-olds<sup>11</sup>. This was likely to be the result of women starting their families and looking after small children.

Figure 6: Student allowances recipients by age group and gender, 2008



10 Note that the Y-axis starts at 40 percent.  
11 The proportion of females is also lower than males for the 65 years and over age group.

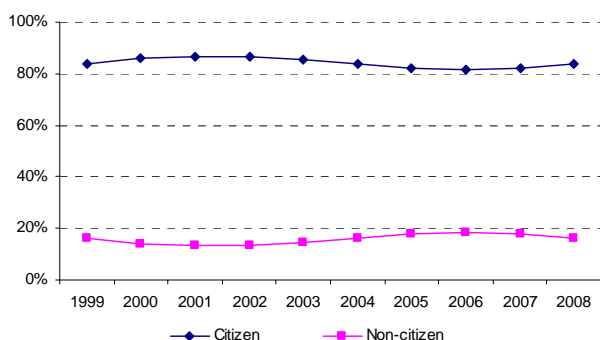
In 2008, 63 percent of female allowances recipients were under the age of 25 years, an increase of 2.4 percentage points from 2007. In comparison, about 57 percent of males were under the age of 25 years, an increase of 2.1 percentage points from 2007.

The average annual allowance of male students was about \$90 higher than females in 2004. The difference disappeared by 2006 and then reversed in the next two years, with the average annual allowance of female students exceeding that of males by \$80 in 2008. This difference in favour of females was mostly due to two categories of recipients: a student under the age of 25 years with no dependants and a single student with child(ren).

### Allowances recipients by residency

The percentage of non-citizen<sup>12</sup> allowances recipients increased from 13 percent in 2002 to 19 percent in 2006 and then it dropped back down to 16 percent in 2008. The average annual allowance of non-citizens is higher than that of citizens. The difference increased from about \$500 in 2004 to around \$1,000 in 2006. However, in 2008, the difference decreased to about \$600.

Figure 7: Student allowances recipients by citizenship



The difference results from the different profiles of citizens and non-citizens. In 2007, citizen and non-citizen recipients had a similar gender breakdown: about 54 percent were female and 46 percent were male. However, the average age of citizens and non-citizens differed considerably at 26 years and 31 years, respectively. Consequently, the proportion of single students with no dependants (all ages) among New Zealand citizens receiving allowances was 89 percent compared to 69 percent for non-citizens. Note that the average annual allowance of students with no dependants is lower than the overall average annual allowance.

### Allowances recipients by main ethnic group

It is not mandatory for students to declare their ethnicity and students may report more than one ethnicity. In 2008, based on the full-response counts<sup>13</sup>, 50 percent of allowances recipients were New Zealand European and 23 percent were Asian. Māori represented 13 percent of recipients and Pasifika 6 percent.

About 4 percent were students from other ethnic groups and 3 percent of allowances recipients did not specify their ethnicity.

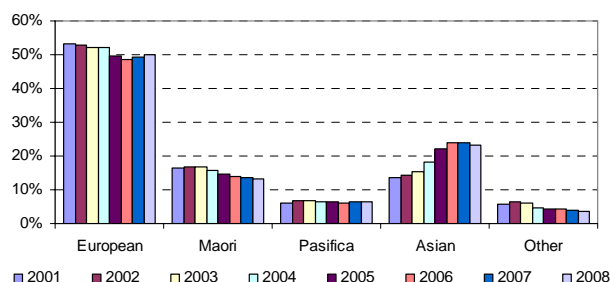
New Zealand Europeans contributed 66 percent to the 3,200 increase in the number of allowance recipients in 2008. This is different from 2006 when Asian students contributed 65 percent of the 2,600 increase in the number of allowance recipients.

Table 3: Student allowances recipients by main ethnic group by gender, 2008

Ethnic group	Female	Male	Total
NZ European	19,600	15,300	34,900
Māori	4,900	4,400	9,300
Pasifika	2,500	2,000	4,500
Asian	8,500	7,500	16,000
Other	1,100	1,400	2,600
Unspecified	1,100	1,200	2,300
All	35,500	30,200	65,700

In 2008, the average annual allowance of Asian recipients was about \$700 higher than the overall average annual allowance of \$6,000.

Figure 8: Proportion of student allowances recipients by ethnic group



The average age of allowances recipients differed for the ethnic groups. In 2008, New Zealand European students were aged 25 years, on average, and Pasifika students 26 years. Māori and Asian allowances recipients were slightly older, on average, at 28 years and 29 years, respectively. Overall, the average age of allowances recipients was 26.5 years.

The gender proportions differed for the ethnic groups as well. The proportions of female allowances recipients in 2008 were 56 percent for New Zealand Europeans, 55 percent for Pasifika, 53 percent for Asians, 52 percent for Māori and 44 percent for the Other ethnic group. Overall, the proportion of females was 54 percent.

### Student allowances by marital status

About 86 percent of student allowances recipients are single and 14 percent are living in relationships (married or de facto couples). In 2008, the average annual allowance of non-single recipients was about \$2,500 higher than that of single recipients (\$8,200 for couples compared with \$5,700 for single students).

<sup>12</sup> New Zealand permanent residents or refugees who have lived in New Zealand for two years are entitled to allowances, subject to meeting eligibility criteria.

<sup>13</sup> Counts based on multiple responses.

## Student allowances by parental status

From 2000 to 2004, the proportion of allowances recipients with children remained relatively stable at around 12 percent. The proportion dropped to 11 percent in 2005, 9 percent in 2007 and 8 percent in 2008. The number of recipients with children decreased from a maximum of 8,400 in 2001 to 5,000 in 2008.

In 2008, the average annual allowances of recipients with children and without children were about \$9,000 and \$5,800 respectively. As a result the average annual allowance of recipients with children was about 50 percent higher than the overall average annual allowance of \$6,000.

## Allowances recipients by provider type<sup>14</sup>

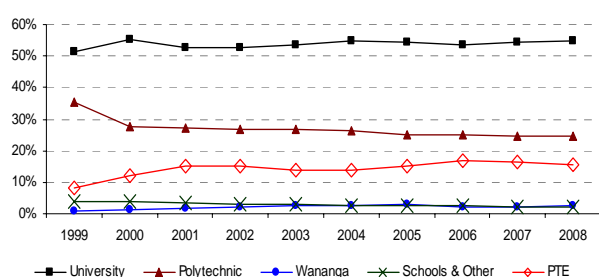
In 2008, more than half of student allowances recipients were studying at university<sup>15</sup> and a quarter were studying at institutes of technology and polytechnics. There was an increase in the proportion of assisted students studying in private training establishments (PTEs) from 14 percent in 2004 to 15 percent in 2005 and 17 percent in 2007. However, in 2008 the proportion dropped to 16 percent. This decrease was compensated for by a small increase in the proportion of allowances recipients studying at universities.

Table 4: Allowances recipients by provider type, 2008

Provider type	Allowances recipients	Sub-sector proportions	Average annual allowance
University	36,000	55%	\$6,200
Polytechnic	16,300	25%	\$5,900
Wānanga	1,700	3%	\$7,500
Schools & Other	1,400	2%	\$5,900
PTEs	10,300	16%	\$5,400
All	65,700	100%	\$6,000

In 2008, the average age of allowances recipients was 26.5 years. The average age was 24 years in universities, 28 years in polytechnics, 30 years in private training establishments and 41 years in wānanga.

Figure 9: Proportions of allowances recipients by provider type



In 2008, the proportion of female allowances recipients was 54 percent overall. However the proportion differed by provider type: 60 percent in wānanga, 55 percent in universities and private training establishments, and 50 percent in polytechnics.

Figure 10: Average age of allowances recipients by provider type



The allowance type composition differs markedly by provider type. In 2008, the proportion of allowance recipients under the age of 25 with no dependants (a targeted group) was 57 percent. For universities, polytechnics, wānanga, schools and other, and private training establishments it was 69 percent, 46 percent, 10 percent, 73 percent and 39 percent, respectively.

The difference in the profile of student allowances recipients in different provider types leads to variations in the average annual allowance by sub-sector. In 2008, the highest average annual allowance was observed in wānanga (25 percent higher than the overall average of \$6,000) and the lowest was observed at private training establishments (10 percent lower than the overall average).

Table 5: Allowances type composition by provider type, 2008 (%)

Allowance type	Uni	Poly	Wān	Schools & other	PTEs	Total
16-24 year-olds, parental income tested	69	46	10	73	39	57
Independent circumstances						
allowances for 16-24 year-olds	2	4	3	5	5	3
Single, aged 25 years and over	22	30	37	4	34	26
Student with an earning spouse	1	3	4	1	3	2
Single student with child(ren)	1	4	8	2	4	2
Couple, one eligible	0	0	0	0	1	0
Couple, both eligible	1	2	7	2	4	2
Student with a dependent partner	4	11	31	13	12	8
Total	100	100	100	100	100	100

## Personal income

It is not mandatory for students to declare their personal income unless it is over the personal income test threshold. About 35 percent of students declared their personal income over the years from 2005 to 2008.

<sup>14</sup> Provider type is determined by the last provider at which a student received allowances in a calendar year.

<sup>15</sup> For the purposes of this analysis, the colleges of education have been combined with universities, as they have all now merged with universities.

In 2007, the average declared personal income increased by 5 percent to \$5,000, and it increased by a further 3 percent in 2008 to \$5,200.

The average personal income of the 23,100 students who declared their personal income in 2008 was about:

- \$1,100 higher for students aged 25 years and over than for those under the age of 25 years;
- \$100 higher for male students than for female;
- \$700 higher for non-single students than for single recipients; and
- \$1,000 higher for students with children than for students without children.

**Table 6: Average annual allowance of recipients with declared personal income by allowance type, 2008**

Allowance type	Allowance recipients	Average personal income	Average annual allowance
16-24 year-olds, parental income tested	13,600	4,700	5,300
Independent circumstances allowances for 16-24 year-olds	700	5,000	6,200
Single, aged 25 years and over	6,000	5,800	6,700
Student with an earning spouse	300	5,900	2,700
Single student with child(ren)	600	6,600	9,300
Couple, one eligible	100	5,200	7,400
Couple, both eligible	300	6,400	5,800
Student with a dependent partner	1,500	5,600	10,700
All	23,100	5,200	6,100

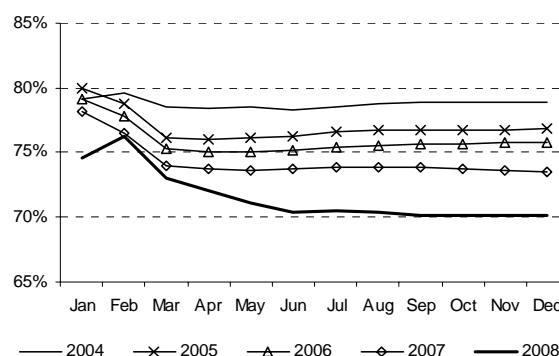
## Accommodation benefit

Students eligible for student allowances can also apply for an accommodation benefit. The proportion of accommodation benefit recipients among student allowances holders is generally quite high. It reached a maximum of 79 percent in 2004. However it dropped 5 percentage points by 2007 and fell a further 4 percentage points to 70 percent in 2008. All groups of students have contributed to the decrease in the accommodation benefit uptake since 2004, most notably single students aged 25 years and over (54 percent) and single students under the age of 25 years (20 percent).

The decrease in the accommodation benefit uptake rate observed since 2004 may result from a marked increase in rental prices, which were not completely reflected in the regional adjustments made to the accommodation benefit rates. The drop in accommodation benefit uptake may mean that students are more likely to continue living with their parents during their tertiary study than to live away from home.

The average annual accommodation benefit was about \$900 in 2004. It increased to \$1,000 in 2006 and to \$1,100 in 2008.

**Figure 11: Uptake in accommodation benefit<sup>16</sup>**



**Table 7: Average annual allowance by component**

	2004	2005	2006	2007	2008
Main allowance	\$5,400	\$5,300	\$5,500	\$5,400	\$5,300
Accommodation benefit	\$900	\$1,000	\$1,000	\$1,100	\$1,100
Average annual allowance (total)	\$6,100	\$6,100	\$6,300	\$6,200	\$6,000

## Allowances and loan recipients

Among student allowances recipients we can distinguish those who receive allowances only (SA) and those who also borrow from the Student Loan Scheme (SA+SL). The proportion of student support recipients who received allowances only decreased from 23 percent in 2000 to around 20 percent from 2001 to 2005 and then down to 17 percent in 2006. In 2008 the proportion increased to 19 percent.

**Table 8: Student allowances and loans combinations**

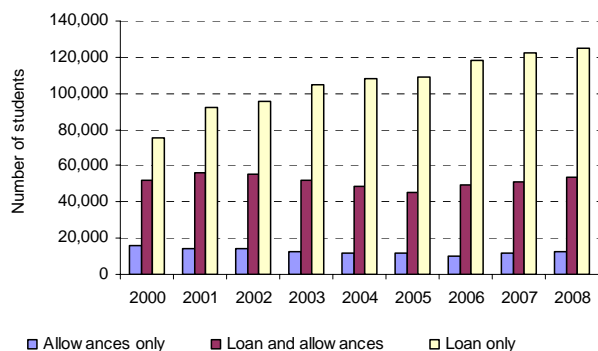
Number	2004	2005	2006	2007	2008
Allowances only	11,900	11,400	10,300	11,400	12,200
SA + SL	48,900	45,400	49,100	51,100	53,500
Loan only	108,100	109,000	118,300	122,700	125,000
SA and/or SL	169,000	165,800	177,800	185,100	190,700

Of the 65,700 student allowances recipients in 2008, about 53,500 students received allowances and a loan. This represents 30 percent of all loan borrowers in 2008.

The profile of student allowances recipients who receive allowances only differs from the profile of students who receive allowances and borrow through the student loan scheme.

<sup>16</sup> Note that the Y-axis starts at 65 percent.

Figure 12: Comparison of student allowances recipients and student loan borrowers



In 2008:

- Allowances only recipients and allowances recipients with a loan had a similar gender breakdown: about 54 percent were female and 46 percent were male.
- Half of the students who received an allowance only were under the age of 25 years, compared to 62 percent of those with allowances and loans.
- About 20 percent of students who received allowances only were not single compared to 13 percent of those with allowances and loans.
- About 11 percent of students with allowances only had children compared to 7 percent of students with allowances and loans.

Table 9: Profile of recipients of allowances only and recipients of allowances and loans, 2008

		SA	SA+SL
By gender	Female	6,600	29,000
	Male	5,600	24,500
By age group	Under 25	6,200	33,400
	Aged 25 and over	6,000	20,100
By marital status	Single	9,800	46,800
	Non-single	2,400	6,700
By parental status	No children	11,000	49,800
	With children	1,200	3,700

Student loan borrowers who are studying full-time are entitled to borrow up to \$150<sup>17</sup> per week towards meeting their living costs, less any net student allowances entitlement they have.

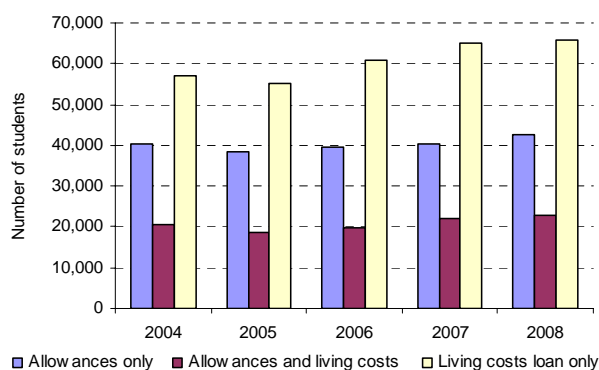
Table 10: Student allowances and living-costs entitlement combinations

	2004	2005	2006	2007	2008
Allowances only	40,300	38,400	39,500	40,400	42,800
SA and Living costs	20,500	18,500	19,900	22,100	22,900
Living costs only	57,000	55,200	61,000	65,100	65,900
SA and/or Living costs	117,800	112,100	120,400	127,600	131,600

17 From January 2009 the living costs loan entitlement is \$155 per week.

In 2008, about 22,900 students (35 percent of total allowances recipients) received both allowances and a living-costs loan entitlement. Only 50 percent of 2008 student loan borrowers received the living-costs component of the loan; this was due to part-time students and students whose allowances were above \$150 per week being ineligible for the living-costs entitlement. Of those borrowers, about 26 percent also received student allowances.

Figure 13: Comparison of student allowances recipients and student loan borrowers



In 2008, about 31 percent of the recipients of allowances only studied bachelors degrees and 41 percent studied at degree level and higher. In comparison, students who received allowances and loans, 57 percent studied bachelors degrees and 66 percent studied at degree level and higher. Thus receiving both student allowances and student loans is more prevalent amongst those studying for higher qualifications.

Table 11: Recipients of allowances only and recipients of allowances and loans by level of study, 2008

	SA	SA+SL	SL	Total SA	Total SL
Certificate, level 1-3	2,900	6,600	26,500	9,500	33,100
Certificate, level 4	1,700	4,600	12,400	6,300	17,000
Diploma, level 5-6	1,700	7,000	16,900	8,700	23,900
Bachelors degree	3,900	30,600	58,000	34,500	88,600
Honours/Post graduate certificate	500	2,900	6,800	3,400	9,700
Masters	400	1,200	3,200	1,600	4,400
Doctorates	200	400	900	600	1,300
Non-tertiary (Schools)	900	200	300	1,100	500
All	12,200	53,500	125,000	65,700	178,500

## Changes to student allowances expected in 2009

From 1 January 2009, two Budget 2008 initiatives that affect the uptake in student allowances were put in place:

- a 1-year reduction in the age at which parental income testing cuts out (from 25 years to 24 years) and
- a 10 percent increase in the lower parental income threshold to \$50,318 per annum. The cut-out points are to rise to \$75,854 for students living at home and \$82,238 for students living away from home.

