AN OVERVIEW

In 2005, the number of student loan borrowers fell for the first time since the Student Loan Scheme was introduced in 1992. But students borrowed more, on average, in 2005 than in 2004.

Higher tuition subsidy rates for the year ended June 2006 led to an increase in government’s total financial support for students participating in tertiary education. Both the drop in the equivalent full-time student count and the greater proportion of students enrolling in courses that attract a lower per student funding rate were more than offset by the increase in the tuition subsidy base rates.

Uptake of student allowances in 2005 fell slightly on the previous year, in spite of the new parental income limits introduced in 2005 that were intended to enable larger numbers of students to qualify. This may reflect an increased choice of shorter, or part-time, vocational courses that do not attract student allowances.

LOOKING TO 2006

Interest charges on student loans for all students and for borrowers who remain in New Zealand after study have been abolished from 1 April 2006 onwards. Amendments to the Student Loan Scheme Act 1992 were passed by Parliament in December 2005 to give effect to the no-interest loan policy and to allow Inland Revenue to write off student loan late payment penalties for borrowers who were non-resident on 31 March 2006. The amnesty will run from 1 April 2006 to 31 March 2007. For more information on these changes to the Student Loan Scheme see page 141.

Government’s efforts in recent years to ease the cost of tertiary study for students has culminated in December 2005 in interest-free student loans after study for those who continue to reside in New Zealand. Containment of the amount students have had to borrow in recent years has come from providing interest write-offs on student loans for full-time students and for low-income, part-time students, restraints on tuition fee increases and increased eligibility for student allowances.

The largest component of all government spending on tertiary education is the tuition subsidies paid to tertiary education providers. Student loans and student allowances represent only 41 percent of the financial assistance provided by government to students participating in tertiary education. This chapter covers information on student loans, allowances and other forms of financial support such as scholarships, while information on tuition subsidies is provided in chapter 15.

Government’s financial support for tertiary study for the year ended June 2006 increased by 5.4 percent due to an increase in the tuition subsidy rates and an increase in the average amount borrowed by students.

Figure 10.1: Government support for tertiary study – tuition subsidies, student loans and allowances

[Graph showing government support for tertiary study]

Notes:
1. The figures for 2005/06 are provisional.
2. Student allowance amounts are before tax or gross amounts.
3. Tuition subsidies include appropriations to the performance-based research fund.
4. Student loan amounts are capital amounts.

ANALYTICAL TABLES: An associated set of tables on the financial support for tertiary education students is available on the Education Counts website, Tables SLS7-25, SALT-11 and STO1. Detailed technical information on the data presented here can be found in chapter 17.
Over the five years ended June 2006, government’s financial support increased by 5.3 percent a year (on average) to $3.4 billion. Over the same period, tuition subsidies and student loans averaged an increase of 8.1 percent and 3.7 percent per annum, respectively, while student allowances expenditure fell by 2 percent. In the 2005 academic year, the amount borrowed under the Student Loan Scheme reached $971 million while $354 million in allowances was paid to tertiary students. The recent decreases in the expenditure on allowances occurred despite an increase in the parental income thresholds for student allowances eligibility. Lower unemployment in 2004 may have lifted the incomes of some parents, resulting in lower or no allowances entitlements for their children.

Government’s expenditure on tuition subsidies, student allowances and student loans was 2.2 percent of New Zealand’s gross domestic product for the year ended June 2006, up slightly from 2.1 percent for the previous year.

The principles underlying the student support system

The government believes that, to be effective, our student support system must be built upon a set of underpinning principles that reflect New Zealand’s needs and circumstances. These are:

- To maintain high levels of participation in, and completion of, tertiary education
- To ensure that New Zealand’s tertiary education system makes the best contribution to national development
- To ensure equity and fairness
- To ensure that government investment in student support and tertiary education is financially sustainable
- To ensure that tertiary education is affordable for students, and
- To ensure consistency with the wider social assistance system.

Any improvements to student support must meet all five principles because only then will the changes be equitable, have public acceptance, meet our national goals, and be sustainable over the longer term.

THE STUDENT LOAN SCHEME

The Student Loan Scheme plays an important role in providing support to tertiary students and helping to achieve the government’s social and economic goals. Introduced in 1992, the scheme supports the participation of all New Zealanders in tertiary education by providing students with access to finance for tuition fees and other education-related costs.

The Student Loan Scheme reached its 14th year of operation in 2005. Increased participation in tertiary education has taken the annual level of borrowing to $971 million in 2005. In the scheme’s first year of operation students borrowed $160 million. The level of borrowing has stabilised since 2003. The face value of the aggregate loan balance on 30 June 2006 was $8,370 million, compared with $7,499 million a year earlier and $3,521 million on 30 June 2000. By 2034, it is expected that total repayments of debt each year will exceed drawings. This is a significant change from earlier estimates of when repayments would exceed drawings. In 2005, the forecast was that this would occur in 2016. The change in the estimated date is due to the introduction of interest-free loans from 1 April 2006.

From 1992 to 2003, the amount borrowed per student increased, on average, by 5 percent per academic year. However, in 2004, the average amount borrowed declined by 0.9 percent to $6,258, compared with $6,316 in 2003. In 2005, the upward trend resumed and the average amount borrowed increased by 2.4 percent to $6,408.

Government has taken a number of measures to make tertiary education more affordable. The ‘no interest while studying’ policy that took effect in 2000 was designed to help reduce the growth of student loan debt and the introduction of ‘fee and course costs maxima’ was designed to limit fee increases by tertiary education providers. The increases in the parental income thresholds for student allowances eligibility, introduced in 2005, were also designed to reduce borrowing. While the majority of full-time domestic students have loans, the number of students borrowing for study in 2005 fell by 1.7 percent on the previous year to 154,000 borrowers. From 1 April 2006, loans became interest-free for those who remain in New Zealand.
A student loan is made up of four components

The components and their maximum entitlements are as follows:

- Full-time students can access a living costs entitlement of $150 per week for each week of the course, less any net entitlement to student allowances.
- A course-related costs component of up to $1,000 per year is available to help cover costs for the course being studied.
- A fees component enables students to have the compulsory fees charged for the study being undertaken transferred from their loan account to their tertiary provider.
- An administration fee of $50 is charged the first time a new loan account is established in each year of study.

Lending under the Student Loan Scheme is managed by StudyLink, a service of the Ministry of Social Development. Each year on 28 February, borrowing records are transferred to Inland Revenue, which is responsible for collecting student loan repayments through the tax system. For more information see the Student Loan Scheme Annual Report Incorporating the Financial Statements to 30 June 2006: www.educationcounts.edcentre.govt.nz/publications/tertiary

Interest on student loans is abolished

Interest-free student loans came into effect on 1 April 2006. Student loan borrowers eligible for interest-free loans (they must be living in New Zealand for 183 or more consecutive days) will have their interest written off automatically after the end of the tax year. They do not have to register for interest-free student loans. The first interest write-off will be in April 2007.

Borrowers who do not satisfy the ‘living in New Zealand’ criterion may qualify for an exemption to make their loan interest-free. Exemptions apply to circumstances such as overseas postgraduate study and volunteer work.

As part of the interest-free initiative, Inland Revenue is also working on matching data with the New Zealand Customs Service to identify borrowers who don’t qualify for interest write-offs. This work will involve historical, transitional and ongoing data matches between the two agencies.

Pre-requisites to borrowing under the Student Loan Scheme

Borrowers must sign a loan contract with the Crown and students who are less than 18 years old need parental consent before they can borrow. Undischarged bankrupts are not eligible to apply for a student loan. To be eligible for a loan a student must:

- be a New Zealand citizen or have been granted permanent residence in New Zealand, and
- be enrolled in an approved course of study at a recognised tertiary education organisation, and
- be meeting minimum duration of study and course load requirements.

Profiling student loan borrowers

The number of students who borrowed under the loan scheme in the 2005 academic year was 154,000 (down 1.7 percent on 2004). This was the first time since the introduction of the scheme in 1992 that the number of borrowers fell.

As shown below, the number of borrowers had risen dramatically since the scheme began. Participation in tertiary education increased significantly in the 1990s and, while government funding increased, the tuition subsidy per equivalent full-time student fell during this time, increasing the cost of tertiary study for students.

Figure 10.2: Growth in borrower numbers since the scheme began

Source: Ministry of Education and Ministry of Social Development.
Changes in borrowing behaviour

There was a reduction in the number of people using the loan scheme in 2005. It is difficult to draw inferences about borrowing behaviour from the uptake rates across the whole loan scheme, because these are strongly influenced by the balance between full-time and part-time enrolments. Part-timers have a lower incidence of borrowing as the costs they face are lower and many part-time students have other sources of finance. So to consider borrower behaviour, it is more helpful to focus on how full-time students use the loan scheme.

The estimated uptake rate among full-time students was 81 percent in 2001 and ranged from 72 percent in 2003 to 76 percent in 2005.

Decline in first-time borrowers

Over the last three consecutive years, the number of students borrowing for the first time since 2000 fell each year. The number of new borrowers has dropped from 62,763 in 2002 to 51,433 students in 2005, despite a rise in the number of people participating in tertiary education for the first time.
As explained above, some part-time, part-year students became eligible to use the Student Loan Scheme in 2004. While this increased the number eligible to apply for a loan, part-time students face lower costs and are often able to afford to finance their study themselves. A relatively small proportion of part-timers use the Student Loan Scheme to finance their studies. The uptake rate for part-timers in 2005 was 13 percent, whereas for full-time students it was 76 percent.

The majority of borrowers are university students

In 2005, just over half of all those who borrowed fees were enrolled at universities. This proportion has remained relatively stable since 2000.

The uptake of loans at wānanga is significantly lower than in other providers, reflecting both the availability of zero fee qualifications at the wānanga and a high proportion of part-time students.
Borrowers in the European ethnic group increased as a proportion of the total European equivalent full-time student count, from 49 percent in 2000 to 56 percent in 2004. This proportion reduced to 55 percent in 2005. Māori borrowers accounted for 54 percent of total Māori equivalent full-time students in 2000 and 49 percent in 2004. This proportion reduced again in 2005 to 48 percent. Graphed below are borrowers by ethnic group for the years 2000 to 2005. As students can declare multiple ethnicities some overlapping of groups occurs in these graphs.

**Figure 10.9: Borrowers by ethnic group**

![Graph showing borrowers by ethnic group for the years 2000 to 2005.](source)

Note: Borrowers who have declared two ethnic groups are counted in each group. Borrowers who have declared three or more ethnic groups are omitted from this graph.

Most borrowers under 30 years of age

In 2005, 71 percent of borrowers were under the age of 30. Twenty-four percent of total borrowings were made by students of 30 to 50 years of age. The growing recognition of the value of lifelong learning has increased the average age of the student population. The graph below shows the comparative numbers of younger and older borrowers in 2005.

**Figure 10.10: Borrowers in 2005 by age group**

![Graph showing borrowers in 2005 by age group.](source)

Male students borrow more

Compared with their female counterparts, male students borrowed 14 percent more, on average, over the six years from 2000 to 2005. In 2005, the average loan for males was $6,832 compared with $6,128 for females. However, total borrowing by female students has been higher because the female participation rate increased during the 1990s and it has remained higher than the male rate.

In 2005, 60.4 percent of borrowers were female while the amount they borrowed was 58 percent of total loans. The proportion of female tertiary students in 2005 was lower, at 55 percent, than the proportion of female students who borrowed.

**Figure 10.11: Average amount borrowed by gender**

![Graph showing average amount borrowed by gender.](source)

Note: This data is provisional.
Amount borrowed increases

In 2005, the average amount borrowed increased by 2.4 percent to $6,408, compared with $6,258 in 2004. In 2004, the average amount borrowed had fallen, reversing the upward trend in borrowing since the inception of the loan scheme in 1992. This was attributed to an increase in the proportion of borrowers who were studying part-time. In 2005, the upward trend was resumed.

**Table 10.1: Average and median amount borrowed and leaving loan balances**

<table>
<thead>
<tr>
<th>Year</th>
<th>Average amount borrowed $</th>
<th>Percentage change</th>
<th>Median amount borrowed $</th>
<th>Percentage change</th>
<th>Leaving loan balance $</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>3,628</td>
<td></td>
<td>3,170</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>3,979</td>
<td>9.7</td>
<td>4,550</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>4,309</td>
<td>8.3</td>
<td>5,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>4,432</td>
<td>2.9</td>
<td>6,820</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>4,649</td>
<td>4.9</td>
<td>7,640</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>5,494</td>
<td>18.2</td>
<td>9,050</td>
<td></td>
<td></td>
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<tr>
<td>1998</td>
<td>5,714</td>
<td>4.0</td>
<td>9,960</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>4,917</td>
<td>-13.9</td>
<td>9,260</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>6,058</td>
<td>23.2</td>
<td>5,377</td>
<td></td>
<td>9,190</td>
</tr>
<tr>
<td>2001</td>
<td>6,135</td>
<td>1.3</td>
<td>5,487</td>
<td>2.0</td>
<td>9,220</td>
</tr>
<tr>
<td>2002</td>
<td>6,204</td>
<td>1.1</td>
<td>5,383</td>
<td>-1.9</td>
<td>9,480</td>
</tr>
<tr>
<td>2003</td>
<td>6,316</td>
<td>1.8</td>
<td>5,403</td>
<td>0.4</td>
<td>10,630</td>
</tr>
<tr>
<td>2004</td>
<td>6,258</td>
<td>-0.9</td>
<td>5,424</td>
<td>0.4</td>
<td>11,670</td>
</tr>
<tr>
<td>2005</td>
<td>6,408</td>
<td>2.4</td>
<td>5,485</td>
<td>1.1</td>
<td>na</td>
</tr>
</tbody>
</table>

Source: Ministry of Education and Ministry of Social Development.

Since 2004, fees have been regulated by the ‘fee and course costs maxima’ policy. While tertiary education providers are permitted to raise fees under the maxima, these increases were subject to limits. The median amount borrowed has been relatively stable from 2000 to 2004, largely as a consequence of fee stabilisation. In 2005, there was an increase of 1.1 percent in the median amount borrowed, compared to the 2004 level.

Borrowing by component

Most borrowers use the Student Loan Scheme to pay the compulsory fees charged by their tertiary education provider. Ninety-two percent of all borrowers used the scheme to pay fees in 2005, and 61 percent drew money from the scheme to help meet course-related costs. From 2000 to 2005, about 61 percent of all money drawn from the scheme was used to pay fees. The proportion used to pay fees has been comparatively stable in recent years – mainly due to the introduction of the government’s fee stabilisation policy (introduced in 2000) and also the higher incidence of part-time enrolments. However, there was a small increase in borrowing for fees in 2005.

Student loan balances and repayments

In the year following study, loans are transferred by StudyLink to Inland Revenue for collection and combined with any existing loan balance to form the new loan balance. This section relates to loan balances held by Inland Revenue and it discusses loan repayments. Statistics relate to the fiscal year, 1 July to 30 June, unless otherwise stated.
On 30 June 2006, the gross face value of loan balances was $8,370 million, compared with $7,499 million at 30 June 2005. This means that the face value rose by 11.6 percent over the year. The net student loan balance at 30 June 2006 was $5,569 million, down by 13.9 percent from the balance at 30 June 2005 of $6,465 million. Of this amount, $4,609 million is held by Inland Revenue and $960 million is held by the Ministry of Social Development. The fall in the net student loan balance over the year ended 30 June 2006 reflects the shift in accounting standards that accompanied the introduction of interest-free student loans. Loans are now valued according to new International Financial Reporting Standards, the details of which are explained in the latest Student Loan Scheme Annual Report.

In total, there were 470,507 borrowers with a student loan balance at 30 June 2006, up from 445,074 in 2005. The loan balances recorded at Inland Revenue at 30 June 2006 are charted below.

- Thirty percent of all loan balances were under $6,000 in 2006.
- Almost half were under $10,000.
- Sixty-three percent of balances were under $15,000.
- Loan balances of $40,000 or more made up 7.5 percent of all student loans.
- Balances of $50,000 or more made up 3.9 percent of all student loan balances.
- Loan balances over $55,000 represent less than 3 percent of total loans.

Loan balances increase

The average cumulative loan balance per borrower at 30 June 2006 was $15,883, compared with $14,997 in 2005 and $14,242 in 2004. The increase in the average student loan balance from 2005 to 2006 was 5.9 percent. The median student loan balance on 30 June was $10,652, compared with $10,404 a year earlier. The relatively large difference between the average and the median occurs because the average is inflated by the presence of a small number of very large balances. The year-to-year change in the average loan balance depends on the volume of additional borrowings, the number of new borrowers, the volume of repayments made and the number of loans that are repaid or written off. All four factors contribute to the total loan balance on any day. As the influence of each of the factors is different, their combined effect on the average student loan balance can be difficult to predict.
Student loan repayments

Inland Revenue is responsible for collecting student loan repayments through the tax system. As borrowers’ repayment obligations are tied to their income level, repayment rates tend to start slowly and increase over time.

The total value of loan repayments collected by Inland Revenue since the scheme began is $3,313 million. Of that amount, $1,817 million has been collected via employers through the PAYE system with the balance of $1,496 million coming directly from the borrowers. Repayments made directly by borrowers include compulsory repayment obligations met by borrowers who are self-employed (or IR3 taxpayers) and by borrowers overseas, as well as voluntary repayments. The majority of repayments were compulsory while the remainder comprise voluntary repayments. It is currently not possible to calculate exactly the amount of voluntary repayments made in any one year.

Factors influencing repayment rates

Research shows that the proportion of borrowers who have fully repaid their loan five years after study has fallen over the 1990s. The fall in the rate of repayment within five years was partly due to the rise in tuition fees during the 1990s. Each year post-study, around 7 percent more people have fully repaid their loans than in the previous year. By 30 June 2006, 195,393 people had completely repaid their loans since the scheme began. Research also shows that those who successfully complete a qualification are more likely to make progress in loan repayments. On the other hand, students who leave study with a high loan balance are more likely to have made no progress than those with lower leaving balances.

There is almost no difference in repayment rates between men and women. The main determinant of repayment rates is income and as people’s incomes rise, their repayment obligation increases. For this reason, borrowers’ repayment rates tend to start slowly and increase as they gain experience in the workforce. Studies of repayment rates show that:

- women repay more quickly than men in the early years post-study
- five to six years after leaving study, the proportion of men and women who have repaid in full becomes almost equal
- successful completion of a qualification is associated with quicker repayment
- those who study at higher qualification levels tend to repay more quickly despite having higher leaving balances, and
- when other factors are held constant, those with smaller loans tend to repay more quickly.
There was an exception to this for debts of over $25,000, where 34 percent of men had fully repaid their debt compared with 24 percent of women. Of those owing more than $25,000, 40 percent of women had made no progress compared with about a quarter of men (Smyth and Hyatt 2006).

Predicted repayment periods
The forecast of the average repayment period has fallen to 9 years, down from 9.1 years in 2005 and 9.3 years in 2004. The median loan repayment time is around 6.9 years. A quarter of borrowers repay their loans within three years and eight months while three-quarters of borrowers take less than 10.5 years to repay. In 2005, it was estimated that three-quarters of borrowers take 10.6 years to repay. The main factors contributing to the changes were the revised forecasts of future loan borrowings and the Treasury’s long-term interest rates.

Loan balance estimates
The estimated changes in average repayment times for the years 2001 to 2006 are graphed below.

Changes in repayment behaviour
The following graph shows the percentage of people who have completely repaid their loans according to the year they left study.

By 1996, more than half of those who left study in 1992 had repaid in full. However, this cohort had only one year’s borrowing at a time when fees were relatively low. Of those who left study in 1996, half had repaid by the end of 2002 – six years after leaving study. Leavers in 1997 and 1998 repaid their loans more slowly. Those who left study in 2000, and later, appear to be repaying slightly more quickly than the cohorts of the late 1990s. This trend is likely to be a consequence of the fee stabilisation policies that have operated since 2001 and the high employment in the last five or six years.

Repayment times are sensitive to changes in the income assumptions used in the forecasting model. An annual increase in borrowers’ real income growth of 0.2 percent results in forecast repayment times being shortened by up to six months.

Student loan interest write-offs
Prior to 1 April 2006, borrowers on low incomes could qualify to have all or part of their interest written off. This will no longer be necessary with the introduction of interest-free student loans for borrowers who remain in New Zealand after study. Borrowers living overseas will still pay interest unless they qualify for an exemption because they are undertaking postgraduate study or volunteer work. Student loans are written off if the borrower becomes bankrupt or dies before paying off their loan.
Valuing and forecasting the Student Loan Scheme

Money owed to the government is recorded financially as an asset. This is similar to the way in which banks record mortgages in their financial statements. The loan scheme is a significant government asset. The portfolio was forecast to grow to $12,700 million by the year 2014/15. This forecast is higher than the 2005 estimate of $12,000, reflecting the government’s move to interest-free student loans in 2006.

The loan scheme’s costs are shared between students and the government. The government covers the cost of changes to implement new policies or improve delivery, while borrowers meet part of the administration costs through a one-off fee of $50 for each year that they borrow. The government also meets the remaining administration costs and most of the cost of the capital needed to run the loan scheme, while borrowers overseas meet a share of the government’s estimated capital costs through interest payments.

The government writes off the following sums, which represent a cost to the Crown:

- from 1 April 2006, all interest for borrowers living in New Zealand
- before 1 April 2006, all or part of the interest accrued by borrowers who meet certain criteria
- student loan balances of deceased or bankrupt borrowers, and
- small balances.

The loan scheme is now valued under a New Zealand equivalent to the International Financial Reporting Standards. The change in the accounting approach is described in the latest Student Loan Scheme Annual Report.

The fair value of the loan scheme is the amount for which ownership of the loans portfolio could be exchanged. In the calculation of the fair value, an assessment is made of expected future cash flows. The cash flows are discounted at rates that depend on market estimates of future interest rates. These rates incorporate a risk premium. Since market interest rates are used each year, the valuation is subject to market fluctuations outside of the loan scheme’s control.

### Table 10.2: Fair value of the Student Loan Scheme at 30 June

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face value</td>
<td>6,821</td>
<td>7,499</td>
<td>8,370</td>
</tr>
<tr>
<td>Fair value</td>
<td>5,734</td>
<td>5,994</td>
<td>5,538</td>
</tr>
<tr>
<td>Ratio</td>
<td>84.1%</td>
<td>79.9%</td>
<td>66.2%</td>
</tr>
</tbody>
</table>

Source: Ministry of Education.

The fair valuation of the loan scheme at 30 June 2006 was approximately $5,538 million. This is 66.2 percent of the face value of the loan scheme’s closing balance ($8,370 million) on the same date. Last year, the fair value calculated as at 30 June 2005 was $5,994 million (79.9 percent), while in 2004 the fair value was $5,734 or 84.1 percent of the face value. The fall in the ratio of fair value to face value in 2006 reflects the introduction in 2006 of interest-free student loans.

### Interest rates

The interest rate for 2006/07 is 6.9 percent. Only borrowers living overseas incur interest. All student loan borrowers living in New Zealand are eligible for a full write-off of all interest incurred after 1 April 2006.

The average net interest rate is the total amount of interest charged – net of write-offs – as a percentage of the face value of all student loan balances. In the calendar year 2005, the average net interest rate was 3.2 percent, compared with 2.8 percent in 2002 and 2004.

Had the interest-free student loans policy not been implemented, the average net interest rate for the period 2006 to 2050 was forecast to be around 3.4 percent – representing only around 52 percent of the gross interest. Because interest is now accrued only by loan borrowers residing overseas, the average net interest rate under the new policy for the same period is estimated to be around 1.7 percent.

### Estimates of loan balances

Listed below is the long-term projection of loan balances and this shows the estimated aggregate student loan balance at the end of each fiscal year.
### Table 10.3: Forecast gross debt levels

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>10,200</td>
<td>13,400</td>
<td>16,100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>11,200</td>
<td>1,000</td>
<td>14,400</td>
<td>1,000</td>
<td>17,000</td>
<td>900</td>
</tr>
<tr>
<td>2003</td>
<td>10,200</td>
<td>-1,000</td>
<td>12,500</td>
<td>-1,900</td>
<td>14,400</td>
<td>-2,600</td>
</tr>
<tr>
<td>2004</td>
<td>10,500</td>
<td>300</td>
<td>13,000</td>
<td>500</td>
<td>15,100</td>
<td>700</td>
</tr>
<tr>
<td>2005</td>
<td>9,800</td>
<td>-700</td>
<td>12,000</td>
<td>-1,000</td>
<td>14,100</td>
<td>-1,000</td>
</tr>
<tr>
<td>2006</td>
<td>9,900</td>
<td>100</td>
<td>12,700</td>
<td>700</td>
<td>15,300</td>
<td>1,200</td>
</tr>
</tbody>
</table>

Source: Ministry of Education – TESLA model.

### STUDENT ALLOWANCES

The Student Allowances Scheme was introduced in 1989 to help students from low-income families meet their living costs while studying full-time. New Zealanders studying towards recognised tertiary qualifications, and some senior secondary school students, may apply for student allowances. The scheme gives every tertiary student a 200-week entitlement to student allowances, subject to eligibility criteria.

In 2005, government expenditure on student allowances was $318 million plus $44 million in accommodation benefits paid to student allowances recipients. This was a 7 percent decrease on 2004 student allowances expenditure. The numbers of student allowances recipients reduced by 21 percent in 2005. The smaller reduction in expenditure is due to the annual increase in allowance rates and the adjustments to the parental income thresholds, which provided many recipients of student allowances with higher rates of allowances.

Student allowances are available to New Zealand citizens and permanent residents who have lived in New Zealand for two years. Applicants must be full-time students enrolled in an approved course of study of at least 12 weeks’ duration.

There is a range of different allowance types depending on individual circumstances:

- single students under 25, with some exceptions, are subject to a parental income test to determine their entitlement
- all student allowances applicants are subject to a personal income test
- couples are subject to a couple income test, and
- student allowances holders who are not living with their parents may also qualify for an accommodation benefit.

### Changes to income limits

Allowances for single students without dependants and under the age of 25 years have been subject to a means test on the applicant’s parents’ income since 1992. Starting in April 2005, these parental income limits are being adjusted annually to reflect changes in the cost of living. The intention of this feature is to target allowances to students from low-income families. As at 1 April 2005, allowances were abated for joint parental income above $34,600 per annum and under $57,981 if the student lived at home, or under $63,826 if the student was living away from home. As a result of the 1 April 2006 adjustment, the level of family income where abatement of the allowance starts moved to $35,700 and entitlement runs out at $59,800 before tax for students living at home and $65,043 before tax for students living away from home.

From 1 January 2006, there have been a number of changes to the income-related criteria for student allowances. These include an increase to the personal income threshold from $135 gross per week to $180 gross per week and an abatement regime for personal income over $180 gross per week whereby the gross student allowance is reduced by the equivalent amount. The dependent spouse rate combined income limit has been increased. Where previously a student may have moved from the dependent spouse to the earning spouse rate for combined income over $270, the combined income limit for the dependent spouse rate is now $360. The joint income cut-off point has also
been increased. Whereas previously the cut-off point was $610 or $630, depending on whether the couple had dependent children or not, it is now $750 regardless of whether or not the couple has dependent children. The earning spouse rate will be abated by an amount equivalent to any income that the student has over the personal income threshold.

Previously, $2,200 of parents’ joint annual taxable income was disregarded for each ‘other dependent student’ aged between 16 and 24 years who was in full-time study (excluding the student applying for student allowances). This exemption has been increased to $7,000. An additional exemption of $3,400 per year will apply to the joint taxable income of parents who live in separate residences. This is on top of any ‘other dependent student’ income reduction.

Profiling students who receive allowances

In 2005, 56,800 students received student allowances. This was a significant reduction, as 72,000 students received student allowances in 2004.

As shown below, the number of student allowances recipients increased each year from 1999 to 2001, decreased in 2002 and 2003, rose again in 2004 and fell again in 2005. One significant reason for the fall in 2005 was that the government changed the criteria for eligibility for student allowances. Previously, people who had been in work for 96 weeks had qualified for an allowance without their parents’ income being tested, while some untargeted allowances were available for people under 25 years of age on account of their previous marital status. While the numbers receiving targeted allowances rose, this increase was more than offset by the fall in the numbers of work-related and marital status-related allowances. In order to improve targeting of allowances and to remove discriminatory elements of the scheme, the government removed those grounds for eligibility and increased the parental income targeting thresholds.

Other contributing factors to account for this fluctuation include the comparative ease of applications for student loans, while student allowances applicants under 25 must provide evidence of their parents’ income; higher incomes due to low unemployment rates; increases in the parental income thresholds for student allowances; and more people taking short or part-time courses that cost less and do not attract allowances.

There are more women than men undertaking tertiary education and 14 percent more women receive student allowances.

The majority of student allowances recipients are in the 18 to 26 age group. Women predominate in all age groups. In 2005, there have been decreases in the number of student allowances recipients in every ethnic group except Asian.
More than half of student allowances recipients were studying at university and nearly a third studied at an institute of technology or polytechnic. Mergers between colleges of education and universities have reduced the numbers of student allowances recipients who are recorded as studying at a college of education.

The numbers of male and female allowances recipients studying at polytechnics or institutes of technology are similar. In all other sub-sectors, there were more female than male allowances holders.

<table>
<thead>
<tr>
<th></th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colleges of education</td>
<td>802</td>
<td>326</td>
<td>1,128</td>
</tr>
<tr>
<td>Polytechnics</td>
<td>6,880</td>
<td>6,891</td>
<td>13,771</td>
</tr>
<tr>
<td>Private training establishments</td>
<td>4,505</td>
<td>3,909</td>
<td>8,414</td>
</tr>
<tr>
<td>Universities</td>
<td>16,038</td>
<td>13,621</td>
<td>29,659</td>
</tr>
<tr>
<td>Wānanga</td>
<td>902</td>
<td>729</td>
<td>1,631</td>
</tr>
<tr>
<td>Multiple sub-sectors</td>
<td>1,161</td>
<td>1,042</td>
<td>2,203</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,288</td>
<td>26,518</td>
<td>56,806</td>
</tr>
</tbody>
</table>

Table 10.4: Student allowances recipients in 2005 by sub-sector and gender

Source: Ministry of Social Development.

Note: Students enrolled in more than one sub-sector are counted under ‘multiple sub-sectors’.
How much are the allowances?

In 2005, the average student allowance was $5,597, which is $11 less than in 2004, and the average accommodation benefit paid to student allowances recipients was $1,007, which is $119 more than in 2004. Of the 56,800 student allowances recipients in 2005, 45,400 students (80 percent) also borrowed from the Student Loan Scheme. This was 29 percent of all (154,400) 2005 borrowers.

Student loan borrowers who are studying full-time are entitled to borrow up to $150 per week towards meeting their living costs, less any net student allowances entitlement they have. In 2005, 18,456 students (32 percent of student allowances recipients) received both student allowances and a living costs loan entitlement. Only 48 percent of 2005 student loan borrowers received the living costs component of the loan. Of those borrowers, 25 percent also received student allowances.

Student allowances expenditure

Total expenditure on student allowances in 2005 was $318 million plus $4 million in accommodation benefits paid to student allowances recipients. This was a 7 percent increase on 2004 expenditure.
OTHER GOVERNMENT FINANCIAL SUPPORT FOR STUDENTS

Other financial support offered by government falls into two main categories. Firstly, there is support provided by way of allowances aimed at removing barriers to employment for sole parents and those with disabilities. Secondly, there are financial awards aimed at increasing educational excellence and those that target specific study areas or groups, for example, to increase the numbers of Māori involved in postgraduate research.

Training Incentive Allowance

This scheme was introduced in 1983 and aims to remove barriers to employment faced by sole parents with low educational qualifications who are on the Domestic Purposes Benefit, the Emergency Maintenance Allowance or Widows Benefit. In 1985, the scheme was extended to include those on an Invalids Benefit. The allowances are for employment-related training or education.

Training Incentive Allowances paid in 2005 totalled $35 million. This was a decrease from the 2004 expenditure, which was nearly $40 million.

In 2005, 18,964 people received the Training Incentive Allowance, compared to 21,411 in 2004. The average allowance paid to students in 2005 was around $1,900. This compares to $1,850 in 2004 and $1,800 in 2003. Over the last four years, approximately 85 percent of recipients were domestic purposes beneficiaries.

Eighty-two percent of those who received the Training Incentive Allowance in 2005 studied at tertiary level, while 4 percent enrolled in secondary schools and 4 percent with The Correspondence School. Institutes of technology and polytechnics are the largest group of providers of education to allowance recipients (41 percent in 2005). The polytechnics’ share of trainees has fallen from 51 percent in 1997, while private training establishments have increased their share. Private training establishments trained 29 percent of people with an allowance in 2005, up from 17 percent in 1997. The proportion of recipients attending universities in 2005 was 18 percent.

In recent years, those receiving the allowance have been predominantly women. The age and ethnic composition of recipients has also remained fairly similar over this period.

Scholarships and fellowships

These awards include:

- Top Achiever Doctoral Scholarships
- Enterprise Scholarships
- New Zealand Science and Technology Postdoctoral Fellowships
- New Zealand Scholarships – for more information see www.nzqa.govt.nz/scholarship/awards.html
- Step Up Scholarships
- Bonded Merit Scholarships
- TeachNZ Scholarships
- Te Tipu Pūtaiao Māori Fellowships
- Technology for Industry Fellowships, and
- the Prime Minister’s Athlete Scholarship.

There are many other awards administered by trusts, industry groups or providers. Information about these awards is available free of charge from the Funding Information Service’s Breakout database in some libraries or by subscription at: www.fis.org.nz/BreakOut

In 2005, 36 percent were Māori, 6 percent Pasifika and 46 percent European. Approximately one-third of the recipients were aged 20 to 29 years and another third were aged 30 to 39 years. About one in five of the allowance recipients was aged 40 to 49 years. Forty-four percent of people who received the Training Incentive Allowance also accessed the Student Loan Scheme in 2005 (45 percent in 2004). Further information is available at: www.workandincome.govt.nz/get-assistance/extra-help/training-incentive-allowance.html
Government scholarships and fellowships provide support to:
- doctoral research students
- top scholars from schools to undertake tertiary study
- research students who conduct their research while working in a business (to promote linkages between business and tertiary education institutions)
- tertiary students to encourage them to undertake study in science, technology, animal health and human health subjects
- ensure an adequate supply of qualified teachers
- successful sportspeople to gain qualifications that will enable them to obtain employment when their sporting career ends, and
- high achievers undertaking degree-level study.

New scholarship – Bonded Merit

The Bonded Merit Scholarships is a new scholarship scheme available from 1 January 2006. The scholarship is awarded to second-year, full-time tertiary students enrolled in bachelor’s-degree study and recognises top academic achievement. To be eligible a student must have, and maintain, a ‘B’ grade average or higher. The aim is to provide an incentive for these students to remain in New Zealand once they have completed study. The scholarship will pay $3,000 each year towards course fees for a maximum of four years. Students who receive a Bonded Merit Scholarship will be required to remain in New Zealand for a period of time after they complete their degree. Students who don’t remain in New Zealand for the applicable period are required to repay a portion of the scholarship they received. More information is available on: www.studylink.govt.nz/financial-assistance/bonded-merit-scholarship/bonded-merit-scholarship.html

Step Up Scholarships

The Step Up Scholarship Scheme was piloted by StudyLink in 2004, and is aimed at students from low-income backgrounds who are studying approved, full-time tertiary degree courses in the area of human or animal health. The scholarship helps to pay the compulsory fees for these courses providing all the terms and conditions of the scheme are met for the length of the qualification. For 2005, some modifications were made to the scheme; this included widening the age criteria to include students up to the age of 24, and a reduction of the student contribution towards their tuition fees from $2,000 to $1,000. From 2006, the range of fields of study open to Step Up scholars will be widened to include study in the areas of science and technology. There is a bonding requirement for Step Up recipients to stay in New Zealand after graduation. StudyLink approved 232 new applications for Step Up Scholarships in 2005, with the total amount paid to these students under the scholarship being $1,316,095. There were also 174 returning students approved, with a total of $937,769 paid. More information is available on: www.studylink.govt.nz/financial-assistance/step-up-scholarship/step-up-scholarship.html

Bright Future Scholarship Scheme

Top Achiever Doctoral Scholarships

The intention of this scheme is to award scholarships to New Zealand’s top 10 percent of doctoral candidates. It also aims to give scholars the choice of studying in New Zealand or at overseas universities.

In 2005, there were 81 Top Achiever Doctoral Scholarships awarded valued at $8.59 million. Nine scholarships were awarded to New Zealanders studying at overseas universities. The scholars who study overseas are required to return to New Zealand for a period equal to the term of their scholarship. The total number of scholarships awarded since the establishment of the scheme in 1999 is 621 and, of these scholarships, 56 percent were awarded to women and 44 percent to men.

Over a third of scholars have already completed their doctoral studies under this scheme since it commenced, with many still part way through their studies. Only 0.03 percent have terminated or withdrawn. More information is available at: http://www.tec.govt.nz/funding/scholarships/index.htm

Enterprise Scholarships

This scheme supports New Zealanders, in partnership with private companies, to undertake study involving a significant research component at a tertiary education institute. Half of the funding for a student is provided by the company, which can benefit by having access to talent, technology, knowledge and training, by working with students and research teams from
Learners in tertiary education

any discipline area to develop improved processes and business solutions, to train existing staff and identify potential future staff.

In 2005, 89 Enterprise Scholarships were awarded and $827,000 was spent on the scheme by the government. The total number of scholarships awarded since 1999 is 525 and, of these, 46 percent were awarded to women and 54 percent to men. More information is available at: http://www.tec.govt.nz/funding/scholarships/index.htm

New Zealand Science and Technology Postdoctoral Fellowships

The New Zealand Science and Technology Postdoctoral Fellowship Scheme is intended to foster the development of New Zealand’s emerging scientists and future science leaders. It complements other government initiatives to develop a knowledge society that will assist New Zealand to compete successfully as a knowledge economy. Funding is available for postdoctoral fellowships and to provide ‘bridge to employment’ support. More information is available at: http://www.frst.govt.nz/Fellowships/PostDocs.cfm

Te Tipu Pūtaiao Fellowships

The objective of the Te Tipu Pūtaiao Fellowships is to unlock the innovation potential of Māori knowledge, people and resources for the benefit of New Zealand. To achieve this, the scheme aims to support students to develop their science and Māori knowledge research capability. The scheme is open to all applicants completing a masters or PhD in science, technology or engineering. Approximately 15 fellowships are available each year to students completing a masters, PhD, or postdoctoral work in a science, technology or engineering discipline, but excluding people undertaking a masters or PhD in health. In addition, there are up to two Bridge to Employment awards available. More information is available on: http://www.frst.govt.nz/Fellowships/TeTipu.cfm

Technology for Industry Fellowships

This award programme enables students and experienced researchers to complete research and development projects in companies. The scheme aims to:

– enhance scientific and technical skills and competencies in New Zealand businesses
– increase linkages between companies and tertiary education institutions

– encourage and enable realisation of the commercial benefits from research and technology development projects, and
– develop students’ skills and knowledge within commercial research and development environments that are relevant to the students’ expertise.

More information is available at: http://www.frst.govt.nz/Fellowships/Tif.cfm

Ngārimu VC and 28th Māori Battalion Memorial Fund Scholarships

These scholarships were initially provided from a fund set up in 1948 to commemorate the bravery of Lieutenant Te Moana-nui-a-Kiwa Ngārimu, who had been awarded the Victoria Cross. Ngārimu Scholarships are administered by the Ngārimu Board with yearly reports given to the House of Representatives. The fund provides the granting of assistance by way of scholarship, subsidy, special grant, or bursary for the education of any Māori or for the purpose of promoting the study and encouraging the maintenance of the Māori language and of Māori history, tradition and culture.

Currently the Crown contributes $54,000 to the scholarship fund each year with the Ngārimu Board disbursing the following amounts annually:

– one postgraduate scholarship of $5,000
– nine undergraduate scholarships of $5,000 each, and
– essay competition prizes totalling $4,000.

These awards are currently administered by the Ministry of Education.

TeachNZ Scholarship

TeachNZ Scholarships are targeted at areas of priority for teacher supply to meet increasing demand for teachers in certain areas over the next 10 years. Currently these areas are early childhood and Māori Medium teachers, secondary teachers of specific subjects, and primary or secondary rural teachers.

– TeachNZ Early Childhood Education Scholarships aim to support Early Childhood Education Services by increasing the number of teachers with specific skills and qualifications.
– Māori Medium Scholarships – these aim to increase the supply of teachers in both total immersion and bilingual settings in either primary or secondary schools.
– The TeachNZ Secondary Subject Scholarships aim to encourage more people into studying to become a secondary teacher in these target subjects: mathematics, chemistry, physics, technology and te reo Māori.

– Rural Scholarships – these aim to encourage people from rural areas into teaching in primary or secondary rural schools.

– Secondary Subject Trainee Allowances – the value of this TeachNZ allowance is $10,000 per student. These allowances are available to all graduates and near-graduates committing to become secondary teachers in targeted subjects. From 1 January 2007 target subjects are biology, chemistry, English, maths, physics, technology and te reo Māori. Further information is available at: www.teachnz.govt.nz/scholarships

### Table 10.5: TeachNZ Scholarships awarded in 2005

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Childhood Education</td>
<td>869</td>
</tr>
<tr>
<td>Māori Medium</td>
<td>45</td>
</tr>
<tr>
<td>Secondary Subject Scholarships</td>
<td>112</td>
</tr>
<tr>
<td>Rural</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>1,072</td>
</tr>
</tbody>
</table>

### Table 10.6: Expenditure on TeachNZ Scholarships

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>2004/05 ($000)</th>
<th>2005/06 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Childhood Education</td>
<td>1,792</td>
<td>5,464</td>
</tr>
<tr>
<td>Māori Medium</td>
<td>222</td>
<td>421</td>
</tr>
<tr>
<td>Secondary Subject Scholarships</td>
<td>488</td>
<td>1,123</td>
</tr>
<tr>
<td>Rural</td>
<td>290</td>
<td>310</td>
</tr>
<tr>
<td>Total</td>
<td>2,792</td>
<td>7,318</td>
</tr>
</tbody>
</table>

Notes:
1. There were no allowance payments made for the new ECE, Māori Medium or Secondary Subject scholarships in the 2004/05 financial year. The 2005/06 expenditure includes fees and allowances.

2. Rural scholarship expenditure does not include fees and is for allowance payments only.

**New Zealand Scholarships**

This scholarship is designed to extend our best secondary students and enable top scholars to be identified and acknowledged. It involves an external examination for the best secondary students aimed at assessing their ability to synthesise and integrate concepts, to apply high-level, critical and abstract thinking based on in-school and independent learning and demonstrate the application of knowledge and ideas to complex situations. It is highly demanding and only for the most able students at secondary level. The scholarship awards are the following:

– The Single Subject Scholarship Awards consist of one or two scholarships and are a ‘one-off’ award of $500.

– The Top Subject Scholar Award is for candidates who are top in one of the 27 scholarship subjects. The award provides $2,000 each year for three years as long as recipients maintain a ‘B’ grade average in tertiary study. In 2005, 34 awards were made.

– The Scholarship Award is for candidates who pass three or more Scholarship subjects and provides $2,000 each year for three years as long as recipients maintain a ‘B’ grade average in tertiary study.

– The Outstanding Scholar Award is for the top 40 to 60 candidates who get a minimum of three subject Scholarships with at least two at ‘Outstanding’ level or more than three Scholarships with at least one at Outstanding level. Scholars receive $5,000 each year for three years as long as they maintain a ‘B’ grade average in tertiary studies.

– The Premier Award is for the very top five to ten candidates who attain at least three Scholarships at Outstanding level. The award pays $10,000 each year for three years as long as holders maintain at least a ‘B’ grade average in tertiary studies. In 2005, 13 scholarships were awarded.

Further information is available at: www.nzqa.govt.nz/scholarship/index.html
The Prime Minister’s Athlete Scholarship

This scholarship is a government-funded initiative managed by Sport & Recreation New Zealand. The programme’s aim is to assist talented and elite athletes to achieve tertiary and vocational qualifications while pursuing excellence in sport.

In 2005, more than 580 athletes in 51 different sports were awarded a scholarship. The scholarships allow athletes to have their fees paid to a maximum of $10,000 per annum and athletes may also be eligible to receive a living allowance of up to $6,000 per annum.

The scholarships are administered through the New Zealand Academy of Sport Regional Operations. Full details about the programme can be found at: www.sparc.org.nz/elite-sport/prime-ministers-athlete-scholarships

Financial support helps to make New Zealanders and New Zealand better equipped through tertiary education

To encourage New Zealanders to acquire the skills needed for the nation’s future wellbeing and to enable them to undertake tertiary education, the government has found ways of making tertiary study more affordable for prospective students. The tuition subsidies, student loans, student allowances and other awards all contribute to the support of tertiary education.

The benefits of a well-educated population are many, for example:

– a well-qualified workforce
– intellectual capital
– people choosing to retrain for new careers
– people with research skills fostering creativity and innovation, and
– people seeking knowledge for its own sake.

New Zealand as a nation is better equipped to hold its own and compete internationally if its citizens have the competencies, knowledge and skills to contribute to the economic and social development of the country. For the individual, tertiary education provides increased employment opportunities, higher income and greater opportunities for personal development – all leading to a better quality of life.

Reference

A CHANGING POPULATION AND THE NEW ZEALAND TERTIARY EDUCATION SECTOR

The size of the tertiary student population is an indicator of both the accessibility of tertiary education and the perceived value of undertaking tertiary study. Forecasts of the size of the student population are important in determining the levels of human capital that will be available to the New Zealand labour force in the foreseeable future.

This case study uses Statistics New Zealand’s population projections in order to consider some implications that demographic trends may have on both the profile of the tertiary student population and the network of public tertiary education provision. Information about future change in the student population can assist providers in planning for future changes in the provision of various types of education.

This study firstly discusses the results of a simulation which applied a number of characteristics of the tertiary student population of 2005 to national population projections. It then discusses some possible implications of sub-national population projections on student numbers at the local level. Refer to McClelland (2006) for details on methodology and data sources.

CASE STUDY SCENARIO

An important assumption of this study is that changes in the foreseeable future in the size of the student population will come about from population change rather than from other changes in the level of participation in tertiary education. This premise of no change in participation rates or in any of the factors that influence demand, such as those of an economic, social, cultural and political nature, may appear initially to be an oversimplification. This is particularly so because over recent years participation trends in tertiary education in New Zealand have been driven by increases in participation rather than by changes in the size of New Zealand’s population. Between 2000 and 2005, 85 percent of all growth in student enrolments has resulted from increased participation in tertiary study rather than from population growth. For example, enrolments in sub-degree qualifications accounted for nearly 90 percent of all student growth in the sector over this period. These qualifications have been very successful at attracting first-time tertiary students who have low or no school qualifications.

Nevertheless, recent evidence and future policy changes provide good reasons for modelling the effect of demographic change on the tertiary student population in the medium term. Firstly, it is expected that controls put in place by the government over the last two years will, for the most part, result in the immediate stabilisation of the rates of participation in tertiary education in the high-growth areas. Figure 1 below shows the stabilisation of participation in sub-degree certificates.

Secondly, recent announcements made by the government on the next stage of the tertiary reforms signal that from 2008 the sector will operate in a more defined and managed way that may result in less volatility in tertiary education participation rates than that experienced in recent years. Thirdly, the funding levels set by government will, in fact, take into account demographic change.

Implementation of the above proposals will mean that, in the future, population change is likely to become the single most important driver of the size of the New Zealand tertiary student population.

Figure 1: Proportion of learners aged 15 years or over enrolled in level 1-4 sub-degree certificates by ethnic group

Notes:
1. For the purposes of presentation, the data for level 1-3 certificate has been decreased by 50 percent.
2. The data for 2006 is an estimate based on student growth over the period of 31 August 2005 to 31 August 2006.
A TERTIARY STUDENT POPULATION FORECAST

Based on the assumption of demographic change alone, and without allowing for any possible change in participation rates, it can be shown that over the period 2005 to 2021:

- the total number of domestic students is expected to peak in 2016 at 483,000 students – 26,000 (6 percent) more students than in 2005
- the number of domestic students in the traditional core student age group of 18 to 24 years is estimated to peak in 2012 at 165,000 students – 17,000 (11 percent) more students than in 2005. From 2013 onwards the number of students in this age group will then decline by 11,000 students (7 percent) to 153,000 students in 2021
- the number of students aged 40 years or over is expected to contribute 52 percent of all growth in students between 2005 and 2014
- demand for tertiary education at the sub-degree levels is projected to continue to dominate growth in student numbers, with 72 percent of all growth occurring at this level. The numbers of students in sub-degree qualifications is expected to peak in 2019 at 333,000 students – 17,000 (5 percent) more students than in 2005. Nearly all growth (93 percent) in students aged over 40 years is expected to occur in sub-degree qualifications
- the number of students studying at bachelors-degree level is estimated to peak in 2012 at an historic high of 137,000 students – 9,000 (7 percent) more students than in 2005. Based on this growth, the numbers of postgraduate students would peak in 2018 at an historic high of 33,000 students – 2,100 (7 percent) more students than in 2005
- the number of students of European ethnicity would decrease by 19,000 (6 percent) from 2005 to 2021, while the numbers of the other main ethnic groups would all increase over this period – Asian by 23,000 (41 percent), Māori by 20,000 (22 percent) and Pasifika by 14,000 (48 percent)
- the share of the student population of European ethnicity would decrease from 65 percent in 2005 to 57 percent in 2021, while the student shares of the other main ethnic groups would all increase over this period – Māori (from 20 to 23 percent), Asian (from 12 to 16 percent) and Pasifika (from 6 to 9 percent)
- growth in demand for tertiary education by Māori and Pasifika peoples would continue to be mostly at the sub-degree level – 85 percent and 75 percent of their respective growth in student numbers from 2005 to 2021
- the numbers of Māori students studying at bachelors-degree level and postgraduate level would increase by 3,300 (22 percent) and 640 (24 percent), respectively from 2005 to 2021, and
- for Pasifika peoples, the numbers studying at bachelors-degree level and postgraduate level would increase by 3,500 (51 percent) and 400 (45 percent), respectively over this period.

Figure 2 shows that the forecast of total student numbers reflects the recent slowdown in participation in tertiary education in terms of equivalent full-time student units. Figure 3 shows that the tertiary student population would become more ethnically diverse in the medium term.

Figure 2: Projections of domestic tertiary student numbers by selected age group

Notes:
1. Student numbers from 1999 to 2005 are actuals.
2. For comparative purposes, the equivalent full-time student units exclude non-formal students such as those in adult and community education.
Figure 3: Projected distributions of domestic tertiary students by selected ethnic group

Note: Student numbers from 1999 to 2005 are actuals.

The skewed participation patterns in tertiary education for Māori and Pasifika peoples indicate among other factors that, on average, the highest level of qualification attained by Māori and Pasifika learners in secondary school education is lower than that of other groups. In 2004, 12 percent of Māori and Pasifika peoples attained a university entrance qualification (compared with 39 percent for all other ethnic groups) and 23 percent of them left with no qualifications (compared with 9 percent for all other ethnic groups).

Again, if these school leaver attainment levels persist, and all other factors remain constant, then the projected population change alone is expected to result in no improvement in the levels of leaving qualifications but rather a slight decline in school leavers with a university entrance qualification and a slight increase in those with no qualifications (refer Figure 4). This could see a diminishing proportion of school leavers able to enter directly into bachelors-degree level study over the longer term.

REGIONAL POPULATION CHANGE AND THE TERTIARY SECTOR

Population change could have implications for the number of students at the campuses of some tertiary education institutions in the future. It is expected that just over half of New Zealand’s 74 territorial authorities will have fewer residents in 2026 than in 2006. It is expected that in 20 years’ time only 16 territorial authorities will have experienced population growth in the 15 to 39 years age group, while 29 territorial authorities will have experienced population growth in the 40 to 64 years age group and nearly all territorial authorities will have experienced population growth in the 65 years or over age group.

Many tertiary education institutions have multiple campuses. In 2005, leaving aside extramural provision, the network of public tertiary education provision comprised 33 tertiary education institutions (made up of eight universities, 20 institutes of technology and polytechnics, two colleges of education and three wānanga) delivering tertiary education via a network comprising 117 campuses with at least 50 equivalent full-time students. This network is spread throughout 45 territorial authorities.

Of these 117 campuses, 19 belong to universities, 56 to polytechnics, seven to colleges of education and 35 to wānanga. The main centres have the most tertiary education institutions, particularly Auckland City and Christchurch City, where eight different tertiary education institutions are present in each. Over
half of the polytechnics have three or more campuses. Waiariki Institute of Technology alone has seven campuses and Northland Polytechnic has five. Most of the universities have one or two campuses while, of the two remaining colleges, Christchurch College of Education has five campuses. Te Wānanga o Aotearoa has the largest number of campuses with 25, followed by Te Whare Wānanga o Awanuiarangi with nine. Along with Te Wānanga o Raukawa (one campus) the growth in the network of wānanga provision in recent years has been a key driver in lifting the participation rate of Māori in tertiary education to the highest level of all ethnic groups.

Regional population change would have the greatest implications for providers with a strong regional focus. The institutes of technology and polytechnics, in particular, are increasingly expected to have a focus on the skill and education needs of their region. Of the 56 polytechnic campuses, 37 are in areas where population decline is expected over the next 20 years for people aged 15 to 39 years, and 26 are in areas where population decline is expected for people aged 40 to 64 years over the same period.2

Perhaps as a response to declining populations, five of the 18 polytechnics based outside of the greater Auckland region have campuses in Auckland City, which is expected to have the largest population of people aged 15 to 64 years in 20 years’ time.

The implications of population decline on student numbers may be further compounded in areas where there are multiple tertiary education providers present. For example, the area comprising New Plymouth District and its adjacent territorial authorities of Waitomo District, Stratford District, South Taranaki District and Ruapehu District contains six institutions providing tertiary education from seven campuses. This area is expected to experience a 19 percent decline in population aged 15 to 64 years by 2026. Currently in this area there is one tertiary education institution campus for every 11,600 people in this age group but by 2026 this ratio is expected to become one campus for every 9,400 students. Similar scenarios are predicted for the multiple tertiary education institutions located in other areas that include Gisborne District, Masterton District and Invercargill City.

Population decline may be less likely to impact on student numbers at campuses with the greatest student to campus ratios. While overall there is one tertiary education institution campus per 23,400 New Zealanders aged 15 to 64 years, the campus to student ratio varies from 1:10,700 for Rotorua District to 1:46,300 for North Shore City.

Change in regional populations is less likely to impact on university student populations. Statistics New Zealand internal migration data shows a relationship between population decline in areas that do not contain a university and population increase in areas that do contain a university. Such non-university areas generally experience net outflows in the age groups of 15 to 19 years and 20 to 24 years, while university cities are expected to experience net migration inflows in these age groups. Figure 5 shows the net migration flows from 1997 to 2001 for a territorial authority with a university, and one without a university.

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1 Here an ‘area’ is defined as the combination of the areas of the territorial authority in which a campus is located and all of its adjacent territorial authorities and is used as a proxy for a local catchment area of students.

2 Derived from Statistics New Zealand sub-national resident population projections (medium series, 2001 base) and Ministry of Education campus data.
While not considered in the above analysis, it is likely that future population change will also impact upon the network of approximately 800 registered private training establishments spread throughout the country offering niche tertiary education.

Reference