

Changes in Student Allowances in 2006

Introduction

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.

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 years old, 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;
- student allowances holders who are not living with their parents may also qualify for an accommodation benefit.

Recent changes

Changes in Student Allowances observed in 2006 resulted from a number of policy initiatives designed to widen access to allowances for targeted groups of students.

One such targeted group is for students under the age of 25 with no dependents whose parents have low or middle income. 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 cutout point.

From 1 January 2005, the parental income test thresholds for students under the age of 25 with no dependents were increased by 20 percent. The lower parental income test threshold was increased to \$33,696 per annum and the cutout points were raised to \$56,457 for a student living at home and \$62,148 for a student living away from home. From 1 April 2005, these parental income limits are adjusted annually to reflect changes in the cost of living.

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 regime¹;
- a student allowance parental income test disregard of \$3,400 per annum gross was introduced for students with separated parents;
- a parental income test disregard for additional student children aged 16 to 25 increased from \$2,200 per annum gross to \$7,000 per annum gross.

Recipient numbers and expenditure

From 1992 to 2000 the number of allowance recipients and the total allowances expenditure increased steadily, mostly as a result of the increase in participation in tertiary education. The number of student allowance recipients dropped by 19 percent from its maximum of 70,200² in 2001 to 56,800 in 2005. In this four-year period, student allowances expenditure³ 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 test thresholds being

¹ The personal and couple income limits are now to be adjusted annually to reflect changes in the cost of living. This change takes effect from 1 April 2008.

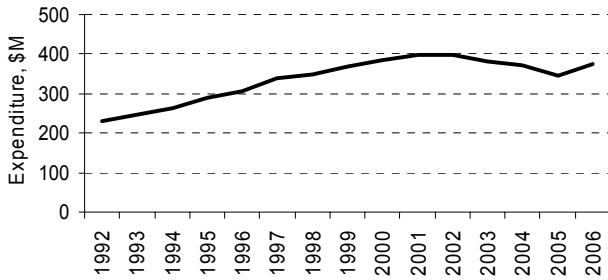
² To avoid unnecessary details, the number of allowance recipients is rounded to 100 and the average annual allowance is rounded to \$100.

³ Student allowance expenditure consists of 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 the repayments to the previous years' students.

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fixed since 1999 (for students under the age of 25 with no dependents); and a decrease in unemployment, in particular, the availability of part-time jobs to young people.

Figure 1: Student allowances gross expenditure



In 2005, mainly as a result of a 20 percent increase in the parental income thresholds, the number of parental income based allowances increased by 15 percent. However, some other measures introduced at the same time and designed to improve targeting, remove anomalies and ensure compliance with human rights legislation more than offset the increase in the parental income based allowances. As a result, the total number of recipients dropped further by 7 percent.

Table 1: Student allowances expenditure and recipients

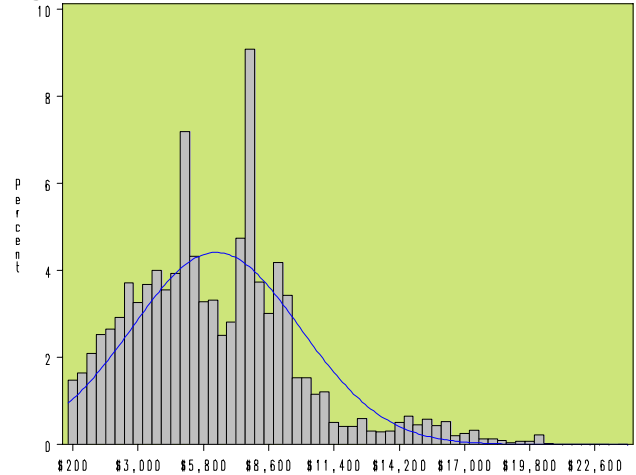
	2001	2002	2003	2004	2005	2006
Number of Recipients	70,200	68,900	64,000	60,800	56,800	59,400
Change, percent	3%	-2%	-7%	-5%	-7%	5%
Expenditure, \$ million	399	399	381	371	346	374
Change, percent	4%	0%	-4%	-3%	-7%	8%

In 2006, the number of recipients increased by 2,600 (5 percent) and reached about 59,400. Nearly 90 percent of the change in numbers was due to the increase in the targeted parental income-based allowances. The tertiary education organisations that mainly contributed to the change in numbers were private training establishments (51 percent of the increase) and universities (40 percent of the increase).

In 2006, expenditure on allowances increased by \$28 million (8 percent) and reached \$374 million. The

average annual gross allowance increased by 3 percent to \$6,300. The median allowance in 2006 was \$6,000. An increase in the average annual allowance mostly occurred due to the increase of the personal income threshold. So the year 2005 can be considered as a turning point in student allowances uptake.

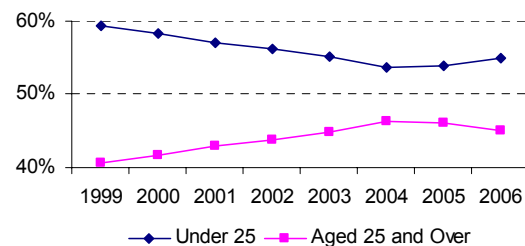
Figure 2: Distribution of allowances received in 2006



Student allowances by age group

In 1999, around 60 percent of allowances recipients were under the age of 25. By 2004, the proportion had dropped to about 54 percent. In 2006, about 55 percent of allowance recipients were under the age of 25 and 45 percent were aged 25 and over.

Figure 3: Distribution of student allowances recipients by main age group, 1999 - 2006⁴



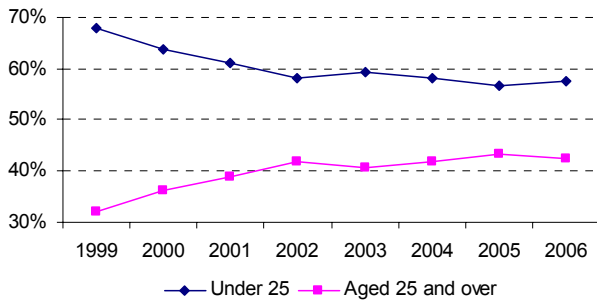
The decrease in the proportion of allowance recipients under the age of 25 between 1999 and 2004 resulted from the decrease in the proportion of this age group among those eligible for student allowances, resulting from the fact that the parental income limits were frozen over that time, while

⁴ Y-axis starts from 40 percent.

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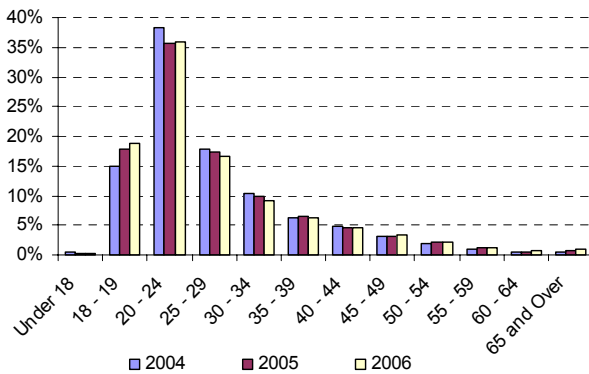
average incomes were rising. In addition, over that time, there was a gradual ageing of the student population.

Figure 4: Proportion of full-time NZ students in allowances eligible qualifications by main age group, 1999 – 2006⁵



The difference in the average annual allowances for the main age groups is relatively stable: a student aged 25 and over receives about \$2,000 more than a student under the age of 25.

Figure 5: Distribution of student allowances recipients by narrow age group, 2004 - 2006



Student allowances by gender

From 1999 to 2002, about half of the allowance recipients were female. Since then, the proportion of female recipients increased and reached 54 percent in 2006.

An increase in the proportion of female allowances recipients from 2002 to 2005 resulted from the increase in participation of women in tertiary education and, consequently, in the proportion of female students eligible for student allowances.

Figure 6: Student allowances recipients by gender, 1999 - 2006⁶

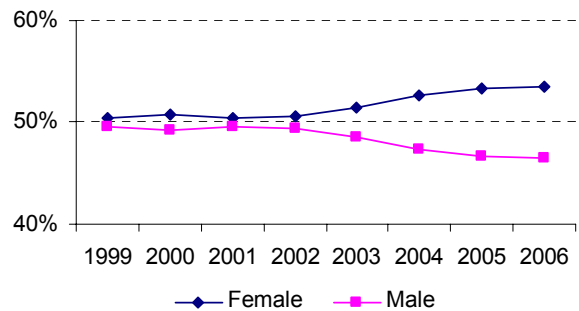
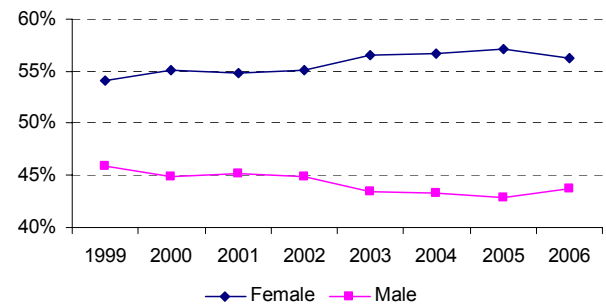
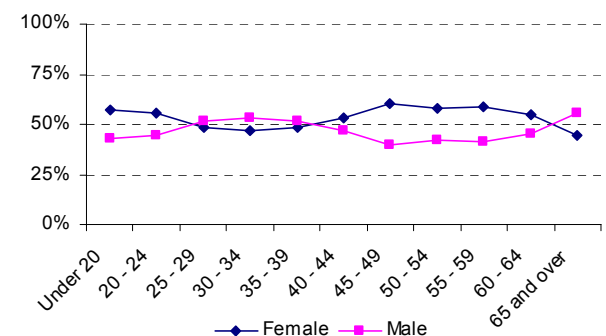


Figure 7: Proportion of full-time NZ students in allowances eligible qualifications by gender, 1999 - 2006⁷



The proportions of female and male allowance recipients differ for different age groups. In 2006, about half of the allowance recipients aged 25 and over were female. By contrast, among those under 25 nearly 57 percent were female.

Figure 8: Student allowances recipients by age and gender, 2006



⁵ Y-axis starts from 30 percent.

⁶ Y-axis starts from 40 percent.
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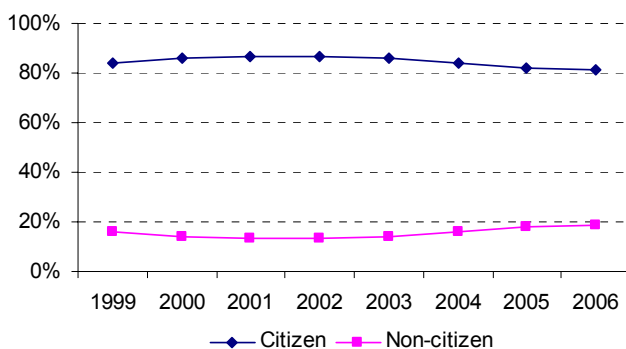
Change in Student Allowances in 2006

Student allowances by residency

The percentage of non-citizen⁸ allowances recipients increased from 13 percent in 2001 and 2002 to 19 percent in 2006. The average annual allowance of non-citizens is higher than citizens. The difference increased from about \$500 in 2004 to \$800 in 2005 and to \$900 in 2006.

The difference results from the different profile of citizens and non-citizens. In 2006, the proportion of single students with no dependents among New Zealand citizens receiving allowances was 88 percent compared to 62 percent for non-citizens. The average annual allowance of single students with no dependents is lower than the overall average annual allowance.

Figure 9: Student allowance recipients by residency, 1999 - 2006



Student allowances by main ethnic group

It is not mandatory for students to declare their ethnicity and students may report more than one ethnicity. In 2006, based on the full-response counts⁹, 49 percent of allowance recipients were Pakeha, and 24 percent were Asian. The Māori and Pasifika ethnic groups represented 14 and 6 percent of recipients respectively. About 4 percent were students from other ethnic groups and 3 percent did not specify their ethnicity at all (see Table 2).

In 2006, there was a 2 percent increase in the proportion of Asian allowance recipients compensated by a 1 percent decrease in the proportion of Pakeha and nearly 1 percent decrease in the proportion of Maori recipients.

⁸ New Zealand permanent residents are eligible for allowances, subject to some conditions.

⁹ Counts based on multiple responses.

Table 2: Allowances by ethnic group by gender, 2006

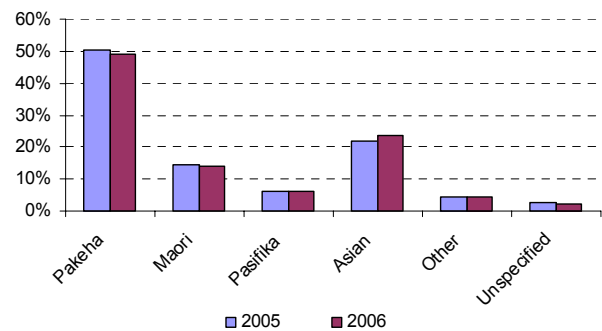
Ethnic group	Female	Male	Total
Pakeha	17,400	14,100	31,500
Māori	4,700	4,400	9,100
Pasifika	2,200	1,800	4,000
Asian	8,100	7,100	15,200
Other	1,200	1,500	2,700
Unspecified	700	800	1,500
Total recipients	34,300	29,700	64,000

A gender breakdown of Asian students was the same in 2005 and 2006: about 53 percent were female and 47% were male. In 2006, out of all Asian allowance recipients:

- about 52 percent were under the age of 25 compared to 54 percent in 2005;
- about 21 percent were over the age of 40 compared to 18 percent in 2005;
- about 4 percent fewer students studied at universities and about 3 percent more at PTEs and nearly 1% more at polytechnics.

The average annual allowance of Asian recipients was about \$600 higher than the overall average annual allowance of \$6,300.

Figure 10: Student allowances recipients by ethnic group, 2005 - 2006



Student allowances by allowance type

In 2006, the proportion of parental income based allowances increased by 1.8 percentage points and reached nearly 51 percent. Compensating decreases of 1.4 and 0.6 percentage points occurred for single students over the age of 25 and Independent Circumstances Grant recipients¹⁰ respectively.

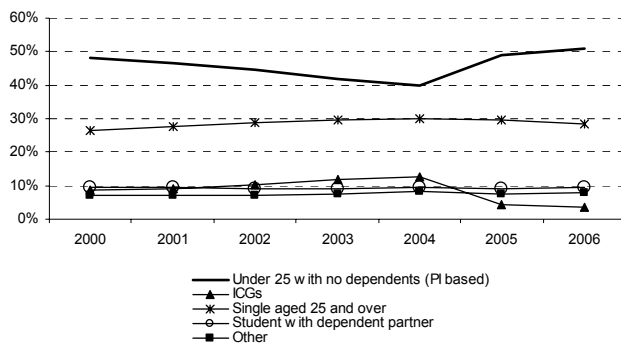
¹⁰ The independent circumstances grant is paid to single students under the age of 25, who are eligible for allowances but who, for special reasons, cannot be supported by their parents.

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Changes in the proportions of other allowances categories were small.

From the total number of allowance recipients in a year, a proportion of recipients whose allowances were abated on parental income test grounds (ie a proportion whose allowance was less than a full allowance) decreased from about 34 percent in 2002 to 32 percent in 2004 and to 30 percent in 2006.

Figure 12: Proportions of allowances recipients by allowance type



In 2006, the average annual allowance ranged from \$2,600 for students with an earning spouse to \$11,100 for students with dependent partner, with the overall annual average being around \$6,300.

Table 4: Student allowances by allowance type, 2006

Allowance type	Number of allowances recipients	Average annual allowance
16-24 years old parentally income tested	30,200	\$5,300
Independent circumstances allowances for 16-24 years old	2,200	\$5,600
Single aged 25 and over	16,800	\$6,500
Student with earning spouse	1,300	\$2,600
Single student with child(ren)	1,500	\$9,600
Couple, one eligible	300	\$8,200
Couple, both eligible	1,500	\$6,500
Student with dependent partner	5,600	\$11,100
Total	59,400	\$6,300

Student allowances by marital status

In general, about 85 percent of student allowance recipients are single and 15 percent are in relationships such as marriage or de facto relationships. The percentage of non-single allowance recipients increased gradually from 14 percent in 2002 to 15 percent in 2005 and to 16 percent in 2006. In 2006, the average annual

allowance of non-single recipients was about \$2,800 higher than that of single recipients - \$8,700 for those in couples, compared with \$5,900 for single students.

Student allowances by parental status

From 2000 to 2004, the percentage of allowances recipients with children remained relatively stable and equal to 12 percent. The percentage dropped to 11 percent in 2005 and to 10 percent in 2006. In 2006, the average annual allowances of recipients with children and without children were about \$9,400 and \$6,000 respectively – meaning that the average annual allowance of recipients with children was about 50 percent higher than the overall average annual allowance of \$6,300.

Student allowances by provider type

In 2006, more than a half of student allowance recipients were studying at university¹¹ and a quarter were studying at an institute of technology or polytechnic. There was an increase in the proportion of students studying in private training establishments, from about 14 percent in 2004 to 15 percent in 2005 and to nearly 17 percent in 2006. These increases were compensated by smaller drops in the proportions of students studying at universities and wananga.

A profile of students differs by provider type, leading to variations in the average annual allowances for them. In 2006, the highest average annual allowance was observed in wananga (about 16 percent higher than the overall average of \$6,300) and the lowest was observed at schools (about 8 percent lower than the overall average).

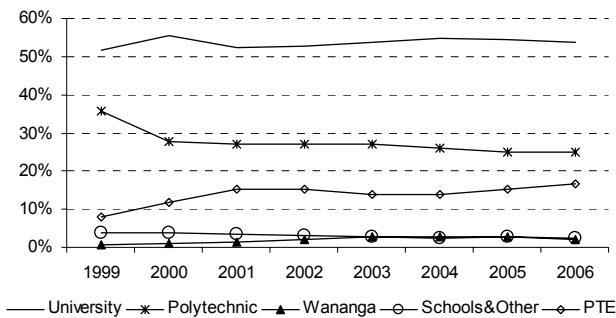
Table 3: Student allowances by provider type, 2006

Provider type	Allowance recipients	Percentage recipients	Average annual allowance
University	31,900	54%	\$6,400
Polytechnic	14,900	25%	\$6,100
Wananga	1,300	2%	\$7,300
Schools/Others	1,400	2%	\$5,800
PTEs	9,900	17%	\$6,200
Total	59,400	100%	\$6,300

¹¹ For the purposes of this analysis, the colleges of education have been combined with universities, as they have all now merged with universities.

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Figure 11: Proportions of allowance recipients by provider type, 1999-2006



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 in 2005 and 2006.

In 2005, 10,136 students lost their allowances for some time in a year due to having personal income over the personal income threshold of \$135.13 per week gross. From 1 January 2006, the personal income test threshold increased 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.

In 2006, as a result of the policy change, the number of students who had their allowances abated on personal income grounds at least for one week in a year decreased by 25 percent to 7,600. About 58 percent of the abated allowances were only partially abated (29 percent of these were for single students under the age of 25, and 33 percent were for single students aged 25 and over who lived away from home). The other 42 percent of the abated allowances were fully abated for at least one week in the year.

In 2006, the average declared personal income increased by 16 percent to \$4,800. The average annual allowance of students with a declared personal income increased by 5 percent and reached \$6,200.

The average personal income of 20,900 students who declared personal income in 2006 was:

- about \$1000 higher for students aged 25 and over than for those under the age of 25;
- about \$200 higher for male than for female;

- about \$500 higher for non-single students than for single recipients;
- about \$800 higher for students with children than for students without children.

Table 5: Annual personal income and average annual allowance of student allowances recipients with declared personal income by allowance type, 2006

Allowance type	Allowance recipients	Average personal income	Average annual allowance
16-24 years old parentally income tested	10,900	\$4,400	\$5,300
Independent circumstances allowances for 16-24 years old	700	\$4,500	\$6,200
Single aged 25 and over	6,300	\$5,300	\$6,800
Student with earning spouse	400	\$5,000	\$2,800
Single student with child(ren)	500	\$6,200	\$10,000
Couple, one eligible	100	\$4,900	\$7,300
Couple, both eligible	400	\$6,200	\$6,100
Student with dependent partner	1,600	\$5,100	\$10,600
Total	20,900	\$4,800	\$6,200

In 2006, the average personal income of students with the average weekly income over \$180 per week gross was around \$15,000 and the average annual allowance was around \$4,100.

Accommodation benefit

A proportion of accommodation benefit recipients among student allowances holders is quite high. It reached a maximum of 79 percent in 2004. It dropped by 2 percent in 2005 and by a further 1 percent in 2006.

The average annual accommodation benefit was about \$900 in 2004. It increased to nearly \$1,000 in 2005 and to \$1,100 in 2006.

Allowances and loans recipients

Of the 59,400 student allowances recipients in 2006, about 49,100 students (83 percent) also borrowed from the Student Loan Scheme. This was about 29 percent of all (167,400) 2006 loan 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 2006, about 19,900 students (34 percent of student allowances recipients) received both student allowances and a living costs loan entitlement. Only

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48 percent of 2006 student loan borrowers received the living costs component of the loan. Of those borrowers, about 25 percent also received student allowances.

Figure 13: Comparison of student allowances recipients and student loan borrowers, 2000-2006

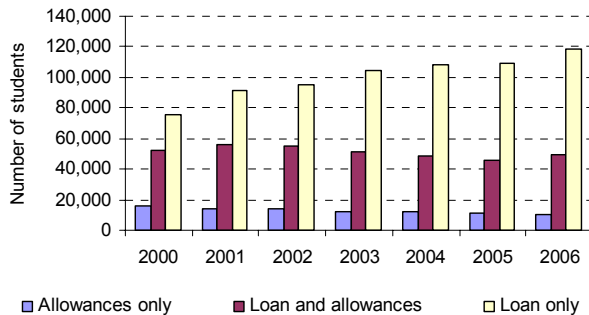
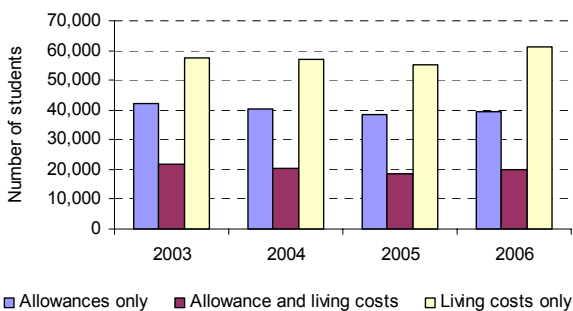


Figure 14: Comparison of student allowances and living costs loan recipients, 2003-2006



The profile of student allowances recipients who receive allowances only (SA) differs from the profile of students who receive allowances and borrow through the student loan scheme (SA+SL).

In 2006:

- Allowance only recipients and an allowance and a loan recipients had a similar gender breakdown: about 54 percent female and 46 percent male.
- Half of the students who received an allowance only were under the age of 25, compared to 56 percent of those with an allowance and a loan.
- About 20 percent of students who received an allowance only were non-single compared to 15 percent of those with an allowance and a loan.
- About 12 percent of students with an allowance only had children compared to 9

percent of students with an allowance and a loan.

Table 6: Profile of recipients of allowances only and recipients of allowances and loans, 2006

		SA	SA+SL
By gender	Female	54%	54%
	Male	46%	46%
By age group	Under 25	50%	56%
	Aged 25 and over	50%	44%
By marital status	Single	80%	85%
	Non-single	20%	15%
By parental status	No children	88%	91%
	With children	12%	9%

In 2006, among those receiving allowances only, there were about 5 percent fewer recipients under the age of 25 and 6 percent more students with dependent partners.

Table 7: Recipients of allowances only and recipients of allowances and loans by allowance type, 2006

Allowance type	SA	SA+SL	Diff
16-24 years old parentally income tested	47%	52%	(5%)
Independent circumstances allowances for 16-24 years old	3%	4%	(1%)
Single aged 25 and over	29%	28%	1%
Student with earning spouse	2%	2%	0%
Single student with child(ren)	2%	2%	0%
Couple, one eligible	1%	1%	0%
Couple, both eligible	2%	3%	(1%)
Student with dependent partner	14%	8%	6%

Changes expected in 2007

From 1 January 2007, three policy changes took effect that affected the uptake in student allowances:

- There was a 10 percent increase in the student allowance parental income test thresholds.
- PhDs and professional doctorates were added to the list of recognised long programmes.
- The entitlement to student loans and allowances has been aligned to tuition subsidy funding – meaning that if a qualification doesn't qualify for funding, then students in that qualification won't be entitled to apply for loans or allowances.

We expect that, as a result of these policy changes, the number of allowance recipients will increase by 5 percent and reach 62,400.