

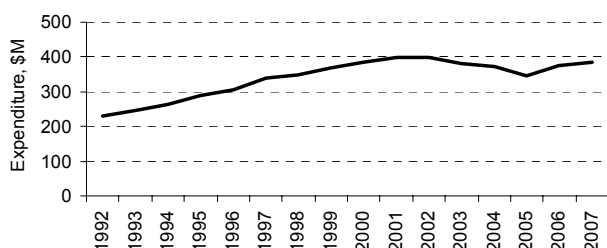
Changes in Student Allowances in 2007

Background

The number of student allowances recipients rose by 5 percent in both 2006 and 2007 reaching 62,500 in 2007. These increases followed a period of falling uptake.

The number of student allowances recipients dropped by 19 percent from its maximum of 70,200¹ in 2001 to 56,800 in 2005. In this four-year period, student allowances expenditure² decreased by 13 percent, from \$399 million to \$347 million. The downward movements in volumes and values mostly resulted from two factors: the parental income test thresholds being fixed since 1999 (for students under the age of 25 with no dependents), and a decrease in unemployment. The latter improved the availability of part-time jobs for young people and also had the effect of boosting family incomes meaning fewer families had incomes under the fixed parental income threshold.

Figure 1: Gross expenditure on student allowances



The changes in student allowances observed in 2007 resulted from a number of policy initiatives designed to widen access to allowances for targeted groups of students.

One such targeted group is 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 cut-out point.

In 2005, mainly as a result of a 20 percent increase in the lower parental income threshold (in place from January 2005), 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 by 7 percent.

Table 1: Student Allowances expenditure and recipients

	2003	2004	2005	2006	2007
Number of recipients	64,000	60,800	56,800	59,400	62,500
Change, percent	-7%	-5%	-7%	5%	5%
Expenditure, \$M	381	371	346	374	386
Change, percent	-4%	-3%	-7%	8%	3%

In 2006, the number of recipients increased by 2,600 (5 percent) and reached about 59,400. Allowances expenditure increased by \$28 million (8 percent) and reached \$374 million. The average annual gross allowance increased by 3 percent to \$6,300. This increase in the average annual allowance was mostly due to the increase in the personal income threshold introduced in January 2006³. So the year 2005 can be considered as a turning point in student allowances uptake and expenditure.

Recent Changes

From 1 January 2007, the lower parental income testing threshold for students under the age of 25 with no dependents was further increased by 10 percent to \$39,270 per annum. The cut-out points were raised to \$63,385 for students living at home and \$69,413 for students living away from home. From 1 April 2005, these parental income limits have been adjusted annually to reflect changes in the cost of living.

From 1 January 2007 also:

- PhDs and professional doctorates were added to the list of recognised long programmes;
- the entitlement to student allowances and loans was aligned to tuition subsidy funding – meaning that if a qualification doesn't qualify for funding, then students studying for that qualification are not eligible for allowances or loans.

In 2007, the number of recipients increased by 3,100 (5 percent) and reached about 62,500. The change in numbers was entirely due to the increase in the number of students under the age of 25 who received targeted, parental income-based allowances. The tertiary education organisations that mainly contributed to the change were universities (57 percent of the increase) and polytechnics (28 percent of the increase). About 98 percent of

¹ To avoid unnecessary details, the numbers of allowance recipients are rounded to 100 and the average annual allowances are rounded to \$100.

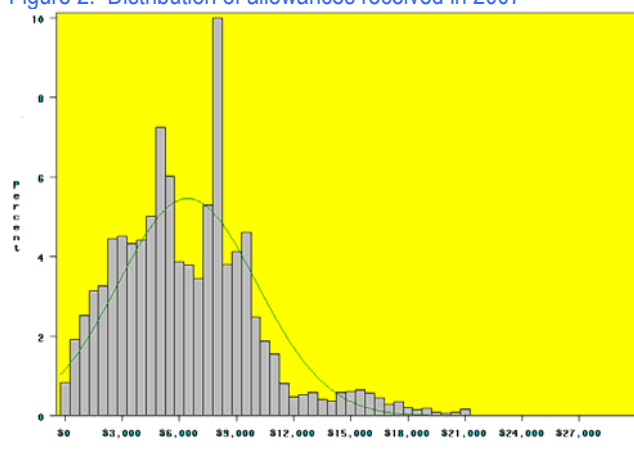
² Student allowances expenditure consists of the amount paid to students in a particular year and is net of any repayments. It differs from the official general ledger figure calculated on an accrued basis by less than 0.4 percent a year due to not accounting for payments to the previous years' students.

³ From 1 January 2006 the personal income threshold increased from \$135.13 per week gross to \$180 per week gross and a cliff-face exclusion for personal income over the threshold was replaced with a 100 percent or 'dollar for dollar' abatement regime.

additional recipients at universities and polytechnics studied at degree level and above.

In 2007, expenditure on allowances increased by \$12 million (3 percent) and reached \$386 million. The average annual gross allowance decreased by 2 percent to \$6,200. The median allowance in 2007 was \$5,900. The decrease in the average annual allowance mostly occurred due to an increase in the proportion of relatively inexpensive parental income-based allowances. The tertiary education organisations that mainly contributed to the decrease in the average annual allowance were universities (46 percent of the decrease) and polytechnics (38 percent of the decrease).

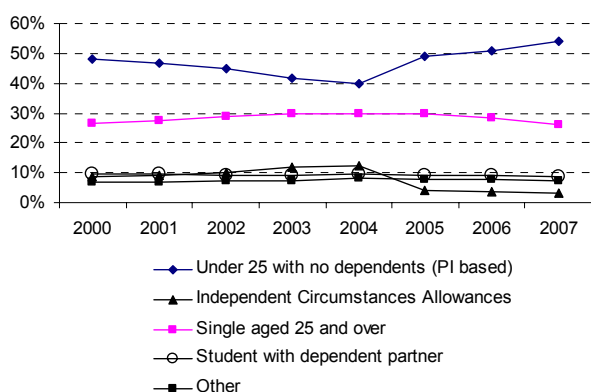
Figure 2: Distribution of allowances received in 2007



Allowances recipients by allowance type

The number of parental income-based allowances for students under the age of 25 with no dependents (a targeted group) increased by 15 percent in 2005 and by a further 8 percent in 2006.

Figure 3: Proportion of allowances recipients by allowance type



In 2007, the number of targeted parental income based allowances increased by 12 percent to 33,900. The proportion of parental income-based allowances increased by 3.3 percentage points and reached 54 percent. Compensating decreases of 2.0, 0.6 and 0.3 percentage points occurred for single students aged 25 and over, students with dependent

partners and Independent Circumstances Grant recipients⁴ respectively. Changes in the proportions of other allowances categories were small.

Table 2: Allowances recipients by allowance type⁵, 2007

Allowance type	Number of allowances recipients	Average annual allowance
16-24 years old parental income tested	33,900	\$5,200
Independent circumstances allowances for 16-24 year olds	2,100	\$5,400
Single aged 25 and over	16,400	\$6,600
Student with earning spouse	1,300	\$2,800
Single student with child(ren)	1,600	\$9,700
Couple, one eligible	200	\$8,300
Couple, both eligible	1,500	\$6,500
Student with dependent partner	5,500	\$11,100
All	62,500	\$6,200

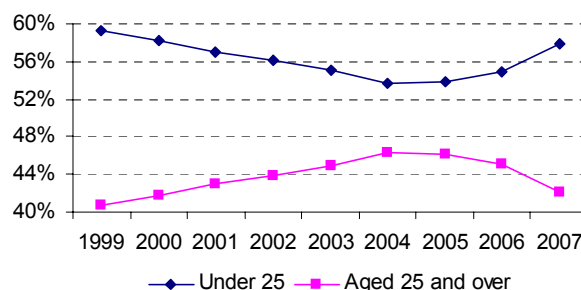
The proportion of recipients whose allowances were abated on parental income test grounds from the total number of parental-income based allowances decreased from 36 percent in 1999 to 34 percent in 2002 to 32 percent in 2004 and to 30 percent in 2006. In 2007, the proportion of abated allowances decreased to 28 percent meaning that 72 percent of students received a full parental income-based allowance.

In 2007, the average annual allowance ranged from \$2,800 for students with earning spouses to \$11,100 for students with dependent partners, with the overall annual average being around \$6,200.

Allowances recipients by age group

In 2007, the average age of allowances recipients dropped by 1 percent to 27.3 years. This was mostly due to a marked increase in the proportion of allowances received by students under the age of 25.

Figure 4: Student allowances recipients by main age group, 1999 - 2007⁶



In 1999, around 60 percent of allowances recipients were under the age of 25. By 2004, the proportion had dropped to about 54

4 The independent circumstances grant is paid to single students under the age of 25 with no dependents, who are eligible for allowances but who, for special reasons, cannot be supported by their parents.

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

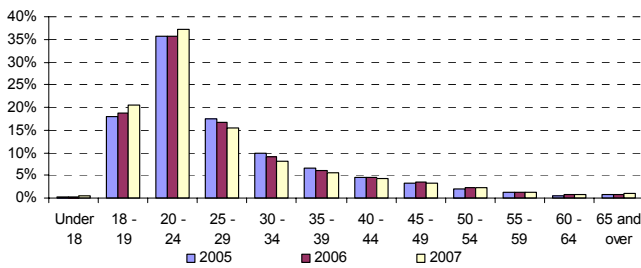
6 Y-axis starts from 40 percent.

percent. In 2007, about 58 percent of allowances recipients were under the age of 25 and 42 percent were aged 25 and over.

The decrease in the proportion of allowances 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 average parental incomes were rising. In addition, over that time, there was a gradual ageing of the student population.

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, 2005 - 2007



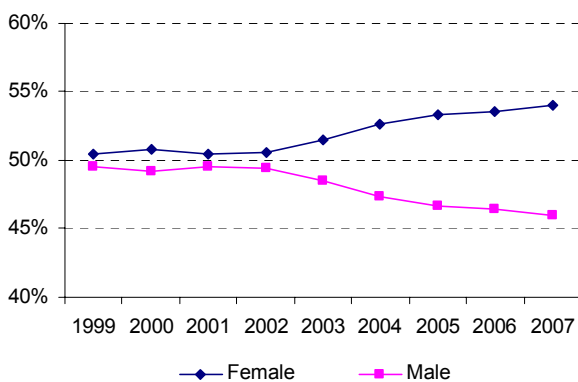
Allowances recipients by gender

From 1999 to 2002, about half of the allowances recipients were female. Since then, the proportion of female recipients increased and reached 54 percent in 2007.

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

In 2007, the average age of female allowances recipients was 26.9 years and the average age of male recipients was 27.3 years.

Figure 6: Student allowances recipients by gender, 1999 - 2007

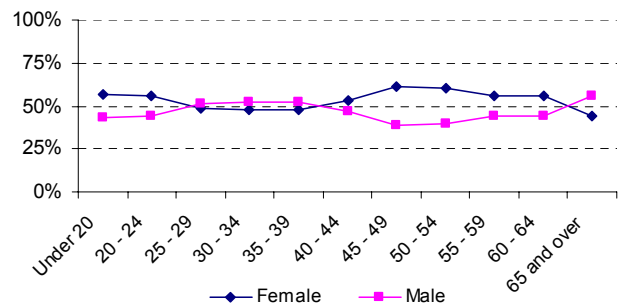


The proportions of females and males differ for different age groups. The proportions of females are lower than for males for the age group 25 to 39 only. This is likely to be the result of women starting their families and looking after small children.

In 2007, 60 percent of female allowances recipients were under the age of 25, an increase by 2.8 percentage points from 2006. In comparison, about 55 percent of males were under the age of 25, an increase by 3.2 percentage points from 2006.

The average annual allowance of male students was about \$90 higher than females in 2004. The difference disappeared by 2006 and in 2007 the average annual allowance of female students exceeded that of males by \$35. The difference was mostly due to the two categories of recipients: a single student with child(ren) and a student under the age of 25 with no dependents.

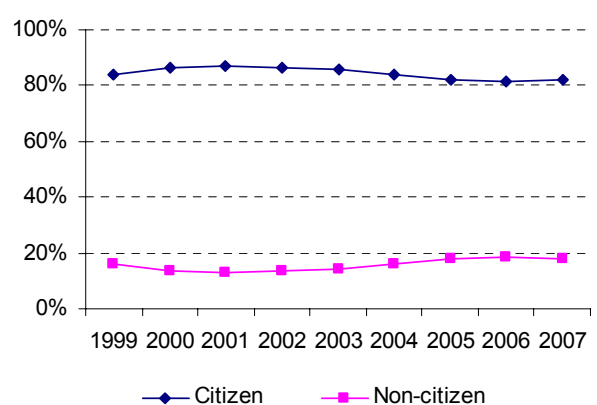
Figure 7: Student allowances recipients by age group and gender, 2007



Allowances recipients by residency

The percentage of non-citizen⁸ allowances recipients increased from 13 percent in 2001 and 2002 to 19 percent in 2006 and dropped to 18 percent in 2007. The average annual allowance of non-citizens is higher than that of citizens. The difference increased from about \$500 in 2004 to \$800 in 2005 and to \$900 in 2007.

Figure 8: Student allowances recipients by residency, 1999 - 2007



7 Y-axis starts from 40 percent.

8 New Zealand permanent residents or refugees who have lived in New Zealand for two years are entitled to allowances, subject to meeting eligibility criteria.

The difference results from the different profiles of citizens and non-citizens. In 2007, citizen and non-citizen recipients had a similar gender breakdown: about 54 percent female and 46 percent male. However, the average age of citizens and non-citizens differed considerably: about 26 and 33 years respectively. Consequentially, the proportion of single students with no dependents (all ages) among New Zealand citizens receiving allowances was 88 percent compared to 64 percent for non-citizens. Note that the average annual allowance of students with no dependents is lower than the overall average annual allowance.

Allowances recipients by main ethnic group

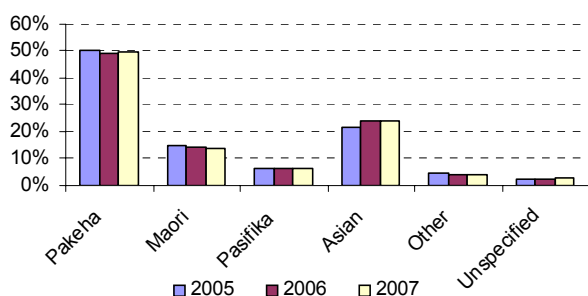
It is not mandatory for students to declare their ethnicity and students may report more than one ethnicity. In 2007, based on the full-response counts⁹, 50 percent of allowances recipients were NZ European, and 24 percent were Asian. The Māori and Pasifika ethnic groups represented 14 and 6 percent of recipients respectively. About 3 percent were students from other ethnic groups and 3 percent of allowances recipients did not specify their ethnicity at all.

Table 3: Student allowances recipients by main ethnic group by gender, 2007

Ethnic group	Female	Male	Total
NZ European	18,400	14,600	33,000
Māori	4,700	4,300	9,000
Pasifika	2,300	1,900	4,200
Asian	8,600	7,400	16,000
Other	1,100	1,400	2,500
Unspecified	900	1,000	1,900
All	36,000	30,600	66,600

NZ European contributed about 60 percent to a 3,100 increase in the number of allowance recipients in 2007. This is different from the last year when Asian students contributed 65 percent to the 2,600 increase in the number of allowance recipients.

Figure 9: Proportion of student allowances recipients by ethnic group, 2005 - 2007



In 2007, the average annual allowance of Asian recipients was about \$700 higher than the overall average annual allowance of \$6,200.

The average ages of allowances recipients differs for different ethnic groups. In 2007, the average ages of NZ European and Pasifika students were 26 and 27 years respectively. Maori and Asian allowances recipients were slightly older, 29 and 30 years old respectively. The overall average age of allowance recipients was 27 years.

The gender proportions differ for different ethnic groups as well. The proportions of female allowances recipients in 2007 were 56 percent, 55 percent, 54 percent, 52 percent and 44 percent for NZ European, Pasifika, Asian, Maori and Other ethnic groups respectively, the overall proportion being 54 percent.

Student allowances by marital status

In general, about 85 percent of student allowances recipients receive allowances for single and 15 percent receive allowances for those in relationships (married or de facto couples). In 2007, the average annual allowance of non-single recipients was about \$2,700 higher than that of single recipients (\$8,500 for couples, compared with \$5,800 for single students).

Student allowances by parental status

From 2000 to 2004, the percentage of allowances recipients with children remained relatively stable at around 12 percent. The percentage dropped to 11 percent in 2005, to 10 percent in 2006 and further to 9 percent in 2007. In 2007, the average annual allowances of recipients with children and without children were about \$9,300 and \$5,900 respectively – meaning that the average annual allowance of recipients with children was about 50 percent higher than the overall average annual allowance of \$6,200.

Allowances recipients by provider type¹⁰

In 2007, more than a half of student allowances 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 assisted students studying in private training establishments (PTEs), from about 14 percent in 2004 to 15 percent in 2005 and to nearly 17 percent in 2006 and 2007. These increases were compensated by smaller drops in the proportions of allowances recipients studying at polytechnics and universities.

Table 4: Allowances recipients by provider type, 2007

Provider type	Allowances recipients	Sub-sector proportions	Average annual allowance
University	33,900	54%	\$6,200
Polytechnic	15,500	25%	\$6,000
Wananga	1,400	2%	\$7,600
Schools&Other	1,300	2%	\$5,800
PTEs	10,400	17%	\$6,100
All	62,500	100%	\$6,200

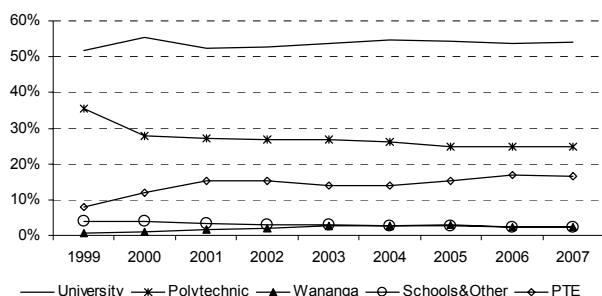
¹⁰ Provider type is determined by the last provider at which a student received allowances in a calendar year.

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

⁹ Counts based on multiple responses.

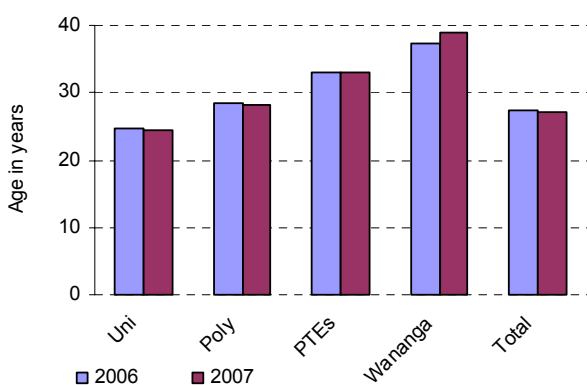
In 2007, the average age of allowances recipients was around 24, 28, 33 and 39 years in universities, polytechnics, PTEs and wananga respectively, the overall average age being around 27 years.

Figure 10: Proportions of allowances recipients by provider type, 1999-2007



In 2007, the proportion of female allowances recipients differed by provider type: 59 percent, 55 percent, 54 percent, and 50 percent for wananga, universities, PTEs and polytechnics, the overall proportion being 54 percent.

Figure 11: Average age of allowances recipients by provider type, 2006 – 2007



In 2007, the proportion of allowances recipients studying qualifications at degree and above (as opposed to students studying sub-degree qualifications) increased by 1 percent to 92 percent at university and by 2 percent to 32 percent at polytechnics, the overall proportion being increased by 1 percent to 61 percent.

Table 5: Proportion of recipients studying at degree and above qualifications by provider type, 2006-2007

Provider type	2006	2007
University	91%	92%
Polytechnic	30%	32%
Wananga	23%	17%
PTEs	7%	8%
All	60%	61%

The allowance type composition differs markedly by provider type. In 2007, the proportion of under the age of 25 with no dependents allowance recipients (a targeted group) was 66 percent, 45 percent, 12 percent, 72 percent and 33 percent for universities, polytechnics, wananga, schools&others and PTEs respectively, the overall proportion being 54 percent.

The difference in the profile of student allowances recipients in different provider types leads to variations in the average annual allowances in each sub-sector. In 2007, the highest average annual allowance was observed in wananga (about 23 percent higher than the overall average of \$6,200) and the lowest was observed at secondary schools (about 6 percent lower than the overall average).

Table 6: Allowances type composition by provider type, 2007

Allowance type	Provider type					Total
	Uni	Poly	Wan	Schools & Other	PTEs	
16-24 years old parental income tested	66	45	12	72	33	54
Independent circumstances allowances for 16-24 year olds	3	4	3	5	5	3
Single aged 25 and over	23	31	37	4	33	26
Student with earning spouse	1	3	5	1	3	2
Single student with child(ren)	1	3	9	1	4	3
Couple, one eligible	0	0	1	0	1	0
Couple, both eligible	1	2	5	2	8	2
Student with dependent partner	5	12	27	15	14	9
Total	100	100	100	100	100	100

Personal income

It is not mandatory for students to declare their personal income unless it is over the personal income test threshold. About 35 percent of students declared their personal income in 2005 to 2007.

In 2005, 10,136 students lost their allowances for some time during the 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 during the year decreased by 25 percent to 7,600. About 58 percent of the abated allowances were only partially abated. The other 42 percent of the abated allowances were fully abated for at least one week during the year.

The average declared personal income increased by 16 percent to \$4,800 in 2006 and by a further 5 percent to \$5,000 in 2007.

The average personal income of 22,400 students who declared personal income in 2007 was:

- about \$1,100 higher for students aged 25 and over than for those under the age of 25;
- about \$200 higher for male students than for female;
- about \$500 higher for non-single students than for single recipients;
- about \$1,000 higher for students with children than for students without children.

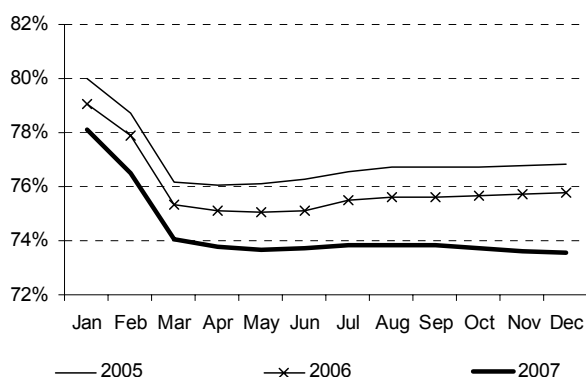
Table 7: Annual personal income and average annual allowance of student allowances recipients with declared personal income by allowance type, 2007

Allowance type	Allowance recipients	Average personal income	Average annual allowance
16-24 years old parental income tested	12,600	\$4,600	\$5,100
Independent circumstances allowances for 16-24 year olds	700	\$5,000	\$6,100
Single aged 25 and over	6,100	\$5,600	\$6,900
Student with earning spouse	400	\$5,300	\$2,800
Single student with child(ren)	600	\$6,900	\$9,900
Couple, one eligible	100	\$5,900	\$8,600
Couple, both eligible	400	\$6,000	\$5,900
Student with dependent partner	1,500	\$5,400	\$10,700
All	22,400	\$5,000	\$6,100

Accommodation benefit

The 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, by 1 percent in 2006 and by a further 2 percent in 2007. The drop in accommodation benefit uptake since 2004 was highest for couples with one or both partners eligible for allowances (6 percent and 4 percent respectively) and for students aged 25 and over (2 percent). The uptake in accommodation benefit for students under the age of 25 stayed at approximately the same level of 64 percent since 2004.

Figure 12: Uptake in accommodation benefit, 2005-2007



A decrease in the accommodation benefit uptake rate observed since 2004 can be attributed to 'fixed' accommodation benefit rates for different categories of students (they have not been adjusted annually by CPI as has the main student allowance). The drop in accommodation benefit uptake may mean that

students are more likely to continue living with their parents during their tertiary study than to live away from home.

The average annual accommodation benefit was about \$900 in 2004. It increased to nearly \$1,000 in 2005 and to \$1,100 in 2007.

Weeks with allowances

The average number of weeks with allowances differs for different provider types and allowance types. In 2007, the average number of weeks with allowances by allowance type ranged from 19 for students with earning spouses to 33 for students under the age of 25 with no dependents; it was around 27 weeks for PTEs and wananga, 29 weeks for polytechnics and 33 weeks for universities. The overall average number of weeks with allowances was relatively stable from 2004 to 2007 at around 31 weeks.

Allowances and loan recipients

Among student allowances recipients we can distinguish those who receive allowances only (SA) and those who also borrow from the Student Loan Scheme (SA+SL). The proportion of students who received allowances only decreased from 23 percent in 2003 to 20 percent in 2004 and 2005 and 18 percent in 2006 and 2007.

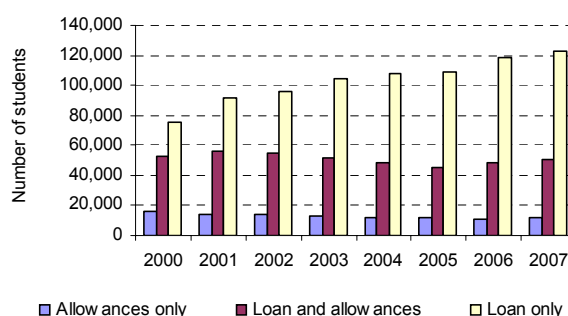
Table 8: Student allowances and loans combinations

	2003	2004	2005	2006	2007
Allowances only	12,500	11,900	11,400	10,600	11,400
SA + SL	51,600	48,900	45,400	48,800	51,100
Loan only	104,700	108,100	109,000	118,300	122,700
SA and/or SL	168,700	169,000	165,800	177,800	185,100

Of the 62,500 student allowances recipients in 2007, about 51,100 students received allowances and a loan. This was about 29 percent of all (173,800) 2007 loan borrowers.

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

Figure 13: Comparison of student allowances recipients and student loan borrowers, 2000-2007



In 2007:

- Allowances only recipients and allowances recipients with a loan 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 60 percent of those with allowances and loans.
- About 22 percent of students who received allowances only were not single compared to 14 percent of those with allowances and loans.
- About 12 percent of students with allowances only had children compared to 8 percent of students with allowances and loans.

Table 9: Profile of recipients of allowances only and recipients of allowances and loans, 2007

		SA	SA+SL
By gender	Female	6,100	27,700
	Male	5,300	23,400
By age group	Under 25	5,800	30,400
	Aged 25 and over	5,600	20,700
By marital status	Single	8,900	44,000
	Not single	2,500	7,100
By parental status	No children	10,000	47,100
	With children	1,400	4,000

In 2007, among those receiving allowances only, there were about 8 percent fewer single recipients under the age of 25 with no dependents and 9 percent more students with dependent partners.

Table 10: Recipients of allowances only and recipients of allowances and loans by allowance type, 2007

Allowance type	SA	SA+SL	Total SA
16-24 years old parental income tested	5,500	28,500	33,900
Independent circumstances allowances for 16-24 year olds	400	1,700	2,100
Single aged 25 and over	2,900	13,500	16,400
Student with earning spouse	200	1,100	1,300
Single student with child(ren)	300	1,200	1,600
Couple, one eligible		200	200
Couple, both eligible	300	1,200	1,500
Student with dependent partner	1,800	3,700	5,500
All	11,400	61,100	62,500

Student loan borrowers who are studying full-time are entitled to borrow up to \$150¹² per week towards meeting their living costs, less any net student allowances entitlement they have.

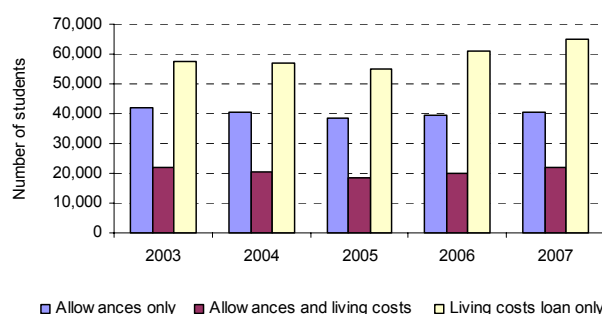
In 2007, about 22,100 students (35 percent of student allowances recipients) received both student allowances and a living costs loan entitlement. Only 50 percent of 2007 student loan borrowers received the living costs component of the loan;

this is due to part-time students and students whose allowance is above \$150 per week being eligible for the living costs entitlement. Of those borrowers, about 25 percent also received student allowances.

Table 11: Student allowances and living costs loan recipients combinations

	2003	2004	2005	2006	2007
Allowances only	42,200	40,300	38,400	39,500	40,400
SA + Living costs	21,900	20,500	18,500	19,900	22,100
Living costs only	57,500	57,000	55,200	61,000	65,100
SA and/or Living costs	121,600	117,800	112,100	120,400	127,600

Figure 14: Comparison of student allowances recipients and student loan borrowers, 2000-2007



In 2007, about 32 percent of the recipients of allowances only studied at bachelors degree level and 50 percent studied at degree level and above. In comparison, for students who received allowances and loans, those figures were 56 percent and 65 percent respectively. This shows that receiving both student allowances and student loans is more prevalent amongst those studying for higher qualifications.

Table 12: Recipients of allowances only and recipients of allowances and loans by level of study, 2007

	SA	SA+SL	SL	Total SA	Total SL
Level 1-3 Cert	2,700	6,900	28,200	9,600	35,100
Level 4 Cert	1,400	4,300	10,300	5,600	14,600
Level 5-7 Dip	1,600	6,900	16,700	8,500	23,600
Level 7 Bachelors	3,700	28,600	56,900	32,300	85,500
Level 8 Honours/Postgrad Cert	300	2,100	5,600	2,400	7,600
Level 9 Masters	400	1,100	3,100	1,500	4,200
Level 10 Doctorates	200	300	900	500	1,200
Non-tertiary (schools)	1,100	900	1,000	2,100	2,000
All	11,400	51,100	122,700	62,500	173,800

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

