

## Changes in Student Allowances in 2009

### Recent changes

From 1 January 2009, the lower parental income testing threshold for students was increased by 10 percent to \$50,318 per annum - the latest in a series of increases that started in 2005<sup>1</sup>. The parental income testing age also decreased by one year, so henceforth only applied to single students under 24 years with no dependents.

In 2009, the number of recipients increased by 16,900 (or 26 percent) and reached 82,600<sup>2</sup>. The increase was largely due to high unemployment, particularly for younger age-groups, due to the economic recession. The reduction of the parental income testing age to 24, and increase to parental income thresholds both contributed to increases in allowance recipients. However, the effects of these policy changes pale in comparison to the effects due to the economic environment. The main changes occurred in universities (contributing 47 percent of the increase) and polytechnics (26 percent of the increase), however, recipient numbers increased markedly across all sub-sectors.

The upsurge in allowances applications led to a corresponding increase in expenditure. In 2009, expenditure<sup>3</sup> on allowances increased by \$118 million (or 30 percent) and reached \$516 million. The average annual gross allowance increased by 3 percent to \$6,200. The increase in the average annual allowance occurred because of adjustments for the Consumer Price Index (CPI) and because allowances for 24 year olds were no longer restricted by parental incomes.

In 2009, the average age of allowances recipients was 26.1 years, continuing a steady decline since 2006.

The increases observed in 2009 come on the back of gradual increases over three years in the number of student allowance recipients. The number of student allowances recipients reached a peak of 70,200 in 2001, and then dropped by 19 percent to 56,800 by 2005. In this four-year period, student allowances expenditure decreased by 13 percent, from \$399 million to \$346 million. The downward movements in volumes and values mostly resulted from two factors: the parental income testing thresholds being fixed (for single students under the age of 25 years with no dependants) between 1992 and 2004, and a decrease in unemployment due to a strong economy. The latter improved the availability of part-time jobs for young people and it also had the effect of boosting family incomes, resulting in fewer families with incomes under the fixed parental income threshold.

### Key facts in 2009:

- There were 82,600 student allowances recipients; up by 26 percent on 2008.
- 53 percent of allowances recipients were female.
- 62 percent of allowances recipients were under the age of 25 years.
- 70 percent of allowances recipients received an accommodation benefit.
- 53 percent of student allowances recipients were studying at university and 25 percent were studying at institutes of technology and polytechnics.
- The average age of allowances recipients ranged from 24 years at universities to 39 years at wānanga; the overall average age was 26.1 years.
- There were 45,200 targeted parental income based allowances; up by 21 percent on 2008.
- 13 percent of allowances recipients were living in relationships (married or de facto couples) and 7 percent had one or more children.
- 84 percent of student allowances recipients also borrowed through the student loan scheme.
- 37 percent of student allowances recipients also received a living costs loan entitlement.
- Receiving both student allowances and student loans is more prevalent amongst those studying for higher qualifications.
- Expenditure on allowances was \$516 million; up by \$118 million on 2008.
- The average annual allowance ranged from \$2,400 for students with earning spouses to \$11,000 for students with dependent partners. Overall, the average annual allowance was \$6,200.

From 2006 to 2008 the number of student allowances recipients rose by 5 percent each year, reaching 65,700 in 2008. In this three-year period to 2008 the allowances expenditure also increased by 15 percent and reached 397 million. These changes resulted from the introduction of a number of policy initiatives designed to widen access to allowances especially for a targeted group of students.

Single students under the age of 25 years with no dependants whose parents have low or middle incomes was such a target group. Eligibility for allowances for such students depended on their parents' incomes. Student allowances were abated if the combined parental income was above a lower threshold, but below an upper threshold or cut-out point.

1 The cut-out points also rose by 10 percent to \$75,855 for students living at home and \$82,238 for students living away from home.

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

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

Figure 1: Gross expenditure on student allowances

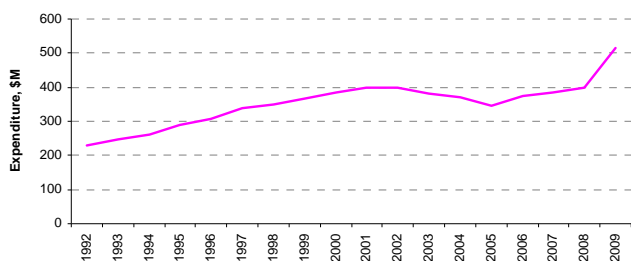


Table 1: Student Allowances expenditure and recipient numbers

	2005	2006	2007	2008	2009
Number of recipients	56,800	59,400	62,500	65,700	82,600
Change from previous year	-7%	5%	5%	5%	26%
Expenditure, \$M	346	374	386	397	516
Change from previous year	-7%	8%	3%	3%	30%

The main policy changes that led to the increase in the number of allowances recipients between 2006 and 2008 were:

- Increases in the parental income threshold (by 20 percent from January 2005 and by a further 10 percent from January 2007 and January 2008).
- Increase in the personal income threshold from \$135.13 per week gross to \$180 per week gross and replacing a cliff-face exclusion for personal income over the threshold with a 100 percent or 'dollar for dollar' abatement regime (from January 2006).
- Annual CPI adjustment of the student allowances parental income threshold (from April 2005) and personal income threshold (from April 2008).

The increases observed in 2009 far out-weigh the increases resulting from these policy changes, and brought allowances expenditure to its highest level, funding the largest number of allowance recipients since the scheme was introduced.

From January 2007 there was a policy initiative in place that removed access to student allowances and loans for students enrolled in qualifications that do not receive the Student Component of government funding. Funding was limited to a specified number of EFTS at each institution. Despite that, due to high demand in tertiary study in 2009, many institutions accepted enrolments above the funded levels. The level of over-delivery above the funded levels measured by the Equivalent Full-Time Students (EFTS) ranged from 0.5% in wananga to 29.0% in Private Training Establishments. The overall level of EFTS over-delivery was 5.1%.

Table 2: EFTS delivery by sub-sector, 2009

	EFTS delivered	Change, %	EFTS funded	Change, %	EFTS over-delivery
University	118,952	6.7%	115,206	3.1%	3.3%
Polytechnics	67,529	7.5%	66,651	4.0%	1.3%
Wananga	25,099	11.4%	24,964	8.5%	0.5%
PTEs	31,417	7.7%	24,363	2.3%	29.0%
Total	242,997	7.5%	231,184	3.8%	5.1%

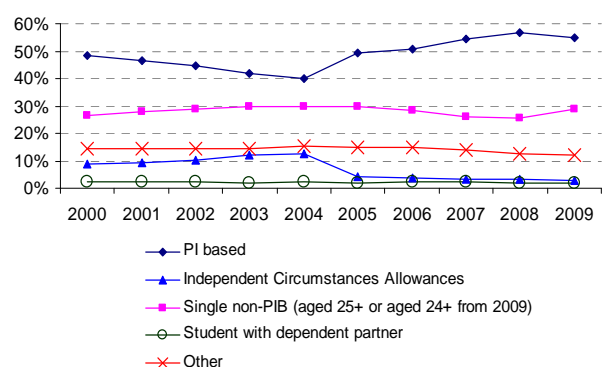
In 2009 there was also a 4.7 percent increase in the student allowances per-EFTS uptake, from 28.4 percent in 2008 to 33.2 percent in 2009. A combination of the EFTS over-delivery and increase in the per-EFTS uptake explains the 26 percent increase in the number of allowances recipients in 2009.

### Allowances recipients by allowance type

The number of parental income-based allowances for students under the age of 25 years with no dependants (a targeted group) increased by 12 percent in 2007 and by a further 10 percent in 2008.

The proportion of targeted parental income-based allowances was around 40 percent in 2004. As a result of a 20 percent increase in the parental income threshold this proportion increased to 49 percent in 2005. The proportion of targeted allowances increased again to 51 percent in 2006, 54 percent in 2007 and 57 percent in 2008.

Figure 2: Proportion of allowances recipients by allowance type



In 2009, the parental income testing age was decreased by one year to 24. As a result, the proportion of parental income based allowances decreased by 2 percent, sitting at 55 percent. This still represented an increase in the number of targeted allowances of 21 percent to 45,200. The decrease in the proportion of parental income based allowances was offset by an increase in single students aged 24 years and over (up 3 percent). The number of Independent Circumstances Grant recipients<sup>4</sup> decreased proportionally by 0.5 percent, and the number of students with dependent partners increased by 0.1 percent.

<sup>4</sup> The Independent Circumstances Grant is paid to single students under the age of 25 years with no dependents who are eligible for allowances but who, for special reasons, cannot be supported by their parents.

Table 2: Allowances recipients by allowance type<sup>5</sup>, 2009

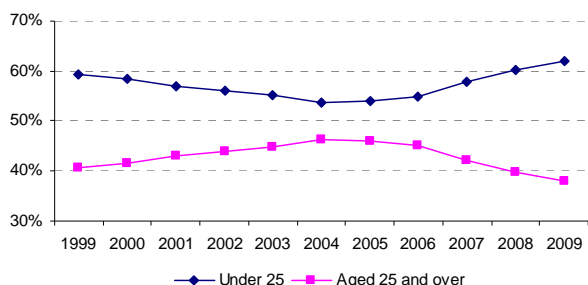
Allowance type	Number of allowances recipients	Average main allowance	Average Accommodation benefit	Average annual allowance
16-23 year-olds, parental income tested	45,200	4,700	1,200	5,500
Independent circumstances allowances for 16-23 year-olds	2,200	4,700	1,000	5,700
Single, aged 24 years and over	23,700	5,700	1,100	6,500
Student with earning spouse	1,600	2,300	500	2,400
Single student with child(ren)	6,400	8,000	1,500	9,400
Couple, one eligible	300	7,300	1,000	8,200
Couple, both eligible	1,900	4,700	900	5,500
Student with a dependent partner	1,400	10,000	1,100	11,000
All	82,600	5,400	1,100	6,200

In 2009, the average annual allowance ranged from \$2,400 for a student with an earning spouse to \$11,000 for a student with a dependent partner.

### Allowances recipients by age group<sup>6</sup>

In 2009, the average age of allowances recipients dropped by 2 percent to 26.1 years. This was mostly due to a continued increase in the proportion of allowances received by students under the age of 25 years.

Figure 3: Student allowances recipients by main age group<sup>7</sup>



In 1999, around 60 percent of allowances recipients were under the age of 25 years. By 2004, the proportion had dropped to 54 percent. In 2009, the proportion has increased beyond the 1999 levels, with 62 percent of allowances recipients under the age of 25 years and 38 percent aged 25 years and over.

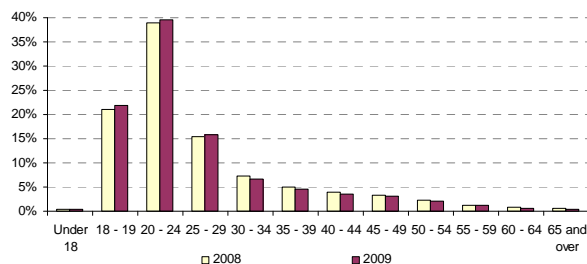
The decrease in the proportion of allowances recipients under the age of 25 years between 1999 and 2004 was due to the decrease in the proportion of this age group among those eligible for student allowances. This resulted from the fact that the parental income limits were frozen over that time, while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

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 a dependent partner.

6 Age of allowance recipients as at 31 December

7 Note that the Y-axis starts at 30 percent.

Figure 4: Distribution of student allowances recipients by age group



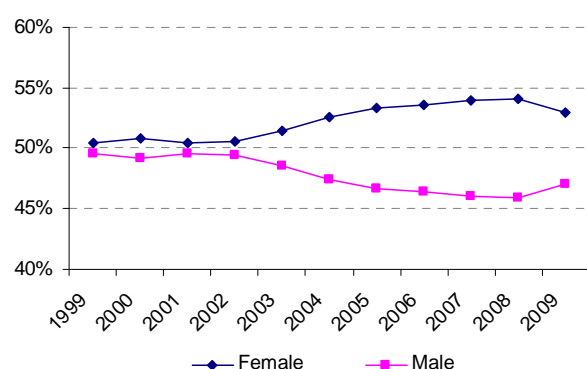
In 2009, an increase in the proportion of allowance recipients in the age bands between 18-30 years all increased, while age groups beyond 30 all showed a proportional decrease relative to 2008. The higher unemployment rates for those aged 18-30, driving more people in this age group to study as a result, are responsible for this.

The difference in the average annual allowances for the two main age groups increased between 2005 and 2007 from \$1,800 to \$2,200. This decreased in 2008 to \$1,600 because of lower average allowances for those aged 25 and over. In 2009 the average annual allowance of a student aged under 25 years increased by 3.7% to \$5,600 while that for a student aged 25 years and over increased by 4.3% to \$7,300. These changes lead to an increase in the gap, with a student under the age of 25 years receiving about \$1,700 less than a student aged 25 years and over.

### Allowances recipients by gender

Between 1999 and 2002, about half of the allowances recipients were female. From 2003, the proportion of female recipients increased, reaching 54 percent in 2008, and decreased to 53% in 2009. However, the proportion of females enrolling in tertiary study remained approximately the same as in 2008.

Figure 5: Student allowances recipients by gender<sup>8</sup>

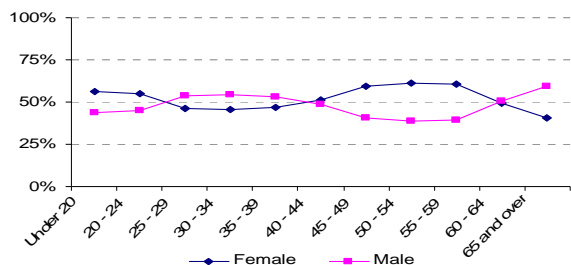


In 2009, the average age of female allowances recipients was 25.9 years and the average age of male recipients was 26.3 years.

8 Note that the Y-axis starts at 40 percent.

The proportions of female and male allowances recipients differ for the various age groups. In 2009, the proportion of females was lower than for males between 25 and 39 years of age<sup>9</sup>. This was likely to be the result of women starting their families and looking after small children.

Figure 6: Student allowances recipients by age group and gender, 2009



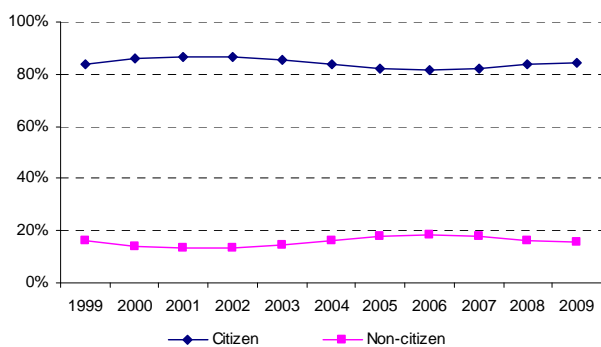
In 2009, 65 percent of female allowances recipients were under the age of 25 years, an increase of 1.8 percentage points from 2008. In comparison, about 59 percent of males were under the age of 25 years, an increase of 1.8 percentage points from 2008.

The average annual allowance of male students was about \$90 higher than females in 2004. The difference disappeared by 2006 and then reversed in the next three years, with the average annual allowance of female students exceeding that of males by \$120 in 2009. This difference in favour of females was mostly due to two categories of recipients: a student under the age of 25 years with no dependants and a single student with child(ren).

### Allowances recipients by residency

The percentage of non-citizen<sup>10</sup> allowances recipients increased from 13 percent in 2002 to 19 percent in 2006 and then dropped back down to 15 percent in 2009. The average annual allowance of non-citizens is higher than that of citizens. The difference increased from about \$500 in 2004 to around \$1,000 in 2006. However, in 2009, the difference now stands at about \$700.

Figure 7: Student allowances recipients by citizenship



<sup>9</sup> The proportion of females was also lower than males for the 65 years and over age group.

<sup>10</sup> New Zealand permanent residents or refugees who have lived in New Zealand for two years are entitled to allowances, subject to meeting eligibility criteria.

The difference results from the different profiles of citizens and non-citizens. In 2009, citizen and non-citizen recipients had a similar gender breakdown: about 53 percent were female and 47 percent were male. However, the average age of citizens and non-citizens differed considerably at 25 years and 30 years, respectively. Consequently, the proportion of single students with no dependants (all ages) among New Zealand citizens receiving allowances was 89 percent compared to 70 percent for non-citizens. Note that the average annual allowance of non-single students was about \$2,000 above 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 2009, based on the full-response counts<sup>11</sup>, 51 percent of allowances recipients were New Zealand European and 21 percent were Asian. Māori represented 14 percent of recipients and Pasifika 7 percent. About 3 percent were students from other ethnic groups and 3 percent of allowances recipients did not specify their ethnicity.

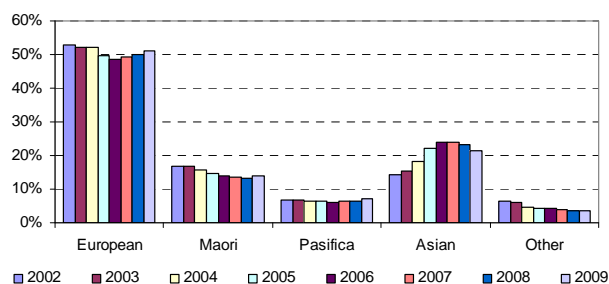
New Zealand Europeans contributed 54 percent to the 16,900 increase in the number of allowance recipients in 2009. Contributions of 17 percent, 15 percent and 10 percent were provided by Maori, Asian and Pacifica recipients respectively. This is different from 2006 when Asian students contributed 65 percent of the 2,600 increase in the number of allowance recipients.

Table 3: Student allowances recipients by main ethnic group by gender, 2009

Ethnic group	Female	Male	Total
NZ European	24,900	20,500	45,300
Māori	6,300	6,200	12,500
Pasifika	3,500	2,900	6,500
Asian	9,900	9,000	18,900
Other	1,400	1,700	3,000
Unspecified	1,200	1,300	2,600
All	43,700	38,900	82,600

In 2009, the average annual allowance of Asian recipients was about \$700 higher than the overall average annual allowance of \$6,200. This is due differences in the average age and allowance type of the different ethnicities.

Figure 8: Proportion of student allowances recipients by ethnic group



<sup>11</sup> Counts based on multiple responses.

The average age of allowances recipients differed for the ethnic groups. In 2009, New Zealand European students were aged 25 years, on average, and Pasifika students 26 years. Māori and Asian allowances recipients were slightly older, on average, at 28 years and 29 years, respectively. Overall, the average age of allowances recipients was 26.1 years.

The gender proportions differed for the ethnic groups as well. The proportions of female allowances recipients in 2009 were 55 percent for New Zealand Europeans, 55 percent for Pasifika, 52 percent for Asians, 50 percent for Māori and 45 percent for the Other ethnic group. Overall, the proportion of females was 53 percent.

### Student allowances by marital status

About 89 percent of student allowances recipients are single and 11 percent are living in relationships (married or de facto couples). In 2009, the average annual allowance of non-single recipients was about \$2,400 higher than that of single recipients (\$8,300 for couples compared with \$5,900 for single students), as those with dependent partners or children attract higher funding.

### Student allowances by parental status

From 2000 to 2004, the proportion of allowances recipients with children remained relatively stable at around 12 percent. The proportion dropped to 11 percent in 2005, and is at 7 percent in 2009. The number of recipients with children had decreased from a maximum of 8,400 in 2001 to 5,000 in 2008, but has now increased to 5,800 in 2009.

In 2009, the average annual allowances of recipients with children and without children were about \$9,200 and \$6,000 respectively. As a result the average annual allowance of recipients with children was about 53 percent higher than the overall average annual allowance of \$6,200.

### Allowances recipients by provider type<sup>12</sup>

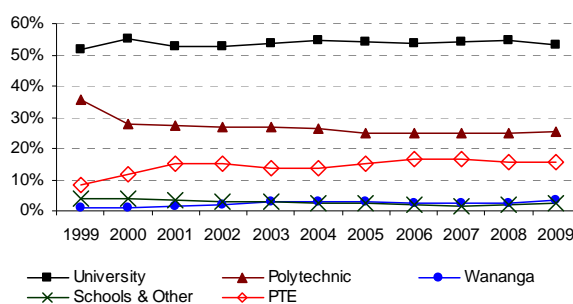
In 2009, more than half of student allowances recipients were studying at university<sup>13</sup> and a quarter were studying at institutes of technology and polytechnics. There was an increase in the proportion of recipients studying in private training establishments (PTEs) from 14 percent in 2004 to 17 percent in 2007. In 2008 and 2009 PTEs made up 16 percent of the all allowance holders. Wananga has seen an increase in its proportion of allowance holders, now comprising 3 percent of the total.

Table 4: Allowances recipients by provider type, 2009

Provider type	Allowances recipients	Sub-sector proportions	Average annual allowance
University	43,900	53%	6,500
Polytechnic	21,000	25%	6,100
PTEs	13,100	16%	5,500
Wānanga	2700	3%	7,100
Schools & Other	2,000	2%	5,800
All	82,600	100%	6,200

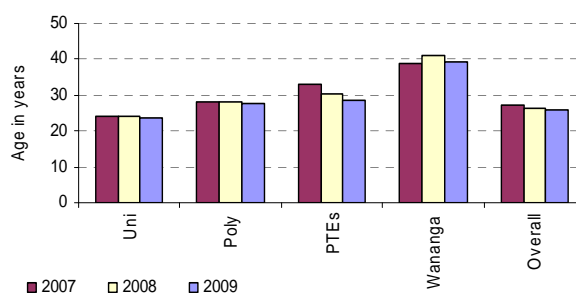
In 2009, the average age of allowances recipients was 26.1 years. The average age was 24 years in universities, 28 years in polytechnics, 29 years in private training establishments and 39 years in wānanga.

Figure 9: Proportions of allowances recipients by provider type



In 2009, the proportion of female allowances recipients was 53 percent overall. However the proportion differed by provider type: 55 percent in universities, 53 percent at wananga and private training establishments, and 49 percent in polytechnics.

Figure 10: Average age of allowances recipients by provider type



The allowance type composition differs markedly by provider type. In 2009, the proportion of allowance recipients under the age of 24 with no dependants (a targeted group) was 55 percent. For universities, polytechnics, wānanga, schools and other, and private training establishments it was 65 percent, 45 percent, 15 percent, 76 percent and 40 percent, respectively.

The difference in the profile of student allowances recipients in different provider types leads to variations in the average annual

<sup>12</sup> Provider type is determined by the last provider at which a student received allowances in a calendar year.

<sup>13</sup> For the purposes of this analysis, the colleges of education have been combined with universities, as they have all now merged with universities.

allowance by sub-sector. In 2009, the highest average annual allowance was observed in wānanga (14 percent higher than the overall average of \$6,200 and the lowest was observed at private training establishments (11 percent lower than the overall average).

**Table 5: Allowances type composition by provider type, 2009 (%)**

Allowance type	Uni	Poly	Wān	Schools & other	PTEs	Total
16-24 year-olds, parental income tested	65	45	15	76	40	55
Independent circumstances allowances for 16-24 year-olds	2	4	2	3	4	3
Single, aged 25 years and over	26	32	34	4	36	29
Student with an earning spouse	1	3	4	1	3	2
Single student with child(ren)	1	3	6	1	3	2
Couple, one eligible	0	0	1	0	0	0
Couple, both eligible	1	2	9	2	2	2
Student with a dependent partner	4	11	29	13	11	8
Total	100	100	100	100	100	100

## Personal income

It is not mandatory for students to declare their personal income unless it is over the personal income test threshold. About 35 percent of students declared their personal income over the years from 2005 to 2009.

In 2007, the average declared personal income increased by 5 percent to \$5,000. It increased by a further 3 percent in 2008 to \$5,200 and stayed the same in 2009.

The average personal income of the 27,600 students who declared their personal income in 2009 was about:

- \$1,200 higher for students aged 24 years and over than for those under the age of 24 years;
- \$200 higher for male students than for female;
- \$600 higher for non-single students than for single recipients and
- \$2,000 higher for students with children than for students without children.

**Table 6: Average personal income and annual allowance of recipients with declared personal income by allowance type, 2009**

Allowance type	Allowance recipients	Average personal income	Average annual allowance
16-24 year-olds, parental income tested	15,300	4,700	5,500
Independent circumstances allowances for 16-24 year-olds	600	5,100	6,600
Single, aged 24 years and over	8,200	5,800	6,800
Student with an earning spouse	500	5,700	2,500
Single student with child(ren)	700	7,500	9,500
Couple, one eligible	100	5,500	8,300
Couple, both eligible	400	6,200	5,600
Student with a dependent partner	1,800	5,700	10,700

All 27,600 5,200 6,300

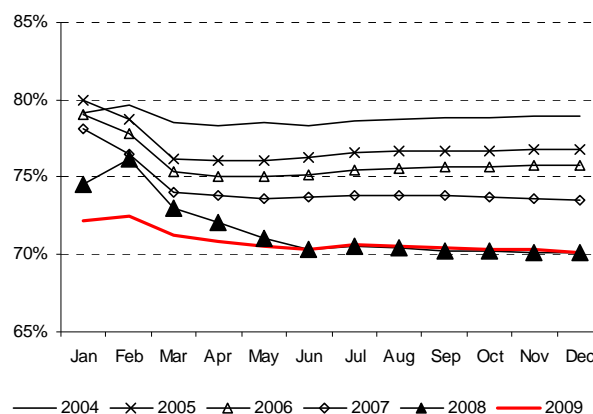
## Accommodation benefit

Students eligible for student allowances can also apply for an accommodation benefit. The proportion of accommodation benefit recipients among student allowances holders is generally quite high. It reached a maximum of 79 percent in 2004. However it dropped 5 percentage points by 2007 and fell a further 4 percentage points to 70 percent in 2008 and remained at this level in 2009. All groups of students have contributed to the decrease in the accommodation benefit uptake between 2004 and 2008, most notably single students aged 25 years and over (54 percent) and single students under the age of 25 years (19 percent).

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

The average annual accommodation benefit was about \$900 in 2004. It increased to \$1,100 in 2007 and remained at this level in 2009.

**Figure 11: Uptake in accommodation benefit<sup>14</sup>**



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

	2005	2006	2007	2008	2009
Main allowance	\$5,300	\$5,500	\$5,400	\$5,300	\$5,400
Accommodation benefit	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100
Average annual allowance (total)	\$6,100	\$6,300	\$6,200	\$6,000	\$6,200

<sup>14</sup> Note that the Y-axis starts at 65 percent.

## Allowances and loan recipients

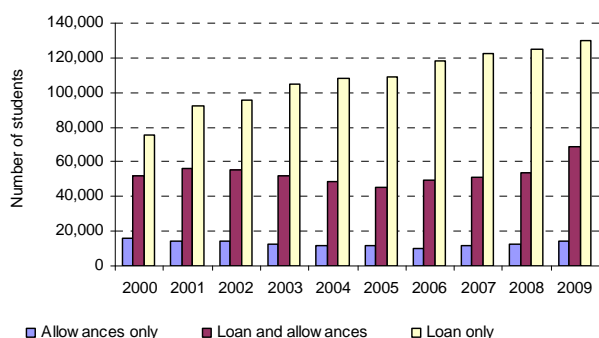
Among student allowances recipients we can distinguish those who receive allowances only (SA) and those who also borrow from the Student Loan Scheme (SA+SL). The proportion of student support recipients who received allowances only decreased from 23 percent in 2000 to 17 percent in 2006. In 2008 the proportion increased to 19 percent, but has dropped to 16 percent in 2009.

Of the 82,600 student allowances recipients in 2009, about 69,300 students received allowances and a loan. This represents 35 percent of all loan borrowers in 2009.

Table 8: Student allowances and loans combinations

Number	2005	2006	2007	2008	2009
Allowances only	11,400	10,300	11,400	12,200	13,300
SA + SL	45,400	49,100	51,100	53,500	69,300
Loan only	109,000	118,300	122,700	125,000	129,400
SA and/or SL	165,800	177,800	185,100	190,700	212,000

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



In 2009, about 29 percent of the recipients of allowances only studied bachelor degrees and 38 percent studied at degree level and higher. In comparison, of students who received allowances and loans, 54 percent studied bachelors degrees and 64 percent studied at degree level and higher. Thus receiving both student allowances and student loans is more prevalent amongst those studying for higher qualifications.

Table 10: Recipients of allowances only and recipients of allowances and loans by level of study, 2009

	SA	SA+SL	SL	Total SA	Total SL
Certificate	4,600	15,300	35,900	19,900	51,200
Diplomas	1,700	9,300	18,300	11,000	27,600
Bachelors degree	3,900	37,700	61,200	41,600	98,900
Honours/Post graduate certificate	500	4,500	8,200	5,000	12,700
Masters	400	1,800	3,700	2,200	5,500
Doctorates	200	400	1,000	600	1,400
Non-formal (Schools)	2,000	300	1,100	2,300	1,400
All	13,300	69,300	129,400	82,600	198,700

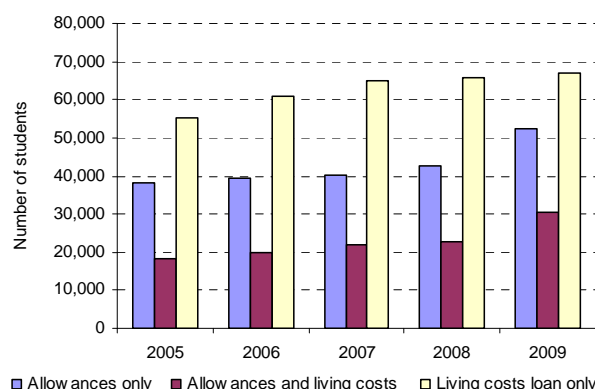
Student loan borrowers who are studying full-time are entitled also to borrow the living cost component of the student loan. The student loan living cost weekly maximum is adjusted annually by CPI. From 1 April 2009 the maximum amount was \$160.24 a week, less any net student allowances entitlement they have.

Table 11: Student allowances and living-costs entitlement combinations

	2005	2006	2007	2008	2009
Allowances only	38,400	39,500	40,400	42,800	52,300
SA and Living costs	18,500	19,900	22,100	22,900	30,300
Living costs only	55,200	61,000	65,100	65,900	66,900
SA and/or Living costs	112,100	120,400	127,600	131,600	149,500

In 2009, about 30,300 students (37 percent of total allowances recipients) received both allowances and a living-costs loan entitlement. Only 49 percent of 2009 student loan borrowers received the living-costs component of the loan; this was due to part-time students and students whose allowances were above the maximum weekly amount being ineligible for the living-costs entitlement. Of those borrowers, about 31 percent also received student allowances.

Figure 13: Comparison of student allowances recipients and borrowers of living costs



## Changes to student allowances expected in 2010

From 1 January 2010 the Budget 2009 policy initiative took place that allowed for 60 additional medical places. However, the main impact on student allowances recipients in 2010 is expected to be from the continuing high demand in tertiary study at the time of the economic downturn.

It is expected that in 2010 more tertiary institutions will follow planned provision and avoid over-delivery. However, the number of allowances recipients is expected to rise, although not to the same extent as in 2009.

