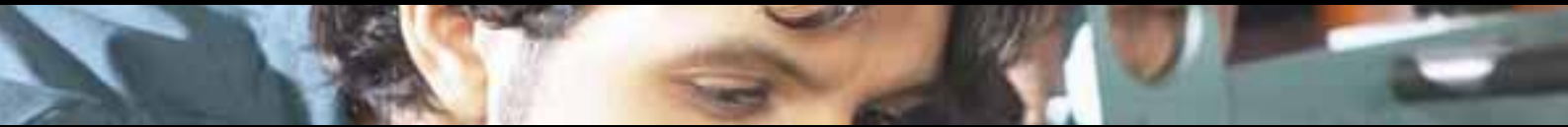


# chapter eleven

## FINANCIAL SUPPORT FOR STUDENTS IN TERTIARY EDUCATION



### INTRODUCTION

Tertiary education brings with it many opportunities and benefits for individuals. The cost of tertiary education, however, is considerable, for both the taxpayer and the student. In order to ensure that New Zealanders are able to acquire the skills needed for the nation's future wellbeing and to encourage them to undertake tertiary education, the government has had to find ways of making tertiary study more affordable for prospective students. In 1989, income-tested student allowances were introduced to help people from low-income families meet their living costs while they studied. This was followed in 1992 by the introduction of student loans to enable people to meet the cost of tuition and other course-related expenses and also to provide assistance with living expenses for those with partial or no student allowances entitlement.

In more recent years, efforts have been made to ease the costs of tertiary study for students by changes to the Student Loan Scheme – for instance, by providing full interest write-offs for full-time students and for low income, part-time students. There have also been policies designed to curb the escalation of tuition fees and increase the number of students who are eligible for a student allowance so that the amount which needs to be borrowed is reduced.

Open access to the Student Loan Scheme, coupled with its income-contingent repayment features, has reduced the financial obstacles to tertiary education and lowered the risks to students and families of investing time and money in study. The government subsidises the costs of tuition in tertiary education. This funding enables providers to keep student fees affordable. Student allowances are paid to students who meet age-related and income-tested eligibility criteria to assist them to cover their living expenses while they are studying. In addition, many students are supported by other forms of financial assistance such as scholarships.

## STUDENT LOANS

The Student Loan Scheme was established in 1992 as part of wider tertiary education reforms designed to raise the level of skills in the population in order to help improve the performance of the nation's economy. The scheme encourages participation in tertiary education by providing financial assistance to borrowers who are unable to pay the costs of their fees upfront or to fund their course-related costs or living expenses from parental support, savings, part-time work, scholarships or other sources.

Since the scheme has been operating, New Zealand has been very successful in raising the level of participation in tertiary education. Many factors have contributed to this success, including annual increases in government funding of tertiary education, open access to tertiary education and the availability of student loans.

The opportunity to undertake tertiary study is of benefit to all New Zealanders – those who seek to obtain qualifications for employment, high achievers wishing to develop their intellectual abilities, those who want to retrain for new careers and those who seek knowledge for its own sake. The benefits of a well-educated population are many, both for the individual and the community as a whole. 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.

The provision of student loans is only one of the ways in which the government subsidises tertiary education. The largest component of the government's expenditure on tertiary education is through tuition subsidies which are paid to tertiary education providers according to the number of students they enrol. The government also provides student allowances and Training Incentive Allowances for some beneficiaries who wish to study and a variety of other grants to tertiary education providers. These streams of funding all make a contribution to the support of tertiary education in New Zealand.

2003 was the 12th year of operation of the Student Loan Scheme. As might be expected, increased participation in tertiary education has meant that the total level of borrowing under the loan scheme has increased. By 30 June 2004, student loan debt had reached nearly \$6 billion and concern has been expressed as to the growth in the level of borrowing. However, the rate of growth has been slowing over recent years as the scheme matures. By 2015, it is expected that total repayments of debt each year will exceed drawings.

The average individual loan balance has continued to increase as students turn to the Student Loan Scheme to meet a greater proportion of their costs. To address this increase, the government has taken a number of measures to make tertiary education more affordable. Policies such as the 'no interest while studying' policy and the 'Fee Course Costs Maxima', designed to limit fee increases by tertiary education providers, are helping to reduce the growth of student loan debt. The recent increases in the parental income thresholds for student allowances will further reduce borrowing by reducing the reliance of some students on the Student Loan Scheme.

When the loan scheme was introduced it was feared that students would not be prepared to take on the level of debt necessary to pay for their tertiary study. This has not been the case – the majority of full-time domestic students have loans. In addition, a great many people – 141,471 – have completely repaid their loans.

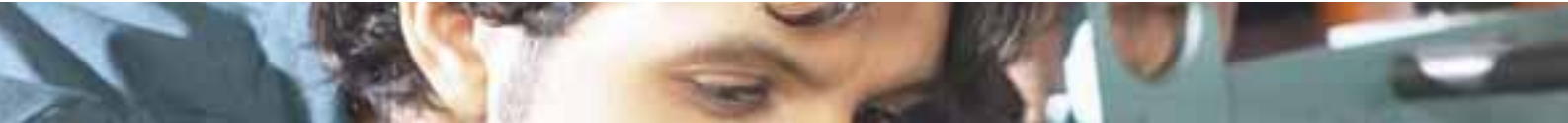
Good progress is being made towards developing more solid information on the longer-term impacts of student loans through the development of the integrated dataset that combines education data from the Ministry of Education, borrowing information from the Ministry of Social Development and repayment and income data from Inland Revenue.

To borrow under the Student Loan Scheme, borrowers must sign a loan contract with the Crown. 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<sup>1</sup>. To be eligible for a loan a student must:

- be a New Zealand citizen or have been granted permanent residence in New Zealand, and

<sup>1</sup> The government is putting in place a new insolvent debtor status, the 'No Asset' procedure, as an alternative to bankruptcy. This procedure will be introduced by the Insolvency Law Reform Bill, which is expected to be enacted in 2005/06. From 1 January 2006, 'No Asset' procedure debtors will be able to access the Student Loan Scheme, although those assessed as 'No Asset' debtors will not be able to have their loan written off.





- be enrolled in an approved qualification at a recognised tertiary education provider, and
- be studying full-time for not less than 12 weeks, or part-time for a full-year (32 weeks or longer), or part-time for part of the year (less than 32 weeks) with a course load of 0.3 equivalent full-time student (EFTS) units or more<sup>2</sup>.

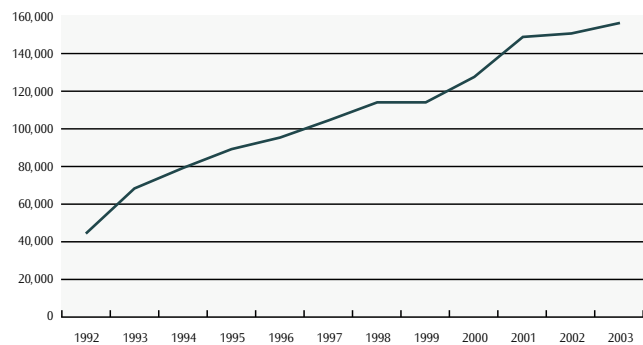
There are three components to student loans:

- a fees component which enables students to meet the cost of the compulsory fees charged for the study being undertaken
- a course-related costs component of up to \$1,000 per annum which is available to help cover costs for the course being studied, and
- a living costs component of up to \$150 per week less any student allowances entitlements.

#### LOAN UPTAKE

In 2003, 156,250 students<sup>3</sup> borrowed under the Student Loan Scheme. The number of borrowers in 2003 was a 3.8 percent increase on the 150,575 who borrowed in 2002. This was more than double the rate of increase between 2001 and 2002. A total of 44,202 students borrowed in 1992, the first year of operation of the scheme. Loan uptake has increased every year apart from 1999 when policies aimed at curbing unnecessary borrowing were introduced.

FIGURE 11.1: STUDENT LOAN BORROWERS IN EACH ACADEMIC YEAR 1992-2003



Source: Ministry of Education and Ministry of Social Development.

The proportion of students who are eligible to draw down a student loan and have chosen to do so has increased over recent years. In 1999, it was 50 percent, in 2001 the proportion was 56 percent and in 2002, 57 percent. In 2003, around 60 percent of eligible students drew down a student loan.

In 2004, some part-time, part-year students became 'loan eligible'. As a result of this policy change, the overall uptake rate is expected to decrease to around 55 percent in the future. This is because, although a larger number of students will be eligible to apply for a loan, a smaller proportion of them are expected to borrow because part-time students face lower costs and, therefore, many are able to afford to finance their study themselves.

#### AMOUNT BORROWED

The average amount borrowed includes all amounts drawn down from a loan account (but does not include the \$50 administration fee and the interest charged) and is calculated by dividing the total amount borrowed in that year by the number of students borrowing in that year. The \$50 administration fee and interest are not included as they are not linked to any particular period of study, but are charged to the loan account as a whole in each year of borrowing.

Students studying with private training establishments (PTEs) borrow more on average than students studying in public tertiary education institutions (TEIs), because tuition fees tend to be higher for study with private providers. There is currently a cap of \$6,500 on borrowing for fees by PTE students, but this will be removed from 1 January 2005 as the Fee Course Costs Maxima<sup>4</sup> policy is fully phased in. University students borrow more than students in other TEIs.

<sup>2</sup> From 1 January 2005, the course requirement for part-time, part-year study will be expanded to enable students who are studying between 0.25 and 0.3 EFTS to access the tuition fee component of the student loan, if their course meets certain vocational conditions and they are in employment or studying for a qualification that will lead to employment.

<sup>3</sup> An improved methodology for counting students has been introduced by the Ministry of Social Development. The effect of this change on the 2003 figures is very small. The 2000 to 2002 data on the StudyLink website has been updated in line with the new methodology so will not correspond with the 2000 to 2002 student loan figures in this report which have not been updated. For the purpose of these graphs and tables, a student is defined as a person who received at least one payment from StudyLink in the year specified.

<sup>4</sup> Under this policy, the amount available for borrowing under the compulsory fee component of the scheme will be the fee charged by the provider or the relevant fee maximum, whichever is the lesser.

The average amount borrowed showed a steady increase between 1992 and 1998, in part reflecting increases in student fees. The decrease in average borrowing for 1999 was due to the decrease in the maximum course-related costs entitlement from \$1,000 in 1998 to \$500 in 1999 and to other changes which restricted the purposes for which finance from the scheme could be used<sup>5</sup>. Average borrowing increased again in 2000 when some of the changes made in 1999 were rescinded (notably the reduction in course-related costs entitlement and the removal of the right to borrow compulsory student services levies and students' association fees under the compulsory fees entitlement). The fee stabilisation policy implemented in 2001 and continued in 2002 and 2003 meant that tuition fees charged by most tertiary education providers did not increase in those years. The fee stabilisation offer was accepted by all TEIs and most PTEs. As a result, fees remained unchanged for most courses. One of the effects of fee stabilisation has been to reduce the rate of increase in the level of borrowing.

TABLE 11.1: AVERAGE AMOUNT BORROWED 1992-2003

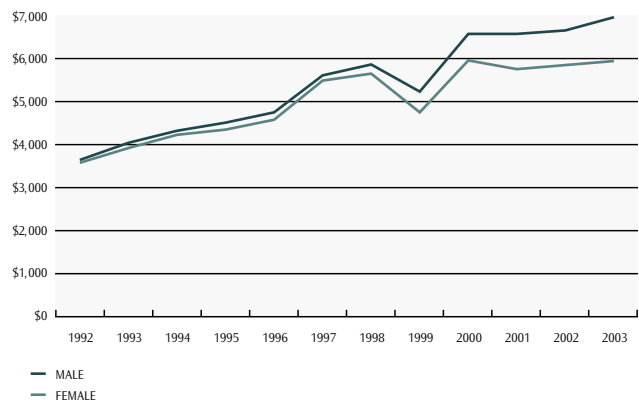
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total \$	\$3,628	\$3,979	\$4,309	\$4,432	\$4,649	\$5,494	\$5,714	\$4,917	\$6,058	\$6,135	\$6,204	\$6,316
Percentage Increase		9.7%	8.3%	2.9%	4.9%	18.2%	4.0%	-13.9%	23.2%	1.3%	1.1%	1.8%

Source: Ministry of Education and Ministry of Social Development.

**STUDENT LOAN BORROWERS BY GENDER**

There are significantly more women than men enrolled in tertiary education. In 2003, 57 percent of tertiary students were women, a slight decrease from 2002. The proportion of borrowers who were women in 2003 was 58 percent, although women tend to borrow less than men.

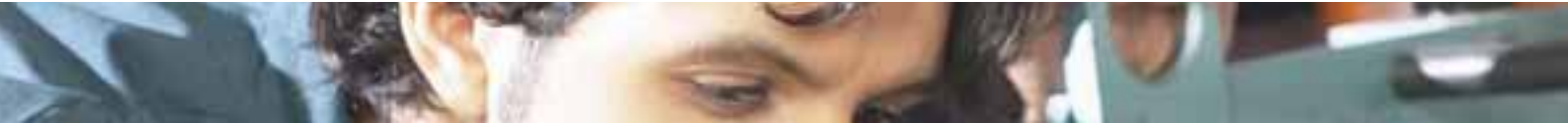
FIGURE 11.2: AVERAGE ANNUAL AMOUNT BORROWED BY GENDER 1992-2003



Source: Ministry of Education and Ministry of Social Development.

<sup>5</sup> Living costs were paid in fortnightly instalments instead of lump sums and students' association fees were no longer able to be borrowed under the compulsory fees entitlement.

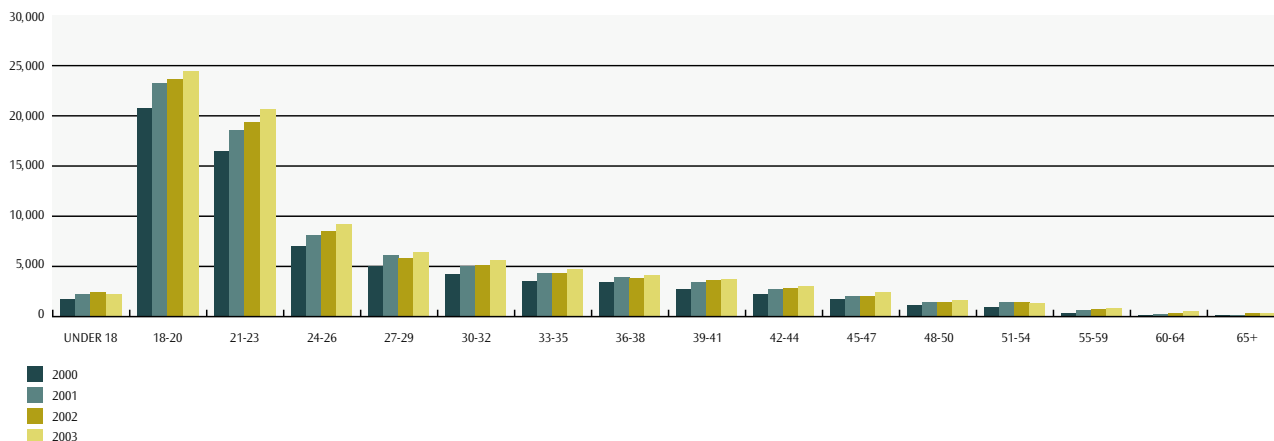




### STUDENT LOAN BORROWERS BY AGE

The following graph shows the profile of all student loan borrowers by age at the time when the loan was advanced. Seventy-two percent of all current student loan borrowers are under the age of 30 and 1.9 percent are 55 or over. While the proportion of borrowers aged 55 and over is small, the numbers borrowing in this age group have increased significantly since 2000, from 1,136 borrowers to 3,016 borrowers in 2003, a rise of 165 percent.

FIGURE 11.3: STUDENT LOAN BORROWERS BY AGE GROUP 2000-2003



Source: Ministry of Social Development.

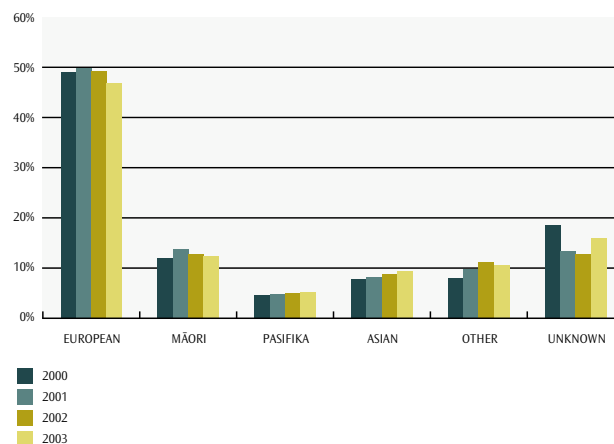
### STUDENT LOAN BORROWERS BY ETHNIC GROUP

The number of Māori who used the Student Loan Scheme in 2003 was 26,333, compared with 24,509 in 2002 and 16,987 in 2000. The 2003 figure is a 7.4 percent increase on 2002. Māori represented 20 percent of all borrowers with a declared ethnicity<sup>6</sup> in 2003, compared with 19 percent in 2001 and 2002 and 18 percent in 2000. The 2003 figure is comparable with the proportion of all students who were Māori (20 percent).

In 2003, 7.9 percent of all borrowers with a declared ethnicity were Pasifika students, compared with 7.7 percent in 2002 and 7.2 percent in 2000. Pasifika peoples represented 5.9 percent of those formally enrolled in tertiary education during 2003, compared with 5.8 percent during 2002. The number of Pasifika students borrowing is increasing, however, having risen by 5.3 percent from 9,843 in 2002 to 10,367 in 2003.

<sup>6</sup> It is not compulsory to declare ethnicity when applying for a student loan. About 15 percent of all borrowers do not state the ethnic group(s) to which they belong.

FIGURE 11.4: PERCENTAGE OF STUDENT LOAN BORROWERS BY ETHNIC GROUP 2000-2003



Note:

<sup>1</sup> A student identifying with two ethnic groups has been counted in each group.

<sup>2</sup> Students identifying with three or more ethnic groups have been grouped with unknown.

Source: Ministry of Social Development.

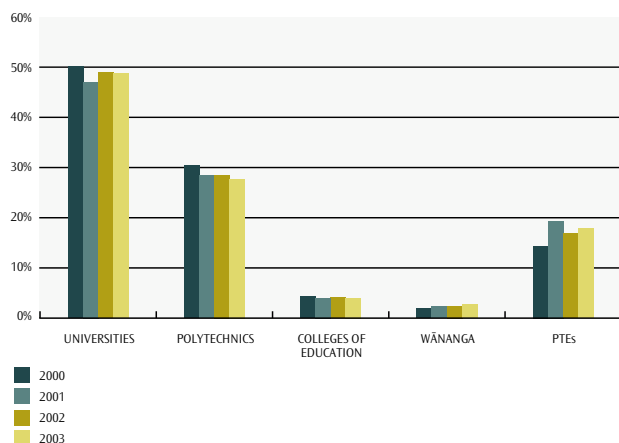
On average, Māori have borrowed less than students in other ethnic groups, reflecting the high proportion of Māori enrolled in qualifications with zero fees, the number who have access to fee support through such schemes as the Manaaki Tauira scholarships and the higher propensity of Māori to enrol in qualifications at certificate level that are associated with lower borrowing.

**STUDENTS WHO BORROW FEES BY SUB-SECTOR**

Just under half of all those who borrowed fees under the compulsory fees component of the Student Loan Scheme in 2003 were enrolled at a university. This figure compares with the universities' share of all enrolments (31.9 percent)<sup>7</sup>. This proportion has remained fairly stable since 2000. While the number of students attending polytechnics rose in 2003, there was a fall in the proportion of borrowers who were studying at polytechnics. One of the factors leading to that trend is the rising proportion of polytechnic qualifications with zero fees.

Only 5.7 percent of wānanga students borrowed fees in 2003, whereas, on 31 July 2003, 15.3 percent of all students were enrolled at wānanga. The uptake of loans at wānanga is significantly lower than at other provider types, reflecting the availability of zero-fee qualifications at wānanga and the high proportion of wānanga students enrolled on a part-time basis.

**FIGURE 11.5: PERCENTAGE OF STUDENT LOAN BORROWERS WHO BORROWED FEES BY SUB-SECTOR 2000-2003**



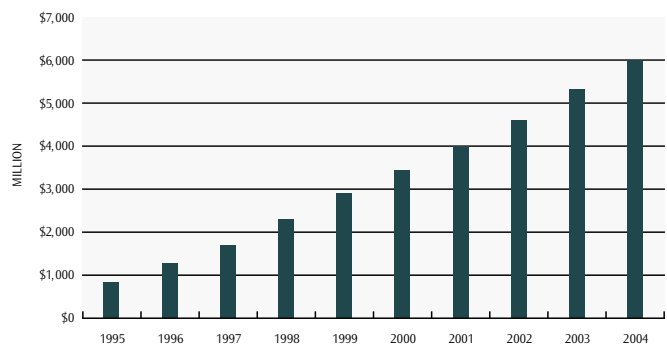
Source: Ministry of Social Development.

<sup>7</sup> On an equivalent full-time student (EFTS) basis, university enrolments constituted 41 percent of all enrolments.

**STUDENT LOAN DEBT**

At 30 June 2004, the total balance of student loans was \$5,995 million<sup>8</sup>, after the provision for doubtful debts was subtracted.

**FIGURE 11.6: VALUE OF STUDENT LOANS HELD BY INLAND REVENUE AT 30 JUNE 1995-2004**



Source: Inland Revenue.

**AVERAGE STUDENT LOAN BALANCE**

The median student loan balance at 30 June 2004 was just under \$10,000<sup>9</sup>. The average student loan balance now stands at \$14,242, compared with \$13,680 in 2003. This represents an increase of 4.1 percent between the 2003 and 2004 years.

The year-to-year change in the average loan balance depends on the combined effect of a number of factors:

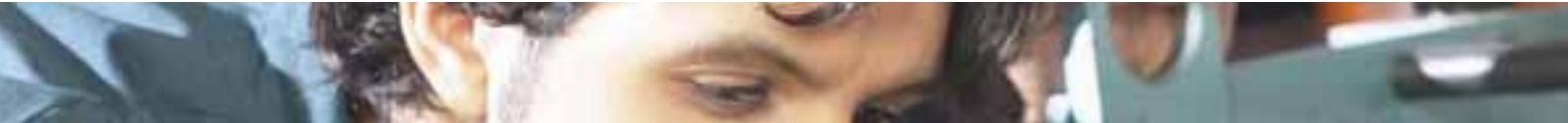
- the volume of additional borrowings
- the number of new borrowers
- the volume of repayments made, and
- the number of borrower accounts closed as loans are repaid or as loan balances are cleared by write-offs.

All four factors are increasing in volume and/or numbers each year. The influence of each of the four factors is different. The combined effect of those four components on the resulting average debt figure can be unpredictable.

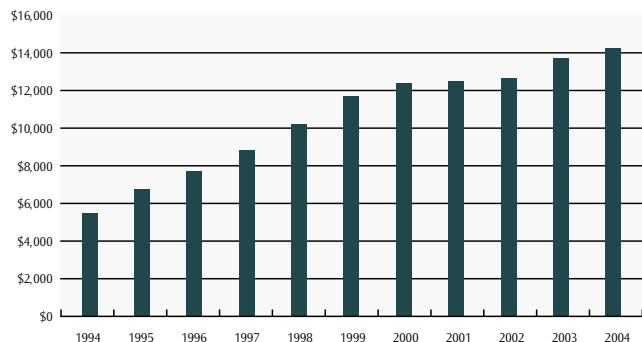
<sup>8</sup> This amount includes student loans held by the Ministry of Social Development.

<sup>9</sup> The median loan balance is calculated by ranking all loan balances from lowest to highest and selecting the middle value.





**FIGURE 11.7: AVERAGE STUDENT LOAN BALANCE WITH INLAND REVENUE AT 30 JUNE 1994-2004**



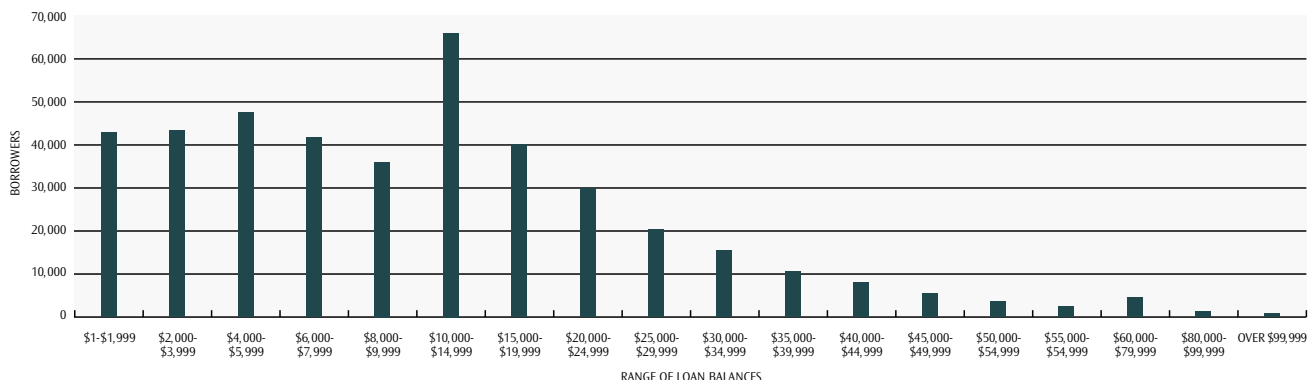
Source: Inland Revenue.

**RANGE OF LOAN BALANCES**

There were 418,761 borrowers with outstanding debt held by Inland Revenue as at 30 June 2004, compared with 390,027 a year earlier and 360,612 in 2002. The total outstanding debt at that date was \$5,964 million<sup>10</sup>, an increase of \$697 million or 13.2 percent compared with the total at the end of June 2003<sup>11</sup>. Figure 11.8 shows the number of borrowers by student loan balances held by Inland Revenue as at 30 June 2004.

Just over half of all loan balances are for amounts less than \$10,000. More than 66 percent of balances are less than \$15,000. Loan balances of \$40,000 or more make up less than 6 percent of all student loan borrowers, while less than 2 percent, or 8,123 borrowers, owe \$55,000 or more.

**FIGURE 11.8: RANGE OF LOAN BALANCES HELD BY INLAND REVENUE JUNE 2004**



Source: Inland Revenue.

**STUDENT LOAN REPAYMENTS**

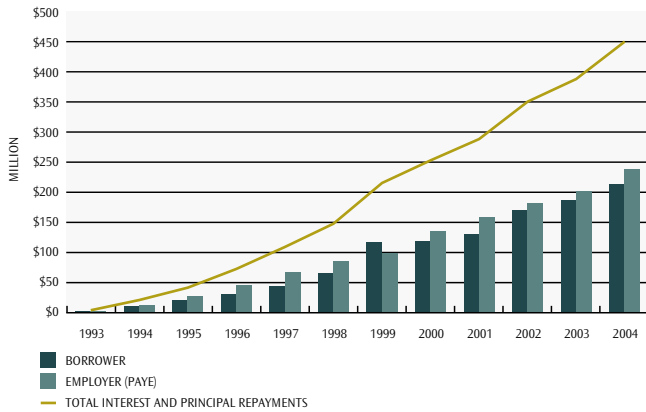
The number of loans fully repaid in the 2003/04 financial year was 18,002. The number who have repaid in full since the scheme began is 141,471, more than 25 percent of all who have used the scheme.

The total value of loan repayments collected by Inland Revenue since the scheme began is \$2,317 million. \$1,232 million has been collected for the Crown by employers through the PAYE system, with the balance of \$1,084 million coming directly from the borrowers. The majority of repayments have been made under the compulsory repayment regime, while the remainder comprises repayments made on a voluntary basis.

<sup>10</sup> This amount does not include loan balances held by StudyLink.

<sup>11</sup> The 13.2 percent increase includes \$973.8 million of additional loan borrowings transferred from StudyLink to IRD over the period 1 July 2003 to 30 June 2004.

**FIGURE 11.9:** VALUE OF STUDENT LOAN REPAYMENTS RECEIVED BY INLAND REVENUE – BORROWER/EMPLOYER SPLIT 1993-2004



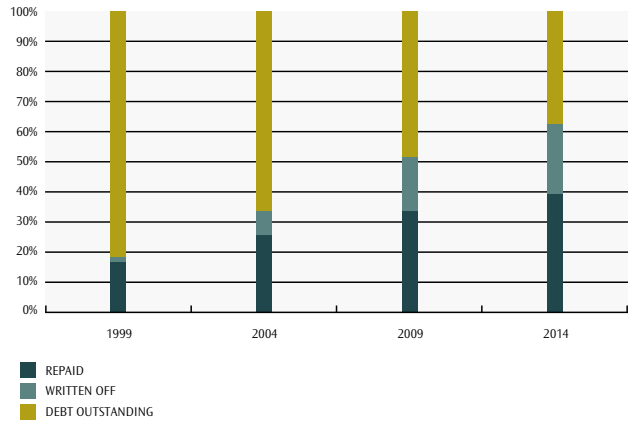
**Notes:**

- <sup>1</sup> Employer repayments are those paid by borrowers' employers to Inland Revenue by way of deduction from borrowers' incomes.
- <sup>2</sup> Borrower repayments are those made to Inland Revenue directly by the borrower.
- <sup>3</sup> A share of the borrower repayments related to voluntary repayments.
- <sup>4</sup> Borrowers are able to make voluntary repayments to Inland Revenue of any amount at any time.

Source: Inland Revenue.

By 2015, it is expected that total repayments of debt each year will exceed borrowings through the loan scheme. More than a quarter of all debt incurred under the Student Loan Scheme since 1992 – through drawdowns, interest and penalties – has been repaid. About 8 percent has been written off. This means that 66 percent of all debt incurred remains outstanding. As the scheme has matured, these proportions have changed. In 1999, 16 percent had been repaid and less than 2 percent had been written off. By 2009, it is expected that about a third of all debt incurred will have been repaid, nearly a fifth will have been written off and just under half will still be outstanding. By 2014, it is forecast that 40 percent of all debt incurred will have been repaid, with more than 20 percent written off. This will leave less than 40 percent of all debt incurred outstanding. By 2029, half of all debt incurred is expected to have been repaid. Figure 11.10 shows the trend in the value of the debt against the trend in repayment.

**FIGURE 11.10:** PROPORTION OF LOAN REPAYMENTS MADE, DEBT WRITTEN OFF AND DEBT OUTSTANDING 1999, 2004, 2009 AND 2014



Source: Inland Revenue.

**REPAYMENT RATES**

As people gain experience in the workforce, their incomes tend to rise and as their incomes rise so does the amount of compulsory repayment obligation. Therefore, repayment rates tend to start slowly but increase over time. The integrated dataset on Student Loan Scheme borrowers<sup>12</sup> can be used to analyse repayment rates. This section analyses repayment rates for those who finished borrowing in 1994 and makes some comparisons with the repayment rates of those who finished studying and borrowing in 1997.

Repayment rates are considered by looking at *progress to repayment* – the percentage of the finishing debt that has been repaid by 2000<sup>13</sup>. Because the records of income and repayment relating to the years before 1997 are not matched in the integrated dataset to educational or borrowing data, there are limitations in the types of analyses that can be done on those who finished borrowing and studying in 1994.

<sup>12</sup> More detailed information on repayment rates, the integrated dataset and other aspects of the Student Loan Scheme can be found in the *Student Loan Scheme Annual Report Incorporating the Financial Statements to 30 June 2004*, found at [www.minedu.govt.nz/goto/tertiaryanalysis](http://www.minedu.govt.nz/goto/tertiaryanalysis). Further information on the integrated dataset is available on the Statistics New Zealand website [www.stats.govt.nz](http://www.stats.govt.nz).

<sup>13</sup> There are a number of limitations in studies drawn from the integrated dataset. The data relates only to the years 1997 to 2000. Therefore, the effects of the '50/50' rule, implemented in 2000, are not picked up. The 50/50 rule will tend to benefit borrowers making slow progress to repayment. (The 50/50 rule is explained in the *Student Loan Scheme Annual Report*.)





The majority of those who last borrowed in 1994 had either repaid their loans completely or had made no progress at all in reducing their loan balance by 2000. Of those who last borrowed in 1994:

- 39 percent had repaid their loans completely by 2000, and
- 29 percent had a debt that was no smaller in 2000 than it was in 1994.

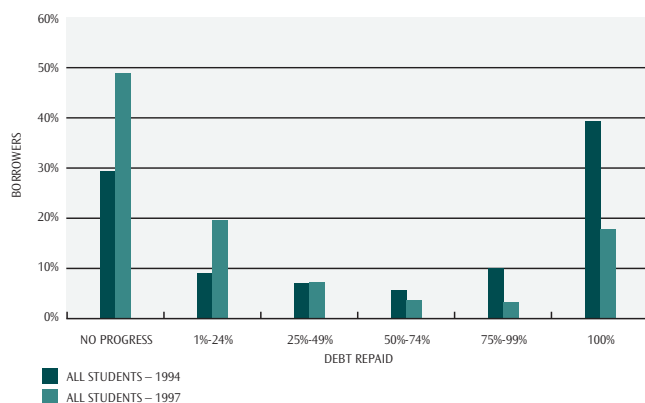
By contrast, of the 32,000 people who last borrowed and studied in 1997:

- only 18 percent had repaid their debt by 2000
- around 21 percent had paid off three quarters or more of their debt by 2000, and
- nearly half had a debt that was no smaller in 2000 than it was in 1997.

These findings confirm that repayment rates accelerate over time, as borrowers' incomes – and hence repayment obligations – increase.

This information is portrayed in the progress to repayment graph in Figure 11.11.

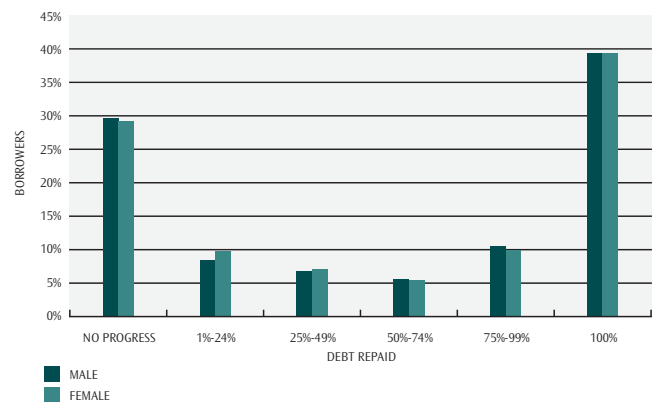
**FIGURE 11.11: PERCENTAGE OF DEBT REPAYED BY 2000 FOR THOSE WHO LAST BORROWED IN 1994 AND THOSE WHO LAST BORROWED AND STUDIED IN 1997**



Source: Ministry of Education and Statistics New Zealand, Integrated Dataset on Student Loan Scheme Borrowers.

Figure 11.12 considers the difference in the progress to repayment rates of men and women.

**FIGURE 11.12: PERCENTAGE OF DEBT REPAYED BY 2000 FOR THOSE WHO LAST BORROWED IN 1994 BY GENDER**

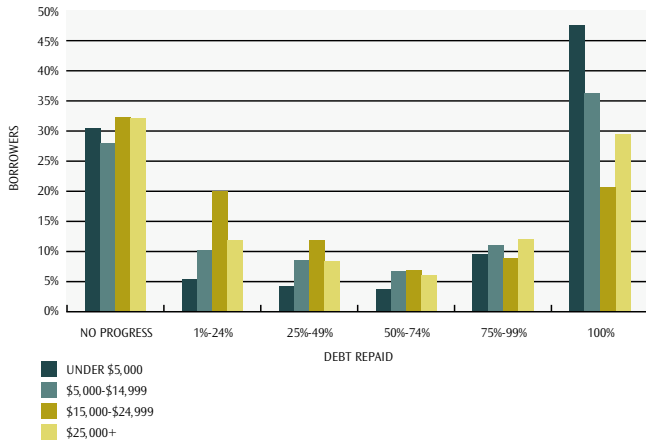


Source: Ministry of Education and Statistics New Zealand, Integrated Dataset on Student Loan Scheme Borrowers.

While there is little difference between the repayment rates of men and women in general, there *is* a difference if the focus is just on those with high debt. Of those who finished borrowing in 1994 with debt of over \$25,000, around a third of the men had completely repaid their debt by 2000, compared with only about a quarter of the women. It should be noted, however, that this debt band contains relatively few borrowers.

Figure 11.13 shows the percentage of debt repaid by 2000 of those who last borrowed in 1994, broken down by the size of the debt in 1994. In every debt band, a majority of the borrowers have either completely repaid their debt or have made no progress. Predictably, those in the lowest of the four debt bands have the highest proportion (47 percent) having completely repaid. Less predictably, a relatively high proportion of those with low debt have made no progress. Equally interesting is that those in the over \$25,000 debt band have made more progress than those in the \$15,000 to \$24,999 band; 41 percent of those with finishing debt of over \$25,000 had repaid three quarters or more of their debt six years later, compared with 29 percent of those in the \$15,000 to \$24,999 band. To some extent, this finding is a consequence of the fact that higher debt is associated with higher qualifications and hence with higher post-study income. The pattern illustrates the fact that the repayment rate is determined by a mix of debt level and post-study income level.

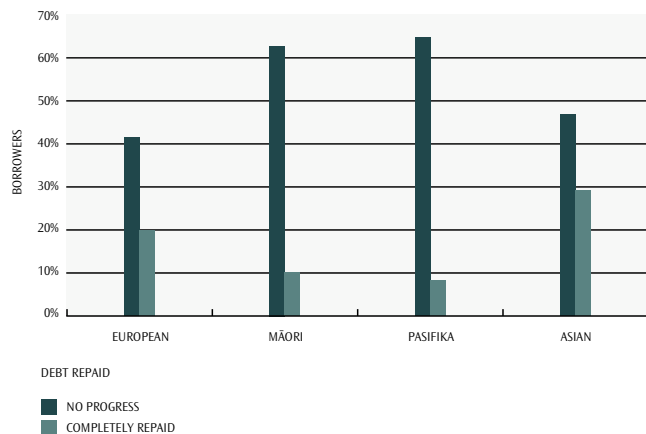
**FIGURE 11.13:** PERCENTAGE OF DEBT REPAID BY 2000 FOR THOSE WHO LAST BORROWED IN 1994 BY DEBT BALANCE IN 1994



Source: Ministry of Education and Statistics New Zealand, Integrated Dataset on Student Loan Scheme Borrowers.

Figures 11.14 and 11.15 look at repayment progress for those who finished studying and borrowing in 1997 for different ethnic groups and for different qualification types. Each of the graphs shows the percentage that had completely repaid their loans after three years and the percentage that had made no progress.

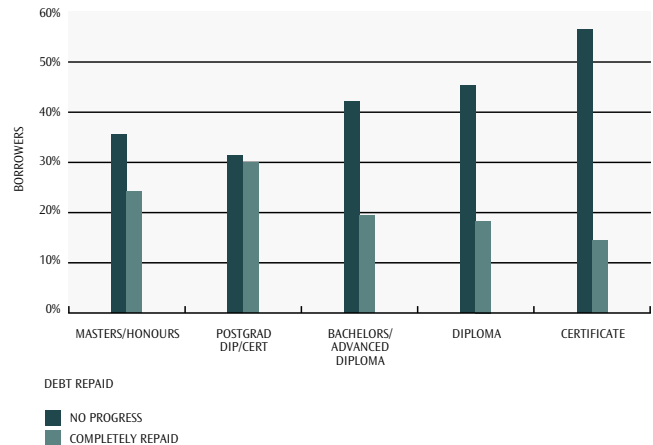
**FIGURE 11.14:** PERCENTAGE OF DEBT REPAID BY 2000 FOR THOSE WHO LAST BORROWED AND STUDIED IN 1997 BY ETHNIC GROUP



Source: Ministry of Education and Statistics New Zealand, Integrated Dataset on Student Loan Scheme Borrowers.

There are significant ethnic differences in repayments three years post study. Just 10 percent of Māori and 8 percent of Pasifika students had repaid their loans, compared with 20 percent for European and 29 percent for Asian groups. Conversely, nearly two thirds of Māori and Pasifika students had not reduced their debt at all three years after study, compared with 41 percent and 47 percent for European and Asian groups, respectively.

**FIGURE 11.15:** PERCENTAGE OF BORROWERS WITH DEBT REPAID BY 2000 FOR THOSE WHO LAST BORROWED AND STUDIED IN 1997 BY LEVEL STUDIED IN 1997



Source: Ministry of Education and Statistics New Zealand, Integrated Dataset on Student Loan Scheme Borrowers.

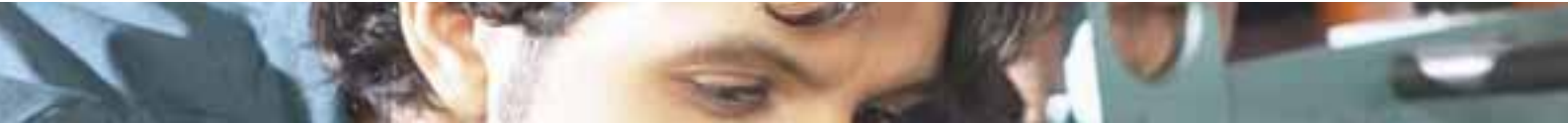
Those who completed studying postgraduate certificates and diplomas in 1997 had made the most progress to repayment by 2000, with around 30 percent having repaid completely and slightly over 30 percent having made no progress to repayment. That finding might be expected, given the fact that postgraduate certificates and diplomas are designed for those who already have a degree-level qualification and are often studied part-time by those who are already in work and are retraining. By contrast, of those who had been studying at certificate level, only about 15 percent had repaid while more than half had made no progress.

**INTEREST**

As loan drawings are made, interest on the outstanding balance accumulates on a daily basis.

Inland Revenue takes over the calculation of interest from StudyLink from the 28 February loan transfer date. After 31 March, interest is compounded and added to the loan balance. Interest then starts to accrue on the new loan balance from 1 April. If the borrower is entitled to an interest write-off, the loan balance on which interest will accrue is reduced by the amount of the interest write-off.





Interest is made up of two components – the base interest rate and an interest adjustment rate, sometimes called the inflation component. Although the overall interest rate has remained at 7 percent since 1 April 1999, the base interest and interest adjustment rates have changed each year.

### INTEREST WRITE-OFFS

Since the beginning of the scheme, a total of \$816.6 million in interest charged has been written off. The number of borrowers entitled to an interest write-off has increased dramatically since the introduction in 2000/01 of full interest write-offs for full-time students and part-time students on low incomes. The income threshold for the full interest write-off for part-time students was \$25,909 for 2003/04 and \$26,140 for 2004/05. In 2000, the government also implemented the base interest reduction scheme or '50/50' rule which also increased the number of write-offs.

The decrease in the total amount written off for the fiscal year to June 2002 occurred because some of the write-off rules apply only to the base interest. During the fiscal year to June 2002, the base interest rate was set at 3.1 percent for nine months of this period (to 31 March 2002) and 5.1 percent for the last three months. The lower base interest rate in the tax year to 31 March 2002 meant the amounts written off were lower.

### INTEREST WRITE-OFFS BY TYPE

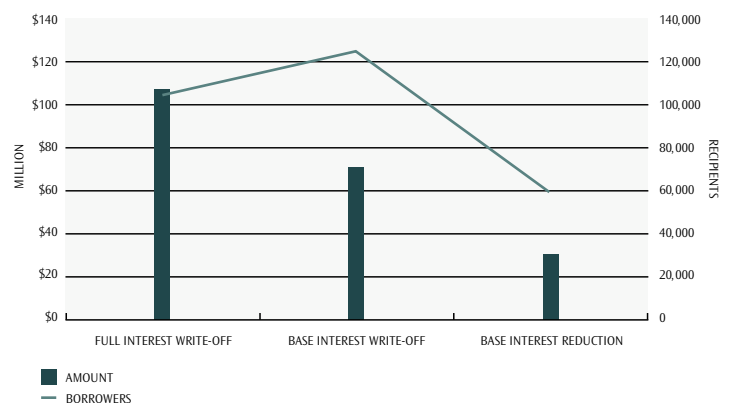
There are three different types of interest write-offs<sup>14</sup> available to resident borrowers:

- full interest write-offs
- base interest write-offs, and
- base interest reduction.

Interest write-offs are calculated on a tax year basis (ie to 31 March of each year). The majority of interest write-offs in each tax year relate to the situation of the borrower in the previous calendar year. In the following graph, the write-offs for the year ending 31 March 2002 relate to the 2000 academic year, ie the 2001 income year, which was the first year in which full interest write-offs applied.

Except for the interest write-off given to full-time students, write-offs of interest depend on the borrower's level of income. The timing of when an interest write-off is applied to a borrower's loan account is dependent on when the borrower supplied income details to Inland Revenue. Interest write-offs can, therefore, be applied retrospectively. For instance, a write-off for the 2002 income year may be applied to a borrower's Inland Revenue account in 2004, if the 2002 return of income is filed late. One of the consequences of this rule is that the amount of interest written off for a particular year will change over the following few years, as late returns are processed. As a result, the amount shown as written off in the most recent year is likely to understate the final total amount written off.

**FIGURE 11.16:** INTEREST WRITE-OFFS BY VALUE AND TYPE AND NUMBER OF RECIPIENTS MARCH 2004



Source: Inland Revenue.

Interest write-offs were given to 287,029 borrowers during the income year ending 31 March 2004. The total amount written off for this period was \$208.5 million. \$106.9 million related to the full interest write-off for those in full-time study and for low-income part-time students.

Borrowers whose income was less than the repayment threshold were credited with \$71 million in base interest write-offs. Borrowers earning over the repayment threshold were credited with \$30.6 million in base interest reductions.

<sup>14</sup> For details on how these provisions work, refer to [www.ird.govt.nz/studentloans/writeoffs/](http://www.ird.govt.nz/studentloans/writeoffs/) on the Inland Revenue website.

### COSTS OF THE STUDENT LOAN SCHEME

The Student Loan Scheme is a significant government asset. The portfolio is forecast to grow to \$13,000 million by the year 2014/15. This forecast is slightly higher than earlier estimates of the value of the scheme in 2014/15<sup>15</sup>, reflecting the impact of changes in the forecast of student loan borrowings.

The costs of the scheme are shared between students and the government in the following manner:

- Borrowers meet a share of the government's estimated cost of capital through interest payments.
- Some of the cost of administration is met by borrowers through a one-off administration fee of \$50 in each year of borrowing.
- The government meets the costs resulting from fluctuations in uptake and transactions.
- The government also covers the cost of system changes to implement new policies or improve delivery.

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

- all or part of the base interest charge for borrowers who meet write-off eligibility criteria
- all interest for borrowers who were studying during the year and meet certain criteria
- debt of deceased or bankrupt borrowers, and
- small balances.

### The Doubtful Debt Provision

The Doubtful Debt Provision (DDP) is a provision for capital write-offs due to death<sup>16</sup>, and loans discharged because of bankruptcy. The provision was set at 11.4 percent for 2001/02<sup>17</sup>. At 30 June 2004, the provision stood at \$826 million, compared with \$724 million at 30 June 2003.

<sup>15</sup> In 2003, the estimate of the value of the scheme in 2014/15 was \$12,500 million. Refer to Table 11.2.

<sup>16</sup> There are no write-offs for 'defaulters'. Debt that accumulates due to people not meeting their repayment obligations can be written off as a death write-off if the person dies with outstanding debt.

<sup>17</sup> The DDP is sensitive to assumptions about the level of debt that will be repaid by those in arrears, and the future real income growth of borrowers. The DDP is estimated to be within the range of 10.4 percent to 12.4 percent, with a mid-point estimate of 11.4 percent.

### The Fair Valuation of the Student Loan Scheme

The fair value of the Student Loan Scheme is defined as the price a willing buyer would offer a willing seller to purchase the scheme.

The fair valuation of the scheme at 30 June 2004 is \$5,734 million. This is 84.1 percent of the face value of the Student Loan Scheme's closing balance on the same date. The fair value calculated as at 30 June 2003 was \$5,592 million (91.8 percent). The 2004 fair value represents an increase of \$142 million, compared with the fair value as at 30 June 2003, a rise of 2.5 percent.

### The Effective Interest Rate

The full interest rate for the income year 2004/05 is 7.0 percent, comprising 5.5 percent base interest and 1.5 percent for the inflation component. Not all borrowers incur the full interest rate because many are eligible for an interest write-off or interest reduction. The effective interest rate is estimated to be 2.8 percent for 2004/05. This figure represents the average interest rate charged per borrower, calculated as the total net interest incurred by all borrowers as a percentage of total debt. More than 50 percent of interest accrued during 2004 is expected to be written off. Over 287,000 borrowers benefited from an interest write-off in the year ending 31 March 2004. The overall amount of interest written off for that period was in excess of \$208 million. More than half of that amount (\$107 million) was written off as a result of the 'no interest while studying' policy.

### STUDENT LOAN DEBT PROJECTION

The following long-term debt projection shows the estimated overall gross student loan debt at the end of each fiscal year.

TABLE 11.2: FORECAST GROSS DEBT LEVELS

Fiscal year	2009/10 million	2014/15 million	2019/20 million
June 2004 debt projections	\$10,500	\$13,000	\$15,100
June 2003 debt projections	\$10,200	\$12,500	\$14,400
Projection change	\$300	\$500	\$700

The main contributing factors to the increase in projected long-term debt levels were Consumer Price Index forecast adjustments.

The estimates of overall student debt level are very sensitive to assumptions on participation in tertiary education. Reasonable variations in participation projections lead to estimates of total debt by 2019/20 ranging from \$14,600 million to \$15,800 million. Projections of total debt are less sensitive to variations in income assumptions. If the real income growth of borrowers is adjusted by 0.2 percent per annum, the change in projected debt level for 2019/20 is around \$400 million.





### AVERAGE STUDENT LOAN DEBT REPAYMENT PERIODS

Men and European borrowers have the shortest repayment times while women have longer repayment times due to different income projection patterns for these groups. Repayment times are sensitive to changes in the income assumptions used in the Ministry of Education's student loans forecasting model. An annual increase in borrowers' real income growth of 0.2 percent results in repayment times that are shorter by up to half a year.

**TABLE 11.3:** ESTIMATED AVERAGE REPAYMENT TIMES BY GENDER AND ETHNIC GROUP

	Men	Women	Overall
European	6.6 years	10.3 years	8.7 years
Māori	7.3 years	10.5 years	9.2 years
Other	8.9 years	12.7 years	11.0 years
All groups	7.2 years	10.8 years	9.3 years

Note: 'Other' includes Asian, Pasifika peoples and other ethnic groups.

The average repayment period has fallen to 9.3 years from 9.6 years last year and 10.3 years at 30 June 2002. Slightly lower repayment periods for most of the gender and ethnic groups have been estimated. The main factors contributing to this decrease were the forecast changes regarding future loan borrowings and changes in Treasury's long-term interest rate projections.

The median loan repayment time is around eight years. A quarter of borrowers repay their loans within four years while three quarters of all borrowers take less than 12 years to repay.

### STUDENT ALLOWANCES

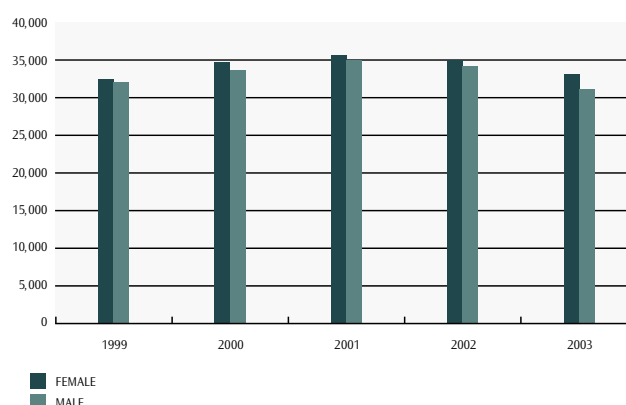
The student allowances scheme was introduced in 1989 to help those students who are not in a position to support themselves or meet their living costs while studying full-time. New Zealand students studying towards recognised tertiary qualifications, and some senior secondary school students, may apply for student allowances. The scheme gives every tertiary student a 200-week entitlement to student allowances, subject to eligibility criteria.

Since 1992, allowances for single students without dependants and under the age of 25 years have been subject to a means test on applicants' parents' incomes. Allowances are abated for combined parental incomes above \$28,079 and under \$50,752, if the student is living away from home, or under \$45,760, if the student lives at home. The intention of this feature is to target allowances to students from low-income families. From 1 January 2005, these parental income limits will be raised to between \$33,696 and \$62,148 and the limits are to be adjusted annually in the future to reflect changes in the cost of living.

### STUDENT ALLOWANCES UPTAKE

In 2003, 64,036 students received student allowances, a decrease of 6.5 percent from 68,486 in 2002. The 2003 uptake was 8.8 percent lower than the 2001 uptake of 70,219.

**FIGURE 11.17:** STUDENT ALLOWANCES RECIPIENTS BY GENDER 1999-2003



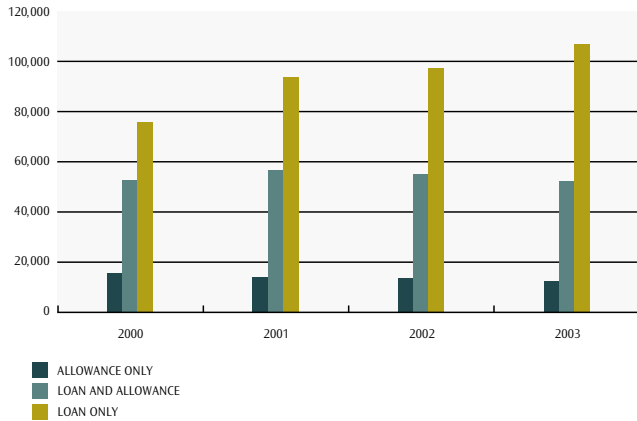
Source: Ministry of Social Development.

The decrease in student allowances uptake since 2001 can be attributed in part to the student allowances parental income thresholds remaining fixed while incomes have grown. The declining unemployment rate may also have had the effect of lifting the incomes of some families, resulting in lower allowances entitlements for their children.

### STUDENT LOAN BORROWING BY STUDENT ALLOWANCES RECIPIENTS

Students who receive student allowances may also take up student loans, with the living costs borrowing entitlement under the loan scheme abated by the amount of the allowance. In 2003, 80.7 percent of student allowances recipients also took out a student loan. This is a slight increase on the 80.0 percent of allowances recipients who had a loan in 2002.

**FIGURE 11.18:** STUDENT SUPPORT RECIPIENTS BY TYPE OF ASSISTANCE RECEIVED 2000-2003



Source: Ministry of Social Development.

In 2003, there were 21,862 people who borrowed living costs under the Student Loan Scheme and who also received student allowances. This represented 14.0 percent of all 2003 borrowers and 27.4 percent of all who borrowed under the living costs entitlement. Conversely, 34.1 percent of allowances recipients used the Student Loan Scheme to supplement their living costs in 2003.

**TABLE 11.4:** STUDENT ALLOWANCES COMPARED WITH STUDENT LOAN LIVING COSTS (LC) BORROWINGS 2003

	Number of students	Student allowances received million	Living costs borrowed million	Total allowances + LC million	Average allowances	Average LC borrowed	Average allowances + LC
Student allowance only	42,174	\$278.404	N/A	\$278.404	\$6,601	N/A	\$6,601
Student allowances and living costs	21,862	\$114.196	\$41.137	\$155.332	\$5,223	\$1,882	\$7,105
Living costs only	57,785	N/A	\$257.135	\$257.135	N/A	\$4,450	\$4,450
Total (living costs and/or student allowances)	121,821	\$392.600	\$298.272	\$690.871	\$3,223	\$2,448	\$5,671

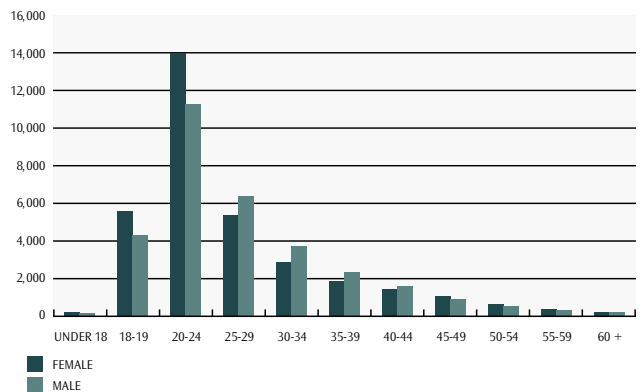
Source: Ministry of Social Development.

Those who received only a student allowance received \$6,601 on average in 2003 and those who also used the living costs entitlement under the Student Loan Scheme borrowed \$1,882 on average and received a total of \$7,105 under both schemes on average. Those who relied solely on the living costs entitlement under the Student Loan Scheme borrowed \$4,450 during the year on average.

**STUDENT ALLOWANCES RECIPIENTS BY AGE GROUP AND GENDER**

Since 1999, there have been more women student allowances recipients than men, reflecting the higher numbers of female tertiary students. In 2003, 51.4 percent of allowances recipients were women, compared with 56.9 percent of formal tertiary education students who were women. There were 32,944 women receiving student allowances, compared with 31,092 men.

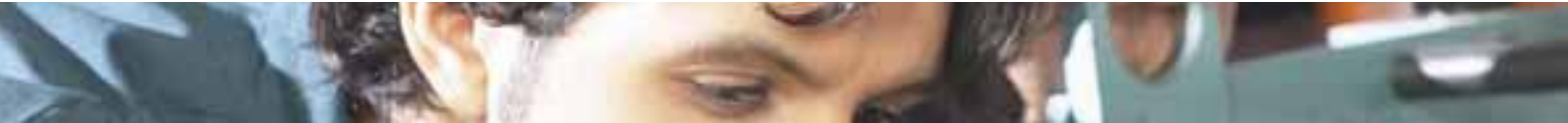
**FIGURE 11.19:** STUDENT ALLOWANCES RECIPIENTS BY AGE GROUP AND GENDER 2003



Note: Age is calculated as at the end of the year.

Source: Ministry of Social Development.





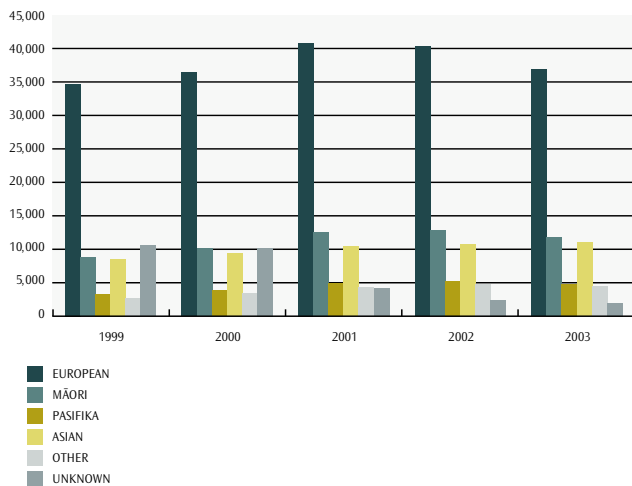
The majority of student allowances recipients were in the 20 to 24 age group which included significantly more women (13,945) than men (11,287). Of the next two largest groups, 56.7 percent of the 9,810 recipients were women in the 18 to 19-year-old group, while women represented only 45.7 percent of the 11,636 in the 25 to 29-year-old group.

### STUDENT ALLOWANCES RECIPIENTS BY ETHNIC GROUP

Student allowances recipients are not required to declare their ethnicity. Students may select up to three ethnicities on their student allowances application form. About 3 percent did not declare any ethnicity.

In 2003, 54.0 percent of student allowances recipients selected European ethnicity, 17.2 percent Māori, 7.8 percent Pasifika peoples, 15.8 percent Asian, 2.4 percent were other ethnic groups and 2.8 percent were unknown<sup>18</sup>.

FIGURE 11.20: STUDENT ALLOWANCES RECIPIENTS BY ETHNIC GROUP 1999-2003



Notes:

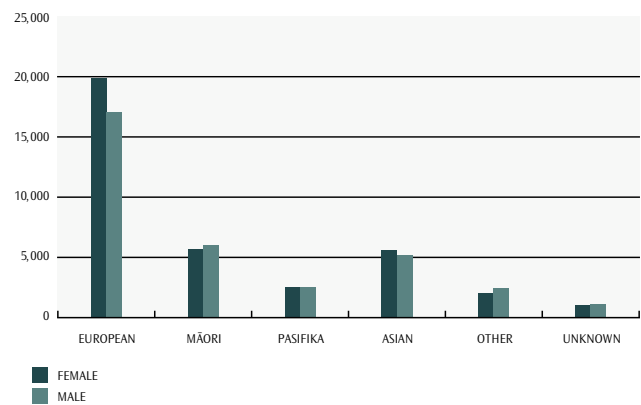
- Students identifying with two ethnic groups have been counted in each ethnic group they identified with.
- Students identifying with three or more ethnic groups have been counted as unknown.

Source: Ministry of Social Development.

<sup>18</sup> 'Unknown' includes students who selected ethnicities from three different ethnic groups.

While the numbers of European, Māori and Pasifika student allowances recipients decreased by between 8.2 and 8.7 percent, the numbers of Asian students have increased by around 1 percent. This may reflect income movements within the various groups and also reflects increasing participation in tertiary education by domestic students of Asian ethnicity.

FIGURE 11.21: STUDENT ALLOWANCES RECIPIENTS BY ETHNIC GROUP AND GENDER 2003



Notes:

- Students identifying with two ethnic groups have been counted in each ethnic group they identified with.
- Students identifying with three or more ethnic groups have been counted as unknown.

Source: Ministry of Social Development.

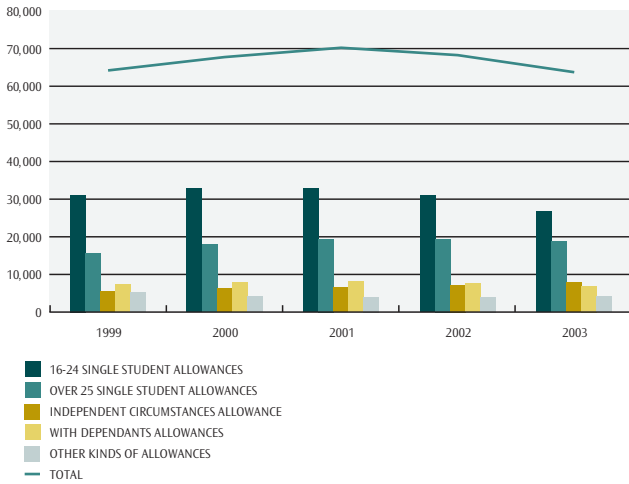
The most significant gender differences occur among Europeans where women are significantly more highly-represented at 53.8 percent of European student allowances recipients. Men are slightly better represented amongst Māori at 51.4 percent of all Māori student allowances recipients, despite the fact that the great majority of Māori in formal tertiary education are women<sup>19</sup>. Amongst Asians, 48.4 percent and Pasifika 49.1 percent of student allowances recipients are men.

### STUDENT ALLOWANCES RECIPIENTS BY ALLOWANCE TYPE

The majority of student allowances recipients (41.8 percent) are 16 to 24-year-old single students with the second largest group being single students aged 25 or over (29.6 percent). Independent Circumstances Allowance recipients make up the third largest group (12.0 percent) followed by those receiving 'students with dependants' allowances (10.6 percent).

<sup>19</sup> Refer to chapter 6 of this report.

**FIGURE 11.22: STUDENT ALLOWANCES RECIPIENTS BY ALLOWANCE TYPE 1999-2003**

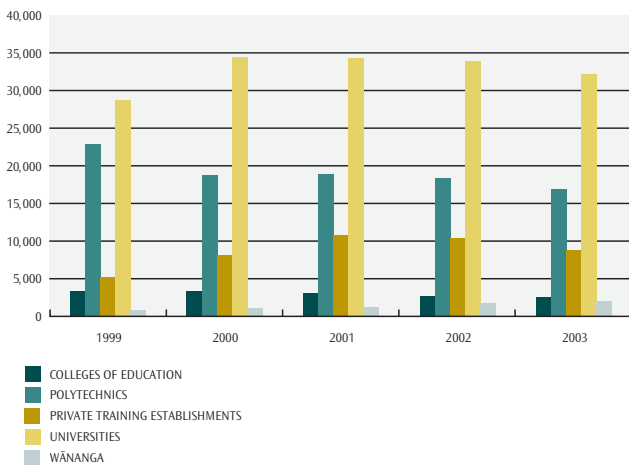


Source: Ministry of Social Development.

**STUDENT ALLOWANCES RECIPIENTS BY SUB-SECTOR**

University students are the major group (49.8 percent) of student allowances recipients, and then polytechnic students (26.2 percent) followed by private training establishment students at 13.6 percent. Wānanga student allowances recipients are increasing in number at 2.8 percent, but are still slightly fewer than college of education students at 3.7 percent of all recipients.

**FIGURE 11.23: STUDENT ALLOWANCES RECIPIENTS BY SUB-SECTOR 1999-2003**



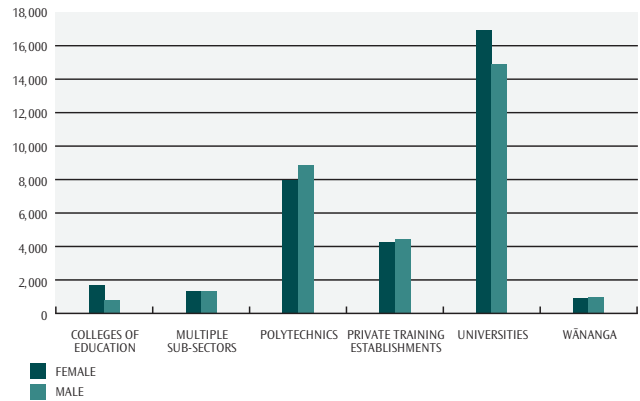
Note: Students paid for study in more than one sub-sector have been omitted from this graph.

Source: Ministry of Social Development.

**STUDENT ALLOWANCES RECIPIENTS BY SUB-SECTOR AND GENDER**

Universities and colleges of education have mostly female student allowances recipients (53.1 and 69.5 percent, respectively), while polytechnics, private training establishments and wānanga have more male students receiving student allowances with 52.4, 51.0 and 51.7 percent more men, respectively.

**FIGURE 11.24: STUDENT ALLOWANCES RECIPIENTS BY SUB-SECTOR AND GENDER 2003**



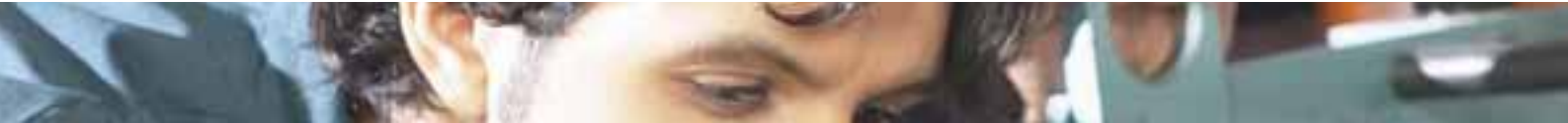
Note: Students paid for study in more than one sub-sector are counted under 'Multiple sub-sectors'.

Source: Ministry of Social Development.

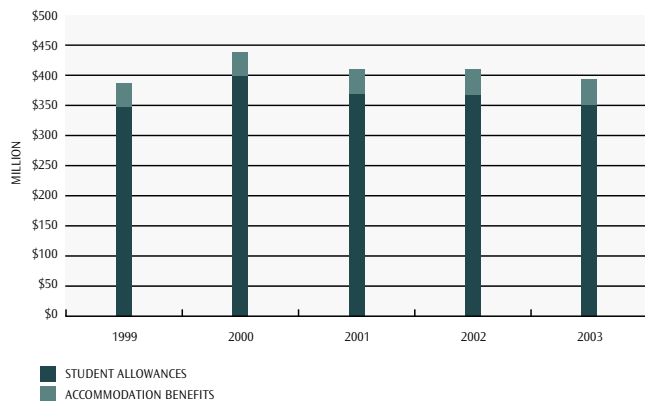
**STUDENT ALLOWANCES EXPENDITURE**

In 2003, at \$393 million, student allowances expenditure was less than in any of the three preceding years and 4.2 percent lower than in 2002. This has been attributed to parents' incomes improving while the parental income threshold has remained the same. The parental income threshold will be increased from 1 January 2005 and adjusted in line with the Consumer Price Index thereafter.





**FIGURE 11.25: STUDENT ALLOWANCES AND ACCOMMODATION BENEFIT PAYMENTS 1999-2003**

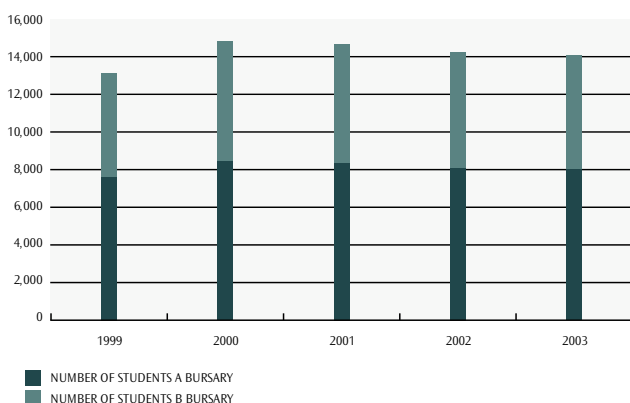


Source: Ministry of Social Development.

### A AND B BURSARIES

A and B Bursaries are awarded to tertiary education students who gained high marks in the New Zealand University Entrance, Bursaries and Scholarships qualification and who meet age criteria on entering tertiary study. In 2003, 14,060 tertiary students received A or B Bursary payments, down 1 percent on 2002. Of the 2003 recipients, 57 percent received an A Bursary.

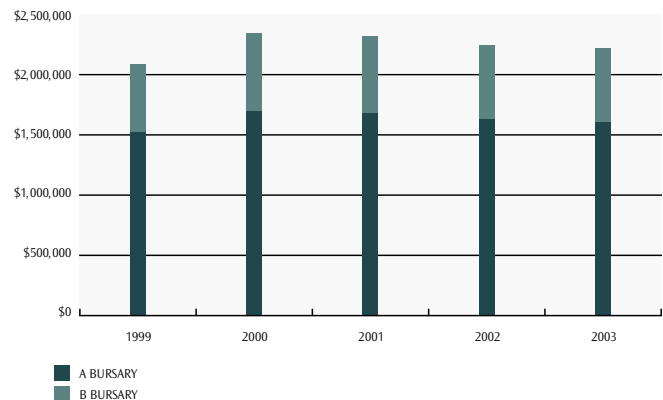
**FIGURE 11.26: A AND B BURSARY RECIPIENTS 1999-2003**



Source: Ministry of Social Development.

Expenditure on A and B Bursaries in 2003, at \$2.2 million, was the lowest since 1999. This shift may reflect the changing age profile of tertiary students, as students must be under 20 years old on the first day of their course each year to qualify for an A or B Bursary.

**FIGURE 11.27: A AND B BURSARIES PAYMENTS 1999-2003**



Source: Ministry of Social Development.

Because of the introduction of the National Certificate of Educational Achievement (NCEA) and the abolition of the University Bursaries qualification, A and B Bursaries will be phased out gradually as eligible students turn 20 or complete their study.

### OTHER GOVERNMENT FINANCIAL SUPPORT FOR STUDENTS

#### THE TRAINING INCENTIVE ALLOWANCE

The Training Incentive Allowance (TIA) was introduced in 1983 to address additional barriers to entering employment faced by sole parents on the Domestic Purposes Benefit, Emergency Maintenance Allowance and Widows Benefit because of their lack of educational qualifications and childcare responsibilities. In 1985, it was extended to include all Invalids Benefit recipients in recognition of the fact that people with disabilities also face additional barriers to participation in employment. The TIA provides financial support to help these beneficiaries access employment-related training or education. The great majority of those who received the TIA (86 percent) in 2002 and 2003 were Domestic Purposes beneficiaries.

There were 22,176 TIA recipients in 2003, compared with 18,938 in 2002, an increase of 17.1 percent. Of those receiving the TIA, 87.8 percent studied at the tertiary level in 2003 (89.8 percent in 2002) while others enrolled as adult students in secondary schools (3 percent in 2002 and 4 percent in 2003) and others with the Correspondence School (6 percent in 2002 and 5 percent in 2003). Polytechnics are the largest group of providers of education to TIA recipients, with 41 percent of TIA recipients attending a polytechnic in both 2002 and 2003. The polytechnics'

share of TIA recipients has fallen, however, since 1997 when 51 percent of TIA recipients attended a polytechnic. Over the same period, private training establishments increased their share of TIA recipients from 17 percent to 29 percent (27 percent in 2002). The proportion of TIA recipients attending universities has remained steady at around 15 to 16 percent.

In 2003, 58 percent of TIA recipients undertook job skills training (61 percent in 2002) and 33 percent undertook academic education (34 percent in 2002). In both 2002 and 2003, 90 percent of TIA recipients were women. In 2003, 37 percent were Māori (35 percent in 2002), 7 percent Pasifika peoples (6 percent in 2002) and 46 percent European (49 percent in 2002). Of all TIA recipients in 2003, 34 percent were aged between 20 and 29 years, compared with 33 percent in 2002; 37 percent between 30 and 39 years, compared with 38 percent in 2002; and 21 percent between 40 and 49 years of age, the same as in 2002. There were 9,828 (44.3 percent) TIA recipients who also accessed the Student Loan Scheme in 2003, compared with 8,255 (43.6 percent) in 2002.

The average amount paid to students receiving the TIA in 2003 was around \$1,800, compared with \$1,900 in 2002 and a little over \$1,700 in 2001.

The TIA is managed by the Ministry of Social Development. The government allocated \$36.8 million to the TIA in 2002/03 and \$41.5 million in 2003/04. This compares with \$43 million in 2001/02, \$38 million in 2000/01 and \$34 million in 1999/2000.

#### SCHOLARSHIPS AND FELLOWSHIPS

The government offers scholarships and fellowships to:

- support doctoral research students
- promote linkages between businesses and tertiary education institutions through supporting research students who conduct their research while working in a business
- support top scholars from schools to undertake tertiary study
- encourage students to undertake study in science and technology subjects
- ensure an adequate supply of qualified teachers, and
- assist successful sportspeople to obtain qualifications which will enable them to obtain employment at the end of their sporting careers.

The awards include Top Achiever Doctoral Scholarships, Enterprise Scholarships, School Top Scholars, University Bursaries Maths and Science Scholarships, TeachNZ Scholarships, Manaaki Tauiira, Māori and Pacific Higher Education Scholarships, Postdoctoral Fellowships, Tūāpapa Pūtaiao Māori Fellowships, Technology for Industry Fellowships and the Prime Minister's Scholarship for students who perform at the elite level in sport.

There are many other awards administered by trusts, industry groups or providers. A source of information about these awards is the Funding Information Service's Breakout database which is available free of charge from some libraries or by subscription at [www.fis.org.nz/BreakOut/](http://www.fis.org.nz/BreakOut/).

In 2003, the Foundation for Research, Science and Technology (FRST) managed a number of schemes that support people to undertake research. Each of these schemes has been developed to meet different needs:

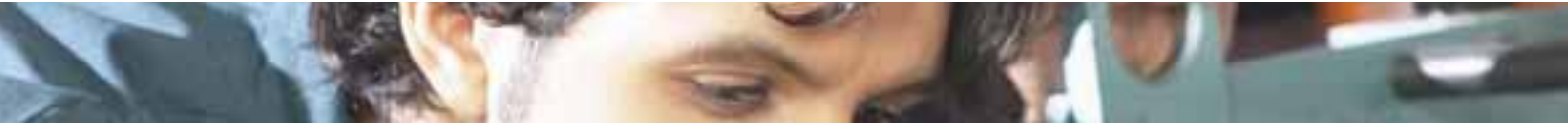
- to recognise and reward excellence
- to support companies
- to build links between companies and tertiary education providers, and
- to increase the numbers of Māori involved in postgraduate research.

#### Top Achiever Doctoral Scholarships

Top Achiever Doctoral Scholarships were established in 1999 and have been administered by FRST on behalf of the Ministry of Education<sup>20</sup>. It was intended that the scheme award scholarships to the top 10 percent of PhD enrolments nationally. Around 450 have been awarded so far and there are around 300 scholars studying in New Zealand currently. A small number of students are supported in their doctoral studies overseas. Each year between 10 and 12 students are funded to study overseas under the Top Achiever Doctoral Scholarships scheme. During 2003, 43 scholars receiving the scholarship were overseas. By the middle of 2003, scholarships had been awarded to 394 people, 191 men and 203 women. In 2003, 135 doctoral scholarships were awarded. The amount paid out for the Top Achiever Doctoral Scholarships to 30 June 2003 was \$9,484,119.

<sup>20</sup> From July 2004, the administration of these awards was transferred to the Tertiary Education Commission.





An evaluation conducted in 2003 of the 43 scholars who received scholarships in 1999 found that all of those contacted have completed or are still studying<sup>21</sup>. The completion rate of the respondents by the end of 2004 is expected to be nearly 100 percent.

#### Enterprise Scholarships

Enterprise Scholarships have been administered by FRST on behalf of the Ministry of Education<sup>22</sup>. Under the Enterprise Scholarships scheme, research students are supported while conducting a research project relating to a particular business. The cost of the award is met jointly by the government and the business. Enterprise Scholarships are intended to foster linkages between tertiary education providers and businesses while also supporting research students. In 2003, 72 Enterprise Scholarships were awarded. In the year ending 30 June 2003, \$1,195,140 was paid out to students under the Enterprise Scholarships scheme.

#### Post-Doctoral Fellowships

New Zealand Science and Technology Post-Doctoral Fellowships provide early career support for New Zealand scientists, engineers and social scientists of outstanding talent, for post-doctoral research either in New Zealand or overseas. The scheme encourages New Zealanders who have recently completed doctoral degrees overseas to return to New Zealand, and also supports those who have completed doctoral degrees in New Zealand to work overseas, including in countries where few science contacts exist at present. Approximately 22 new fellows are able to be supported each year. The New Zealand Science and Technology Post-Doctoral Fellowships are funded by the Ministry of Research, Science and Technology and the Ministry of Economic Development.

The New Zealand Science and Technology Post-Doctoral Fellowship scheme contributes to the development of New Zealand by supporting excellent researchers. However, this contribution will be enhanced through a percentage of the fellowships being targeted to areas where it is believed that New Zealand needs to increase the numbers of people with appropriate competencies. Consequently, half of the fellowships in any funding round will be targeted at supporting doctoral graduates in areas of advanced biological, medical and health, information and communications, and technology sciences.

Each of the New Zealand Science and Technology Post-Doctoral Fellowships provides a maximum of NZ\$72,500 annually for three years. This is made up of an annual stipend of NZ\$50,000, with the balance available to meet the direct costs of the research programme.

The funding allocated for 2002/03 was \$5,353,252, covering 94 contracts.

#### Tūāpapa Pūtaiao Māori Fellowships

Tūāpapa Pūtaiao Māori Fellowships support Māori graduate students to undertake postgraduate study and research programmes at New Zealand tertiary education institutions. The current focus of the scheme is supporting Māori students in science, engineering and technology disciplines. Approximately 20 new fellows are able to be supported each year. The Tūāpapa Pūtaiao Māori Fellowships are funded by the Ministry of Research, Science and Technology and the Ministry of Economic Development.

As a result of a review, the discipline areas of the scheme have been broadened to include the following areas:

- Mātauranga Māori (Māori knowledge)
- Pūtaiao Māori (Māori science)
- Māori Resource Management
- Environmental Studies, and
- Architecture and Design.

FRST will aim to fund 30 percent of fellows in these new discipline areas. The scheme is available to students studying towards masters or PhD qualifications.

The funding allocated for 2002/03 was \$572,955, providing 31 contracts.

#### Technology for Industry Fellowships

The Technology for Industry Fellowships (TIF) programme enables students and experienced researchers to complete research and development projects in companies. TIF aims to:

- enhance scientific and technical skills and competencies in New Zealand businesses
- expose undergraduates, masters and doctoral students and post-doctoral researchers to an industrial environment, and
- create research and technology of benefit to businesses, and foster links between universities, research institutes and businesses.

<sup>21</sup> The evaluators were unable to make contact with one scholar of the group of 43.

<sup>22</sup> From July 2004, the administration of these awards was transferred to the Tertiary Education Commission.

The TIF scheme operates on three levels: undergraduate, education and expert. Undergraduate and education fellows are expected to work within the commercial environment for the majority of their time. The fellow must spend a minimum of 50 percent of his/her time on the project in the company. Fellows can receive a stipend of up to \$25,000 depending on the qualification, while a 'host' fee is paid to the university.

The funding allocated to Technology for Industry Fellowships in 2002/03 was \$4,109,802 and covered four schemes: TechLink, Technology for Business Growth, Technology for Industry Fellowships, and Grants for Private Sector Research and Development. There were 423 contracts funded from this source.

#### **New Zealand University Bursaries Maths and Science Scholarships**

For the 2003 academic year, 1,039 candidates were eligible for a New Zealand University Bursaries Maths and Science Scholarship, compared with 941 students who achieved Maths and Science awards in 2002. The scholarships are awarded on the basis of high performance in the University Bursaries qualification in maths and science subjects and a commitment to enrol in those fields at the tertiary level. In 2003, of the 1,039 eligible students, 425 received payments totalling \$396,500 under the New Zealand University Bursaries Maths and Science Scholarships scheme. With the introduction of the National Certificate of Educational Achievement at level 3 in 2004, these awards are being phased out.

#### **Top Scholar Awards**

Top Scholar monetary awards are made to students who receive the highest marks in the University Bursaries qualification each year. There are prizes for candidates who gain top marks in each subject, and for the top overall male and female candidates. There are also prizes for the top overall Māori and Pasifika male and female candidates. In 2003, 35 candidates qualified for and accepted Top Scholar Awards, compared with 37 in 2002. Payments totalling \$195,000 were made to Top Scholars in 2003.

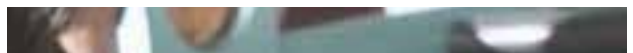
#### **The Prime Minister's Scholarship**

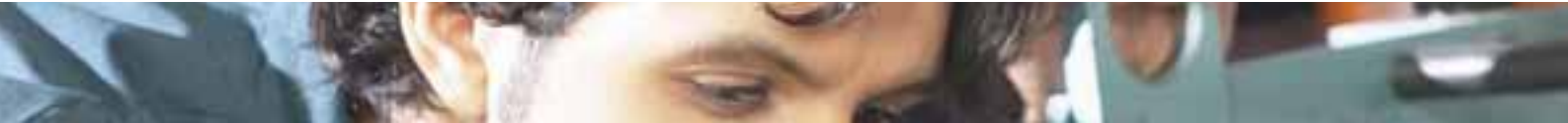
The government established the Prime Minister's Scholarship programme in recognition of the need for athletes to establish their long-term careers and the importance of higher education. The goal of the Prime Minister's Athlete Scholarship programme is to assist talented and elite athletes achieve tertiary qualifications while pursuing excellence in sport. In 2003, 389 athletes in 49 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 living assistance. The scholarships are designed to assist athletes achieve both their educational and sporting goals. The government realises that, for most athletes, a sporting career is unlikely to lead to full-time employment and it is important that athletes have tertiary qualifications to enable them to pursue a career after sport.

The scholarships are administered through the New Zealand Academy of Sport centres. Athletes may study at any nationally-recognised tertiary education provider. There is no age limit for athletes applying for a scholarship. Athletes are graded into five levels by the Academy. The level of allowance the athletes receive is dependent on the level they have been graded at and ranges from \$1,000 to \$6,000 per annum.

#### **Manaaki Tauira**

Manaaki Tauira was established in 1991 to provide financial assistance to Māori in tertiary education. It pays a share of the tuition fees of those granted assistance. Eligibility is tied to financial need and commitment to kaupapa Māori. The scheme is funded from a pool valued at \$4.3 million and is administered by the Māori Education Trust. There are more than 9,000 awards made under the Manaaki Tauira scheme each year. The average value of the awards is currently approximately \$400 to \$450 per student.





**Māori and Pacific Higher Education Scholarships and Ngarimu VC and 28th Māori Battalion Memorial Fund Scholarships**

Māori and Pacific Higher Education Scholarships were established in 1973 and provide for full payment of fees for the length of a scholar’s course of study, plus a living allowance. The full value of the scholarships averages \$10,000 a year. Fifteen new scholarships are awarded each year. The awards are administered by the Māori Education Trust and are funded from a capped pool of \$526,000 per annum.

The Ngarimu scholarships are also administered by the Māori Education Trust. There were 13 holders of these awards in 2002, with each award valued at \$5,000.

**TeachNZ Scholarships**

TeachNZ is a unit of the Ministry of Education. Its functions include:

- promoting teaching as a profession, including the need for Māori, Māori language, Māori medium and Pasifika teachers
- developing teacher supply initiatives
- processing TeachNZ Scholarship applications
- informing overseas teachers of employment opportunities in key shortage areas in New Zealand, and
- dealing with inquiries from members of the public interested in teaching, and overseas teachers interested in positions in New Zealand schools.

The TeachNZ programme comprises:

- financial assistance available to encourage people to study for a teacher education qualification, and
- financial incentives designed to retain teachers in the profession.

In 2003, 495 TeachNZ Scholarships were available to support people starting study to become a teacher between 1 July 2003 and 31 December 2004<sup>23</sup>.

The \$10,000 per annum scholarships were allocated across the following eight categories:

**Primary and Secondary:**

Māori Graduate	100
Māori Non-Graduate	50
Māori Medium	55
Pasifika Graduate	50
Pasifika Non-Graduate	25
Rural	40

**Early Childhood:**

Māori	100
Pasifika	75

The Māori and Pasifika scholarships are currently being reviewed.

<sup>23</sup> The Minister of Education has recently announced a range of new teacher supply initiatives. These initiatives will replace the TeachNZ Scholarships for Māori and Pasifika people, which have been under review. These new TeachNZ Scholarships will be open to people of any ethnic group. They are targeted at areas of priority for teacher supply, in order to meet increasing demand for teachers in some areas over the next 10 years. These areas are Early Childhood Education, Māori medium teachers and secondary teachers of specific subjects.

