

# CHAPTER ONE

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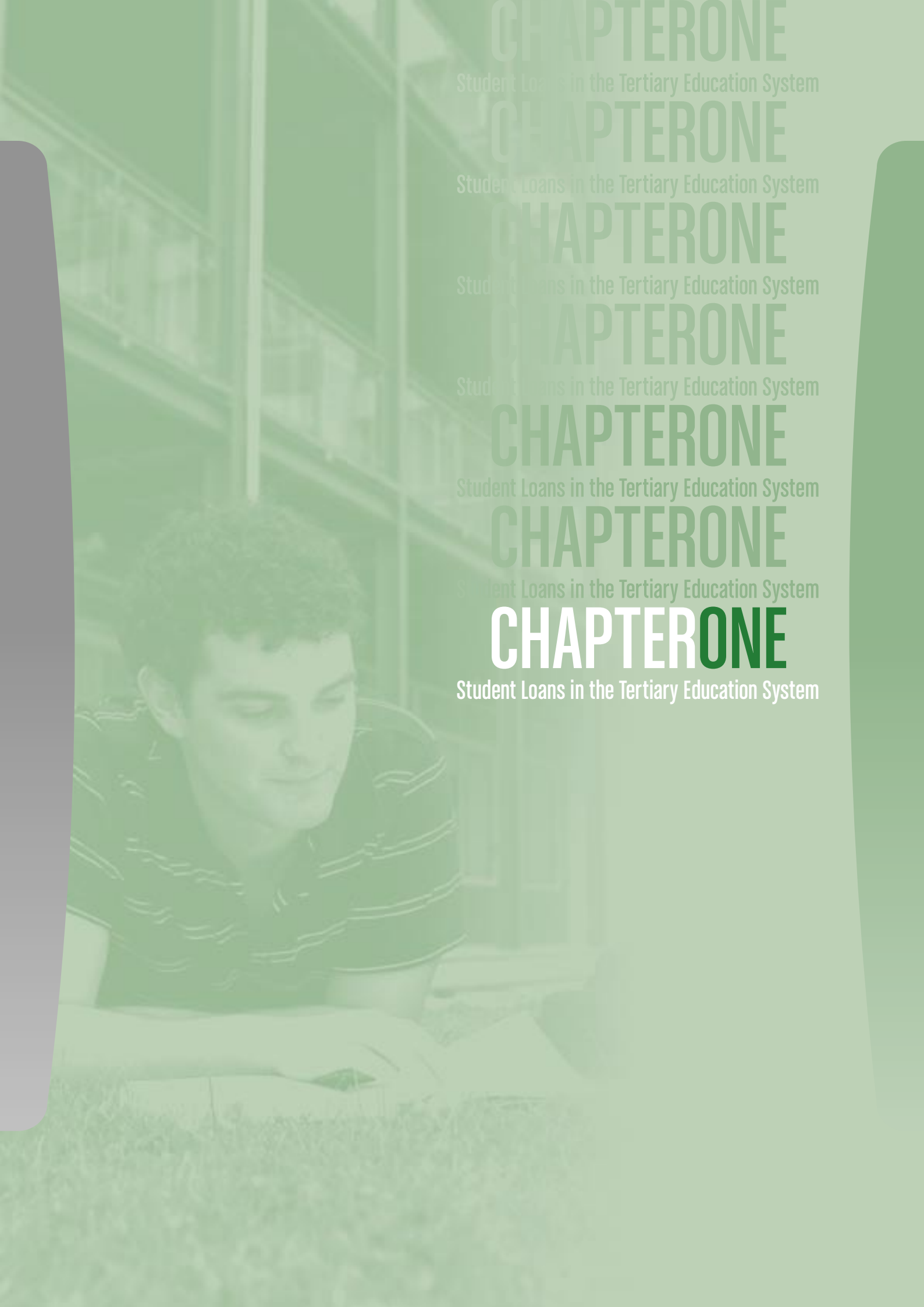
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# 1.0 Introduction

## Government's priorities

Government has outlined three themes that will shape its priorities for the next decade: Economic Transformation, Families – Young and Old, and National Identity. These themes aim to ensure that all New Zealanders enjoy prosperity and a good quality of life, and to make New Zealand the best place in the world for future generations of New Zealanders to live. Tertiary education contributes to these goals.

### Economic Transformation

Tertiary education equips New Zealanders with the skills and competencies needed for a productive, adaptable workforce. It helps to develop business leaders with the entrepreneurial and management capabilities to make New Zealand businesses grow and compete globally.

Tertiary organisations deliver research and knowledge that create commercial opportunities for New Zealand firms. In addition, tertiary organisations help develop international education as a sustainable high-value export sector and they will increasingly be required to perform and compete in a globally competitive market.

### Families – Young and Old

Achievement in tertiary education has wide-ranging benefits for individuals, their families and the wider community. Educational success is not only related to economic success but to improved social outcomes, greater personal wellbeing and security, and improved outcomes for children. By ensuring all New Zealanders can achieve to their potential in tertiary education, the system contributes to our nation's social development and the health and security of New Zealand families.

### National Identity

Our tertiary education institutions are central to New Zealand's national identity. They act as custodians and interpreters of our culture, our history and our view of our place in the world. Teaching and research are central to the way in which we understand and connect with each other, our natural environment and the wider world.

Tertiary education organisations are important for supporting Māori success by maintaining and developing Māori language and culture. Many New Zealanders learn about and participate in art and culture, sport and other aspects of national life while studying with tertiary education organisations. The broad skills and competencies developed in tertiary education enable New Zealanders to participate in society; to understand and appreciate diverse cultures; and to contribute to social and cultural debate by applying the knowledge and understanding they have gained.

## The Tertiary Education Strategy

The Tertiary Education Strategy (TES) and the Statements of Tertiary Priorities (STEPs) set out the government's goals and priorities for New Zealand's tertiary education system. These goals and priorities are designed to support the national goals and priorities outlined above.

The first TES was for 2002/07 and took a broad and inclusive approach to cover the diversity of tertiary education. A new TES for 2007/12 was published in December 2006. It incorporates the STEP for 2008/10 and continues the broad and inclusive direction of the previous strategy, while providing a sharper focus on the shifts required in tertiary education to achieve greater quality, relevance and value for money.

The TES 2007/12, shown in the following diagram, provides new goals and a new focus for the tertiary education system. It describes how the student support system is expected to contribute to meeting tertiary education outcomes as follows.

*'The government will continue to support broad-based participation in lifelong learning by New Zealanders through:*

- *Supporting affordable, equitable access to tertiary education through tuition subsidies and a range of student support, including student allowances, merit- and needs-based scholarships, and student loans which are interest-free for students who remain in New Zealand*
- *Ensuring that students' own financial contributions through fees are affordable, predictable and fair.'*

## Government's Goals for New Zealand

Economic Transformation

Families – Young and Old

National Identity

### Expected contribution of Tertiary Education

Success for all New Zealanders through lifelong learning

Creating and applying knowledge to drive innovation

Strong connections between tertiary education organisations and the communities they serve

### Areas for Focus

- Ensuring maximum educational opportunity for all New Zealanders
- Strong foundations in literacy, numeracy and language
- Successful transitions from school to tertiary education and work
- Building relevant skills and competencies for productivity and innovation
- Building skills and competencies for social and cultural development

- Strengthening research-led teaching
- Focusing resources for greatest effect
- Improving transfer and application of knowledge

- Connections to improve quality and relevance of education and knowledge
- Connections to support economic transformation
- Connections to support social and cultural outcomes

### Distinctive Contributions

Ensure each tertiary education organisation contributes according to their strengths. Expectations and priorities 'interpreted' through distinctive contributions.

### Priority Outcomes for Tertiary Education:

- Increasing educational success for young New Zealanders – more achieving qualifications at level 4 and above by age 25
- Increasing literacy and numeracy levels for the workforce
- Increasing the achievement of advanced trade, technical and professional qualifications to meet regional and national industry needs
- Improving research connections and linkages to create economic opportunities

### Strategy achieved through:

- Support for students
- New approach to planning, funding, quality assurance and monitoring for tertiary education organisations
- Informed contribution of stakeholders, employers and communities

## 1.1 Funding tertiary education

As tertiary education is one of the keys to development and growth, all countries want to expand their tertiary systems and use tertiary education to raise the level of skills in their population. However, this costs a great deal. Most countries face a dilemma in meeting the increasing costs of an expanding system. In New Zealand, one way successive governments have approached this is by sharing the costs.

Tuition subsidies ensure the cost of tertiary education is shared between government, students and their families. Subsidies enable government to provide funding for more students than would otherwise be possible, and therefore expand participation. In addition, subsidies acknowledge that the benefits of tertiary education are shared:

- A better-educated workforce means our economy has greater skills to call upon.
- Evidence suggests that tertiary education contributes to improved outcomes in health and social cohesion.
- Individuals with tertiary education earn more on average than others and are less likely to be unemployed.
- Individuals with tertiary education have higher levels of satisfaction with their lives.

Many individuals, however, do not have the money to meet their share of the cost until they experience the benefit of their tertiary study several years into the future. The loan scheme enables those students to meet their share of tertiary education costs by allowing them to pay their share over time as their earnings increase.

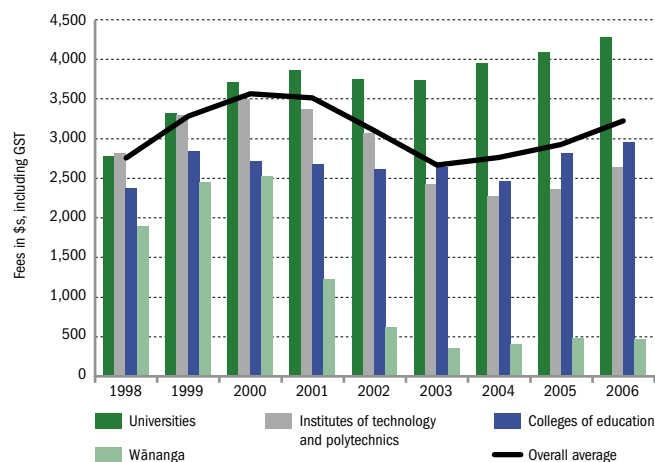
While the share of the total costs of tertiary education borne by students rose from 27 percent in 1998 to 33 percent in 2000, it fell back to 27 percent by 2006 due to fee stabilisation and rising subsidy rates.

### Funding policy and its effect on tertiary fees

Between 1998 and 2000, government reduced the funding rates it paid to tertiary education providers. This led to providers increasing their fees; the average tuition fee per equivalent full-time student in public tertiary education institutions increased by 29 percent during this period.

From 2001, government introduced policies aimed at stabilising fees and the average fee per equivalent full-time student fell by 24 percent<sup>1</sup> between 2001 and 2003. It then increased by 17 percent between 2004 and 2006. Some of this increase was due to a fall in the proportion of students in low-cost courses, especially in wānanga.

**Figure 1** Domestic tuition fees per equivalent full-time student in tertiary education institutions by provider type 1998-2006



Notes:

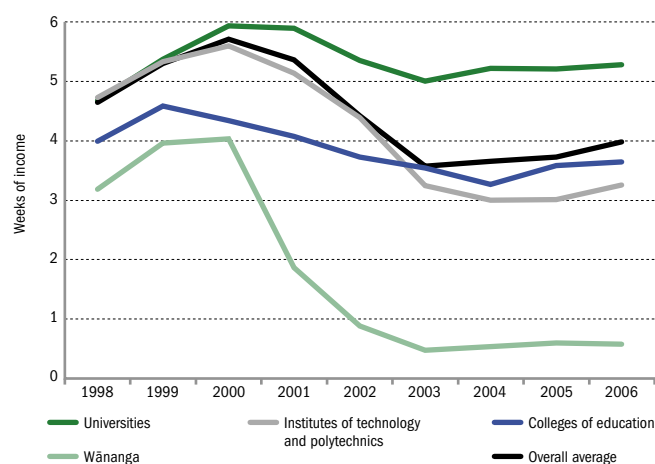
1. Auckland University of Technology is treated as a university for the entire period.
2. Auckland College of Education merged with the University of Auckland on 1 September 2004, and Wellington College of Education merged with Victoria University of Wellington on 1 January 2005. The remaining two colleges of education merged with their local universities on 1 January 2007.
3. Fees include GST.
4. The fees data for colleges of education in 2006 is an estimate.
5. The trends in fees in the institutes of technology and polytechnics (ITPs) and wānanga during the period 2000-2004 are influenced by the number of courses with zero fees offered in those sub-sectors.

Source: Ministry of Education and Tertiary Education Commission.

### Tertiary education becomes more affordable

Fee stabilisation has meant that tertiary education has become more affordable since 2000, when the average full-year, full-time tuition fee at a university was equivalent to six weeks' average weekly income for employed persons. By 2006, this had fallen to 5.3 weeks' average weekly income.

**Figure 2** Ratio of the average domestic student tuition fee at tertiary education institutions to average weekly income for the employed 1998-2006



Source: Ministry of Education, Tertiary Education Commission and Statistics New Zealand.

<sup>1</sup> The extent of the fall in average fees from 2001 to 2004 was magnified by several polytechnics and wānanga reducing their fees for some qualifications to zero during this time.

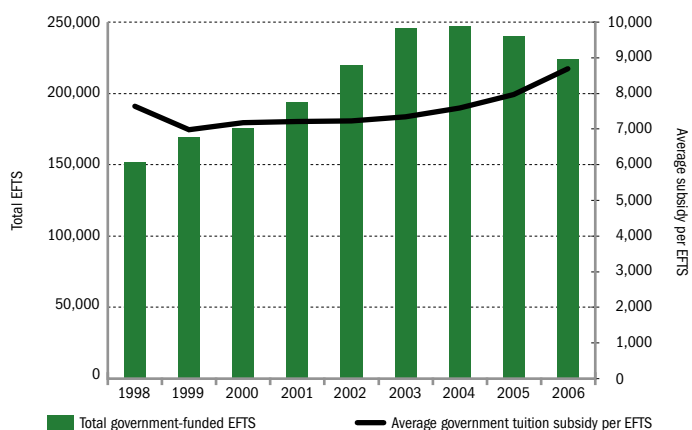
## Increased spending on tuition subsidies

Government provides financial assistance to students participating in tertiary education by paying tuition subsidies to tertiary education providers and providing student allowances and student loans. Of this, tuition subsidies are the largest component.

Since 2000, government funding in the form of tuition subsidies has increased. In 2006/07, \$2,087 million in tuition subsidies were allocated to tertiary education providers, compared with \$1,262 million in 1999/2000. The increased funding is due to an increase in tertiary student numbers and in subsidy rates.

Between 2000 and 2006, the number of government-funded student places (measured in equivalent full-time student units) increased by 27 percent, from 175,706 to 223,785. From 2000 to 2006, the tuition subsidy rate (the funding per equivalent full-time student) increased by 20 percent for public tertiary education organisations.

**Figure 3** Total government-funded equivalent full-time student places and average funding per equivalent full-time student in public tertiary education organisations 1998-2006



Notes:

- The rapid increase in participation in tertiary education that began in the late 1990s began to flatten in 2004. Between 2004 and 2006 there was a reduction in total enrolments (on an equivalent full-time student basis). This was partly in response to government moves to strengthen the relevance and quality of tertiary provision at certificate and diploma level, which led to a reduction in numbers in some qualifications.
- Tuition subsidy includes student component funding, base grants, clinical add-ons, fee stabilisation, special supplementary grant, the strategic priorities fund and, between 2004 and 2006, the Performance-Based Research Fund.

Source: Ministry of Education and Tertiary Education Commission.

**Table 1** Government financial support for tertiary study 1997/98-2006/07

Fiscal year	Student allowances \$ million	Tuition subsidies \$ million	Student loans \$ million
1997/98	344	1,144	657
1998/99	378	1,167	624
1999/2000	376	1,262	701
2000/01	391	1,344	873
2001/02	401	1,551	934
2002/03	387	1,751	952
2003/04	380	1,907	997
2004/05	359	1,882	969
2005/06	354	1,982	1,046
2006/07	382	2,087	1,176

Notes:

- The figures for 2006/07 are provisional.
- Student allowances are before tax or gross amounts.
- Tuition subsidies include appropriations to the Performance-Based Research Fund.
- Student loan amounts are capital amounts.
- Funding is GST inclusive where applicable.

Source: Annual reports of Ministry of Education and Ministry of Social Development.

Government expenditure on tuition subsidies, student allowances and student loans was 2.2 percent of the country's Gross Domestic Product in the 2006/07 fiscal year, unchanged from 2005/06.

## 1.2 The student support system

### Reducing barriers to participation

The student support system aims to enhance access to tertiary education by reducing barriers to participation. It has two main components, the loan scheme and the Student Allowances Scheme,<sup>2</sup> both of which provide direct funding to students. All New Zealand students enrolled in approved qualifications<sup>3</sup> can access the loan scheme, whereas student allowances are only available to students who meet income-based and age-related eligibility criteria. The government also gives financial support to some students through a range of scholarships.

### Principles of the student support system

The government's 2003 discussion document *Student Support in New Zealand* introduced the following principles that underpin the student support system and reinforce the TES 2007/12:

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

<sup>2</sup> Information on student allowances is available on the StudyLink website at [www.studylink.govt.nz](http://www.studylink.govt.nz).

<sup>3</sup> This includes industry trainees undertaking courses at tertiary education providers if they meet the appropriate eligibility criteria.

## How the system compares internationally

New Zealand's student support system is in line with that of comparable overseas countries. With the exception of some European countries that charge no fees or very low fees, the tuition fees charged for tertiary education in New Zealand are comparable with countries that belong to the Organisation for Economic Cooperation and Development and lower, on average, than those charged in Australia and the United Kingdom.

In addition:

- Income-tested allowances ensure that the students in greatest need receive support.
- The loan scheme offers more protection to lower-income earners than many overseas loan schemes because repayments are based on income for those who remain in New Zealand.
- The new interest-free policy will mean the loans of borrowers living in New Zealand won't increase.

## 1.3 The Student Loan Scheme

### Enabling access to tertiary education

The loan scheme contributes to the TES by helping a large number of New Zealanders who would otherwise find it financially difficult to study, to access tertiary education:

- It allows government to share the costs of tertiary education with students and their families, without imposing constraints on participating in tertiary education. Government pays the tuition subsidy and students pay tuition fees.
- It helps to reduce barriers to study by providing money to enable people to pay fees and, for some students, to offset some of their living costs.
- It helps people to reach their potential by studying for qualifications that are of high quality, which improve people's employment opportunities, income prospects and consequently their quality of life.
- It protects those who do not benefit financially from their tertiary education. The amount a borrower has to repay in any year depends on their income. If very low, they may not have to make repayments. As a borrower's income increases and they can afford to repay more, their repayment obligation increases. This ensures that people who benefit from their tertiary education pay for the costs of their studies.

## Shared management

Five government agencies are involved in the delivery of student loans – the three agencies that manage the scheme (the Ministry of Education, the Ministry of Social Development and Inland Revenue) plus the Tertiary Education Commission and the New Zealand Qualifications Authority:

- The Ministry of Education provides advice to government on tertiary education strategy and policy, funding for tertiary education, and quality assurance and monitoring.
- The Ministry of Social Development provides information on student support entitlements, assesses applications for student support, and makes student support payments.
- Inland Revenue manages the collection of loan repayments, applies interest write-off policies, and provides information on loan repayments.
- The Tertiary Education Commission approves courses and qualifications for eligibility for funding and for access to student loans and allowances.
- The New Zealand Qualifications Authority provides quality assurance of qualifications and tertiary providers – a prerequisite for access to loans and allowances.