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ALBANY CAMPUS
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Chapter 11: Financial support for students

After several years of decrease, the uptake of student allowances began to increase in 2006, in response to changes made by government designed to widen access to allowances. This increase was continued in 2007 with a 5.1 percent increase in the number of recipients.

The uptake of student loans also rose in 2007 by nearly 4 percent. About 77 percent of eligible full-time students used the loan scheme in 2007 while 35 percent of eligible part-time students borrowed.

The total amount borrowed in 2007 was more than \$1.17 billion, an increase of more than 6 percent on the previous year. The median amount borrowed in 2007 was \$5,870, up nearly 4 percent on 2006.

More than half a million New Zealanders held loans on 30 June 2008 – 6.2 percent more than the number a year before. The median loan balance was \$10,900. More than 60 percent of those with loans owed less than \$15,000.

About half of those who left study in 1997 had repaid in full by 2006. Student loan repayment times for men and women do not differ much.

The findings of two studies using the integrated dataset for Student Loan Scheme Borrowers are presented later in this chapter. The first study, *Educational achievement of student support recipients*, reported the effect of the different types of student support on academic achievement. The second study, *Labour market outcomes of student support recipients*, is an extension of the first study and looks at the effect, or lack of effect, of the student support system on people's earnings. Finally, some historical background on government's support for tertiary study, together with the recent changes made to student support, is presented in an article entitled *The impact of student support policies*.

2008 year

From 1 January 2008, the student allowances parental income threshold was increased by a further 10 percent from \$40,303.12 to \$44,333.64 per annum.

This raised the cut-off point at which students become ineligible for a student allowances to \$75,269.48 per annum for those living away from home and to \$69,081.48 per annum for those living at home.

The parental income threshold will increase by a further 10 percent from 1 January 2009.

From 1 April 2008, the student allowances personal income threshold is being adjusted annually for inflation.

Looking further ahead, from 2009, the parental income test will apply to students under 24 years of age rather than students under 25 years as at present. Also, from 2009, the student loan living costs component will increase to \$155 per week and then, starting on 1 April 2009, it will be adjusted annually in line with changes in the Consumers Price Index.

The number of Bonded Merit Scholarships will increase to 1,500 awards per year in 2009.

MORE STUDENT ALLOWANCES RECIPIENTS

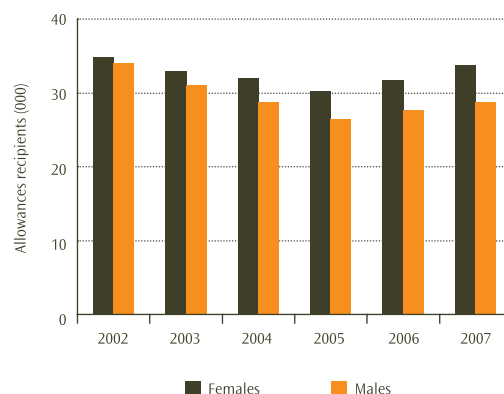
There were 3,050 more student allowances recipients in 2007 than in 2006, an increase of 5.1 percent. The total number of student allowances recipients in 2007 was 62,500 compared to 59,400 in 2006.

The number of student allowances recipients by gender in 2007:

Females	33,700	(up 6.0% on 2006)
Males	28,700	(up 4.1% on 2006)
Total	62,500	(up 5.1% on 2006)

Source: Ministry of Social Development.

Figure 11.1: Student allowances recipients by gender



MOST ALLOWANCES HOLDERS AGED UNDER 25 YEARS

In 2007, there were 36,200 student allowances recipients under 25 years of age, comprising 58 percent of the total. The majority of students under 25 years are subject to parental income testing. The exceptions are those under-25-year-old students who have a dependent child or children or those who are awarded an Independent Circumstances Allowance because of exceptional family circumstances.

The proportion of student allowances recipients by age group in 2007:

Under 20 years	20.8%	(19.2% in 2006)
20-24 years	37.1%	(35.8% in 2006)
25-29 years	15.4%	(16.6% in 2006)
30-39 years	13.6%	(15.3% in 2006)
40-49 years	7.7%	(8.0% in 2006)
50-59 years	3.5%	(3.5% in 2006)
60 years or over	1.9%	(1.5% in 2006)

Source: Ministry of Social Development.

Figure 11.2: Student allowances recipients by age group and gender



MORE ALLOWANCES RECIPIENTS WITH DEPENDANTS

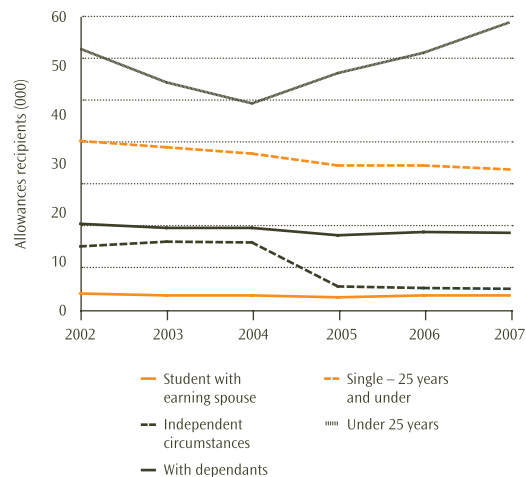
The majority of student allowances recipients were under 25 years of age and received a parental-income-tested allowance. In 2007, the number of students under 25 years receiving allowances increased by 12 percent. This increase was due to increases in parental income thresholds making more students eligible.

The number of student allowances recipients by allowance type in 2007:

Under 25 years	33,900	(up 11.9% on 2006)
Single – 25 years or over	16,400	(down 2.4% on 2006)
Independent circumstances	2,120	(down 3.1% on 2006)
Students with dependants	10,000	(down 1.0% on 2006)

Source: Ministry of Social Development.

Figure 11.3: Student allowances recipients by type of allowance



ALLOWANCES RECIPIENTS BY SUB-SECTOR

There were more student allowances recipients in 2007 studying in all types of provider, with the highest increase occurring in the polytechnic sector.

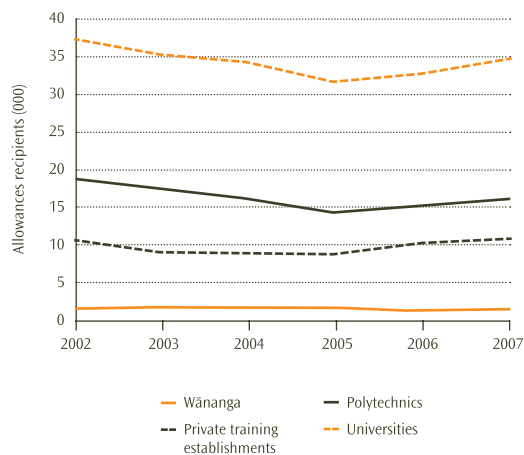
The number of student allowances recipients by sub-sector in 2007:

Universities	34,200	(up 5.6% on 2006)
Polytechnics	15,800	(up 6.2% on 2006)
Wānanga	1,510	(up 3.3% on 2006)
Private training establishments	10,700	(up 4.9% on 2006)

Note: Colleges of education data has been included with the universities.

Source: Ministry of Social Development.

Figure 11.4: Student allowances recipients by sub-sector



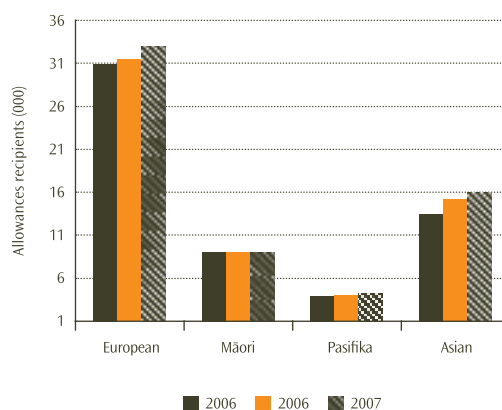
ALLOWANCES RECIPIENTS BY ETHNIC GROUP

Student allowances recipients by ethnic group:

	2005	2006	2007	% change 2006-2007
European	30,900	31,500	33,000	+ 4.8%
Māori	9,060	9,040	9,000	- 0.4%
Pasifika	3,910	4,010	4,200	+ 4.6%
Asian	13,500	15,200	16,000	+ 5.2%

Source: Ministry of Social Development.

Figure 11.5: Student allowances recipients by ethnic group



EXPENDITURE ON ALLOWANCES INCREASED

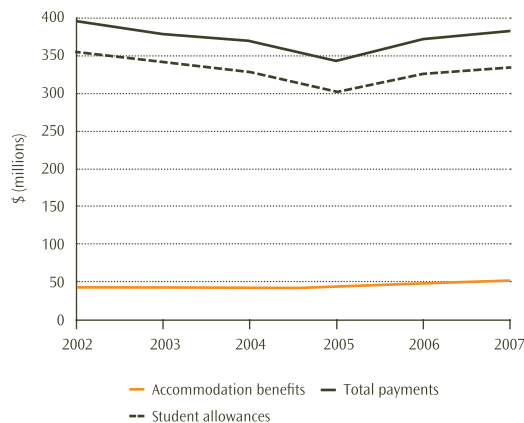
In 2007, the expenditure on student allowances and accommodation benefits increased.

Student allowances expenditure by allowance type in 2007:

Student allowances	\$335 million	(up 2.9% on 2006)
Accommodation benefits	\$49 million	(up 4.0% on 2006)

Source: Ministry of Social Development.

Figure 11.6: Student allowances and accommodation benefit payments



MORE STUDENTS BORROWED

More students took up student loans in 2007 following the introduction of interest-free student loans in 2006. There were also more first-time borrowers in 2007, but still fewer than in 2002 (53,000) and 2003 (52,600).

The number of student loan borrowers in 2007:

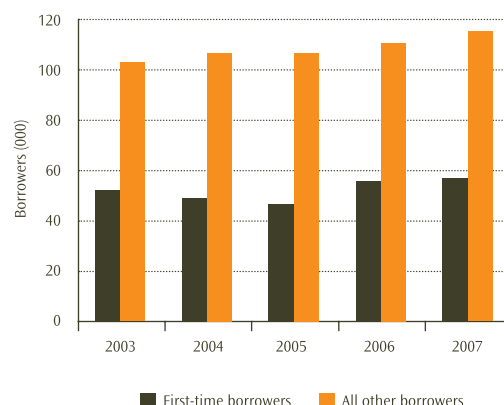
Total	174,000	(up 3.8% on 2006)
First-time borrowers	57,600	(up 2.8% on 2006)
All other	116,000	(up 4.3% on 2006)

Notes:

1. This data is provisional.
2. First-time borrowers are those who have not borrowed in 2000 or subsequently.

Source: Ministry of Social Development.

Figure 11.7: Student loan borrowers



STUDENT LOAN UPTAKE INCREASED

A greater proportion of people eligible to use the loan scheme borrowed in 2007. The significant increase in part-time students reflects relaxation of the eligibility requirements.

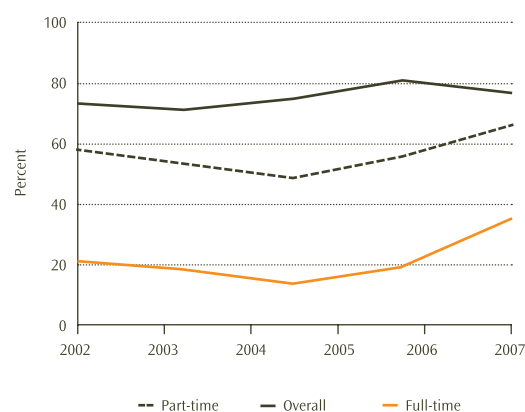
The proportion of eligible students who borrowed in 2007:

Total	66%	(56% in 2006)
Full-time	77%	(81% in 2006)
Part-time	35%	(19% in 2006)

Note: Overall uptake rates depend on the mix of full-time and part-time borrowers. The lower uptake of part-time borrowers, compared with the high uptake of full-time borrowers, reduces the overall uptake rate.

Source: Ministry of Social Development.

Figure 11.8: Student loan uptake rates by study status



MORE BORROWED TO PAY THEIR FEES

In 2007, there was a significant increase in the number of students borrowing to cover the cost of their tuition. Most of the increase was generated by university students. The number of private training establishment students decreased by nearly 7.6 percent.

The number of students borrowing their fees by sub-sector in 2007:

All tertiary education providers	163,000	(up 2.7% on 2006)
Universities	89,400	(up 7.0% on 2006)
Polytechnics	39,300	(up 3.2% on 2006)
Wānanga	2,710	(down 4.0% on 2006)
Private training establishments	31,800	(down 7.7% on 2006)

Notes:

1. From 2000, loan components other than fees were not recorded by sub-sector.
2. A student studying in more than one sub-sector has been counted in each sub-sector.

Source: Ministry of Social Development.

Figure 11.9: Student fee borrowers by sub-sector



MOST BORROWERS AGED UNDER 30 YEARS

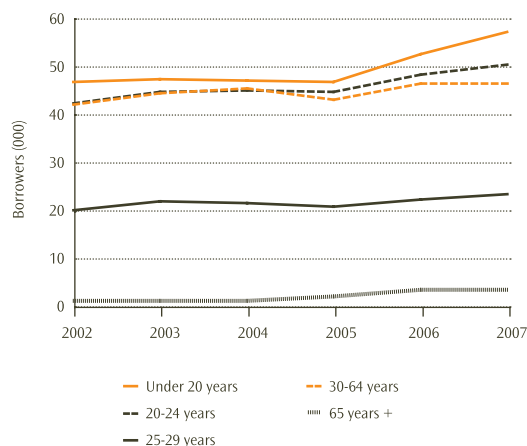
Borrowers aged under 20 years were 32 percent of all borrowers in 2007. Borrowers aged 20 to 29 years made up 41 percent of all borrowers.

Borrowers by age group:

	2006	2007	% change 2006-2007
Under 20 years	51,700	55,900	+8.0%
20-24 years	47,000	49,000	+4.1%
25-29 years	21,300	22,000	+3.1%
30-64 years	45,100	45,000	-0.4%
65 years or over	2,200	2,010	-8.4%

Source: Ministry of Social Development.

Figure 11.10: Borrowers by age group



MORE BORROWERS IN EACH ETHNIC GROUP

Borrower numbers have increased in all ethnic groups, particularly the Asian ethnic group.

Borrowers by ethnic group:

	2003	2007	% change 2003-2007
European	81,500	93,700	+15.0%
Māori	26,300	28,800	+ 9.4%
Pasifika	10,400	12,700	+22.0%
Asian	17,000	27,000	+58.9%

Note: Borrowers who identified with two ethnic groups are counted in each group.

Source: Ministry of Social Development.

Figure 11.11: Borrowers by ethnic group



MORE FEMALE THAN MALE BORROWERS

Sixty percent of loan scheme borrowers were women in 2007 – consistent with the higher proportion of women enrolled in tertiary education. However, in 2007 male students borrowed \$632 more, on average, than female students.

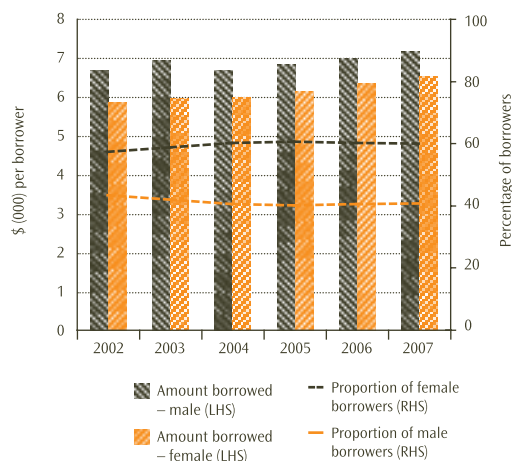
The average amount borrowed by gender in 2007:

Female students	\$6,540	(up 3.0% on 2006)
Male students	\$7,170	(up 2.3% on 2006)

Males accounted for 40 percent of student loan borrowers in 2007, compared to 43 percent in the year 2002.

Source: Ministry of Social Development.

Figure 11.12: Average amount borrowed and borrowers by gender



TOTAL AMOUNT BORROWED INCREASED

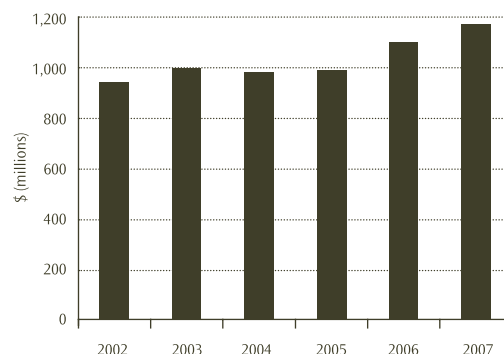
Figure 11.13: Annual amount borrowed

At \$1.17 billion, the amount borrowed under the Student Loan Scheme in 2007 was \$72.8 million higher than in 2006. The 2007 increase was lower than the increase in 2006.

The total amount borrowed in 2007:

	\$1,172.6 million	(up 6.6% on 2006)
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Source: Ministry of Social Development.



MEDIAN AMOUNT BORROWED RISES

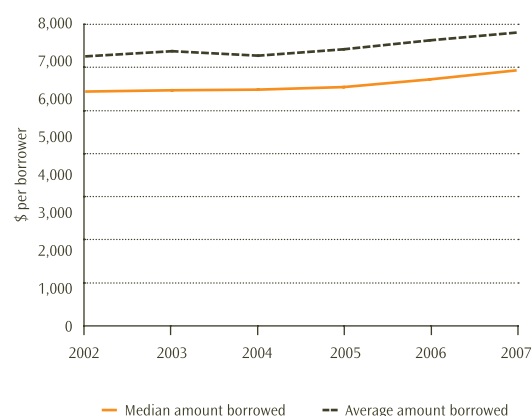
Figure 11.14: Average and median amount borrowed

From 2006 to 2007, the average amount borrowed increased by \$182, while the median amount increased by \$205.

The average and median amounts borrowed in 2007:

Average	\$6,750	(up 2.8% on 2006)
Median	\$5,870	(up 3.6% on 2006)

Source: Ministry of Social Development.



INCREASE IN AMOUNT BORROWED FOR COURSE FEES

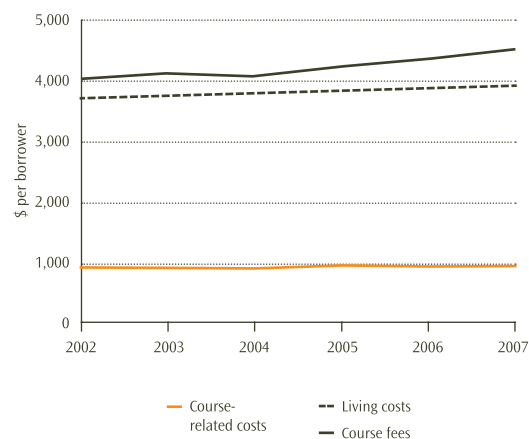
Figure 11.15: Average amount borrowed by loan component

The average amount drawn in 2007 increased for two of the three loan components – course fees and living costs. There was a slight decrease in the amount of course-related costs borrowed.

The average amount drawn from loan accounts by loan component in 2007:

Course fees	\$4,580	(up 3.8% on 2006)
Course-related costs	\$948	(down 0.2% on 2006)
Living costs	\$3,870	(up 0.7% on 2006)

Source: Ministry of Social Development and Ministry of Education.



MORE PEOPLE WITH LOANS THAN ALLOWANCES

Figure 11.16: Student allowances recipients and student loan borrowers

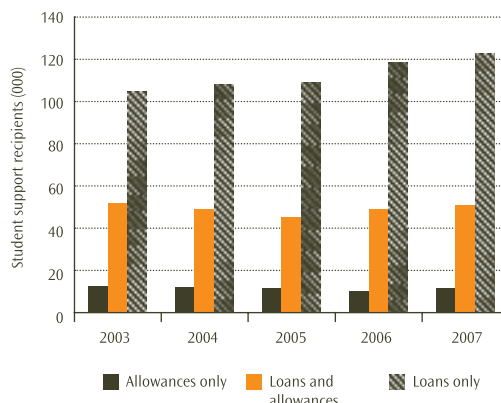
In 2007, there were more than twice as many student support recipients with only a student loan than there were students with both a loan and a student allowance. In 2007, there were 10 times as many students with a student loan as there were students who received a student allowance but who did not take out a student loan.

The number of student loan borrowers and student allowances recipients in 2007:

Allowances only	11,400	(up 9.8% on 2006)
Loans and allowances	51,100	(up 4.1% on 2006)
Loans only	123,000	(up 3.7% on 2006)

Note: This graph differs from Figure 11.17 because it includes all those borrowers who did not borrow the living costs component. Many of these are part-time students.

Source: Ministry of Social Development.



COMPARISON OF STUDENT ALLOWANCES WITH LIVING COSTS LOANS

Figure 11.17: Recipients of student allowances and living costs loans

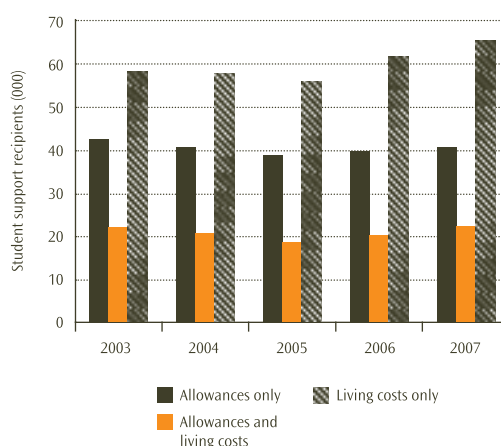
In 2007, approximately one-third of student allowances recipients also borrowed for their living costs. Less than one-quarter of students who borrowed the living costs component of the student loan also had a student allowance.

Student allowances recipients and students who borrowed for living costs in 2007:

Allowances only	40,400	(down 2.2% on 2006)
Allowances and living costs loans	22,100	(down 11% on 2006)
Living costs loans only	65,100	(down 6.1% on 2006)

Only full-time students are eligible for student allowances and/or for the living costs loan entitlement of up to \$150 per week for each week of the course, less any student allowances received.

Source: Ministry of Social Development.



MORE PEOPLE WITH STUDENT LOANS

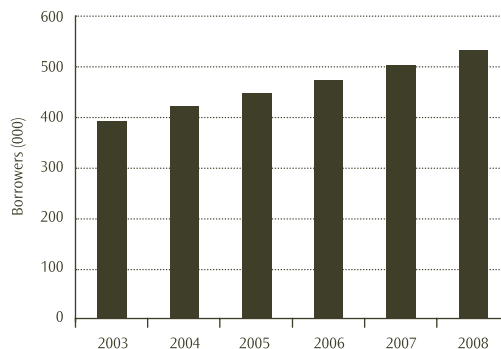
Figure 11.18: Borrowers with Inland Revenue at 30 June

The number of people with a student loan balance with Inland Revenue increased at 30 June 2008 compared with the previous year. This reflects new borrowers entering the scheme in greater numbers than those who completely repaid in the period.

The number of borrowers with Inland Revenue:

2003	390,000	(up 8.2% on 2002)
2004	419,000	(up 7.4% on 2003)
2005	445,000	(up 6.3% on 2004)
2006	471,000	(up 5.7% on 2005)
2007	499,000	(up 6.1% on 2006)
2008	530,000	(up 6.2% on 2007)

Source: Inland Revenue.



STUDENT LOAN BALANCE CONTINUED TO INCREASE

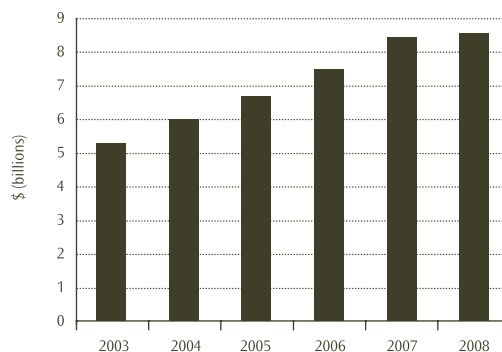
The student loan debt held by Inland Revenue at 30 June 2008 was 1.8 percent higher than the previous year.

Nominal student loan debt with Inland Revenue at 30 June:

	\$ (millions)	% change from previous year
2002	4,570	16
2003	5,270	15
2004	5,970	13
2005	6,680	12
2006	7,470	12
2007	8,400	13
2008	8,550	1.8

Source: Inland Revenue.

Figure 11.19: Average and median student loan balances at 30 June



AVERAGE AND MEDIAN LOAN BALANCE RECALCULATED

At 30 June 2008, the average and median loan balances held by Inland Revenue were lower than a year earlier. This is because of accounting changes that exclude accrued interest from the calculation of the average and median loan balances.

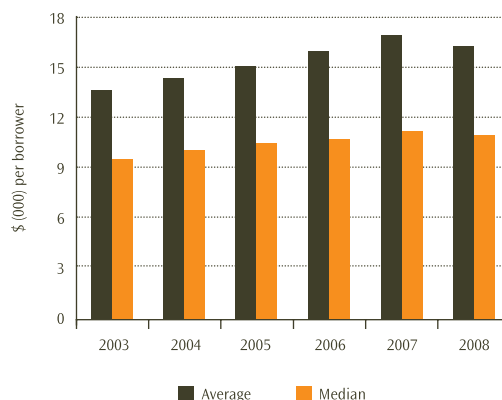
The average and median loan balances at 30 June:

	Average \$	% change from previous year	Median \$	% change from previous year
2003	13,500	+6.5	9,500	na
2004	14,200	+5.4	9,980	+5.4
2005	15,000	+5.3	10,400	+4.3
2006	15,900	+5.9	10,700	+2.4
2007	16,800	+6.0	11,100	+4.1
2008	16,100	-4.2	10,900	-1.8

Note: Loan balances in 2008 exclude accrued interest.

Source: Inland Revenue.

Figure 11.20: Average and median student loan balances at 30 June



MOST BORROWERS OWE LESS THAN \$15,000

More than 60 percent of borrowers owed less than \$15,000 at 30 June 2008.

The proportion of borrowers by loan balance at 30 June 2008:

Value of loan	Proportion
	na
Under \$10,000	46
\$10,000 - \$19,999	26
\$20,000 - \$29,999	13
\$30,000 - \$39,999	7.1
\$40,000 - \$49,999	3.8
\$50,000 - \$59,999	2.0
\$60,000 and above	2.3

Note: Loan balances in Figure 11.21 include accrued interest.

Source: Inland Revenue.

Figure 11.21: Borrowers at 30 June 2008 by range of loan balance



FEWER LOANS REPAYED IN FULL

Inland Revenue has collected \$4.3 billion in loan repayments since the loan scheme began.

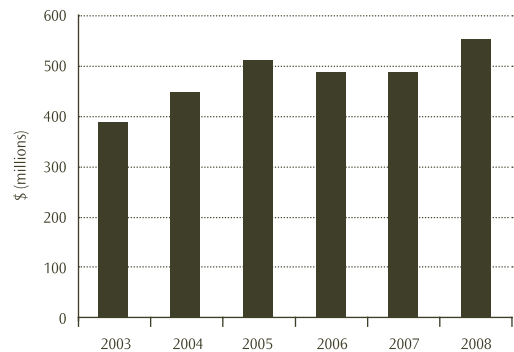
In 2007/08, \$550 million was collected in repayments, an increase on 2006/07. Borrowers repaid \$156 million and \$394 million was collected via the PAYE system.

The annual gross value of student loan repayments:

2003	\$386.4 million	(up 11.4% on 2002)
2004	\$447.2 million	(up 15.7% on 2003)
2005	\$510.3 million	(up 14.1% on 2004)
2006	\$486.4 million	(down 4.7% on 2005)
2007	\$486.5 million	(up 0.02% on 2006)
2008	\$550.0 million	(up 13.1% on 2007)

Source: Inland Revenue.

Figure 11.22: Gross annual students loan repayments at 30 June



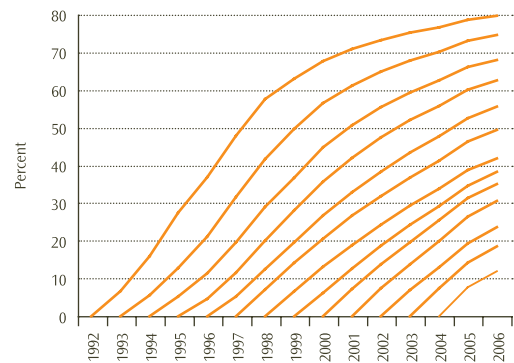
PROPORTION OF BORROWERS REPAYED IN FULL

After five years, nearly 37 percent of people who took out a student loan in 1992 had fully repaid their loan. This compared to 27 percent of people who borrowed in 1997 having fully repaid their loan after five years.

Using the integrated student loan scheme borrowers dataset, the progress towards loan repayments is able to be charted. The main determinants of repayment rates of those who have left study are employment and income. As incomes rise, borrowers' repayment obligations increase. For this reason, repayment rates tend to start slowly and increase as people gain experience in the workforce.

Source: Inland Revenue.

Figure 11.23: Proportion of borrowers who have fully repaid for each 'leaving-year' cohort (March years)



LOAN REPAYMENTS AND COMPLETING A QUALIFICATION

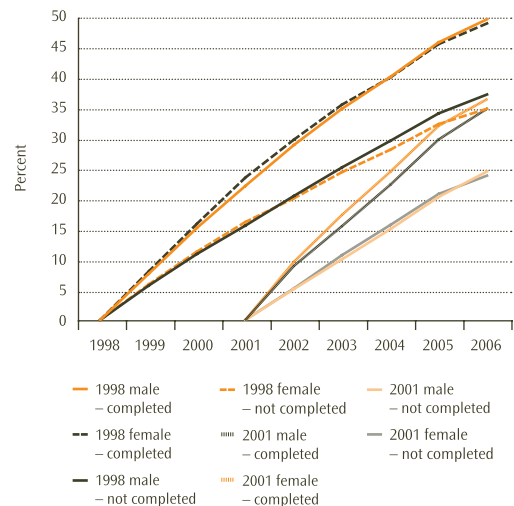
As time goes on, the number of borrowers repaying in full increases each year, but at a decreasing rate. The probability of a borrower repaying a loan depends on whether or not they have completed a qualification. Figure 11.24 illustrates that those with a qualification paid back more quickly than those who did not complete a qualification.

While women repaid slightly more quickly in the first few years after leaving study, over time gender had little effect on the rates of repayment.

Note: The leaving cohorts graphed here are those who last studied in 1998 and 2001, had borrowed from the Loan scheme, and had a student loan balance of \$10 or more at 31 March in the following year. Excluded are those who had repaid their student loan before 31 March in the year after leaving study.

Source: Statistics New Zealand, Integrated dataset on student loans and allowances.

Figure 11.24: Borrowers who repaid their loans by gender and qualification completion



VALUE OF THE LOAN SCHEME

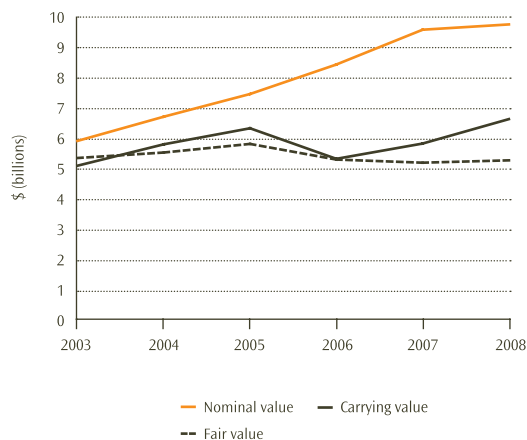
Figure 11.25: Student loan scheme's nominal value, carrying value and fair value at 30 June

Over recent years, the valuation of the loan scheme has changed due to new international accounting standards and methodologies, an improved student loans simulation model, the interest-free student loan policy introduced in 2006, and the exclusion of accrued interest from 2007/08.

Student Loan Scheme's nominal value, carrying value and fair value at 30 June:

	Nominal value \$ (millions)	Change %	Fair value %	Change %	Carrying value \$ (millions)	Change %
2004	6,820	–	5,730	–	6,000	–
2005	7,500	+9.9	5,990	+4.5	6,470	+7.8
2006	8,370	+11.6	5,540	-7.6	5,570	-13.8
2007	9,410	+12.5	5,440	-1.7	6,010	+7.9
2008	9,570	+1.7	5,520	-1.7	6,740	+12.1

Source: Student Loan Scheme Financial Statements for the year ended 30 June 2008.

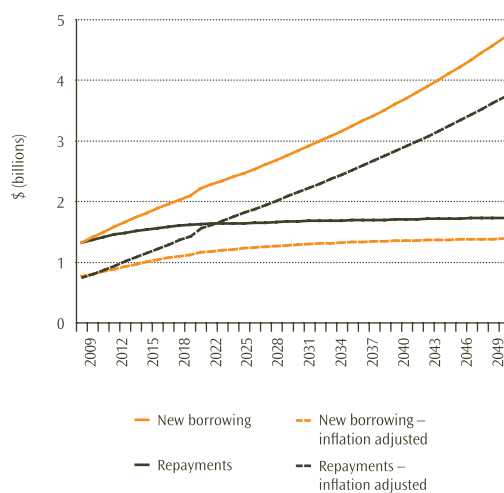


LONG-TERM FORECAST OF LENDING AND REPAYMENTS

Figure 11.26: Long-term forecasts of lending and repayments (June years)

The average annual increase in the total amount borrowed is forecast to be 6.6 percent per annum over the next four years.

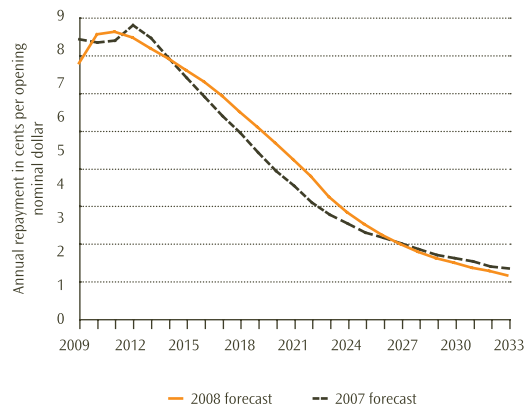
Source: Statistics New Zealand, Integrated dataset on student loans and allowances.



PROJECTED REPAYMENTS

Figure 11.27: Comparisons of repayment projections

Valuation of the Student Loan Scheme requires forecasts of borrowing and repayments. These are calculated using historical data from the integrated dataset on student loans and allowances and the student loans integrated model (SLIM). The average annual increase in total repayments is forecast to be 11 percent per annum over the next four years.



How does government financial support for students affect success for students?

This article presents a summary of recent research on student support. The key findings of the two studies are presented followed by a description of the methodology and dataset used. The links between student support and educational achievement and earnings are discussed. Finally, some overall conclusions are drawn.

Key findings

- **Students who either receive student allowances or use the Student Loan Scheme are more likely to complete their tertiary qualification than those who do not receive student support.**
- **People who receive student allowances only – without borrowing student loans – tend to do better in their tertiary study, especially those who studied at bachelors level and who were not in employment before starting their tertiary studies.**
- **The effect of student support on completion is more pronounced for Māori. Māori students with allowances or a loan are significantly more likely to complete their qualification than those who do not receive student support.**
- **Although the student support system does not directly influence people's earnings following study, it has an indirect effect on the earnings of individuals.**
- **The earnings of individuals who had completed a qualification and who received any type of student support were higher than for those who did not complete a qualification.**
- **The differences in earnings between students receiving allowances only and loans only may be attributable to work experience, occupation and differences in attitude to student support.**

Research by Nair (2008a, 2008b) applied statistical modelling to the integrated dataset on student loans and allowances¹ to look at the effects of different types of financial support on the educational and labour market outcomes of tertiary education students.

The two main types of government financial support for students were looked at – the Student Allowances and Student Loan Schemes. This support is provided to improve access to tertiary education and to reduce the disparities in the education system.

The educational achievements of student support recipients were tracked to analyse the impact of financial support on the probability of completing a tertiary qualification. In a similar way, monitoring the earnings of student support recipients in the five years after they complete study led to an analysis of the impact of the type of student support received on earnings.

Both studies applied generalised logistic regression analysis to model the impact of student support on completion rates and earnings. An advantage of using logistic regression is that it allows for the impact of a range of study-related factors to be examined individually, while holding the non-study-related factors constant.

The amount of research on the impact of the student support system on the completion of a qualification, and on earnings, is limited. The studies by Nair (2008a, 2008b) advance current understandings by examining the impact of the support system with a real-life dataset that allows us to look at a range of personal and educational characteristics and at the interactions among those characteristics. The size and longitudinal nature of the integrated dataset provide a rich source of information that has until now been unavailable for analysis.

Methodology²

For educational achievements, the outcomes of those full-time students who received 'no student support' were compared with the outcomes of full-time students who received 'allowances and loans', 'loans only' and 'allowances only'. The dataset covered more than 346,000 people aged 15 years and over who entered tertiary study in the years spanning 1999 to 2001. It also included each student's qualification completion status five years after starting study.

For earnings, there were three categories – students who received 'allowances and loans', 'loans only' and 'allowances only'. Income data was not available for students who received neither loans nor allowances. The dataset for that analysis covered around 192,000 people who left tertiary study between 1999 and 2001. The analysis looked at their wages and salaries in the years 2002 to 2005 – three and five years after they left study.

In addition to student support types, potential effect modifiers also influence the probability of successful qualification completion and earnings. Factors such as age, gender, ethnic group, and level and field of study, as well as institutional and employment characteristics were added to the models as predictors.

1. The Statistics New Zealand integrated dataset created in 2002 combines information from the Ministry of Social Development, Inland Revenue and the Ministry of Education. It links a student's educational, demographic, and allowances and loan information.

2. For a more detailed description of the methodology used see Nair (2008a, 2008b).

Educational achievements of student support recipients

How successful are student support recipients in completing their tertiary qualifications? And how does the educational achievement of support recipients compare with those who do not receive any student support? Does financial support tend to reduce disparities in tertiary education?

Nair (2008a) found that full-time students who either received student allowances or used the Student Loan Scheme were more likely to complete a tertiary qualification than full-timers who did not receive financial support.

Approximately 60 percent of the people in the dataset used the student support system. The dataset included 28 percent who were both loan borrowers and student allowances recipients, 27 percent who were student loan borrowers only and 6 percent who received only student allowances. People who received student allowances appeared in the 'loans and allowances' group and the 'allowances only' group.

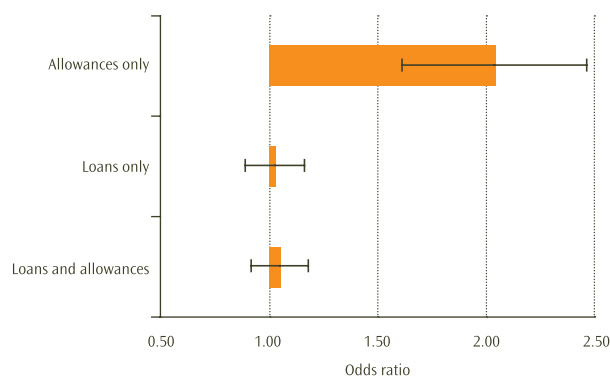
People who access the student support system may not necessarily be aiming to complete a tertiary qualification; some choose instead to increase their skills by passing a few courses. This is particularly so for part-time students. Completing a qualification is more important for younger students, who are also more likely to be studying full-time. However, given that part-time students were excluded from the analysis and assuming that most full-time students aim to complete their qualification, completion of a qualification is considered an appropriate indicator of success in study for the purposes of this model.

How does being a student support recipient affect completion?

Overall results show that those who accessed the student support system were more likely to complete a tertiary qualification. The unadjusted completion rates for students receiving no loans and no allowances were the lowest – even among those studying full-time.

However, when all other factors were kept constant, students who received allowances only had a higher likelihood of completing a qualification³ among the students receiving both loans and allowances, or only loans, was similar to those who did not receive any student support (Figure 11.28).

Figure 11.28: Effect of support types on the odds of completion



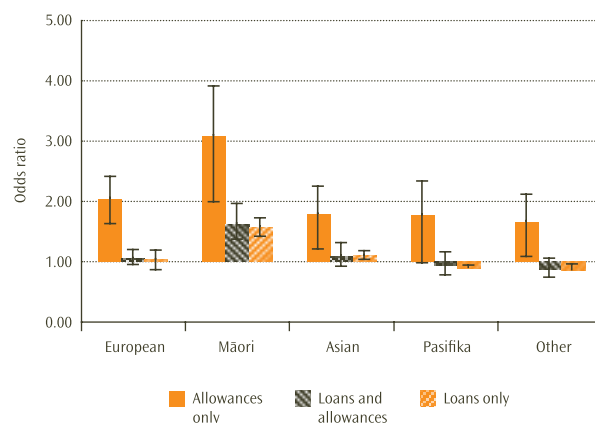
Note: The line bar denotes the 95 percent confidence interval for the odds ratio. If the line bar crosses 1, this indicates that this category is not significantly different from the reference category 'no loans and no allowances'.

The estimates shown in Figure 11.28 give the odds ratio of completing a qualification for the three student support categories, compared with students who do not receive loans and allowances. The odds of completing a qualification were twice as high for students who received allowances only as for students who received no financial support. For students who received both loans and allowances, or loans only, the odds of completing was not significantly different from students who received no financial support.⁴

Do loans and allowances promote equity?

The analysis indicated that support types did influence the completion of qualifications for Māori students, while for Pasifika students the likelihood of completing was higher for those receiving allowances only (Figure 11.29).

Figure 11.29: Odds ratio of completion by support types and ethnic group



Note: The line bar denotes the 95 percent confidence interval for the odds ratio. If the line bar crosses 1, this indicates that this category is not significantly different from the reference category 'no loans and no allowances'.

3. The model had a pseudo R² value of 0.23.

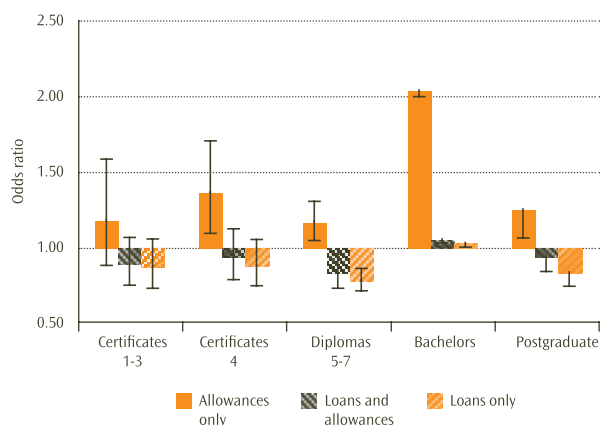
4. For this study, the effects are specific to the chosen reference category, which was a European male, aged between 15 and 20 years, who completed a bachelors degree from a university without receiving student support and whose prior activity was being a secondary school student. Changes to the reference category would also result in changes in the strength of the effects.

How does level of study affect completion rates?

Those studying at bachelors level had the highest likelihood of completing a qualification and students in lower qualification levels had a significantly lower probability of completing a qualification. But within some qualification levels, the chances of completion differed for the different support types (Figure 11.30).

For instance, among those who took a bachelors degree, the likelihood of completion was significantly higher among the allowances only group. Among diploma students, those who receive allowances only had a higher probability of completing than those without student support. But in the diploma group, those who took a loan had a lower probability of succeeding.

Figure 11.30: Odds ratio of completion by support types and qualification level



Note: The line bar denotes the 95 percent confidence interval for the odds ratio. If the line bar crosses 1, this indicates that this category is not significantly different from the reference category 'no loans and no allowances'.

What does all this mean?

Completion rates were lowest among students receiving no loans and no allowances. One reason is that part-timers are over-represented among those who do not take out student support and they have the lowest completion rates. Even taking out the part-time students, those who do not use student support have lower completion rates. One reason for their low completion rates may be that students with no loans and no allowances may be more likely to engage in part-time work for extra income. A negative effect of students in part-time employment is the time use trade-off between work and study. Students engaged in work are likely to have less time for study, which may affect their academic performance. It may also take longer for them to complete a qualification, compared with those who do not work. It is also possible that the number of students whose tertiary goal is not a qualification were disproportionately represented in this group.

A relatively small number of students receive allowances only and their numbers have been dwindling since 2002. It is expected that this group may become even less relevant in the years to come.

The analysis did not capture the changes in the criteria for eligibility for allowances that occurred in 2005 or the introduction of interest-free loans in 2006. These have intensified the reduction in students receiving allowances only. Hence, it would be unwise to draw policy conclusions about students who received allowances only, despite the interesting results in this study.

It is also important to note that the good performance of the allowances only group does *not* imply that student support allowances improve a person's chances of success in tertiary study. This is because the majority of those who get allowances also borrow – but the performance of the loans plus allowances group is no better than the reference group. Evidently, there are factors in the allowances only group, not captured in the model, that are linked to the better completion rates in this support category.

The impact of student support types on the completion of a qualification will depend on other influences such as an individual's innate ability. Also, family income and associated characteristics, such as parents' education and their aspirations for their children, or single parenthood, all have an impact on success. Although it is not enough to focus solely on financial support for tertiary students, it is recognised that this may help some students overcome disadvantages that prevent them from achieving goals for participation and achievement (Kim, 2007).

Previous research on the impact of factors on degree completion (Scott and Smart, 2005) suggested that field of study, study load, qualification level and the type of tertiary education provider were important predictors of the completing of a qualification, or not. And, the more full-time a student was, the higher their likelihood was of completing a degree. Nair (2008a) also found similar results, as did Kim (2007).

Kim (2007) found that students studying full-time had a higher likelihood of completing a degree than students engaged in part-time study, and that institutional factors, such as tuition fees, selectivity at entrance, and institutional control, were significantly related to degree attainment rates. Nair (2008a) found that the type of provider had a significant effect on completing of a qualification, but students receiving only allowances had a higher likelihood of completing a qualification in every provider type. Nair (2008a) also found that the activity prior to studying had a significant impact on academic achievement. Individuals not in employment before entering study who were receiving some form of financial support had a higher likelihood of completing a qualification than those who received no loans and no allowances.

Financial support helps people complete qualifications

In summary, the study on educational achievement supports the view that student support is effective in helping people complete qualifications, especially for under-represented groups.

There were three important findings. Firstly, individuals who received only allowances had a higher probability of completing a qualification, compared with their counterparts who received no loans and no allowances, when all other factors were kept constant. Secondly, individuals who received both loans and allowances or who received only loans showed a likelihood of completing a qualification that was on a par with students receiving no loans and no allowances. Finally, the study showed that Māori and Pasifika peoples who had received an 'allowance only' had significantly higher academic achievements, compared with their peers who had received no student support.

Labour market outcomes of student support recipients

Given that the student support system does influence academic achievement, Nair (2008b) extended the analysis of the effects of student support to focus on earnings. This study complements earlier work by Nair (2007) and Hyatt et al (2005, 2006) on the earnings of graduates three and five years after study.

The labour market outcomes analysis focused on the question 'how do labour market outcomes for different types of student support recipients differ?' And, 'how far is the student support system able to help achieve equity in economic outcomes?'

As with the study on educational achievement, full-time tertiary education students were grouped into the categories of those who received 'loans and allowances', those receiving 'loans only' and those receiving 'allowances only'. The incomes of these three groups three and five years after they left study were then compared. Unfortunately, no income data was available on those students who did not receive any financial assistance so no comparison with that group was possible.

The relationship between student support and an individual's earnings from wages and salaries three and five years after leaving study is affected by characteristics such as age, gender, field and level of study, and their employer. Ten factors representing these characteristics were used as control variables.

For this study, the effects are specific to the chosen reference category, which was a European male, earning more than \$80,000 three years after completing a bachelors degree from a university as a full-time student, and whose prior activity was being a secondary school student. Changes to the reference category would result in relative changes in the effects too.

Financial support does not directly affect earnings

Nair's results (2008b) suggested that the type of financial support a student receives does not directly influence their labour market earnings. It does, however, have an indirect effect on individual earnings.

Slightly higher earnings were found in the group of students who had loans only, compared with students who received allowances only, or those who had both a loan and an allowance (Figure 11.31). However, the effect was only marginally significant. For example, the earnings probability of students receiving loans only was slightly higher for those earning more than \$40,000 per annum, compared with students receiving loans and allowances, or allowances only.

The differences in earnings between the groups of students receiving allowances only or loans only may be attributable to the absence of influencing factors like work experience, occupation, motivation and attitude. These factors, in turn, may be influenced by personal and family circumstances, which were not included in the model.

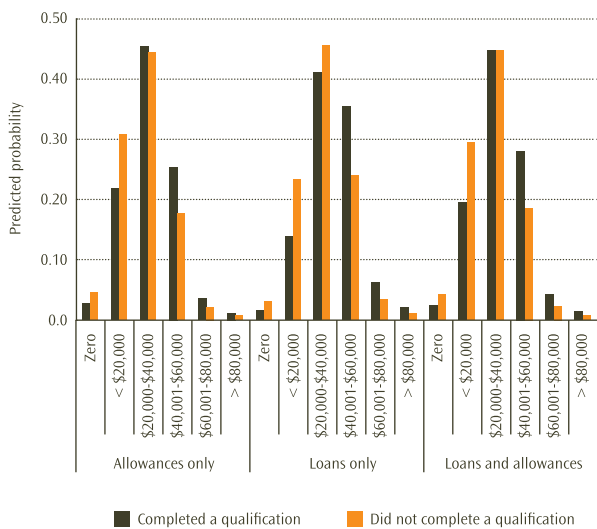
Figure 11.31: Predicted probability of earnings by support type



Completing a qualification results in higher earnings

Whether or not an individual had completed a qualification had a significant impact on their earnings probability. Individuals who had completed a qualification while receiving any type of support were likely to earn more than non-completers within each support type.

Figure 11.32: Fitted probability of earnings by support type and completion status



Studies by Hyatt et al (2005, 2006) concluded that completing a qualification, or not, had a substantial influence on income. The findings of Nair (2008b) reinforced these and earlier studies that concluded that completing a qualification is associated with higher income. Earlier studies also found that completing a qualification is influenced by personal, study-related and institutional factors.

What about the role of work experience and occupation on earnings?

In summary, the earnings analysis suggests that although the student support system does not influence the earnings of individuals directly, it does have an indirect effect through academic achievement. A marginal increase in earnings was observed for students with loans only, compared with students who received allowances only, or those who received both loans and allowances.

Conclusions

There are significant benefits to individuals who complete a qualification and as a result the tertiary education system contributes to the accumulation of human capital and improves the outcomes of New Zealanders. Attaining a tertiary qualification is an important determinant of an individual’s future opportunities. Therefore, the student support system contributes to human capital accumulation through improved academic achievement that leads to better employment outcomes. Hence, the student support system can be seen to help provide equity to some extent.

While those who receive allowances but do not borrow have a greater probability of completing a qualification, and, in turn, this is associated with higher earnings, it is important to note that changes introduced to the student support system since the period analysed mean we need to be cautious in drawing policy conclusions from these two studies.

For one thing, it is unlikely to be the receipt of allowances that influences completion of a qualification because those who receive allowances and also borrow do not have higher completion rates. This means there must be factors not observed in the model that are influencing success for allowances recipients.

As the integrated dataset on loans and allowances is updated each year, the research on educational achievement and earnings can be refreshed. This will enable further assessments to be made of the contribution that student support makes to the life of New Zealanders.

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The impact of student support policies

Government support for tertiary study has been in place in New Zealand for nearly a hundred years. There were War Bursaries in 1917, agricultural and engineering bursaries in 1924, architectural bursaries in 1928, fine arts bursaries in 1936 and University National bursaries in 1937. Over time, the tendency to offer bursaries for specific purposes such as kindergarten training, physical education and pharmacy courses, or by provider type, was replaced by the idea of assisting students to study *with the provider of their choice towards the qualification of their choice*. By 1976, university, technical institute and pharmacy bursaries had been replaced by tertiary bursaries which included a fees bursary for the tuition fees payable by the student.

Financial assistance for tertiary study has been subject to frequent changes. This article looks at the impact of these changes on access to student support in recent years. It compares student allowances and student loan uptake trends with the pattern of participation by New Zealanders in tertiary education. Also considered is the impact on student participation of adjustments to tuition subsidies and the changes introduced to the loan and allowances schemes.

The current funding of tertiary education primarily comprises tuition subsidies, student allowances and student loans. The major part of the cost of providing tuition in tertiary education was, and still is, covered by government subsidies. Also, a small number of fees scholarships (merit and equity based) have been offered over recent years. The level of the subsidy affects the amount students themselves have to pay.

Before student loans

Until student loans were introduced in 1992, government's financial support for tertiary study had traditionally been in the form of tuition subsidies, paid directly to tertiary education providers, and 'grants-in-aid' which were paid directly to students and were principally intended to subsidise living costs.

From 1980 to 1989, the fees grant covered 75 percent of the tuition fees paid by most students. By 1988, university students who had a fees grant paid around \$288 for a full year of full-time study. The standard tuition fee was introduced in 1990 and the fees grant was discontinued, but full-year students were able to pay in instalments. The standard tuition fee was \$1,250 rising to \$1,300 in 1991. Reductions in the standard tuition fee of up to 90 percent were made available to 16 and 17 year-olds, students with dependants, low-income earners and postgraduate students.

Tertiary assistance grants were also available to help with living costs. As there was no parental income test, the majority of full-time domestic students could qualify for a tertiary assistance grant for up to five years of study, provided they passed more than half of their study load.

In 1980, in response to the increasing numbers of older students wanting to study full-time, hardship grants were introduced. Older students, who often had dependants and/or mortgages, could apply for additional payments based on their actual living costs. Hardship grants continued until student allowances were introduced in 1989.

In 1989, taxable student allowances and a parental income test were introduced.

More New Zealanders in tertiary education








In the 1980s, the number of young people in tertiary education in New Zealand was very low compared with other countries in the Organisation for Economic Co-operation and Development. As a result, it had been recognised that if New Zealand was to improve its position in an increasingly competitive international economy, the level of education of New Zealanders needed to be raised. In order to achieve this, a number of reforms were introduced to fund the expansion of tertiary education. Over time, these have resulted in greater participation funded by cost-sharing among government and students and their families.

The 1991 to 1992 tertiary education reforms included increasing the number of funded places, deregulation of fees, a progressive decrease in per student funding with a consequent increase in fees, and tighter targeting of student allowances to students aged under 25 years, on the basis of parental income. To ensure that increased tuition fees and reduced access to student allowances did not compromise the government's goals for increased participation, the Student Loan Scheme was introduced.

These moves, including the student support policies, contributed to the growth in participation in tertiary study over the last 15 to 20 years.

The following table shows differences between the Student Allowances Scheme when it was introduced in 1989 and the scheme as it operated in 2007:

Table 11.1: Student Allowances Scheme – comparison of features in 1989 with 2007 (allowances rates are rounded to whole dollars)

	Features	1989 (Net rates at 1 January)	2007 (Before-tax rates at 1 January)
 16-17yrs	Targeted allowances for 16-17 year-olds	Up to \$80 p.w. depending on parental income	16 and 17 year-olds with child(ren) got with dependants' allowances, legally married 16 and 17 year-old students got couple allowances and those who completed year 13 or NCEA Level 3 got allowances as shown below
 18-19yrs	Basic and targeted allowances for single 18-19 year-olds	At home \$44 p.w. plus up to \$43 p.w. depending on parental income Away from home \$66 p.w. plus up to \$43 p.w. depending on parental income plus accommodation benefit	At home up to \$116 p.w. depending on parental income Away from home up to \$145 p.w. depending on parental income plus accommodation benefit
 20-24yrs	Allowances for single 20-24 year-olds	At home \$86 p.w. Away from home \$109 p.w. plus accommodation benefit	At home up to \$116 p.w. depending on parental income Away from home up to \$145 p.w. depending on parental income plus accommodation benefit
 25+	Allowances for single 25 year-olds and over	At home \$86 p.w. Away from home – \$109 p.w. plus accommodation benefit	At home \$139 p.w. Away from home – \$174 p.w. plus accommodation benefit In 2005, the work history criterion was removed
 25+	Independent circumstances allowances	Had to live away from home \$109 p.w. plus accommodation benefit	Had to live away from home, \$145 p.w. plus accommodation benefit
 25+	Couple allowances 1989 – legally married or over 20 and in a de facto relationship 2007 – married, civil union, de facto couple – 25 year-olds and over	With dependent spouse \$202 p.w. plus accommodation benefit Lower entitlements were available for couples if both were eligible students or if both were students but one was ineligible or if one was earning	With dependent partner \$290 p.w. plus accommodation benefit Lower entitlements were available for couples who were both eligible students or where one was ineligible or where one was earning
 25+	'With dependants' allowances 1989 – single parent or legally married or over 20 and in a de facto relationship with children 2007 – single parent or married or civil union couple with children	With dependent spouse and children \$233 p.w. plus accommodation benefit Lower entitlements were available for single parents or parents who were both eligible students or where one parent was ineligible or where one parent was earning	With dependent spouse and children \$290 p.w. plus accommodation benefit Lower entitlements were available for single parents or parents who were both eligible students or where one parent was ineligible or where one parent was earning

	Features	1989 (Net rates at 1 January)	2007 (Before-tax rates at 1 January)
	Accommodation benefits at regional rate for students living away from home	Up to \$40 p.w. calculated on basis of regional rent, board or hostel costs over \$40 p.w.	Up to \$40 p.w. Up to \$60 p.w. for sole parents
	Accommodation supplements for 16 and 17 year-olds' accommodation costs.	\$22 p.w. provided they had to live away from home	None
	Transport allowances for 16 and 17 year-olds with high weekly transport costs	\$1 to \$20 p.w. provided they were living at home	None
	Transport supplements for 16 and 17 year-olds' weekly transport costs	\$11 p.w. provided they were living at home	None
	A and B Bursaries (phasing out 2008)	For 16-19 year-olds – \$200 p.a. and \$100 p.a., respectively	For 16-19 year-olds – \$200 p.a. and \$100 p.a., respectively
	Fees grant	75 percent of tuition fees	None
	Personal income limit	\$4,000 gross p.a. or proportion for short courses averaged over period of study. Those who exceeded the personal income limit lost all entitlement	\$180 p.w. before tax with dollar-for-dollar abatement thereafter
	Parental income abatement threshold	16 and 17 year-olds – \$18,972 p.a. (\$364 p.w.)	Students under 25 years old – \$39,270 p.a. (\$755p.w.)
	Student allowances parental income cut-out points	Under-20 year-olds – \$35,360 p.a. (\$680 p.w.) but 18 and 19 year-olds still received the basic allowance	Under-25-year-olds – at home \$63,385 p.a., away from home \$69,413 p.a.

Note: Since student loans were introduced in 1992, student allowances recipients have been able to borrow the difference between their basic allowance and the maximum living costs loan entitlement (\$4,500 p.a. in 1989, \$150 p.w. in 2007).

The early years of student loans

From 1 January 1992, students could borrow all their tuition fees and other compulsory fees under the Student Loan Scheme. Before this, as far back as the 1960s, students had access to a fees bursary or grant that covered part or all of their tuition fees. From 1980, the fees grant covered 75 percent of tuition fees. At the end of 1989 it was abolished as part of the introduction of the standard tertiary fee scheme.

When it was introduced in 1992, the loan scheme also allowed full-time students to borrow up to \$4,500 a year to help meet their living costs. This sum was reduced for those borrowers who also received allowances; the living costs loan entitlement was reduced by a dollar for each dollar of allowances expected during the year. Living costs loans were available for drawing in three instalments during the year. Students could also use the loan scheme to borrow up to \$1,000 to offset their course-related costs.

The loan scheme was designed as an income-contingent scheme. Repayments were collected through the tax scheme and the amount to be repaid was lower if the borrower's income was lower.

The Student Loan Scheme was reviewed in 1998. This review resulted in changes to the way students accessed the scheme and the amounts of money that were immediately available to them. From 1999, living costs loans were paid in fortnightly instalments rather than in three instalments a year. Parents were required to countersign the loan applications of students under 18 years of age. Loans for fees were paid directly to providers rather than to students.

In 2002, the government created the Student Loan Scheme Borrowers integrated dataset. This dataset is managed by Statistics New Zealand under strict protocols developed with the guidance of the Privacy Commissioner. It brings together information on enrolments and completions (collected by the Ministry of Education), information on borrowing (held by the Ministry of Social Development) and information on loan balances (held by Inland Revenue). Before the creation of this dataset, it had not been possible to link borrowers' education, borrowing and repayment characteristics. The purpose of the dataset was: to gain a better understanding of how the Student Loan Scheme was affecting borrowers, to inform student support policy, to help determine the financial value of the loan scheme and to improve the information provided to the public. For example, the dataset enabled research into the impact of student loans to determine whether some groups were disadvantaged by the scheme in the light of their ability to repay their loans. Research showed that Māori were likely to take longer than others to repay their loans, men and women have similar repayment times and some student loan borrowers would never completely repay.

A series of changes to student loan policy providing for interest write-offs during the term of the loan, and culminating in the abolition of interest for New Zealand-resident borrowers, made it easier for borrowers who remain in New Zealand to pay off their loans.

There have been many changes to the Student Loan Scheme since 1992 as shown in Table 11.2.

Table 11.2: Student Loan Scheme – comparison of features in 1992 with 2007

Features	1992	2007
Compulsory fees	Amount charged by provider except limited to \$4,500 for students at private training establishments only ⁵ Includes students' association fees Direct-credited to borrower or provider	Limited to the amount charged by the provider or the relevant fee maximum under the Fee and Course Costs Maxima, whichever was less Includes compulsory students' association fees Direct-credited to provider only
Course-related costs	Up to \$1,000 p.a. – no evidence required	Up to \$1,000 p.a. – evidence/justification required.
Living costs (for full-time students only)	Up to \$4,500 less any student allowances – available in three instalments for full-year students	Up to \$150 p.w. less any student allowances – paid weekly in arrears
Interest	8.2 percent for all tax-resident borrowers	6.9 percent but all interest written off for New Zealand-based borrowers
Administration fee	\$50 payable once for each loan account	No change
Eligibility	New Zealand citizens, permanent residents of New Zealand, refugees	No change
Academic requirements	Students must have passed at least half of the work taken in the preceding two years of tertiary study	None
Parental consent	None required	Required for borrowers under 18 years of age
Bankrupts and 'no asset procedure' debtors	Undischarged bankrupts not entitled to student loans	Undischarged bankrupts not entitled to student loans. 'No asset procedure' debtors ⁶ may have student loans but their existing loans are not written off
Prisoners	Prison inmates ineligible	Prison inmates on approved offender management programmes can borrow tuition fees and course-related costs
Repayment threshold	\$12,670 p.a. to 31/03/93	\$17,160 p.a. to 31/3/07
Repayment rate	10 cents for every \$1 earned above the repayment threshold	No change
Repayment for borrowers overseas	\$1,000 plus interest or one-fifteenth of the loan balance plus interest, whichever was less	Based on level of loan balance
Repayment holiday	None	Three-year repayment holiday for overseas travel after study
Interest write-off	Base interest was written off for New Zealand residents if not currently borrowing and income below \$12,760 or, if the compulsory repayment due was less than the base interest incurred, the difference was written off	Full interest write-off for New Zealand – based borrowers only
Minimum repayment to loan accounts manager	\$200	\$100 to StudyLink (or a lower amount by agreement)
Penalty for overdue repayments	2 percent per month (details in Student Loan Scheme Act 1992)	1.5 percent per month on amounts greater than \$333
Capital write-off	Loans written off on death of borrower	No change

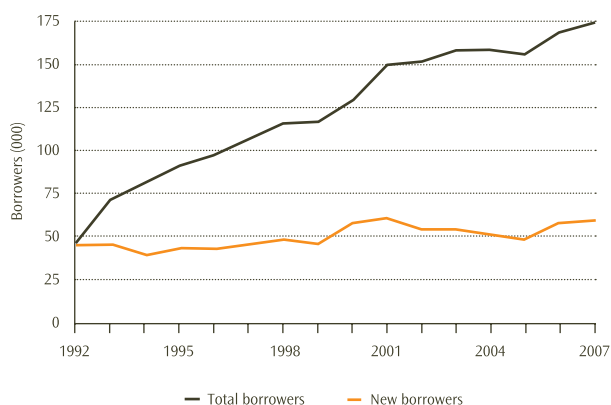
5. Private training establishment students were not eligible unless their provider was government funded or their course was recognised for student allowances purposes.

6. This is an insolvent debtor status put in place by the Insolvency Act 2006 as an alternative to bankruptcy.

A slowdown in the number of student loan borrowers occurred in 1999 following the review of the loan scheme. Another downturn in loan uptake occurred in 2005, the year before interest-free loans came in. On this occasion the number of borrowers fell.

Apart from these two dips, the number of student loan borrowers has grown steadily since the scheme was introduced in 1992. This growth reflects the increase in tertiary education participation over the same period and the use of the loan scheme to help students finance their study.

Figure 11.33: Student loan borrowers and new borrowers in each academic year



Source: Statistics New Zealand, integrated dataset, and Ministry of Social Development.
Note: The 2007 data is provisional.

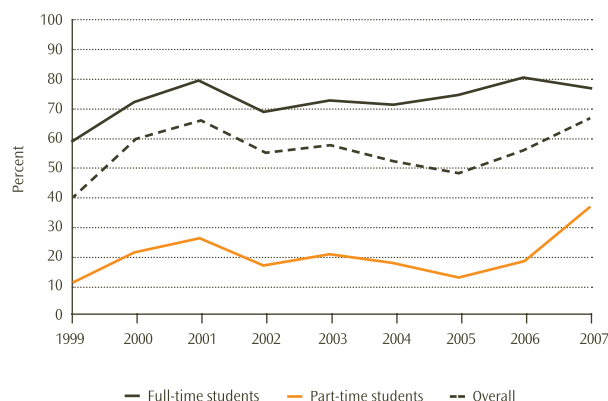
The student loan uptake rate shown in Figure 11.33 is the proportion of students eligible to borrow who actually do so. In 2007, the overall uptake rate was 66 percent. This compared to 56 percent in 2006, 66 percent in 2001 and 41 percent in 1999.

The changes in the uptake rates were most likely due to changes made to the loan policy. There was an increase in uptake between 1999 and 2001 after the introduction of 'no interest while studying' and the 50/50 repayment rules.⁷ There were further increases in 2006 and 2007 after the introduction of the interest-free loan policy.

The increase in uptake rates for part-time students from 19 percent in 2006 to 35 percent in 2007 was the result of two factors: firstly, it was due to an overall increase in the number of borrowers as a result of the interest-free student loan policy; secondly, the total number of eligible part-time students decreased in 2007, when students enrolled in qualifications that do not attract government funding became ineligible for student loans or student allowances.

7. The amount by which a borrower's base interest was reduced and capped at 50 percent of their annual minimum repayment obligation. This means that at least 50 percent of any payments were credited against the interest adjustment (inflation) component of the interest rate and the loan principal.

Figure 11.34: Student loan uptake rates



Source: Ministry of Education and Ministry of Social Development.
Note: Overall uptake rates reflect the mix of full-time and part-time borrowers.

Student allowances uptake, on the other hand, decreased for several years from 2001. While uptake began to rise again in 2006, the number of recipients had still not returned to 2003 levels in 2007. The reduction in uptake has been attributed to growth in income levels that was not matched by compensating increases in the student allowances personal, parental or couple income limits. The increases in and annual adjustments of these income limits, which took effect from 2005 to 2008, have reversed the downward trend.

In 2006, this compared to 57 percent of eligible students receiving student allowances in 2006. Some students did not qualify for student allowances because they were part-time,⁸ beneficiaries, or new immigrants who had lived in New Zealand for less than two years, or they were ineligible because of age, academic performance, or parental or personal income. Also, some students did not qualify because they had already received allowances for 200 weeks.

8. A few students who are not full-time can qualify for student allowances under the limited full-time programme provision.

Student support 2003 to 2007

The following changes have been made to student support since 2003:

Tuition fees

In 2004, the former fee stabilisation policy was replaced with the Fee and Course Costs Maxima policy, which limited the amount providers could charge for tuition, thereby helping to reduce the reliance of students on the loan scheme.

In 2005, the \$6,500 cap on loan scheme tuition fee borrowing at private training establishments was removed.

Effective from 1 January 2005, the tuition fee borrowing entitlement of students was limited to the amount charged by the provider or the relevant fee maximum under the Fee and Course Costs Maxima policy, whichever is less.

Younger tertiary students

In 2004, student allowances were made available to 16 and 17-year-olds who have completed year 13 or who have success in University Bursary/NCEA Level 3 if they have not completed year 13. This policy change was made to remove an anomaly that penalised students who were younger than average or who were gifted and finished school earlier than others.

Parental income threshold

In 2005, the student allowances annual parental income threshold was raised from \$28,080 to \$33,696. As a consequence, the cut-out point was raised from \$50,752 to \$62,148 per annum (for students living away from home).

From 1 April 2005, parental income thresholds have been adjusted annually for inflation.

In 2006, the student allowances parental income threshold adjustment for families with more than one student was increased and a student allowances parental income threshold adjustment for separated parents was introduced.

From 1 April 2007, the student allowances parental income threshold increased by 10 percent. Eligible students whose parents earned \$39,270 per annum or less were entitled to full student allowances. If the parents' annual income was between \$39,270 and \$69,413 approximately (for those living away from home) or between \$39,270 and \$63,385 approximately (for those living at home) the student was entitled to abated or partial allowances.

Personal and joint income limits

In 2006, personal and couple income thresholds for student allowances were increased. The personal income threshold was increased from \$135.13 to \$180 gross per week. A dollar-for-dollar abatement of the allowances amount once a student's earnings exceed the threshold was also introduced. Before this change, student allowances payments were stopped for any week in which income over the income threshold was earned. The income limit for a couple is \$360 per week.

Long programmes

In 2007, doctor of philosophy degrees and professional doctorates were recognised as 'long programmes'. This policy change provided eligible students with an additional 156 weeks (three calendar years) more than the standard 200-week entitlement.

Targeting of student allowances

A number of student allowances changes were implemented in 2005 to better target living support to students and to improve inconsistencies with the Human Rights Act. These included removing the work history criterion of the independent circumstances allowance and removing marriage as grounds for independence from parents for under-25-year-olds.

Part-time, part-year students

In 2004, part-time, part-year students undertaking a course load of 0.3 equivalent full-time student units or more were given access to the tuition fee component of the loan scheme. This access did not include the living costs or course-related costs components.

From 1 January 2005, students studying between 0.25 and 0.3 equivalent full-time student units were given access to student loans for tuition fees. The right of these students to borrow was subject to conditions:

- The course had to have a job-related element.
- The student had to be in employment or studying for a qualification that would lead to employment.

In 2007, these vocational and employment requirements for part-time, part-year students undertaking a course load of between 0.25 and 0.30 equivalent full-time student units were removed.

'No asset' debtors

In 2006, the government introduced a new status of debtors – an alternative to bankruptcy for people who become insolvent but have few assets. 'No asset' debtors are able to access student loans but their existing loans are not written off.

Interest-free loans

From 1 April 2006, the student loan interest-free policy for borrowers living in New Zealand and the offer of an amnesty on student loan penalties for certain borrowers who live overseas came into effect.

Borrowers overseas

From 1 April 2007, new repayment provisions were put in place for borrowers overseas. These changes allow these borrowers to take a three-year repayment holiday and simplify the annual compulsory repayment obligation after that holiday. The amnesty on penalties for overseas borrowers was also extended by one year.

Since 2007, overseas borrowers who are not eligible for a repayment holiday have a new repayment obligation based on the size of their loan balance, as shown in Table 11.3.

Table 11.3: Overseas borrowers' repayment obligations from 1 April 2007

Loan balance	Amount due per year
Under \$1,000	The whole loan balance
Over \$1,000 and up to \$15,000	\$1,000
Over \$15,000 and up to \$30,000	\$2,000
Over \$30,000	\$3,000

Source: Inland Revenue.

Student allowances and student loan eligibility

Since 2007, students who undertake qualifications that do not receive government funding are not eligible for student loans and allowances.

Medical intern grant

In 2006, the trainee medical intern grant for sixth-year medical students was increased by \$10,000 to \$26,756.

Step Up Scholarships

In 2004, a pilot scheme introduced Step Up Scholarships, designed to increase access to tertiary education for young people from low-income backgrounds and to address skill shortages by encouraging more students to study in areas of importance to New Zealand. Recipients were required to pay the first \$1,000 of their compulsory course fees and the scholarship pays the balance.

Bonded Merit Scholarships

In 2006, bonded, merit-based scholarships for New Zealand's most academically capable students were introduced. In 2007, the number of Bonded Merit Scholarships increased from 500 to 1,000.

TeachNZ Scholarships

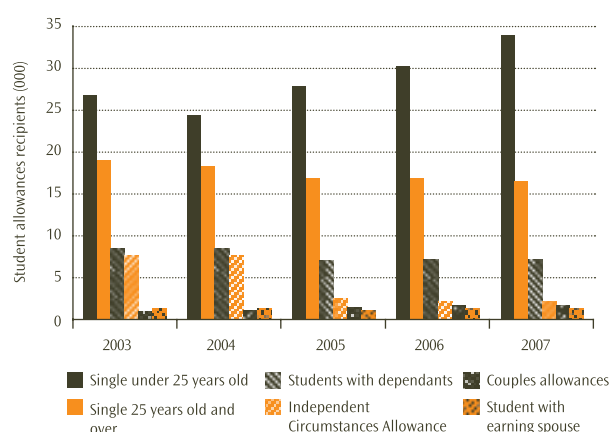
In 2007, the administration of bonded TeachNZ Scholarships transferred to StudyLink. The undergraduate scholarship is valued at \$10,000 per annum and students are bonded to one year of teaching for each year of support. Graduates receive \$10,000 for a one-year graduate diploma of teaching and are bonded for two years.

Student support trends 2003 to 2007

The significant growth in the number of single students aged under 25 years receiving allowances reflects the increases in the parental income limits since 2005. The number of single students aged over 25 years has decreased since 2003 but has been stable since 2005.

The number of students with dependants has decreased in recent years, possibly due to improved employment opportunities or choosing to study part-time. In 2005, the rules for the Independent Circumstances Allowance were changed to improve targeting in student allowances and to remove areas of inconsistency with the New Zealand Bill of Rights Act. The number receiving that type of allowance reduced as a result.

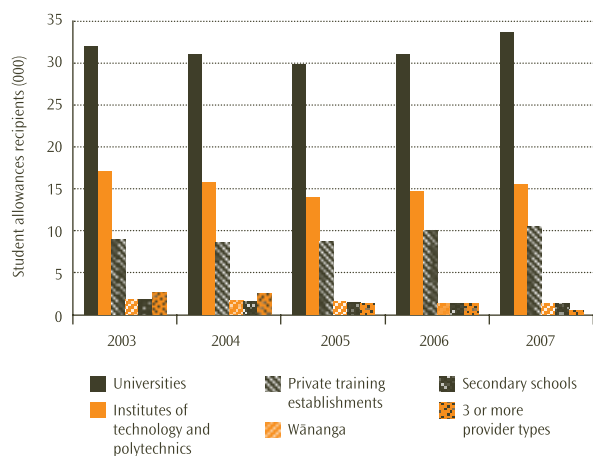
Figure 11.35: Student allowances recipients by allowance type



Source: Ministry of Social Development.

Note: Students enrolled with two providers are counted in both.

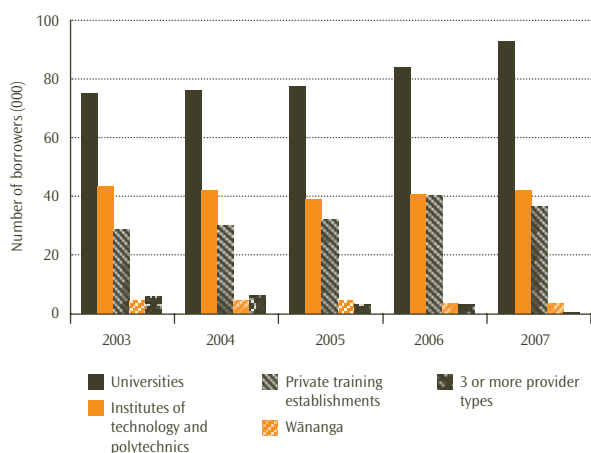
Figure 11.36: Student allowances recipients by provider type



Source: Ministry of Social Development.

Note: Students enrolled with two provider types are counted in both.

Figure 11.37: Student loan borrowers by provider type



Source: Ministry of Social Development.

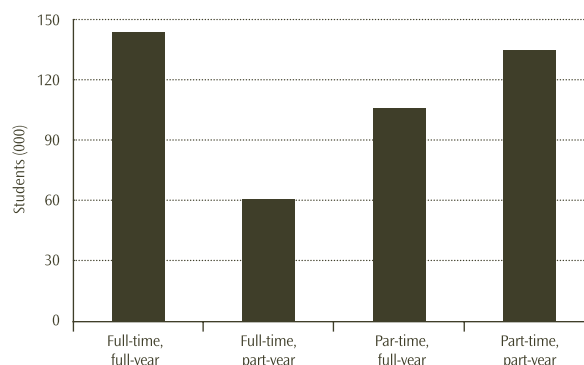
Note: Students enrolled with two provider types are counted in both.

The patterns of loans and allowances uptake within the different types of provider reflect the pattern of enrolments generally, but other changes can also affect uptake. For example, all the former colleges of education are now merged with their local universities so there is a large reduction in enrolments in multiple provider types.

Full-time domestic students enrolled for 0.8 or more equivalent full-time student units in a course of at least 12 weeks' duration are entitled to borrow all three components of the student loan: all their tuition fees, up to \$1,000 for verified course-related costs and up to \$150 per week towards their living costs, less any student allowances they receive. Figure 11.38 below shows students by study status.

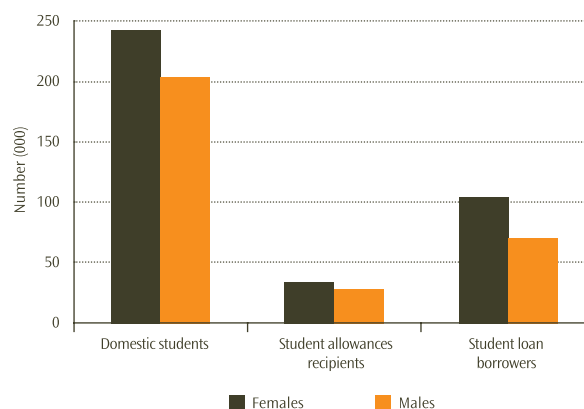
The increased entitlement to student loans for part-time students has meant that only those students who are enrolled in less than 0.25 equivalent full-time student units are ineligible to borrow. Part-time, part-year students are entitled to borrow for tuition fees only. Part-time, full-year students may borrow for course-related costs as well as tuition fees. Students who are undischarged bankrupts are ineligible to borrow but 'no asset' debtors may borrow.

Figure 11.38: Domestic students by study status



For many years, there have been more female than male students enrolled in tertiary education. Higher participation in tertiary education by females may reflect the predominance of males in industry training.

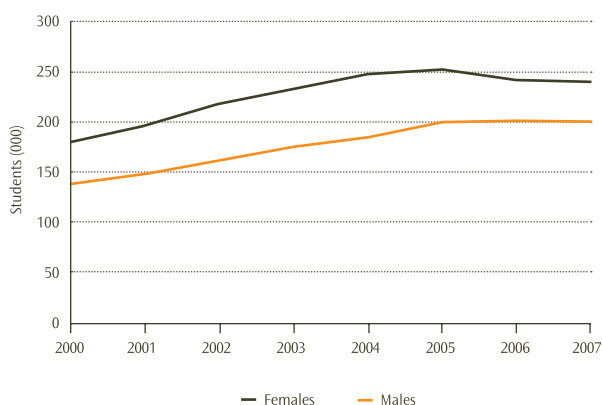
Figure 11.39: Domestic students by gender



Source: Ministry of Social Development.

Student loan and student allowances uptakes mirror the gender proportions of domestic students.

Figure 11.40: Domestic students, student allowances recipients and student loan borrowers by gender



Source: Ministry of Social Development and Ministry of Education.

Note: Student allowances recipients include some senior secondary students.

- students with a tertiary qualification below degree level who are starting degree-level study in targeted subject areas.

People who make a career change to train as a teacher can receive \$30,000 per annum under a **TeachNZ Scholarship** and be bonded for two years of teaching for each year of support.

Conclusion

Student support has evolved over the last 20 years into a system that balances the parallel goals of government and the individual to the benefit of both. New Zealand needs a well-educated workforce and most tertiary students need financial assistance to help them reach their personal educational goals.

Upcoming changes to student support

From 1 January 2008, the **student allowances parental income threshold** was increased by a further 10 percent from \$40,303.12 to \$44,333.64 per annum. This raises the cut-off point at which students become ineligible for a student allowance to \$75,269.48 per annum for those living away from home and \$69,081.48 per annum for those living at home. The parental income threshold will increase by a further 10 percent from 1 January 2009.

From 1 April 2008, the **student allowances personal income threshold** is being adjusted annually for inflation.

From 1 January 2009, the **parental income test** will apply to students under 24 years of age rather than students under 25 as at present.

Also, from 1 January 2009, the **student loan living costs component** will increase to \$155 per week and will be adjusted annually from 1 April 2009 in line with changes in the Consumers Price Index.

The number of **Bonded Merit Scholarships** will increase to 1,500 awards per year in 2009.

The **Step Up Scholarship scheme** has been redesigned. The approved qualifications of human and animal health and science and technology are replaced by two new streams:

- first-time tertiary students starting a degree in any subject area (with preference for students studying in areas of skill shortage), and