INTRODUCTION

The opportunity to undertake tertiary study is of benefit to all participants – those who seek to obtain qualifications for employment, high achievers wishing to develop their intellectual abilities, those who want to retrain for new careers and those who seek knowledge for its own sake. The benefits of a well-educated population are many, both for the individual and for the community as a whole. New Zealand as a nation is better equipped to hold its own and compete internationally if its citizens have the competencies, knowledge and skills to contribute to the economic and social development of the country. For the individual, tertiary education provides increased employment opportunities, higher income and greater opportunities for personal development – all leading to a better quality of life.

While tertiary education brings with it many opportunities and benefits for individuals, its cost is considerable, both for the taxpayer and for the student. In order to ensure that New Zealanders are able to acquire the skills needed for the nation’s future wellbeing and to encourage them to undertake tertiary education, the government has had to find ways of making tertiary study more affordable for prospective students. The main mechanisms that the government uses to provide financial assistance to students participating in tertiary education are tuition subsidies paid to tertiary education providers (TEPs), student allowances and student loans. These streams of funding all make a contribution to the support of tertiary education in New Zealand.

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

THE STUDENT LOAN SCHEME

Background

The Student Loan Scheme (SLS) plays an important role in supporting the government’s goals for tertiary education and hence its social and economic goals. Introduced in 1992, the scheme supports the participation of all New Zealanders in tertiary education by providing students with access to finance for tuition fees and other education-related costs.

2004 was the 13th year of operation of the Student Loan Scheme. As might be expected, increased participation in tertiary education has meant that the total level of borrowing under the loan scheme has increased. By 30 June 2005, student loan debt had reached nearly $7.5 billion and concern has been expressed about the growth in the level of borrowing. However, the rate of growth has been slowing over recent years as the scheme matures. By 2016, it is expected that total repayments of debt each year will exceed drawings.

In 1989, income-tested student allowances were introduced to help people from low-income families meet their living costs while they studied. Student allowances are paid to students who meet age-related and income-tested eligibility criteria to assist them to cover their living expenses while they are studying. In 1992, the Student Loan Scheme was introduced, with the intention of enabling people to meet the cost of tuition and other course-related expenses and also to provide assistance with living expenses for those with partial or no student allowances entitlement. Open access to the Student Loan Scheme, coupled with its income-contingent repayment features, has reduced the financial obstacles to tertiary education and lowered the risks to students and families of investing time and money in study. In addition to these two means of providing support to students, the government’s funding of tertiary education organisations (TEOs) subsidises the costs of tuition in tertiary education. This funding enables providers to keep student fees affordable.

The average individual loan balance has continued to increase as students turn to the Student Loan Scheme to meet a proportion of their costs. To address this increase, the government has taken a number of measures to make tertiary education more affordable. Policies such as the ‘no interest while studying’ policy and the ‘fee and course costs maxima’ (FCCM) policy, designed to limit fee increases by TEPs, are helping to reduce the growth of student loan debt. The recent increases in the parental income thresholds for student allowances was designed to reduce borrowing by reducing the reliance of some students on the Student Loan Scheme.
When the loan scheme was introduced it was feared that students would not be prepared to take on the level of debt necessary to pay for their tertiary study. This has not been the case – the majority of full-time domestic students have loans. In addition, a great many people – 175,040 – have completely repaid their loans.

As the Student Loan Scheme matures, more data and information are available on borrowing trends and impacts, which will improve our understanding of the longer-term downstream effects of student loan balances on different groups of borrowers. Through the development of the integrated dataset that combines education data from the Ministry of Education, borrowing information from the Ministry of Social Development (MSD) and repayment and income data from Inland Revenue (IRD), new insights into borrower behaviour and post-study incomes are being gained.

As a prerequisite to borrowing under the Student Loan Scheme, borrowers must sign a loan contract with the Crown. Students who are less than 18 years old need parental consent before they can borrow. Undischarged bankrupts are not eligible to apply for a student loan. To be eligible for a loan a student must:

- be a New Zealand citizen or have been granted permanent residence in New Zealand, and
- be enrolled in an approved qualification at a recognised TEO, and
- be studying full-time for not less than 12 weeks, or
- be studying part-time for a full year (32 weeks or longer), or part-time for part of the year (less than 32 weeks) with a course load of 0.3 EFTS or more, or
- be studying part-time for part of the year with a course load of between 0.25 and 0.3 EFTS and enrolled in a course that meets certain vocational conditions and be in employment or studying for a qualification that will lead to employment.

A student loan is made up of four components. The four components and their maximum entitlements are as follows:

- Full-time students can access a living costs entitlement of $150 per week for each week of the course, less any net entitlement to student allowances.
- A course-related costs component of $1,000 per year is available to help cover costs for the course being studied.
- A fees component enables students to have the compulsory fees charged for the study being undertaken transferred from their loan account to their tertiary provider.
- An administration fee of $50 is charged each time a new loan account is established.

Lending under the Student Loan Scheme is managed by StudyLink, a service of the Ministry of Social Development. Each year on 28 February, borrowing records are transferred to Inland Revenue, which is responsible for collecting student loan repayments through the tax system.¹

Loan uptake

In 2004, 157,032 students borrowed under the Student Loan Scheme (an increase of 782 or 0.5 percent on the 156,250 who borrowed in 2003). This can be compared with a total of 44,202 students who borrowed in 1992, the first year of operation of the scheme.

Between 2002 and 2004, the number of students borrowing for the first time fell each year,² with the total drop being 35 percent over that period. This fall occurred despite a rise in the numbers undertaking tertiary education for the first time, from 76,182 in 2000 to 115,004 in 2004.

FIGURE 12.1: STUDENT LOAN BORROWERS IN EACH ACADEMIC YEAR 1992-2004

The proportion of eligible students who drew down a student loan increased between 1999 and 2003 but fell in 2004. In 1999, the uptake rate was 50 percent of eligible students. The rate rose to around 60 percent of eligible students in 2003 but fell to 53 percent in 2004.


² New borrowers are those recipients who have not previously taken out a student loan since 2000.
The fall in the uptake rate in 2004 is a result of policy changes that took effect in that year. In 2004, some part-time, part-year students became eligible to use the Student Loan Scheme. This meant that a larger number of students were eligible to apply for a loan. However, because part-time students face lower costs and often are able to afford to finance their study themselves, a relatively small proportion of them use the Student Loan Scheme to finance their studies. The uptake rate in 2004 among full-time students was 74 percent, whereas among part-timers it was 15 percent.

Amount borrowed

The average amount borrowed includes all amounts drawn down from a loan account (but excludes the $50 administration fee and the interest charged). The $50 administration fee and interest are not included, as they are not linked to any particular period of study, but are charged to the loan account as a whole in each year of borrowing.

The average amount borrowed showed a steady increase between 1992 and 1998, in part reflecting increases in student fees. There was a decrease in average borrowing in 1999 due to a decrease in the maximum course-related costs entitlement from $1,000 in 1998 to $500 in 19993 and to other changes which restricted the purposes for which finance from the scheme could be used.4 Average borrowing increased again in 2000 when some of the changes made in 1999 were rescinded (notably the reduction in course-related costs entitlement and the removal of the right to borrow compulsory student services levies and students’ association fees). The fee stabilisation policy implemented in 2001 meant that tuition fees charged by most TEPs did not increase in those years and as a result, there were only small increases in average borrowing between 2001 and 2003. From 2004, fees were regulated by the FCCM policy. Under the FCCM policy, TEPs were permitted to increase fees but were subject to limits.

The median amount borrowed has been relatively stable from 2000 to 2004, largely as a consequence of fee stabilisation.

### TABLE 12.1: AVERAGE AND MEDIAN AMOUNT\(^ {5} \) BORROWED 1992-2004

<table>
<thead>
<tr>
<th></th>
<th>Average amount borrowed</th>
<th>% change</th>
<th>Median amount borrowed</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>$3,628</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>$3,979</td>
<td>9.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>$4,309</td>
<td>8.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>$4,432</td>
<td>2.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>$4,649</td>
<td>4.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>$5,494</td>
<td>18.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>$5,714</td>
<td>4.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>$4,917</td>
<td>-13.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>$6,058</td>
<td>24.2%</td>
<td>$5,377</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>$6,135</td>
<td>1.2%</td>
<td>$5,487</td>
<td>2.0%</td>
</tr>
<tr>
<td>2002</td>
<td>$6,204</td>
<td>1.1%</td>
<td>$5,383</td>
<td>-1.9%</td>
</tr>
<tr>
<td>2003</td>
<td>$6,316</td>
<td>1.9%</td>
<td>$5,403</td>
<td>0.4%</td>
</tr>
<tr>
<td>2004</td>
<td>$6,258</td>
<td>-1.7%</td>
<td>$5,424</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: Ministry of Social Development and Ministry of Education

### Student loan borrowers by gender

There are significantly more females than males enrolled in tertiary education. In 2004, 57 percent of tertiary students were female, compared with 52 percent in 1994. The gap between the proportion of male and female borrowers broadly matches the gender balance in enrolments; the proportion of borrowers who were female in 2004 reached almost 60 percent. As women have increased their share among students over time, the proportion of borrowers who are women has moved in the same way.

While men and women are equally likely to borrow through the Student Loan Scheme, women tend to borrow slightly less.

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3 The entitlement was changed back to $1,000 in 2000.

4 Living costs were paid in fortnightly instalments instead of lump sums and students’ association fees were no longer payable from the scheme. (This last change was rescinded in 2000.)

5 All financial data is expressed in nominal dollars without adjustment for inflation.
Learners in tertiary education

FIGURE 12.2: MEDIAN ANNUAL AMOUNT BORROWED BY GENDER 2000-2004

Source: Ministry of Education and Ministry of Social Development

Student loan borrowers by age

Figure 12.3 shows the profile of all student loan borrowers by age at the time when the loan was advanced. Seventy-one percent of all current student loan borrowers are under the age of 30 and 2 percent are 55 or over. While the proportion of borrowers aged 55 and over is small, the numbers borrowing in this age group have increased significantly since 2000, from 1,136 borrowers to 3,114 borrowers in 2004, a rise of 174 percent.

FIGURE 12.3: PERCENTAGE OF STUDENT LOAN BORROWERS BY AGE GROUP 2000-2004

Source: Ministry of Social Development

Student loan borrowers by ethnic group

Of borrowers with a declared ethnic group, 6 18 percent were Māori in 2004, the same as in 2003, compared with 17 percent of borrowers with a declared ethnic group in 2000. The 2004 figure is slightly lower than the proportion of all students who were Māori (21 percent).

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6 The ethnic group question is optional for students applying for a student loan. They can choose multiple ethnic groups. The figures quoted in this section use the total response method, which records, for each ethnic group, those who chose that ethnic group as part of a multiple ethnic groups response, as well as those who chose that ethnic group as a sole response.
Of those with a declared ethnic group, 7.3 percent were Pasifika in 2004, the same as in 2003, compared with 7.7 percent in 2002 and 6.8 percent in 2000. Pasifika peoples represented 6.3 percent of those formally enrolled in tertiary education during 2004. The number of Pasifika students borrowing is increasing, having risen by 2.4 percent from 10,367 in 2003 to 10,629 in 2004.

![FIGURE 12.4: STUDENT LOAN BORROWERS BY ETHNIC GROUP 2000-2004](image)

**TABLE 12.2: STUDENTS WHO BORROWED FEES BY SUB-SECTOR 2000-2004**

<table>
<thead>
<tr>
<th>Year</th>
<th>Universities</th>
<th>ITPs</th>
<th>CoEs</th>
<th>PTEs</th>
<th>Wānanga</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>62,273</td>
<td>37,768</td>
<td>5,189</td>
<td>17,754</td>
<td>2,100</td>
</tr>
<tr>
<td>2001</td>
<td>66,635</td>
<td>39,720</td>
<td>5,307</td>
<td>27,007</td>
<td>2,895</td>
</tr>
<tr>
<td>2002</td>
<td>69,653</td>
<td>40,452</td>
<td>5,445</td>
<td>23,537</td>
<td>3,118</td>
</tr>
<tr>
<td>2003</td>
<td>71,982</td>
<td>40,767</td>
<td>5,556</td>
<td>25,924</td>
<td>3,564</td>
</tr>
<tr>
<td>2004</td>
<td>73,183</td>
<td>39,196</td>
<td>5,434</td>
<td>26,973</td>
<td>3,783</td>
</tr>
</tbody>
</table>

Notes:
1. Only fees borrowed are 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

On average, Māori have borrowed less than students in other ethnic groups, reflecting:
- the high proportion of Māori enrolled in qualifications with zero fees, and
- the higher propensity of Māori to enrol in qualifications at certificate level, which are associated with lower borrowing.

**Students who borrow fees by sub-sector**

Just under half of all those who borrowed fees under the compulsory fee component of the Student Loan Scheme in 2004 were enrolled at universities. This proportion has remained relatively stable since 2000.

The uptake of loans at wānanga is significantly lower than in other sub-sectors, reflecting the availability of zero fee qualifications at the wānanga and the high proportion of wānanga students enrolled on a part-time basis.

**Student loan balances**

At 30 June 2005, the total student loan value was $7,499 million excluding the Doubtful Debt Provision (DDP). This sum represents $6,675 million gross held by IRD and $825 million gross held by MSD. Aggregate loan balances are discounted for accounting purposes by the DDP, which is an estimate of the amount of loans the government expects never to collect. The DDP is 12.8 percent of the aggregate loan balance and stood at $1,035 million on 30 June 2005.

![FIGURE 12.5: VALUE OF STUDENT LOANS HELD BY IRD AT 30 JUNE 1995-2005](image)

**Median and average student loan balance**

The median student loan balance at 30 June 2005 was $10,404. The average student loan balance now stands at $14,989, compared

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7 The median loan balance is calculated by ranking all loan balances from lowest to highest and selecting the middle value.
with $14,242 in 2004 and $13,680 in 2003. This represents an increase of 5.3 percent between the 2004 and 2005 years.

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

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

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

**TABLE 12.3: RANGE OF LOAN BALANCES HELD BY IRD AT 30 JUNE 2005**

<table>
<thead>
<tr>
<th>Range of loan balances</th>
<th>Borrowers</th>
<th>Percentage</th>
<th>Cumulative percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1-$1,999</td>
<td>44,942</td>
<td>10.1%</td>
<td>10.1%</td>
</tr>
<tr>
<td>$2,000-$3,999</td>
<td>43,532</td>
<td>9.8%</td>
<td>19.9%</td>
</tr>
<tr>
<td>$4,000-$5,999</td>
<td>48,483</td>
<td>10.9%</td>
<td>30.8%</td>
</tr>
<tr>
<td>$6,000-$7,999</td>
<td>43,416</td>
<td>9.8%</td>
<td>40.5%</td>
</tr>
<tr>
<td>$8,000-$9,999</td>
<td>37,441</td>
<td>8.4%</td>
<td>48.9%</td>
</tr>
<tr>
<td>$10,000-$14,999</td>
<td>70,002</td>
<td>15.7%</td>
<td>64.7%</td>
</tr>
<tr>
<td>$15,000-$19,999</td>
<td>43,475</td>
<td>9.8%</td>
<td>74.4%</td>
</tr>
<tr>
<td>$20,000-$24,999</td>
<td>32,811</td>
<td>7.4%</td>
<td>81.8%</td>
</tr>
<tr>
<td>$25,000-$29,999</td>
<td>22,328</td>
<td>5.0%</td>
<td>86.8%</td>
</tr>
<tr>
<td>$30,000-$34,999</td>
<td>17,370</td>
<td>3.9%</td>
<td>90.7%</td>
</tr>
<tr>
<td>$35,000-$39,999</td>
<td>11,999</td>
<td>2.7%</td>
<td>93.4%</td>
</tr>
<tr>
<td>$40,000-$44,999</td>
<td>8,816</td>
<td>2.0%</td>
<td>95.4%</td>
</tr>
<tr>
<td>$45,000-$49,999</td>
<td>6,008</td>
<td>1.3%</td>
<td>96.8%</td>
</tr>
<tr>
<td>$50,000-$54,999</td>
<td>4,128</td>
<td>0.9%</td>
<td>97.7%</td>
</tr>
<tr>
<td>$55,000-$59,999</td>
<td>2,926</td>
<td>0.7%</td>
<td>98.3%</td>
</tr>
<tr>
<td>$60,000-$64,999</td>
<td>5,380</td>
<td>1.2%</td>
<td>99.5%</td>
</tr>
<tr>
<td>$65,000-$69,999</td>
<td>1,436</td>
<td>0.3%</td>
<td>99.9%</td>
</tr>
<tr>
<td>$70,000-$74,999</td>
<td>581</td>
<td>0.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total</td>
<td>445,074</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Inland Revenue

Almost half of all loan balances are less than $10,000. More than 64 percent of balances are less than $15,000. Balances of $40,000 or more make up less than 7 percent of all student loan borrowers, while less than 3 percent of borrowers owe $55,000 or more.

**Student loan repayments**

The number of loans fully repaid in the 2004/05 financial year was 21,079. The number repaid in full since the scheme began is 175,040, more than 28 percent of all who have used the scheme.

The total value of loan repayments collected by IRD since the scheme began is $2,827 million. Of that sum, $1,503 million has been collected via employers through the PAYE system with the balance of $1,324 million coming directly from the borrowers. Repayments made directly by borrowers include compulsory repayment obligations met by borrowers who are self-employed.
(or IR3 taxpayers) and by borrowers overseas, as well as some voluntary repayments. The majority of repayments have been made under the compulsory repayment regime while the remainder comprises repayments made on a voluntary basis.10

![Figure 12.7: Value of Student Loan Repayments Received by IRD – Borrower/Employer Split 1995/96-2004/05](image)

**FIGURE 12.7: VALUE OF STUDENT LOAN REPAYMENTS RECEIVED BY IRD – BORROWER/EMPLOYER SPLIT 1995/96-2004/05**

Notes:
1. Employer repayments are those paid by borrowers’ employers to IRD by way of deduction from borrowers’ incomes.
2. Borrower repayments are those made to IRD directly by the borrower.
3. A share of the borrower repayments related to voluntary repayments.
4. Borrowers are able to make voluntary repayments to IRD of any amount at any time.

By 2016, it is expected that total repayments of student loan balances each year will exceed borrowings through the loan scheme. At the end of 2005, around 27 percent of all loan balances accumulated under the Student Loan Scheme since 1992 – through drawdowns, interest and penalties – will have been repaid and about 9 percent will have been written off. This means that 64 percent of the aggregate accumulated loan balance will remain as ‘outstanding’. As the scheme matures, these proportions will change. In 2000, 19 percent had been repaid and less than 2 percent had been written off. By 2015, it is forecast that 42 percent will have been repaid, with more than 13 percent written off. This will leave less than 45 percent of the aggregate accumulated loan balances outstanding. By 2020, almost half is expected to have been repaid. Figure 12.8 shows the trend in the value of the debt against the trend in repayment.

![Figure 12.8: Proportion of Loan Repayments Made, Write-Offs and Debt Outstanding 2000, 2005, 2010, 2015 and 2020](image)


Source: Inland Revenue

Repayment rates

As people gain experience in the workforce, their incomes tend to rise. And as their incomes rise, so does their repayment obligation. Therefore, repayment rates tend to start slowly but increase over time. This section analyses repayment rates for three groups of borrowers – those who left study at the end of the first year of the Student Loan Scheme in 1992, those who left at the end of 1994 and those who left at the end of 1997. It considers this issue by looking at the proportion who had been successful in repaying their loans completely by 31 March each year up to 2003.

Figure 12.9 shows the proportions who have fully repaid year by year for these three groups of leaving borrowers.11

By 31 March 2003, 10 years after they left study, three quarters of the 1992 leavers had repaid in full. Nearly three fifths of the 1994 leavers and just under 30 percent of the 1997 leavers had also completely repaid by 31 March 2003.

The 1994 cohort tended to repay more quickly than the 1997 cohort. Five years after leaving study, 40 percent of the 1994 cohort had repaid, whereas only 29 percent of the 1997 cohort had repaid by the end of 2002 – ie five years after they left study. The difference between these groups is largely due to the rise in the level of student loans on leaving study between these years – the median leaving loan balance in 1994 was $5,910 while in 1997 it was 52 percent higher at $8,960.

10 It is not currently possible to calculate the amount of voluntary repayments made in a year.

11 In this section, those who had repaid their loan before 31 March of the year following study have been excluded. These fast repayers have, however, been included in the calculation of median repayment times.
There is a small but consistent gap between the repayment rates of women and men at the five-year mark. From the 1994 cohort, 0.7 percent more females than males had repaid completely after five years, a margin which grew to 2.0 percent with the 1997 cohort. The faster repayment of women reflects both the fact that women have a higher rate of completion of tertiary education than men12 and that they tend to be better represented in qualifications at degree level.13 Completion and the level of study are two of the key drivers of income and hence of repayment rates. By 31 March 2003, however, there was almost no difference between the men and the women of the 1994 leaving group in the percentage who had repaid in full – the men had caught up with the women.

Likewise, among the 1992 leavers, there was no significant difference in the proportion of men and women who had completely repaid by the end of 2002.

The graph shows a median repayment time of 6.6 years for both men and women for the 1994 cohort.

1992 was the first year of the Student Loan Scheme. The cohort of borrowers who last studied in 1992 is unusual in that they had at most one year to accumulate student loans. As a result, their median leaving loan balance was very low – $3,170. While half of these students managed to repay in a little over five years, after 10 years one quarter remain with student loan balances. However progress has not stopped. Of those with outstanding loans in 2001, 8 percent managed to repay in 2002, and it seems likely that over the following three years further progress will be made with perhaps 80 percent having made full repayment.

Among those who completed a qualification in 1997, there is little discernible difference in the repayment rates of the men and the women. Women who are not successful in completing a qualification are more likely to repay in full than men who don’t complete. The better progress to full repayment among women has occurred despite the fact that for this group of borrowers the median loan balance of women leaving study exceeded that of men.

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12 Refer to Ministry of Education (2004), *Retention, Completion and Progression in Tertiary Education* pp 17-18, 53-54. Refer also to Chapter 10 of this report.

13 Refer also to Chapter 10 of this report.

14 It is not possible to do this disaggregation for earlier groups. This is because the linking of the three sources of data in the integrated dataset was possible for the years 1997 and later only.
FIGURE 12.10: PERCENTAGE OF THE 1997 LEAVING COHORT WHO HAVE FULLY REPAID THEIR STUDENT LOANS IN EACH YEAR POST STUDY BY GENDER AND COMPLETION STATUS

Notes:
1 The leaving cohort is those who last studied in 1997, had borrowed from the scheme, and had a student loan balance of $10 or more at 31 March in the following year. Excluded are 3.4 percent who had repaid their loan before 31 March 1998.
2 Full repayment is deemed to occur when the student loan balance has fallen below $10, and includes both tax non-resident and tax resident borrowers.
3 A student is deemed to have completed if he/she successfully completed a qualification in their last year of study.

Source: Statistics New Zealand, Integrated Dataset on Student Loan Scheme Borrowers

FIGURE 12.11: PERCENTAGE OF THE 1997 LEAVING COHORT WHO HAVE FULLY REPAID THEIR STUDENT LOANS IN EACH YEAR POST STUDY BY SELECTED QUALIFICATION

Notes:
1 The leaving cohort is those who last studied in a given year, had borrowed from the scheme, and had a student loan balance of $10 or more at 31 March in the following year.
2 Full repayment is deemed to occur when the student loan balance has fallen below $10, and includes both tax non-resident and tax resident borrowers.
3 The percentages in this graph relate to the situations of borrowers on 31 March of the year following the year shown on the x-axis.

Source: Statistics New Zealand, Integrated Dataset on Student Loan Scheme Borrowers

Interest

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

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

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

Interest write-offs

Since the beginning of the scheme, a total of $1,029.9 million in interest charged has been written off. The number of borrowers entitled to an interest write-off has increased dramatically since the introduction in 2000/01 of full interest write-offs for full-time students and part-time students on low incomes. The income threshold for the full interest write-off for part-time students increased from $26,140 in 2004/05 to $26,799 for 2005/06. In 2000, the government also implemented the base interest reduction scheme or 50/50 rule. The 50/50 rule limits the amount of base interest charged on a loan to a maximum of 50 percent of the compulsory repayment obligation for that year; where a borrower’s base interest charge exceeds 50 percent of the repayment obligation, the base interest is reduced to that amount – with the excess being written off.

Interest write-offs by type

There are three different types of interest write-offs available to resident borrowers:

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

Almost 316,000 borrowers had interest written off during the income year ending 31 March 2005, totalling $231.7 million.
Of this total, $126.7 million related to the full interest write-off for those in full-time study and for low-income, part-time students.

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

Borrowers whose income was less than the repayment threshold were credited with $73.3 million in base interest write-offs. Borrowers earning over the repayment threshold were credited with $31.6 million in base interest reductions.

The costs of the Student Loan Scheme are shared between students and the government in the following manner:

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

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

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

The Doubtful Debt Provision

The Doubtful Debt Provision (DDP) is a provision for capital write-offs due to death, and loans discharged because of bankruptcy. The DDP stands at 12.8 percent of the balance, compared with 11.4 percent in the years 2002 to 2004. At 30 June 2005, the DDP stood at $1,035 million, compared with $826 million at 30 June 2004. Of the $209 million increase in the DDP between 2004 and 2005, $99 million or 47 percent is a result of the change in the DDP rate. The remainder of the increase is a result of the increase in the aggregate loan balance.

The fair value of the Student Loan Scheme

The fair value of the Student Loan Scheme is defined as the price a willing buyer would offer a willing seller to purchase the scheme. The fair valuation of the scheme recognises that the Crown forgoes revenue due to death, bankruptcy and other write-offs and defaults.

15 The Student Loan Scheme is considered a government asset as money owed to the government is recorded financially as an asset. This is similar to how a bank records mortgages in its financial statements.

16 In 2004, the estimate of the value of the scheme in 2014/15 was $13,000 million.
The fair valuation of the scheme at 30 June 2005 was $5,994 million. This is 80 percent of the face value of the Student Loan Scheme’s closing balance on the same date. Last year, the fair value at 30 June 2004 was $5,734 million (84 percent), while in 2003, the fair value was 92 percent of the face value. The 2005 fair value represents an increase of $260 million from the previous year (a drop of 4.2 percent).

The effective interest rate

The full interest rate for the income year 2005/06 is 7 percent, comprising 4.2 percent base interest and 2.8 percent for the inflation component.19 Not all borrowers incur the full interest rate because many are eligible for an interest write-off or interest reduction. The effective interest rate is estimated to be 3.3 percent for 2005/06. This figure represents the average interest rate charged per borrower, calculated as the total net interest incurred by all borrowers as a percentage of total loan balance. Around 50 percent of interest accrued during 2005 is expected to be written off. Almost 316,000 borrowers benefited from an interest write-off in the year ending 31 March 2005. The overall amount of interest written off for that period was in excess of $230 million. More than half of that amount ($127 million) was written off as a result of the ‘no interest while studying’ policy.

Projection of aggregate student loan balance

Table 12.4 sets out a long-term projection of the aggregate student loan balance at the end of each fiscal year.

<table>
<thead>
<tr>
<th>Year to 30 June</th>
<th>2009/10 Balance</th>
<th>2014/15 Balance</th>
<th>2019/20 Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance Change</td>
<td>Balance Change</td>
<td>Balance Change</td>
</tr>
<tr>
<td>2001</td>
<td>10,200</td>
<td>13,400</td>
<td>16,100</td>
</tr>
<tr>
<td>2002</td>
<td>11,200</td>
<td>14,400</td>
<td>17,000</td>
</tr>
<tr>
<td>2003</td>
<td>10,200</td>
<td>12,500</td>
<td>14,400</td>
</tr>
<tr>
<td>2004</td>
<td>10,500</td>
<td>13,000</td>
<td>15,100</td>
</tr>
<tr>
<td>2005</td>
<td>9,800</td>
<td>12,000</td>
<td>14,100</td>
</tr>
</tbody>
</table>

Source: Ministry of Education, TESLA model

The latest projections of the aggregate student loan balance show a reduction from the projections made in June 2004. The forecast made in June 2005 for 2009/10 is 4.8 percent lower than the forecast made in June 2001. Likewise, the latest forecast for 2019/20 is 12.3 percent lower than the June 2001 forecast. The reduction in the forecast derives from three main sources:

- changes in tertiary education policy – such as the implementation of the FCCM policy
- changes in the projections of participation in the tertiary sector, and
- changes in the economy, such as expected employment and wage rates.

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

Average and median student loan debt repayment periods

The forecast average repayment period has fallen to 9.1 years from 9.3 years last year and 10.3 years at 30 June 2002. Lower repayment periods are now projected also for the median and most of the other percentile groups. The main factors contributing to this decrease were the forecast changes regarding future loan borrowings and changes in the Treasury’s long-term interest rate projections.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average</th>
<th>Median</th>
<th>25th percentile</th>
<th>75th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2005</td>
<td>9.1 years</td>
<td>6.7 years</td>
<td>3.5 years</td>
<td>10.6 years</td>
</tr>
<tr>
<td>June 2004</td>
<td>9.3 years</td>
<td>6.9 years</td>
<td>3.6 years</td>
<td>12.0 years</td>
</tr>
<tr>
<td>Projection change</td>
<td>-0.2 years</td>
<td>-0.2 years</td>
<td>-0.1 years</td>
<td>-1.4 years</td>
</tr>
</tbody>
</table>

Source: Ministry of Education, TESLA model

The forecast median loan repayment time is around 6.7 years. A quarter of borrowers are forecast to repay their loans within

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19 Refer to Appendix 1 in the Student Loan Scheme Annual Report for an explanation of the components of the interest rate.
Learners in tertiary education

three and a half years while three quarters of all borrowers are forecast to take less than 10.6 years to repay.

Repayment times are sensitive to changes in the income assumptions used in the TESLA model. An annual increase in borrowers’ real income growth of 0.2 percent results in repayment times that are shorter by up to half a year.

STUDENT ALLOWANCES

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

Since 1992, allowances for single students without dependants and under the age of 25 years have been subject to a means test on applicants’ parents’ incomes. At the beginning of 2005, allowances were abated for combined parental incomes above $33,696 per annum and under $62,148, if the student was living away from home, or under $56,457, if the student lived at home. This was a significant increase on the previous income limits where abatement started above $28,079 per annum. Starting in April 2005, these parental income limits are being adjusted annually to reflect changes in the cost of living. From 1 April 2005, the abatement of the allowance starts above $34,606 and entitlement runs out at $57,981.04 before tax for students living at home and $63,825.84 before tax for students living away from home. The intention of this feature is to target allowances to students from low-income families.

Student allowances uptake

In 2004, 72,042 students received student allowances, an increase of 13 percent from 64,036 in 2003. The 2004 uptake was 2.6 percent higher than the 2001 uptake of 70,219.

The increase in student allowances uptake since 2001 has been limited, probably due to the student allowances parental income thresholds remaining fixed while incomes have grown. The declining unemployment rate may also have had the effect of lifting the incomes of some families, resulting in lower allowances entitlements for their children. The new parental income limits introduced in 2005 and the annual adjustment in line with the Consumers Price Index is intended to enable larger numbers of students to qualify for student allowances.

Student loan borrowing by student allowances recipients

Students who receive student allowances may also take up student loans, with the living costs borrowing entitlement under the loan scheme abated by the amount of the allowance. In 2004, 80 percent of student allowances recipients also took out a student loan. This compares with 81 percent of allowances recipients who had a loan in 2003.
In 2004, there were 20,555 people who borrowed living costs under the Student Loan Scheme and who also received student allowances. This represented 13 percent of all 2004 borrowers and 26 percent of all who borrowed under the living costs entitlement. Conversely, 34 percent of allowances recipients used the Student Loan Scheme to supplement their living costs in 2004.

<table>
<thead>
<tr>
<th>Number of students</th>
<th>Student allowances received</th>
<th>Living costs borrowed</th>
<th>Total allowances + LC</th>
<th>Average allowances $</th>
<th>Average LC borrowed $</th>
<th>Average allowances + LC $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>allowances only</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40,271</td>
<td>271</td>
<td>N/A</td>
<td>271</td>
<td>6,742</td>
<td>N/A</td>
<td>6,742</td>
</tr>
<tr>
<td></td>
<td>Student allowances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20,555</td>
<td>112</td>
<td>36</td>
<td>149</td>
<td>5,460</td>
<td>1,765</td>
<td>7,225</td>
</tr>
<tr>
<td></td>
<td>SLS living costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>57,335</td>
<td>N/A</td>
<td>257</td>
<td>257</td>
<td>N/A</td>
<td>4,489</td>
<td>4,489</td>
</tr>
<tr>
<td><strong>Total (Living costs and/or student allowances)</strong></td>
<td><strong>118,161</strong></td>
<td><strong>384</strong></td>
<td><strong>294</strong></td>
<td><strong>677</strong></td>
<td><strong>3,247</strong></td>
<td><strong>2,485</strong></td>
</tr>
</tbody>
</table>

Those who received only a student allowance received $6,742 on average in 2004. Those who also used the living costs entitlement under the Student Loan Scheme borrowed $1,765 on average and received on average a total of $7,225 under both schemes. Those who relied solely on the living costs entitlement under the Student Loan Scheme borrowed $4,489 during the year on average.

**Student allowances recipients by age group and gender**

Since 1999, there have been more women student allowances recipients than men, reflecting the higher numbers of female tertiary students. Women, however, are less likely than men to receive an allowance. In 2004, 53 percent of allowances recipients were women, compared with 57 percent of formal tertiary education students who were women. There were 38,476 women receiving student allowances compared with 33,566 men.
The majority of student allowances recipients were in the 18 to 19 year old age group which included significantly more women (15,394) than men (11,827). Of the next two largest groups, 57 percent of the 16,425 recipients were women in the under 18 year old group, while women represented only 47 percent of the 10,941 students in the 20 to 24 year old group, 46 percent of students aged 25 to 29 and 45 percent of those aged 30 to 34. Of recipients aged 35 to 39, there were more women receiving student allowances but of recipients over 59 years of age, more men received student allowances.

**Student allowances recipients by ethnic group**

Students may select up to three ethnic groups on their student allowances application form. Student allowances recipients are not required to declare their ethnic group. About 13 percent did not declare any ethnic group.

In 2004, 60 percent of student allowances recipients selected European as one of their ethnic groups, 15 percent Māori, 6.0 percent Pasifika peoples, 18 percent Asian, 2.7 percent were other ethnic groups and 3.4 percent were of unknown ethnic group or declared three or more different ethnic groups.

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**Notes:**
1. Students identifying with two ethnic groups have been counted in each ethnic group they identified with.
2. The 'unknown' category includes a small percentage of students who identify with three or more ethnic groups.

**Source:** Ministry of Social Development

While there was a 10 percent increase in the overall number of student allowances recipients with a declared ethnic group in 2004, the number of student allowances recipients declaring Māori or Pasifika as their ethnic group decreased by 7.5 and 9.7 percent respectively. The levelling-off of growth in wānanga enrolments may have contributed to this drop.

The number of recipients declaring European as their ethnic group has increased by 18 percent and the number of Asian students has increased by around 22 percent. This may reflect income movements within the various groups and also reflects increasing participation in tertiary education by domestic students of an Asian ethnic group.

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20 This includes people who declared European as their sole ethnic group and those who declared European in combination with one other ethnic group.
FIGURE 12.17: STUDENT ALLOWANCES RECIPIENTS BY ETHNIC GROUP AND GENDER 2004

Notes:
1. Students identifying with two ethnic groups have been counted in each ethnic group they identified with.
2. The ‘unknown’ category includes a small percentage of students who identify with three or more ethnic groups.

Source: Ministry of Social Development

The most significant gender differences occur among Europeans, where women are significantly more highly represented at 56 percent of European student allowances recipients. Men made up 49 percent of all Māori student allowances recipients, reflecting the higher proportion of Māori women studying. Amongst Asians and Pasifika, 48 percent of student allowances recipients are men.

Student allowances recipients by allowance type

The largest group of student allowances recipients (34 percent) are 16 to 24 year old single students, with the second largest group being single students aged 25 or over (25 percent).

Recipients of other kinds of allowances make up the third largest group (21 percent) followed by those receiving independent circumstances allowances (11 percent). Although, overall, student allowances uptake rose by 13 percent and 16 to 24 year old single students receiving student allowances, down from 26,756 in 2003 to 24,359 in 2004.

Student allowances recipients by sub-sector

University students are the major group (57 percent) of student allowances recipients, and then ITP students (22 percent), followed by PTE students at 12 percent. Wānanga student allowances recipients have decreased in number at 2.3 percent, and are slightly fewer than college of education (CoE) students at 3.4 percent of all recipients. The apparently low student allowances uptake rates in ITPs and wānanga – compared with their shares of the whole sector – relate to the fact that those sub-sectors have a high proportion of part-time students.

FIGURE 12.18: STUDENT ALLOWANCES RECIPIENTS BY ALLOWANCE TYPE 1999-2004

Source: Ministry of Social Development

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

Source: Ministry of Social Development
Student allowances recipients by sub-sector and gender

Universities and CoEs had more female student allowances recipients (54 and 72 percent respectively). Just over half (50 percent) of students receiving student allowances at ITPs were men. Women comprised 52 percent of both wānanga and PTE student allowances recipients.

Note: Students paid for study in more than one sub-sector are counted under ‘multiple sub-sectors’.

Source: Ministry of Social Development

Student allowances expenditure

In 2004, at $341 million, student allowances expenditure was less than in any of the five preceding years and 2.7 percent lower than in 2003. This has been attributed to parents’ incomes improving while the parental income threshold has remained the same. The parental income threshold was increased from 1 January 2005 and adjusted in line with the Consumers Price Index on 1 April 2005. This will be an annual adjustment from now on.

OTHER GOVERNMENT FINANCIAL SUPPORT FOR STUDENTS

The Training Incentive Allowance

The Training Incentive Allowance (TIA) was introduced in 1983 to address additional barriers to entering employment faced by sole parents who were on the Domestic Purposes Benefit, Emergency Maintenance Allowance and Widows Benefit, with low educational qualifications and with childcare responsibilities. In 1985, the TIA was extended to include all Invalids Benefit recipients, in recognition of the fact that people with disabilities also face additional barriers to participation in employment. The TIA provides financial support to help these people access employment-related training or education. Over the last three years, the great majority of those who received the TIA (around 85 percent) have been Domestic Purposes Benefit recipients.

There were 21,411 TIA recipients in 2004, compared with 22,176 in 2003. Of those receiving the TIA, 89 percent studied at tertiary level in 2004 (88 percent in 2003) while others enrolled as adult students in secondary schools (4 percent in 2003 and 3 percent in 2004) and with the Correspondence School (5 percent in both 2003 and 2004). ITPs are the largest group of providers of education to TIA recipients, with 41 percent of TIA recipients attending an ITP in both 2003 and 2004. The ITPs’ share of TIA recipients has fallen, however, since 1997 when 51 percent of TIA recipients attended an ITP. Over the same period, private training establishments (PTEs) increased their share of TIA recipients.
from 17 percent to 29 percent in 2004. The proportion of TIA recipients attending universities has remained steady at around 15 to 16 percent.

For the last three years, 90 percent of TIA recipients have been women, and the age and ethnic composition of recipients have also remained fairly consistent over this period. In 2004, 36 percent were Māori, 6 percent Pasifika peoples and 46 percent European. Around 33 percent of recipients were aged between 20 and 29 years, with 36 percent aged between 30 and 39 years, and a further 22 percent were in the 40 to 49 year age group.

There were 9,541 TIA recipients (45 percent) who also accessed the Student Loan Scheme in 2004, compared with 44 percent in 2003.

The average amount paid to students receiving the TIA in 2004 was around $1,850, compared with $1,800 in 2003 and a little over $1,900 in 2002.

The TIA is managed by MSD. The government allocated $43 million to the TIA in 2003/04, and $48 million in 2002/03. This compares with $45 million in 2001/02, $40 million in 2000/01 and $34 million in 1999/2000.

Scholarships and fellowships

The government offers scholarships and fellowships to:

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

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

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

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

• to recognise and reward excellence
• to support companies
• to build links between companies and TEIs, and
• to increase the numbers of Māori involved in postgraduate research.

Step Up Scholarships

The Step Up Scholarship Scheme was piloted by StudyLink in 2004, and is aimed at students from low-income backgrounds who are studying approved full-time tertiary degree courses in the area of human or animal health. The scholarship helps to pay the compulsory fees for these courses providing all the terms and conditions of the scheme are met for the length of the qualification. In 2004, students had to pay the first $2,000 towards their tuition fees. There is a bonding requirement for Step Up recipients to stay in New Zealand after graduation.

StudyLink approved 213 applications for Step Up scholarships in 2004, and the total amount paid to students under the scholarship was $790,796. After the 2004 pilot year, some modifications were made to the scheme, including widening the age criteria to include students up to the age of 24, and a reduction of the student contribution to fees from $2,000 to $1,000.

Top Achiever Doctoral Scholarships

The intention of the Top Achiever Doctoral Scholarship scheme is to award scholarships to the top 10 percent of PhD enrolments nationally. Before July 2004, the Top Achiever Doctoral scholarships were administered by the FRST under contract to
The Tertiary Education Commission (TEC), but the scheme is now administered by the TEC.

In 2004, the TEC awarded 101 Top Achiever Doctoral scholarships and the total amount awarded was $9.33 million. Of these scholarships, 15 were awarded to New Zealand students studying at overseas universities. Once completed, scholars who take their awards overseas will return to New Zealand for a period equal to the term of their scholarship.

The total number of scholarships awarded since the establishment of the scheme in 1999 is 504 and, of these scholarships, 45 percent were awarded to women and 55 percent to men.

The current completion rate for scholars completing their doctoral studies under this scheme since it commenced is approximately 72 percent.

**Enterprise Scholarships**

The TEC also administers Enterprise Scholarships. Under the Enterprise Scholarship Scheme, research students are supported while conducting a research project relating to a particular business.

In 2004, 123 Enterprise Scholarships were awarded and $1.53 million was spent on the scheme. The total number of scholarships awarded since 1999 is 439 and, of these, 46 percent were awarded to women and 54 percent to men.

**Post-Doctoral Fellowships**

New Zealand Science and Technology Post-Doctoral Fellowships provide early career support for New Zealand scientists, engineers and social scientists of outstanding talent, for post-doctoral research either in New Zealand or overseas. The scheme encourages New Zealanders who have recently completed doctoral degrees overseas to return to New Zealand, and also supports those who have completed doctoral degrees in New Zealand to work overseas, including in countries where few science contacts exist at present. Approximately 30 new fellows are able to be supported each year. The New Zealand Science and Technology Post-Doctoral Fellowships are funded by the Ministry of Research, Science and Technology and the Ministry of Economic Development.

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

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

The funding allocated for 2004/05 was $9.2 million, covering 49 contracts (funding spread over three years).

**Tūāpapa Pūtaiao Māori Fellowships**

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

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

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

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

However, recently the Foundation felt that the new disciplines were outside the scope of the Fellowship and therefore
withdrew the additional disciplines until a fuller review could be conducted.

The funding allocated for 2004/05 was $481,000, providing 13 contracts (funding spread over three years).

**Manaaki Tauira**

Manaaki Tauira was established in 1991 to provide financial assistance to Māori in tertiary education. It pays a share of the tuition fees of those granted assistance. Eligibility is tied to financial need and commitment to kaupapa Māori. The scheme is funded from a pool valued at $4.3 million and is administered by the Māori Education Trust. There are more than 8,000 awards made under the Manaaki Tauira scheme each year. The average value of the awards is currently approximately $500 per student.

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

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

The Ngarimu scholarships are also administered by the Māori Education Trust. There were 13 holders of these awards in 2004, with each award valued at $5,000.

**TeachNZ Scholarships**

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

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

The TeachNZ programme comprises:

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

In 2004, the Minister of Education announced a range of new teacher supply initiatives. They are targeted at areas of priority for teacher supply, in order to meet increasing demand for teachers. These areas are Early Childhood Education, Māori Medium teachers and secondary teachers of specific subjects. Recipients of these new TeachNZ scholarships will be bonded and will be expected, after graduating, to teach for a period equivalent to that for which financial support is provided. The Rural Scholarship is the only category under the previous TeachNZ scheme which is still available. Details of the current TeachNZ scholarships are listed in Table 12.7.
### TABLE 12.7: TEACHNZ SCHOLARSHIP DETAILS

<table>
<thead>
<tr>
<th>Primary and Secondary level</th>
<th>Value of scholarship</th>
<th>Number available</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Māori Medium Scholarships</td>
<td>Two components: Core study fees paid, and, for full-time students, an allowance of up to $10,000 in total over the period of study</td>
<td>Demand driven</td>
<td>Applicants required to sit a Māori language proficiency test as part of the scholarship approval process. Scholarship available for approved qualifications only</td>
</tr>
<tr>
<td>Secondary Subject Scholarship</td>
<td>Two components: Core study fees paid, and, for full-time students, an allowance of up to $10,000 paid in three instalments</td>
<td>Demand driven</td>
<td>Financial support available for prospective secondary teachers of target subjects throughout their period of undergraduate and/or teacher education qualification study</td>
</tr>
<tr>
<td>Rural Scholarship</td>
<td>$10,000 paid in three instalments</td>
<td>40</td>
<td>Available for people currently living in a rural area of up to 10,000 people, or temporarily absent from there for tertiary study</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Early Childhood</th>
<th>Value of Scholarship</th>
<th>Number available</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECE Scholarships: Stream 1 – income tested Stream 2 – Māori &amp; Pasifika</td>
<td>Two components: Core study fees paid, and, for full-time students, an allowance of up to $10,000 in total over the period of study</td>
<td>700</td>
<td>Stream 1: Applicants must enrol in an approved qualification and have an annual income within the eligibility limits for the community services card Stream 2: Applicants must enrol in an approved qualification with a kaupapa Māori or Pasifika focus</td>
</tr>
</tbody>
</table>

### New Zealand Scholarship

New Zealand Scholarship is an external examination for top secondary students, mostly in year 13. It is very challenging and requires students to demonstrate high-level critical and interpretive thinking. The scholarship is not a qualification on the National Qualifications Framework. Its purpose is to encourage excellence and to provide financial assistance to the best students undertaking tertiary education. New Zealand students who achieve a scholarship in up to two subjects receive a ‘one-off’ award of $500 per subject. All the other awards result in payments spanning three years of successful tertiary study (subject to the scholar achieving a B grade average or above). Specifically, the top student in a subject receives $2,000 a year for three years, students who achieve three scholarships receive $2,000 a year for three years, outstanding scholars receive $5,000 a year for three years, and five to 10 students each year receive premier awards of $10,000 a year for three years.

### The Prime Minister’s Scholarship

The government established the Prime Minister’s Scholarship programme in recognition of the need for athletes to establish their long-term careers and the importance of higher education to career development. The goal of the Prime Minister’s Scholarship programme is to assist talented and elite athletes achieve tertiary qualifications while pursuing excellence in sport. In 2004, 435 athletes in 48 different sports were awarded a scholarship. The scholarships allow athletes to have their fees paid to a maximum of $10,000 per
annum and athletes may also be eligible to receive a living allowance of up to $6,000 per annum. The scholarships are administered through the New Zealand Academy of Sport centres. The scholarships are designed to assist athletes achieve both their educational and sporting goals. The government realises that, for most athletes, a sporting career is unlikely to lead to full-time employment and it is important that athletes have tertiary qualifications to enable them to pursue a career after sport.

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

- enhance scientific and technical skills and competencies in New Zealand businesses
- increase linkages between companies and TEIs
- encourage and enable realisation of the commercial benefits from research and technology development projects, and
- develop students’ skills and knowledge within commercial research and development environments that are relevant to the students’ expertise.

The TIF scheme operates on three levels: undergraduate, education and expert. Undergraduate and education fellows are expected to work within the commercial environment for the majority of their time. The fellow must spend a minimum of 50 percent of his/her time on the project in the company. Fellows can receive a stipend of up to $20,000 per annum, depending on the qualification, while a ‘host’ fee is paid to the university. The technology expert level of the scheme is designed to assist companies to undertake commercially-focused research or technology development projects. The scheme is expected to assist a company to resolve issues associated with research or technology development projects by having the expert working alongside, and transferring their skills and knowledge to, others in the company to build new technical and technology commercialisation capabilities. These new capabilities should enable the company to capitalise on new business opportunities, reduce technical and commercial risk and provide better outcomes for the company.

The funding allocated to TIF in 2004/05 was $7.7 million. There were 276 contracts funded from this source.