



**National Council of
Women of New Zealand**

Te Kaunihera
Wahine O Aotearoa

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**Submission to the Ministry of Education on the Discussion Paper:
Student Support in New Zealand**

The National Council of Women of New Zealand Te Kaunihera Wahine O Aotearoa (NCWNZ) is an umbrella organisation representing 42 nationally recognised societies. NCWNZ has 33 branches spread throughout the country to which some 150 organisations are affiliated. NCWNZ also represents a number of individual women.

NCWNZ is pleased to have the opportunity to respond to the Government's Discussion Document *Student Support in New Zealand*. This is a major issue for the country as a whole and to NCWNZ members throughout the country. This response came from 24 Branches.

NCWNZ acknowledges that the student loans system allows all New Zealanders to attend a tertiary institution. Many students have benefited and have gone on to repay their loans. Others have made major sacrifices during their study years to avoid taking up a loan. These people should not be discriminated against by subsequent loan write-offs. Members also acknowledge that improvements have been made to the loan system; the fact that interest is not being charged while students are studying, and that regular payments are made for study or living rather than payments of one large sum. NCWNZ members also approve the proposed increase in the number of students who are eligible for student allowances. In 1992 NCWNZ requested the Minister of Education to recognise the importance of tertiary education in New Zealand by granting all full-time students the right to a living allowance not less than the unemployment benefit for a minimum of four years of approved study or until the completion of a first qualification with proportional assistance for those undertaking part-time study. In 1999, NCWNZ urged further that student loans should be interest free until or unless the borrower is earning above the income threshold for repayment.

In response to the *Student Support in New Zealand Discussion Document* members of NCWNZ continue to have grave concerns about the following:

- the continuing impact of the level of national debt which comes directly from student debt on the New Zealand economy;
- the size of the debts that burden even thrifty students at the conclusion of their studies;
- the impediment that such debt imposes on young people when they wish to start a family, start a business or buy a house;
- the pressure to repay the loan impacting on many professional people such as doctors, who no longer feel able, nor bound, to meet the ideals of service and voluntary commitment to the community that previous generations, who had obtained their tertiary education under more favourable conditions, might have done;
- the financial costs, especially to low income families, who are contributing to their children's tertiary education;
- the difficulty that women experience repaying the loan when they earn less on average than their male counterparts and consequently take longer to repay the debt;





- the fear that some courses for which students are given loans are not rigorous enough and do not lead to employment; and
- the adequacy of the advice students receive with regard to less costly courses and/or courses which take a shorter time to complete and therefore cost less over-all.

1. **Priority areas for change to New Zealand's student support system**

The NCWNZ respondents identified the following priority areas that need to be addressed in the New Zealand student support system:

- Interest rates which are higher than most other loans
- Taxation rates
- Student fees
- Age related student entitlements
- Monitoring of the loan use with parental/caregiver approval
- Educating the student population about the consequences of having a student loan
- Advising students about shorter and/or less costly courses
- Loan repayments
- Women, child rearing and repayment opportunities
- Limiting courses to those leading to employment in areas of need
- Equity in occupational support

2. **Key changes that NCWNZ respondents proposed** (in no particular order):

- a) If interest rates cannot be kept at a nil rate as NCWNZ proposed in 1999, interest rates should be kept at the rate of inflation or at most 1% higher than the rate of inflation to cover administration costs.
- b) Those with student loans should be required to repay a certain percentage of their loan before going overseas perhaps through a bond system which would be used to repay the loan as was the case with the teacher studentship in the 1950s and later. Alternatively \$5000.00 should be cancelled from a loan for every year which a student spends in New Zealand employment after completing a qualification and before going overseas.
- c) The contributions of parents who support their children's tertiary education or set up education funds for their children should be treated as charitable donations for tax purposes. Contributions should be restricted to fees, text books, course costs and accommodation, and receipts produced. This should be extended to grandparents and other family members who should be encouraged to contribute.
- d) Universities should be managed and funded so that they do not need to increase fees.
- e) The age entitlement to various allowances for tertiary study should be lowered to accommodate all school leavers.
- f) The loan should be paid to the tertiary institution or accommodation provider rather than to the student.
- g) Compulsory financial training should be provided for all loan applicants so that they are fully aware of their commitments and ways to repay the loans more quickly. Information on how to get by without a student loan should be freely available.
- h) Women (and Men) should be granted credit for child rearing which takes them out of the work-force.
- i) Tertiary courses need to be much more rigorously assessed to ensure that loans are not made available for courses which are unlikely to lead to employment.
- j) Comparison was made between the payment of Police while training, versus the non-payment of nurses and teachers while undertaking their training and the apparent disparity of this.



3. Funding tertiary education to ensure equity and fairness (in no particular order):

- a) Far more students should qualify for the student allowance by increasing the level of parental income currently used as the qualification benchmark. At the same time, parental income needs to be assessed to ensure that income is not hidden in family trusts and companies.
- b) The student living allowance should be set at the level of the unemployment benefit as requested by NCWNZ in 1992.
- c) Employers, Government Departments, SOEs and Professional Associations should help in sharing the cost of tertiary education by offering scholarships and sponsorship, especially in offering cadetships with a system of bonding, and especially in offering scholarships to the children of low-income families who wish to study in high fee/high cost courses, such as dentistry and medicine. Employers should be encouraged in this initiative with tax incentives.
- d) Rewards should be provided for early repayment.
- e) Parents and relatives should be permitted and perhaps encouraged to contribute to repayments through automatic payment systems, remembering that many in the older generations received a tertiary education at minimal cost to themselves.
- f) Tertiary providers should be rigorously monitored and audited to ensure that money spent on administration is efficiently used so that student fees do not need to be increased.

General Comments

NCWNZ is concerned not just with the economic consequences of the student loan system and the burden of student debt but with the social consequences of having large numbers of pressurised young people who are trapped by what may well appear to be insurmountable debt problems. While some may be able to escape overseas to earn large salaries, most will not be in a position to do so.

NCWNZ members reported that many young people took up jobs which they did not enjoy and which were not related to their qualifications in order to earn more money to repay loans. For others the automatic repayment system whereby employers repaid interest only and not the part of the principal was considered a cause of depression for ex-students, since the large debt remained in place. The social ills of mental health problems, crime and family break-up are the likely consequences of the current and proposed student support systems which are responsible for this huge and increasing burden of student debt.

NCWNZ requests that the Government pay serious heed to NCWNZ concerns and introduce quickly the suggestions for reducing the current debt and preventing escalating tertiary education debt in the future. At the same time NCWNZ concedes that the issue of student support is a complex one involving the interests of students, fairness for parents and caregivers, the needs of the economy and the number and quality of tertiary institutions and what they provide. The Government should fund in-depth, long term and rigorous research into its investment.

NCWNZ thanks you for producing the Discussion Document and for providing an avenue for making known to you the grave concerns and considered recommendations of NCWNZ.

Beryl Anderson
National President

Frances Townsend
Convener, Education Standing Committee