

INCOME & EXPENDITURE REPORT 2017

*The cost of being
a student in
New Zealand*



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ACKNOWLEDGEMENTS

We wish to thank all students who completed this important survey, as well as the students who submitted their stories. Thank you for shedding light on the reality of student life in New Zealand. We also extend special thanks to our amazing designer (and student) Tamatha Paul.



The New Zealand Union of Students' Associations (NZUSA) is the national voice of students in tertiary education.

Founded in 1929, NZUSA has a leadership role in facilitating pro-student campaigns, undertaking research about the impact of tertiary education policy, monitoring education quality throughout New Zealand and lobbying policy-makers to create positive outcomes for students.

WWW.STUDENTS.ORG.NZ

FOREWORD

Getting a tertiary education is one of the most valuable investments we can make in our lives, but for many, the journey is a struggle.

As the average rent for a room in Auckland soars to \$250 while the level of student support remains virtually stagnant, it's no wonder why a third of students say they do not have the income to meet their basic needs. Since 2011, when the parental income threshold for eligibility was frozen, 24,000 fewer students have access to the Student Allowance. Today, only a third of full-time students receive a Student Allowance. The rest borrow week to week in order to live and add to the national student loan balance which now exceeds \$15 billion.

When 78% of students feel that their debt will have a significant impact on their ability to save for their retirement, it's clear that student hardship presents some very real public policy issues.

The Income and Expenditure Report 2017 aims to shine a light on the real cost of being a student in New Zealand. It gives us an insight into the trials, tribulations and anxieties of today's students, as well as credible, representative data with which to make important decisions regarding tertiary education policy.

After reading this report, I hope you'll join us in putting things right.



A handwritten signature in black ink, appearing to read 'Jonathan Gee'. The signature is stylized and includes a long horizontal line extending to the right.

Jonathan Gee

National President

New Zealand Union of Students' Associations

FROM THE AUTHOR

The NZUSA Income and Expenditure Survey has been running since the mid-1980s. It takes place every two-to-three years and provides both a snapshot and longitudinal information. It directly contributed to the introduction of student allowances in the late 1980s, the restoration of the \$1000 course-costs loan in the early 2000s, and is oft-cited as the only significant independent research around student income, expenditure and debt. Crucially, it supplements government debt data by addressing private debt as well as student loan debt, and also looks into issues of work, housing and transport costs. The survey's transport cost findings underpinned the Green party's policy of free off-peak travel for students in the 2014 General Election.

In 2014 and 2016, the survey was email-based, conducted directly by NZUSA and promoted to students by local students' associations, through social media, and via direct promotion on campus. The income and expenditure elements of the questionnaire were unchanged from those that had been used for the 2004, 2007 and 2010 studies. The survey had responses from 1000 students, from eleven institutions (both university and polytechnic) and included samples large enough to draw statistical conclusions from Auckland, Wellington, Christchurch and Dunedin.

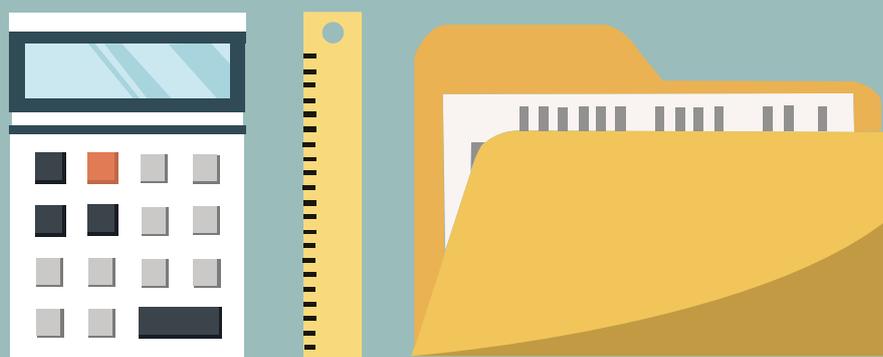
No weighting has been applied to the data, in part to preserve the integrity of the data set but also because the findings already broadly triangulate with other official data sets where they are available and are consistent with longitudinal findings. Official datasets include Ministry of Education (MOE)

demographic data (per institution and overall), other verifiable data such as the Ministry of Business, Innovation and Employment (MBIE) regional housing cost data, and Ministry of Social Development (MSD) figures for student allowance recipients and student loan borrowing.

Material in this report draws upon the survey but also available information such as that available from the MOE Education Counts website, Student Loan Scheme Annual Reports, Statistics New Zealand, other independent research such as that conducted by student finance and student hardship services.

We are thankful for the contributions from individual staff and students throughout Aotearoa New Zealand.

Dr. Alistair Shaw
Executive Director



CHAPTER ONE: THE TYPICAL STUDENT

INTRODUCTION

“*The amount of money that I am able to get/borrow is barely enough to survive, but the course load is too full on to work a full-time job. The stress is killing me. (Student, Wellington, 19)*

The cost of being a student continues to increase, particularly the cost of housing, but the support for it has failed to keep pace. The support available has essentially been pegged at \$40 per week via the accommodation benefit, even for the minority of students who have access to student allowances. The loan available to help with the costs related to the direct costs of learning (course costs) was introduced in 1993 at \$1000 per year. In 2017 it is still \$1000 per year.

Increasingly, students qualify for no government grants since the qualifying parental income threshold for student allowances has been frozen since 2012. It now begins to abate at just 44% of the average income for a two-parent household aged in their late-40s (i.e. the average age of an 18 year-old school leaver's parents). It is fully abated, meaning the student is entitled to nothing, at 70% of the average two-parent household income.

A QUESTION OF ACCESS

Although many students bemoan the fact that they are considered to be dependent on parents who cannot afford to support them, respondents report that contribution of parents to the week-

to-week costs of being a student is growing. This raises considerable concerns about access to tertiary education for those whose parents are unable to help at all. Also, the increasingly different circumstances that students from whom the same work in their classes is expected are facing in terms of pressures on their time. Particular symptoms of these pressures are the increase in the number of students living at home, and the pressure that 'destination' institutions are under to maintain their student numbers.

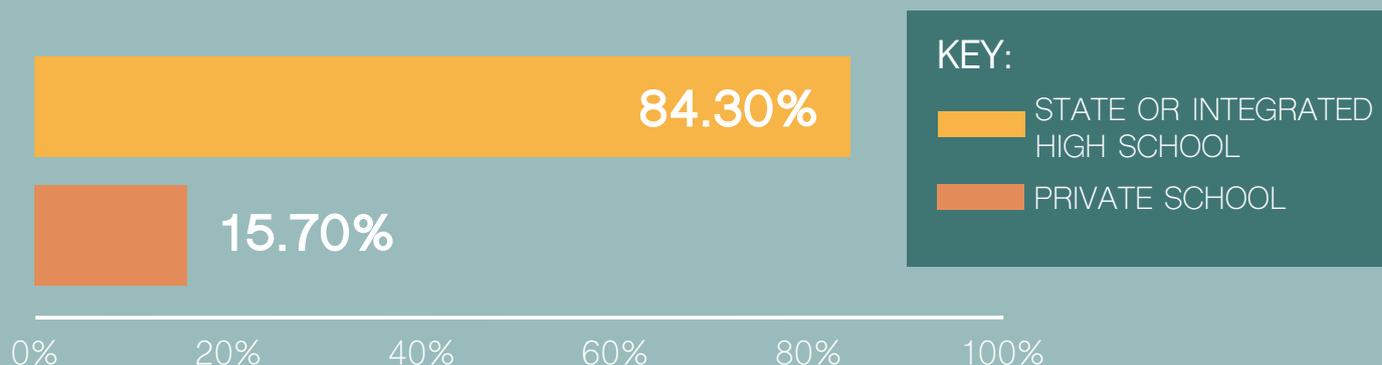
In their late-40s, as their children enter tertiary education, parents are increasingly likely to be carrying their own debt as housing and other costs for families are increasing. Although trying, many find themselves unable to support their children in tertiary education to the level that the current regime assumes.

Worryingly, university students are less reflective of the population: three times more likely to have gone to private school, and their parents far more likely to have higher qualifications than the norm.

RISING DEBT

The combination of reduced government support and unavailable parental support has led to a spiralling of student debt as increasingly students borrow to live, from multiple sources, a consolidation of recent increases in student working hours, a dramatic fall in the numbers of students in tertiary education, and increased student poverty.

WHAT TYPE OF SECONDARY SCHOOL DID YOU GO TO?



WHICH OF THE FOLLOWING INSTITUTIONS DID YOU ATTEND?



result in these longer repayment times, and accordingly it is non-degree, lower socio-economic status and women students who benefit most from the interest free policy.

Finally, across all types of students, even those without student loan debt, there is increasing anxiety about retirement and the related ability to buy a house post-graduation. This serves as a reminder that the rapidly increasing cost of accommodation is a symptom of a larger housing crisis affecting many New Zealanders.

SPIKING STRESS

Another finding is increasing level of significant financial distress, and although more work is required to determine the reasons for this, academics and student support staff point to requirements for paid work in order to survive and the vulnerability of part-time and casual employment conditions.

LOAN REPAYMENT TIMES INCREASING

Stagnant wage growth and increasing debt are reflected in increasing repayment times. Of particular concern is the expanding gap between male and female repayment times, which had been dropping since the introduction of the interest free policy, and the fact that despite lower borrowing and shorter course length, level 5-6 programmes have longer repayment times than those for degree students. The latter is a sharp reminder that “student” means far more than “university student” who make up just over 40% of tertiary students, and only a third of those in post-compulsory learning if those in workplace-based learning are also considered.

An increased need to borrow and lower earnings

“A student studying full time in Auckland and living away from home with no student allowance cannot support themselves on the Studylink loan alone. I personally work 15-20 hours a week on top of full time study. (Student, Auckland, 20)

I feel as if the maximum amount of student loan each student can receive should be partly based on the region they are living. This is in respect to living cost in Auckland compared to Otago. It is very hard to maintain a high GPA whilst working and studying. (Student, Auckland, 17)

The policies around who qualifies for student allowance and who does are ridiculous...simply because both our parents work and earn over a certain amount doesn't mean the children have access to that money. (Student, Waikato, 20)



DEBT & RETIREMENT

A US study showed average student debt burden for a dual-headed household with bachelors' degrees (\$53,000) leads to a lifetime wealth loss of nearly \$208,000.

Nearly two-thirds of this loss (\$134,000) comes from the lower retirement savings of the indebted household, while more than one-third (\$70,000) comes from lower home equity worse off in retirement, primarily because the reductions to savings and the delay it will cause to their entry into home ownership.

Note that this US debt figure is significantly less than that a New Zealand graduate couple who each reflect the typical situation noted above.

PARENTS' EDUCATIONAL BACKGROUND

Although only 18.6% of 45-55 year old New Zealanders have tertiary qualifications, 66.6% of our survey respondents reported that their parents had a tertiary level degree or higher, with a further 2.4% unsure. Only 2% had parents without a secondary school qualification, compared with 25% of 45-55 year olds in New Zealand. This suggests that access to tertiary education is generationally self-replicating and may no longer be the social leveller it was once believed to be.

Students at decile 8-10 schools are more than twice as likely to achieve University Entrance than those at decile 1-3 schools. Further, two-thirds of those at 8-10 schools will actually enrol in a degree programme, compared with only one-third of those in decile 1-3 schools.

International research indicates that the key barrier for underrepresented groups is a lack of understanding of the benefits and familial support for potential students from backgrounds where higher level tertiary education is not normalised through previous experience.

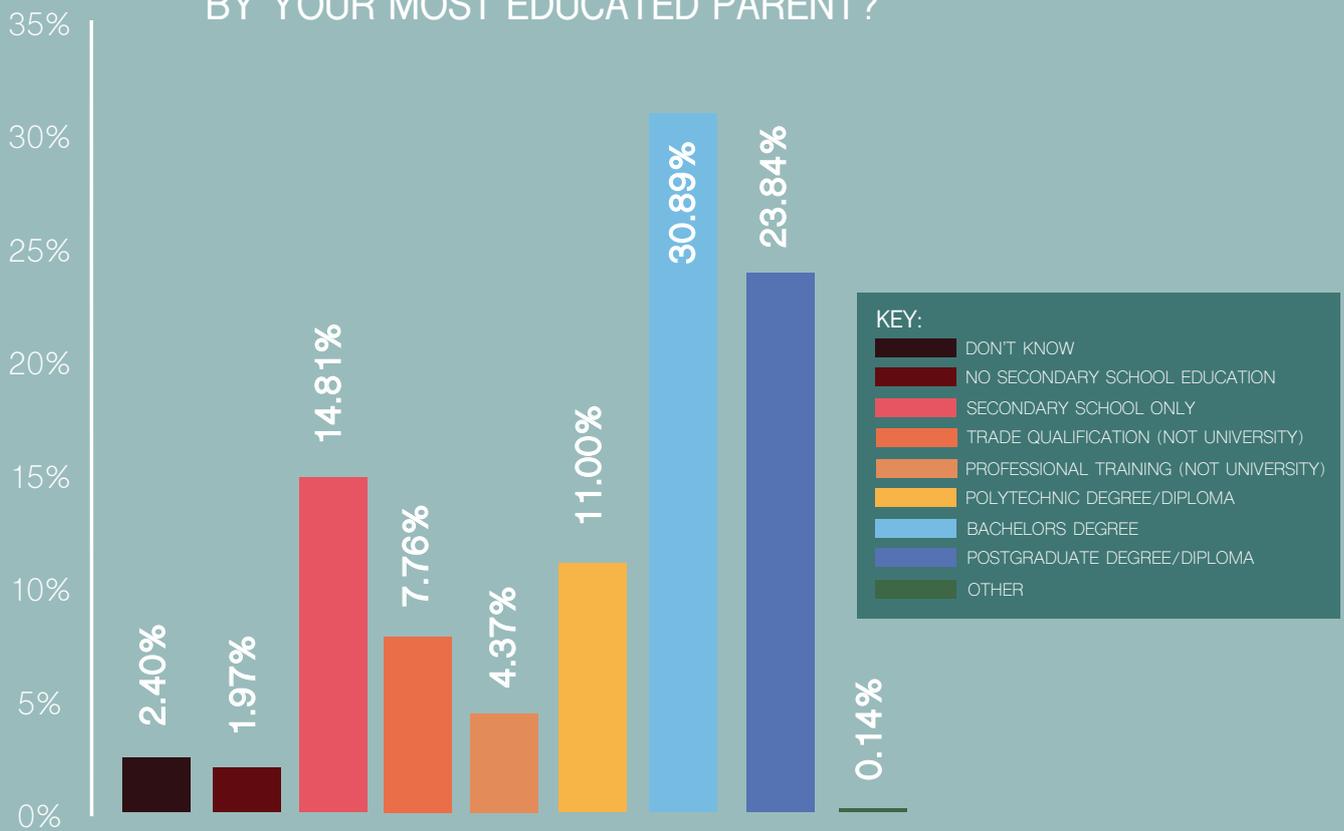
NZUSA has proposed a comprehensive first-in-family scholarship and pastoral support scheme to address this particular inequality, it has broad support from academics, professionals, and representatives across the sector – but so far has not been identified as a priority for the government.

THE TYPICAL STUDENT IN 2017

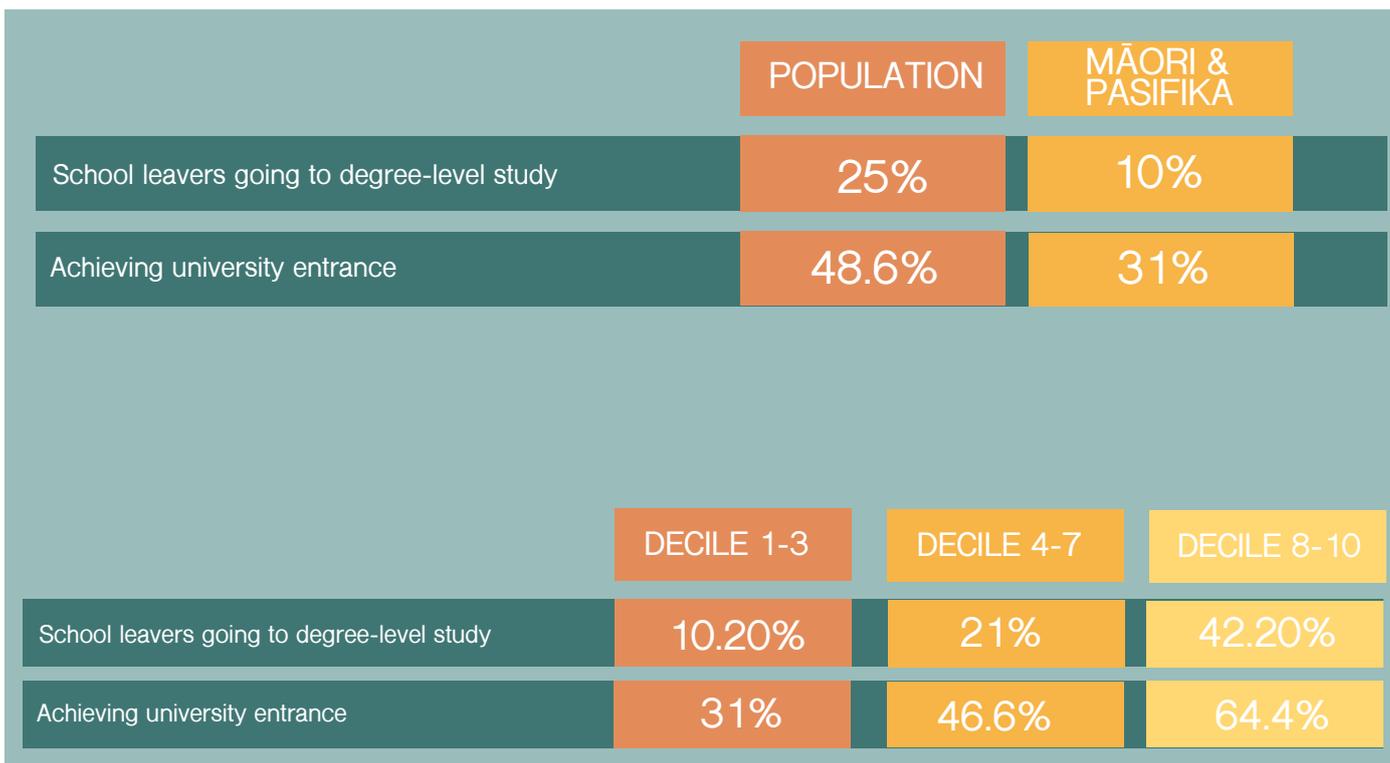
The typical Bachelor's degree student in 2017 is likely to:

- Pay \$7,385.64 for tuition fees each year (totalling \$23,500 over three years)
- Borrow for fees (74% do) and the maximum \$176.86 a week in loan living costs to pay for rent and other weekly expenses (totalling \$50,000 combined loan for fees and living costs)
- Be locked out of the Student Allowance (only 33% of students have access)
- Work 13 hours per week, on top of their full-time study
- Be experiencing or bordering on 'significant financial distress'
- Have attended a decile 8 or above school
- Take 13.8 years to pay back their whole loan
- Believe that their student debt will have a significant impact on their ability to save for their retirement (78% do)
- Take longer to buy a home, start a business or start a family than a graduate without debt
- Be 3 times more likely to have gone to a private school than the national average.

WHAT IS THE HIGHEST LEVEL OF EDUCATION ATTAINED BY YOUR MOST EDUCATED PARENT?



SCHOOL ACHIEVEMENT IS NOT EQUAL.



CHAPTER TWO: THE RISING COST

HOUSING

“Living costs from Studylink should be scaled and based on the city you are studying according to the average cost of rent in that city. \$176 is not an adequate amount for someone living in Auckland when the average cost of rent is more than that on its own. (Student, Auckland, 19)

The rapidly increasing cost of housing is the big story in this study. Students are suffering as the support they are entitled to for help with housing costs fails to keep pace with rapidly rising rents.

A student allowance includes an element for help with rent, but on a different basis than all other low income New Zealanders are eligible for. Housing support for students is capped at a maximum of \$40 per week, and has been since 2001. In contrast, the Accommodation Supplement – that every low income New Zealander who is not a student is entitled to – provides support of up to \$145 per week for a single person living in certain parts of Auckland, and \$100 per week if you live in other relatively expensive places such as Wellington or Hamilton.

This means that there is no immediate financial incentive to move from a benefit into study, or from a low-paid job into having a qualification that could potentially move someone out of poverty in the long term. Instead, potential students face the immediate

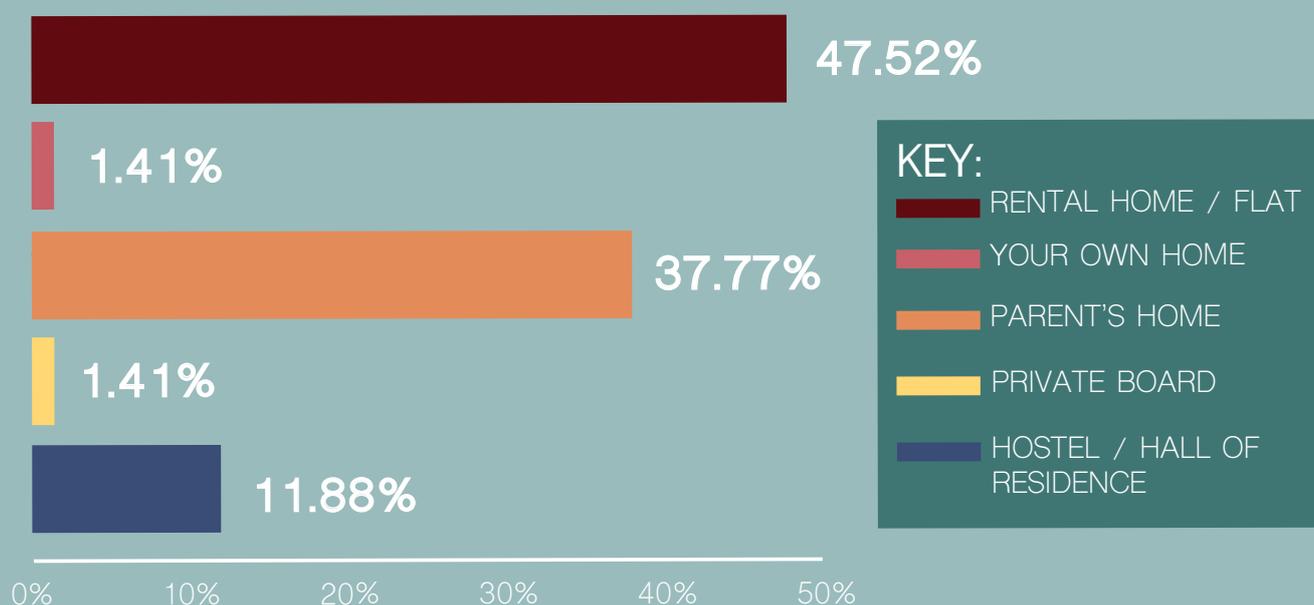
impact of losing up to \$105 per week in their available funds, depending upon where they live.

The Accommodation Benefit for students is set at 50% of average rental costs in a particular location above \$40 per week, with a maximum payment of \$40. Auckland reached this maximum in 2003. Wellington reached it shortly afterwards in 2005, and New Plymouth in 2009. Even in relatively low-cost Dunedin, where rents are below the national average, the cap was reached in 2012. In Christchurch, the cap was hit in 2008, even before the effects of the earthquake sent student rents sky-high, although they have come off their peak more recently.

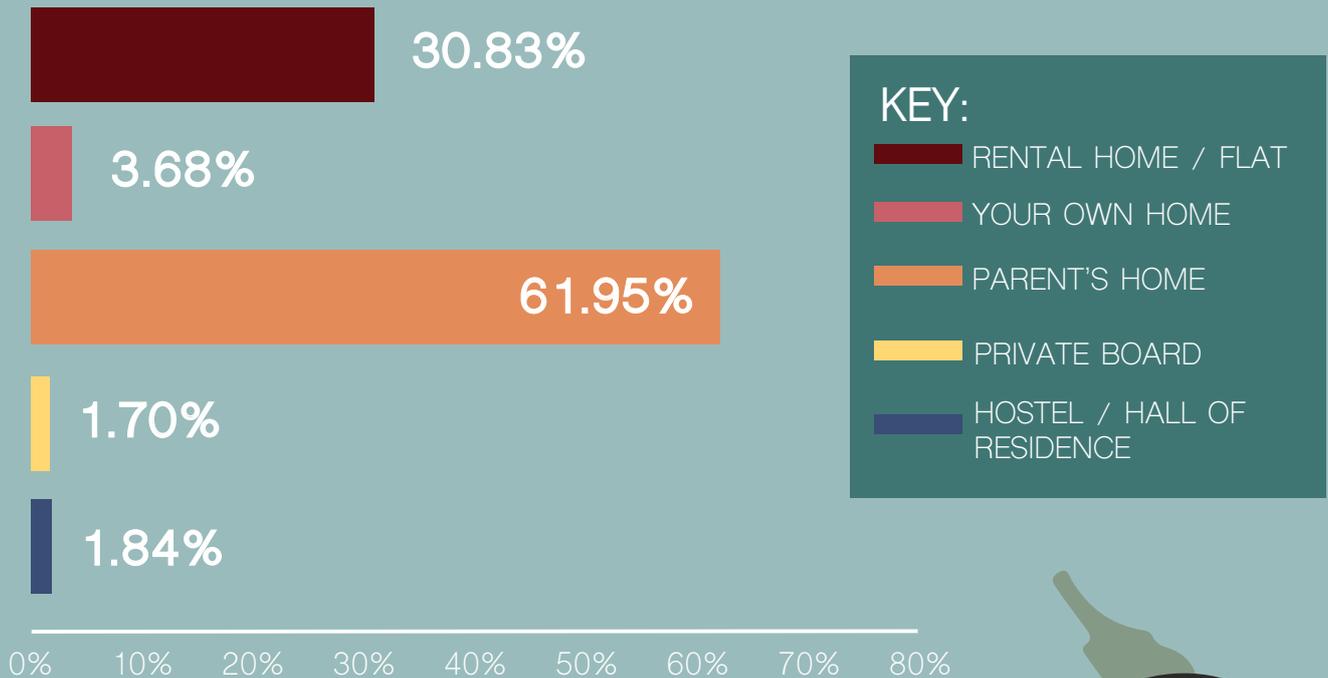
In Budget 2015, the National-led Government announced an extension of the equivalent of the Accommodation Supplement to be paid to sole parents in conjunction with their student allowance. This is a welcome initiative to make it easier for sole parents to engage in tertiary study, but if the current scheme is recognised as unfair for sole parents it must also be unfair for everyone else seeking a tertiary education with equally impossible living costs. A promise to extend this to other beneficiaries is still outstanding.

The failure to keep pace with rising costs means that students getting allowances, who by definition cannot get support from their parents, simply cannot afford to study.

WHERE HAVE YOU BEEN LIVING DURING THE 2016 ACADEMIC YEAR?



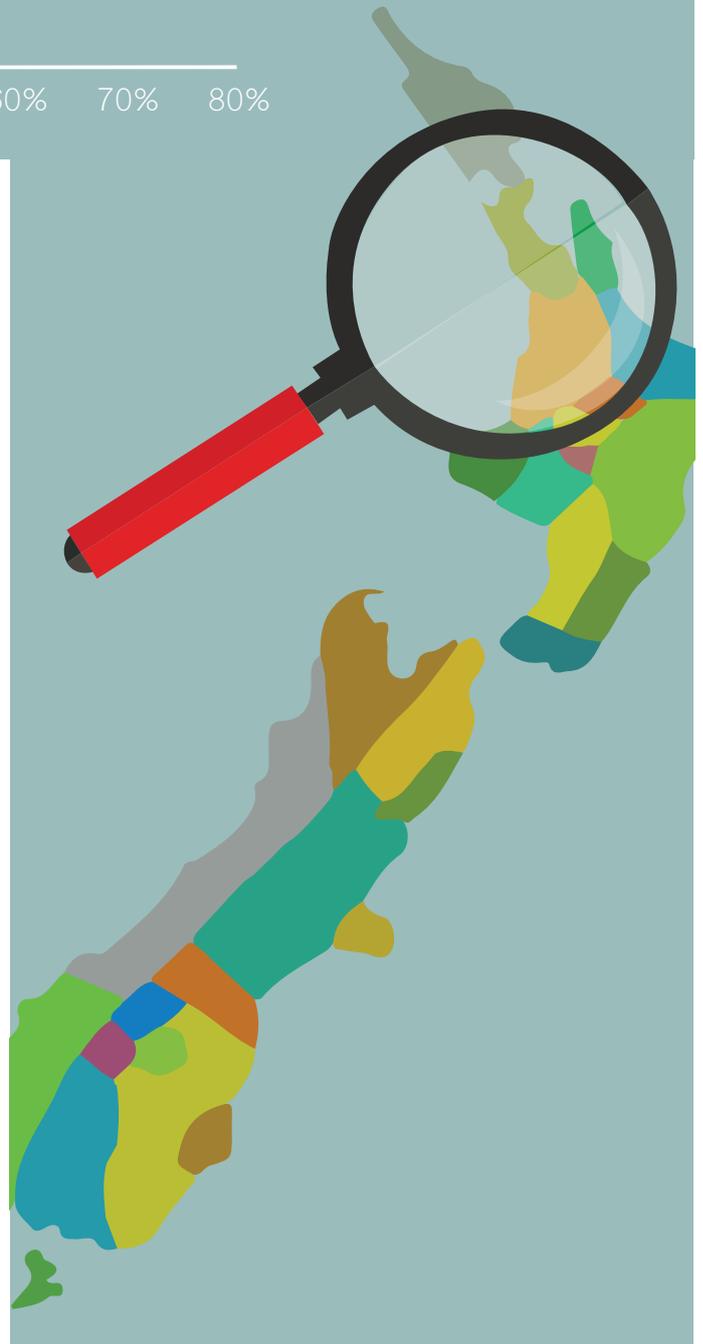
WHERE WERE YOU LIVING DURING THE SUMMER OF 2015-2016?



Twenty-four per cent of student live at home in the summer and in halls or flats during term time. For these students, who have to move to study, the high cost of accommodation is simply unavoidable. Even outside of Auckland and Wellington, the average student will be borrowing the maximum, at just over \$175 a week, and paying at least two-thirds, if not all of it, in rent alone. For a large portion of students, this maximum amount that they can borrow each week to live is not enough.

In the last five years, average rents in Auckland have increased by almost \$75 per week, from \$175 to \$250 for a room in a three bedroom house. But the accommodation benefit that the poorest students get as part of their student allowance has not risen. In Wellington, weekly rents have increased by \$23 per week in the last three years alone. Only one in three students even receive the \$40 a week accommodation benefit. For most students, who borrow to live, the weekly amount they can draw-down on their loan has edged up by just \$1 a week since 2014.

While we bemoan the parsimoniousness of the accommodation benefit, for students trying to survive on the student loan living costs week-to-week, without parental support, the situation is even worse. When introduced in 1993 the loan and allowance amounts were effectively equal, in fact the loan was slightly higher. Now the loan available has fallen \$40 per week behind.



BY THE REGIONS

AUCKLAND

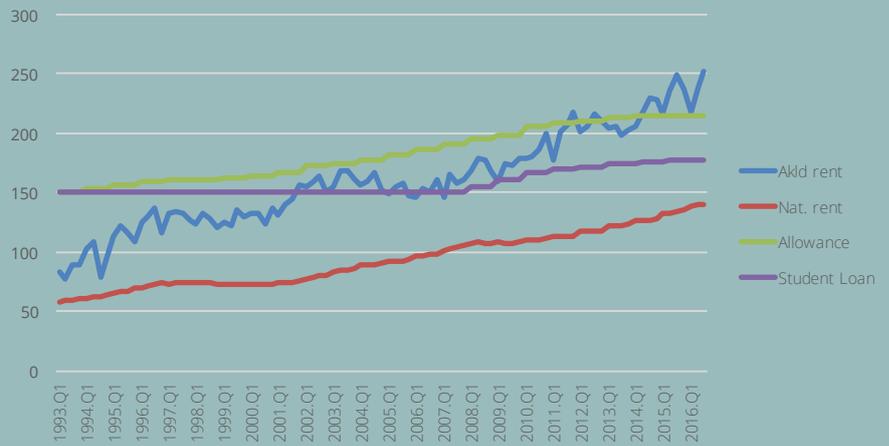
Students in Auckland face the highest average rents in the country. Students surveyed said they were moving further from the central city in order to reduce housing costs, or living at home even though this meant a long and/or expensive commute. Many recognised that additional transport costs would leave them no better off, but were unsure how else to reduce their living costs. Even for students in Auckland receiving the full student allowance and the accommodation benefit, student support does not cover the average cost of rent alone, let alone other expense items such as food and electricity.

WELLINGTON

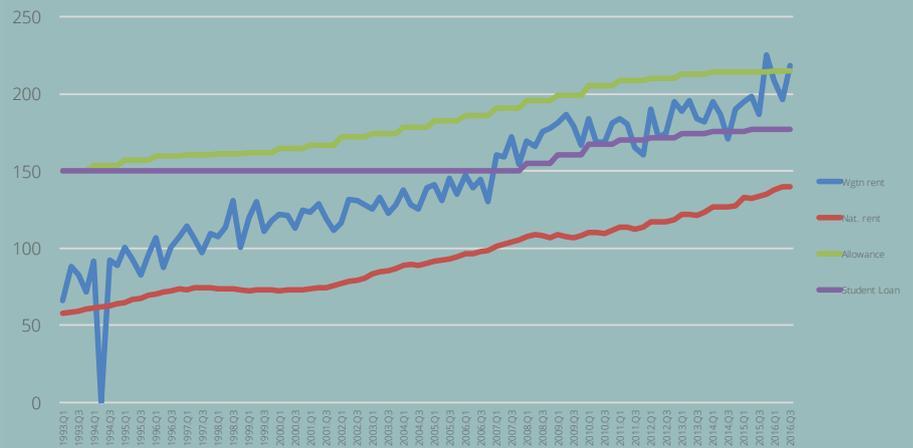
In 1993, when the current student support scheme was introduced, a Wellington student's housing costs were above the national average but only required around half the government financial support that students had available of \$150 per week. By the end of 2014, the cost of housing alone was greater than the weekly student loan available for living costs. In 2017, weekly rent on average was greater than the level of the student allowance and accommodation benefit combined, leaving nothing for all the other costs of living.

In 2017, the situation got even worse for students when the aftermath of the Kaikoura/Hanmer Springs earthquake took a number of properties off the market, and the housing crisis meant that the normal churn of graduates moving out of rental accommodation into their own homes slowed or stopped. Officials suggested that the Capital was short of as many as 3500 houses and the lack of supply saw rents increase by 10% in just three months.

Housing costs vs Student support in Auckland



Housing costs vs student support in Wellington



Housing vs student support in Christchurch



Housing vs student support in Dunedin



CHRISTCHURCH

Christchurch students' housing costs had been tracking at approximately the national average until the earthquakes in 2011/2012. Housing costs then skyrocketed as supply fell and an influx of contractors and families from Christchurch East into the western suburbs saw demand for the sort of housing used by students increase dramatically. Although it has tailed off slightly, it has still not reduced to pre-earthquake levels. Housing now represent 90% of the weekly student loan available for living costs. Over 60 per cent of University of Canterbury and Lincoln University students are now ineligible for student allowance and therefore rely on the \$176.86 living costs component of the student loan.

DUNEDIN

In Dunedin, housing costs have traditionally sat just below the national average. In 1993, housing costs were 50% of the student support available. By 2015, rent prices had increased up to 66% of weekly income, excluding students living in halls of residence. Halls students pay on average \$359.37 per week for rent. Although students who are flatting receiving student allowances in Dunedin have \$100 per week to spend after rent, this represented just 35% of University of Otago students who were eligible in 2014, down from 44% in 2010, and likely having dropped even more since.

IMPLICATIONS

Students have suffered poor accommodation conditions for many years, many living in cold and damp flats that make them sick. These set of circumstances have contributed to government initiatives to improve housing conditions, namely through enhancing the minimum rental standard, and improving compliance measures, an initiative in partnership with students' associations.

However, the housing shortage has reduced the effectiveness of the initiatives due to increased power imbalance between landlords and desperate students struggling to find a flat. This keeps substandard housing in the market instead of requiring it to be brought up to the required insulation standard.

“Why don't students living in Auckland receive additional accommodation/cost of living supplements? Allowance should be relative to cost of living in the city you reside! (Student, Auckland, 24)

“We buy our own materials, finding storage and transport for our materials and works... it can make things very difficult if you have to work even part-time depending on the types of study you are in, and some of us pay so much more on top of university fees because of material costs. (Female, Auckland, 18)



STUDENT SPENDING

The survey reveals that the increases in student expenditure on housing costs have been accompanied by static spending on almost all other items, suggesting that the rapid increase in housing has been so significant that it has crowded out all other expenditure.

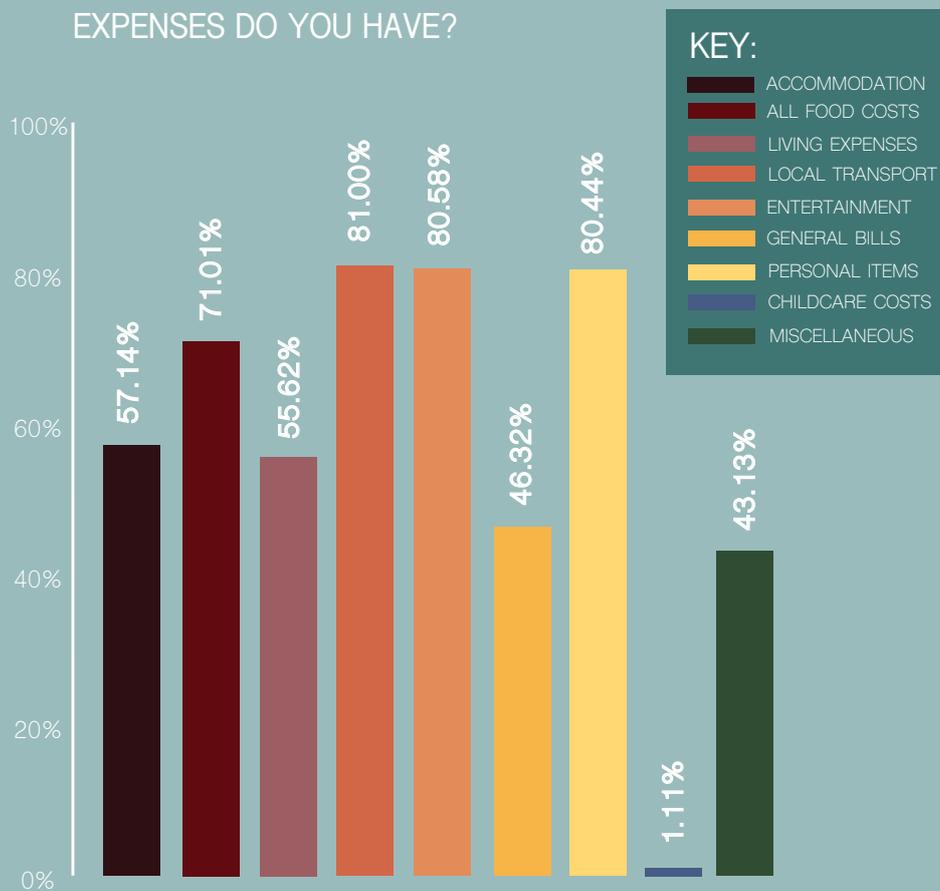
Total average student spending is \$17,661 per year (or \$339.63 per week) and the median is \$15,615 (\$300.28 per week). Both are significantly more than the student support that is available of allowances plus accommodation benefit of \$11,180 and \$9,152 for the living costs loan, if these were available throughout the whole 52 weeks of the year. For those in our sample who were flatting, the average and median costs for the year were \$23,167 and \$18,780, or \$445.52 and \$361.15 on a weekly basis respectively. Therefore, on average, a student receiving the student allowance needs \$230 per week from family or from work, and a student relying on the living cost loan needs \$270 per week from one or both of those sources.

In addition to regular costs, we also asked students to identify the one-off costs that they experienced during the year. They suggest a high degree of frugality.

AVERAGE STUDENT SPENDING

	2004	2007	2010	2014	2017
Accommodation	116	142	136	193	200
Food	61	73	63	98	73
Living Expenses	40	47	35	56	35
Local Transport	32	38	35	44	33
General Bills	38	42	28	44	25
Personal Items	17	19	18	20	17
Childcare	59	55	62	99	50
Misc/Entertainment	66	82	66	70	46

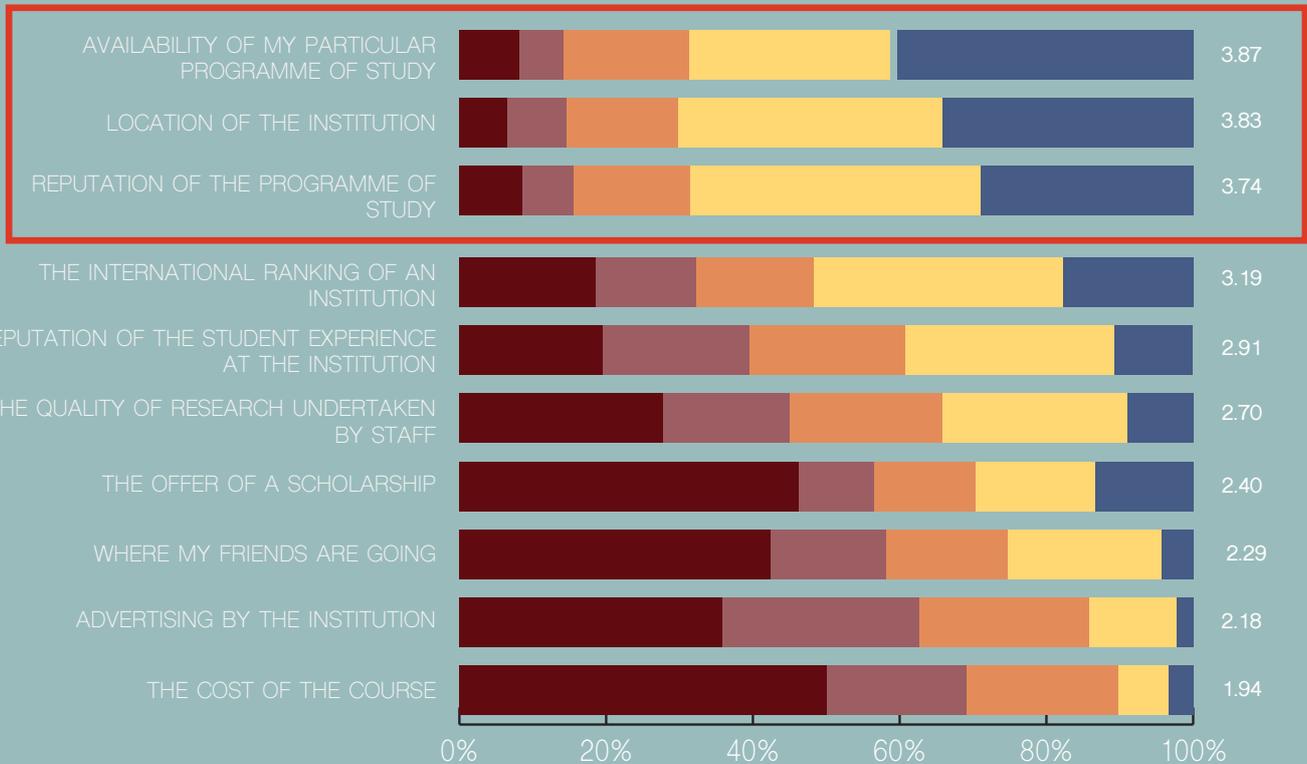
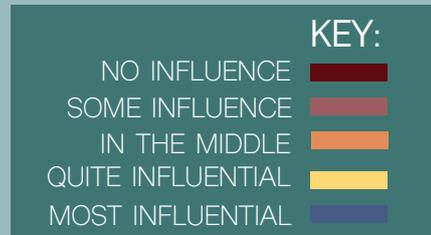
WHICH OF THESE WEEKLY EXPENSES DO YOU HAVE?



AVERAGE ONE-OFF COSTS

Bond	\$897.26
Clothes	\$340.75
Travel out of town	\$787.54
Consumer items	\$630.97
Computer	\$936.11
Books	\$140.87
Course materials	\$382.22
Medical optical	\$242.38
Other major	\$893.88

WHAT INFLUENCES YOUR CHOICE OF WHERE TO DO YOUR QUALIFICATION? (IN ORDER OF MOST INFLUENTIAL TO LEAST INFLUENTIAL)



TUITION FEES

The average fees for fulltime students were \$7,385, up from \$6,246 in 2010. In addition, the average student pays an extra \$773 in non-tuition compulsory fees to their institution, known as the Compulsory Student Services Fee (CSSF). At universities, on average, non-tuition compulsory levies increased by 29% per year between 2006 and 2015, although these increases have reduced to being in line with tuition fee increases (which are regulated through the Annual Maximum Fee Movement) as of late.

In 2010, one in four students identified fees as having an influence on their choice of course. This has now increased to 44%, which shows that students are becoming increasingly price sensitive to high tuition fees.

Of those who cited fees as having an influence on course choice, 53% had to think carefully about whether they could continue to afford to be a

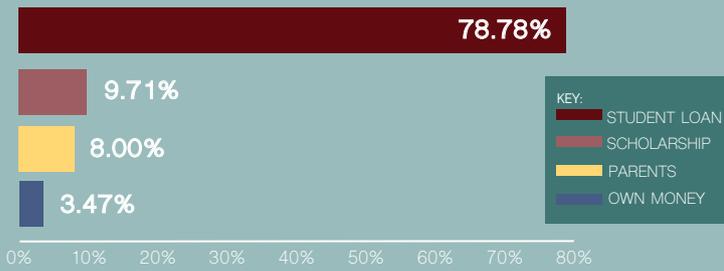
student, and 22% said it affected which institution they could afford to attend. One in five took fewer or different papers than the ones they wanted to due to cost.

For most students, course cost does not impact on where they study, reflecting that institutions do not tend to compete on price.

One in five students who decided not to continue with their studies identified cost as a factor in their decision. Cost is in fact the leading cause for leaving study, behind finishing their qualification or finding employment.

One of the issues student representatives bemoan their tuition fees being spent on is advertising. In an essentially capped system, competition for students makes no sense on a national basis. In addition the approximately \$40 million that institutions collectively spend seems wasted, with very few students considering it important in their choice of institution. Far better spending would be enhancing the learner experience and letting happy graduates be ambassadors.

HOW DID YOU PAY YOUR TUITION FEES THIS YEAR?



TUITION FEES



The most influential factors are location, availability, and what their peers and other trusted advisors tell them about the particular programme they are considering. This suggests that we need policy drivers that promote regional provision, stop the all-too-regular closing of programmes, and enhance the passing of information about quality from current students or recent graduates to intending students.

SIGNIFICANT FINANCIAL DISTRESS

“I'm sick of having hunger impact my studies (Student, Otago, 18)”

A third of student respondents identified that they do not have enough income to meet their basic needs, almost twice the percentage identified in a comparable study from 2013.

The questions relating to significant financial distress were introduced for the first time in the 2014 study, and followed methodology of the Universities NZ-funded Baseline Report of the Graduate Longitudinal Study. That study found that 1 in 6 final year students were in significant financial distress, meaning that they strongly disagreed with a statement that they could afford basic items, or strongly agreed that they had had difficulty meeting financial commitments.

Students were asked to consider their responses to the following:

- I have enough money to afford the accommodation I need.
- I have enough money to afford the clothing I need.
- I have enough money to afford the food I need.
- I have enough money to afford the leisure and recreational activities I want.

■ Over the past 12 months I have had difficulty meeting my financial commitments.

Data was summed and reserve coded (min = 5, max = 25) with higher scores reflect less economic/financial strain.

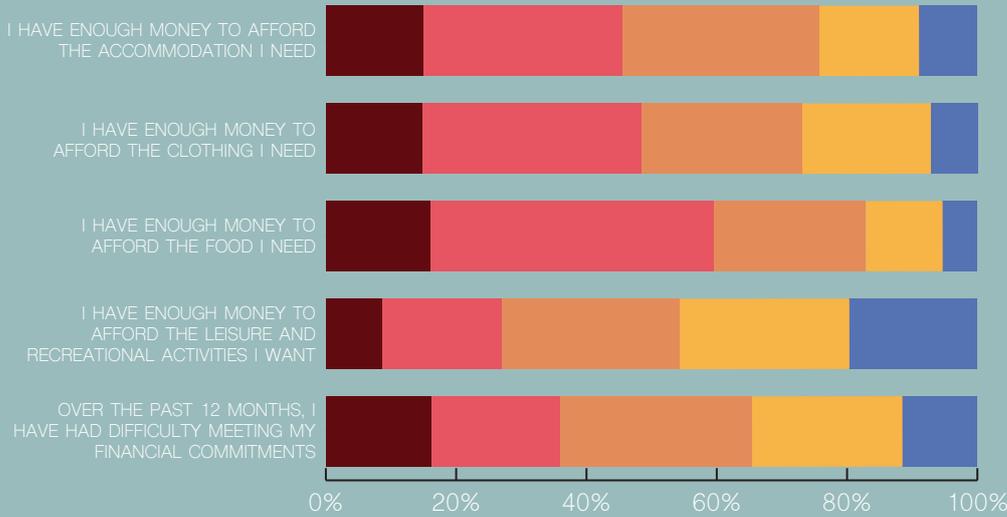
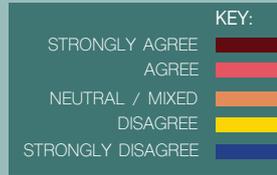
A score below 15 means that respondents do not have enough money to afford their basic needs, which is understood as being in significant financial distress. The study shows that the average student is extremely close to being in significant financial distress, and that 33% score 14 or below on the scale, meaning that for at least one item they are unable to afford what they need.

By way of comparison, the Graduate Longitudinal Study identified that one in six final year students were living in significant financial distress. Its mean was 18 (compared with 16) and the interquartile range (where the middle 50% of respondents are) was between 15 and 21, so just coping financially. The 2016 findings has that range around the just coping level, with as many students below than above that measure.

The Income and Expenditure Survey findings are even more concerning than what the National Centre for Longitudinal Research researchers found in 2012 because that study only looked at final year students, and only at universities.

The findings are consistent though: the rest of the Income and Expenditure Survey shows that students' situations have worsened since 2012, but we also know that many students in financial distress withdraw from study before they get to the stage of the final year. In addition, the earlier in the year the survey is taken, the greater the percentage of students in distress will be, since the most financially distressed students are forced to exit, improving the average financial situation of those left behind. The 2016 survey was conducted in December, the 2014 study, which was even

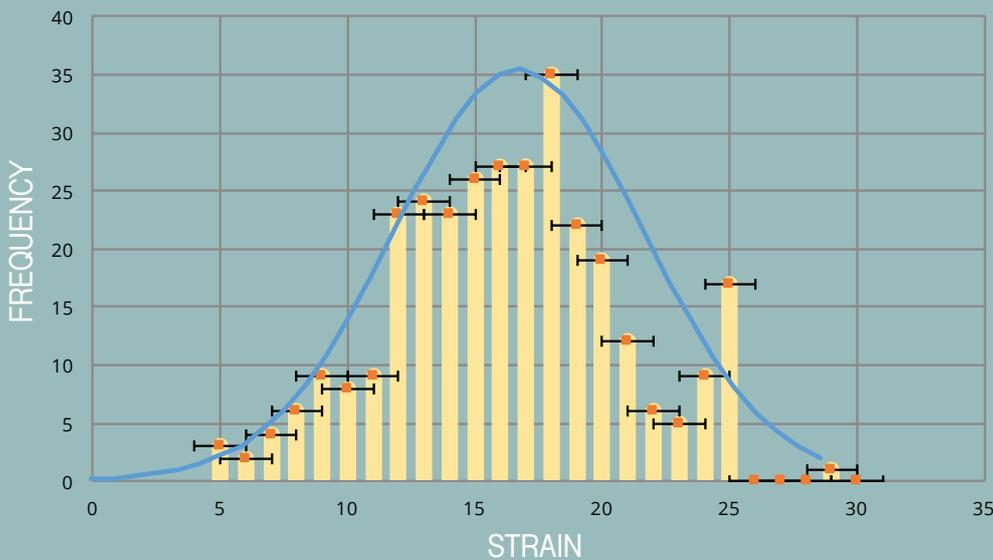
THINK ABOUT HOW YOU FEEL ABOUT YOUR CURRENT FINANCIAL SITUATION. INDICATE HOW MUCH YOU AGREE OR DISAGREE WITH EACH STATEMENT.



more alarming, in May/ June of that year.

“You go through constant financial and emotional problems throughout the duration of your studying, even when you’ve only just starting studying at university. The pressure is increasingly high and the rapid increase in loan, debt and all financial problems is a major problem that sometime cause students to drop out because they cannot afford it, even with a part time job (Student, Auckland, 21)”

LEVELS OF FINANCIAL DISTRESS

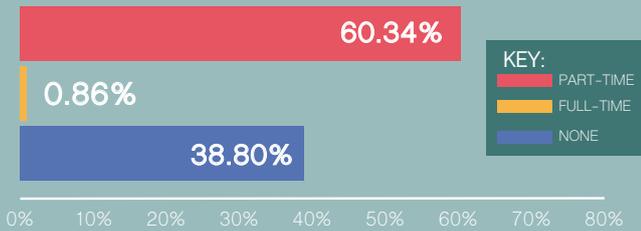


	NZUSA Income and Expenditure Survey (all students)	Graduate Longitudinal Survey (final year students)
Mean	16.188 (SD 5.11)	17.9 (SD 4.5)
Median	16	18
Mode	18	20
Range	5 - 25	5 - 25
Interquartile range	13-20	15 - 21

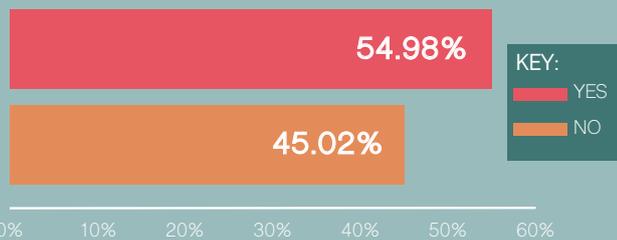


CHAPTER THREE: MAKING ENDS MEET

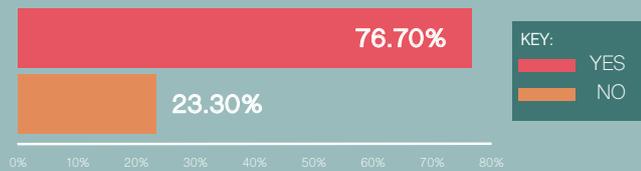
HAVE YOU HAD A REGULAR JOB DURING TERM TIME?



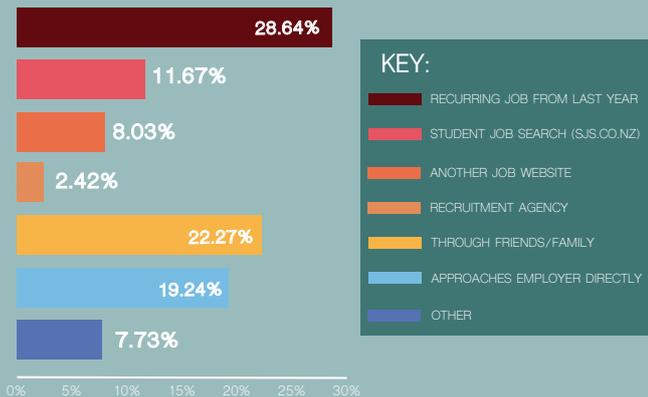
THINKING ABOUT OTHER HOLIDAY PERIODS DURING THIS YEAR (E.G. EASTER, MID-YEAR) DID YOU WORK ANY OF THESE TIMES?



DID YOU WORK AT ALL OVER THE CHRISTMAS BREAK?



HOW DID YOU FIND YOUR JOB/S?



STUDENT EMPLOYMENT SUMMER WORK

Students spend their summer working to keep themselves going, rather than saving for the year ahead. This is a significant shift from previous generations where well-paid summer work, coupled with an absence of fees and high living costs, meant that students were able to survive through the year on the savings that they made through the summer.

76% of student respondents worked over the summer break, two-thirds of them for more than eight weeks. However, a third of full-time students began the year with no savings, and for those who did save the average level of saving was \$2438, or six weeks in the average hall of residence.

To survive over the summer period one-third of respondents reported that they needed gifts from their parents, averaging \$438. Ten per cent needed loans from their parents, at an average of \$1638. A further 3% took loans from friends.

Only half of full-time students began the year with savings, consistent with 2014 and 2010.

51% of students get their summer jobs through connections such as friends and family, or it is ongoing from either the previous summer or their in-term work. Approximately the same percentage get their summer job by approaching employers directly as those who get them through job listings.

IN-TERM WORK

“It is tough living on ~\$176 a week and having to work in the weekends to supplement that while trying to keep grades up. (Student, Auckland, 18)”

Students benefit from some level of part-time work. Numerous studies have shown that small amounts

FREQUENCY OF STUDENT EMPLOYMENT

	2010	2014	2016
Weeks per year	20	24	20.1
Hours per week	10	14	13

of part-time work while studying correlate with higher academic performance than not working at all. However, studies also show that there is a threshold above which more work is correlated with lower academic performance. This upper threshold is generally at around 15 hours per week, depending on the study.

When students on the student allowance earn over \$210.88 gross in a week (approx. 13 hours at minimum wage), their student allowance is abated one dollar for each dollar they earn over that limit. This discourages students from working too many hours, but it also limits the total net income they can achieve from student allowance and wages to about \$390 per week (which for an average student who is flatting is not sufficient). The abatement can be further frustrating for students who work variable hours as the abatement is assessed on a week-by-week basis.

It is dangerous to expect part-time work as a given source of income for all students. Some study programmes discourage students from working part-time, others expressly forbid it. For example, it may be impossible for students to maintain their part-time work while on compulsory placements, and the irregularity of placements makes it difficult to manage any part-time work around. Some students cannot take on work due to disabilities or family commitments. Many students have had difficulty finding suitable part-time work in the places they live and study.

Two-thirds of our respondents had jobs, working on average for 20.1 weeks of the year and 13 hours per week.

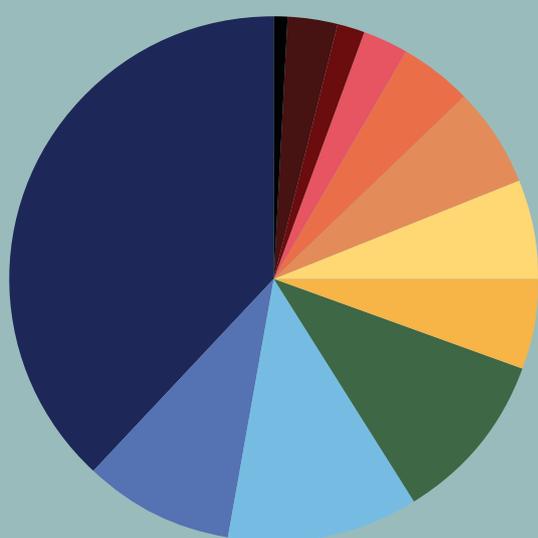
We asked the question slightly different in 2016, referring only to weeks worked during the term, instead of weeks worked during the year, so the 2016 figure represents the number of weeks worked out of 24 – i.e. almost all – compared with that worked over the 38 weeks which include the teaching breaks in 2010 and 2014. 55% of students reported that they also worked during the Easter, semester or mid-year breaks, which include exam periods.

“Working part time is such a struggle let alone doing a full-time job. However, for most students because they need to make ends meet, it isn’t a choice and somewhere it does put a strain to their education thus compromising it. (Student, Auckland, 19)

STUDENT SUPPORT STUDENT ALLOWANCE

The maximum student allowance is \$175.10 a week, plus \$40 accommodation benefit if the student lives away from home in Auckland, Wellington, Christchurch and Dunedin. It is \$34 in Palmerston North. This is only available for the academic year (generally 38 weeks), or longer if the student undertakes summer school.

FROM WHAT YOU KNOW, WHAT IS THE COMBINED INCOME OF YOUR PARENT/S OR GUARDIAN/S FROM ALL SOURCES, BEFORE TAX?



KEY:

0.94 %	ZERO
3.01 %	LESS THAN \$10,000
1.88 %	FROM \$10,000 TO \$20,000
2.63 %	FROM \$20,000 TO \$30,000
4.32 %	FROM \$30,000 TO \$40,000
6.20 %	FROM \$40,000 TO \$50,000
6.02 %	FROM \$50,000 TO \$60,000
5.83 %	FROM \$60,000 TO \$70,000
10.53 %	FROM \$70,000 TO \$80,000
11.47 %	FROM \$80,000 TO \$90,000
9.40 %	FROM \$90,000 TO \$100,000
37.78 %	OVER \$100,000

For students under 24 years of age, student allowance entitlement depends on parents' joint income:

- Parents' income under \$55,027.96 means the full entitlement
- Parents' income between \$55,027.96 and \$91,448.30 means partial entitlement
- Students with a partial entitlement can claim student loan living costs to top up to approximately the same level as the student allowance maximum and also have access to the accommodation benefit

Many students who are denied an allowance for a reason other than parental means-testing (eg. because they are a postgraduate student or failed to make sufficient academic progress the year before) are entitled to the Accommodation Supplement along with their student loan. However, this is clearly not well known because the take-up is well below the number who would be entitled.

Student allowances are generally adjusted by CPI every year. A student can only receive 200 weeks of allowances. After that point they must borrow to live.

STUDENT LOAN

Most students borrow to live (student loan living costs) of 176.86 a week. Like allowances, the maximum amount borrowable per week last rose by CPI, or 0.51% on 1 April 2015. It has not increased since. This represented a \$0.90 increase to weekly income available to students since 1 April 2014. By way of comparison, student rents in Wellington went up \$20 per room per week from 2016 to 2017 alone.

According to student finance advisors, even for the minority of students who receive a student allowance, the full entitlement is around \$10,000 per year less than the amount needed for the year of study.

COURSE RELATED COSTS

- Up to \$1,000 per year available. It is intended for books, stationery, materials, internet expenses, computer costs, transport, and available spending on housing and childcare.
- Many students use this for accommodation setup because it is available as a lump sum as early as two weeks before their course starts. In a 2011 Victoria University of

Wellington Student Finance Service Study, of 374 students who used student loan course related costs in the last 6 months, 158 (42%) used at least some of funds toward accommodation costs (bond, advanced rent, set-up costs, etc.)

- Students report that it is impossible for a fulltime student to have less than \$1000 in allowable costs, most have far more specific costs relating to their courses, and that it is insufficient to provide for the start-up costs for someone new to study.
- Art, design, architecture, and courses with placements (nursing, teaching, veterinary science) tend to have course costs at least twice as high as the available loan

HELP FROM FAMILY

Implicit in the parental income assessment for qualifying for a student allowance is the expectation that parents will be supporting the living costs of their children while they study up to the age of 24.

However, some families cannot afford to support a child away from home. In assessing for student allowance, only parental gross income is considered. The family's assets are not considered and nor are their liabilities or expenses (for example, high expenses due to housing, medical costs, or childcare costs are not considered).

The parental income abatement level of the student allowance has been frozen since 2012, it now begins at just 44% of the average income for a two-parent household aged in their late-40s (ie the average age of an 18 year-old school leaver's parents). It is fully abated, meaning the student is entitled to nothing, at 77% of the average two-parent household income.

In addition, some families who might be able to afford to support their children do not think it is appropriate.

Of our respondents, around a quarter received allowances with a further third drawing down the student loan living cost each year. Just 22% – given that those borrowing to live are considered to have parents able to support them – did receive regular support from their parents, at an average of \$57 per week, although a further 11% were lent money by their parents at an average of around \$5000 for the year. Some respondents disclosed that their parents paid their fees for them.

“*More assistance for students is needed. Some have parents who earn too much for max allowance but not enough to help their kids. It is so difficult to get*”

flats here in Auckland also... they are all either too expensive or absolutely small, cramped and old. (Female, Auckland, 19)

I don't understand how the government thinks that the student allowance we are receiving now is an appropriate amount to live off. It's honestly not possible. If it is your only source of income you have to give up food, warmth, or both. (Male, Wellington, 20)

We seriously need to re-think the student allowance/living costs situation. I have to take out living costs loan as my parents earn above the threshold (but can afford to give me only minimal help) and I am trying to get by in Auckland - it is near impossible. (Female, Auckland, 20)

RECIPIENTS OF STUDENT SUPPORT

Although student numbers have been falling, those borrowing to live have remained relatively stable, as an increased proportion of full-time students require access to this support.

Domestic students in tertiary education. There were nearly 95,000 fewer in 2015 compared to 2005.

Since 2011, the government has implemented

a series of cuts to student support in response to what they claim was a "blow-out" in student support spending caused by changes in the parental income threshold introduced by the Labour Government (1999-2008). In fact, the increases in student support largely occurred from 2009-2011 and almost entirely within the polytechnic sector. Since polytechnic student numbers are more responsive (counter-cyclically) to changes in the economy this suggests that the growth in student allowance expenditure was driven more by employment conditions than the previous government's policy changes to change the parental income thresholds.

However, the government's changes targeting postgraduate students and freezing parental income thresholds have mostly impacted by removing access to allowances for university students. In contrast, the reduction in allowance entitlement for older students from 200 weeks to 120 weeks for those over 45, has predominantly affected students wishing to study at regional polytechnics.

*Note that the figure for people getting allowances includes those who are getting a partial (means tested on parents' income) allowance and may also be borrowing.

STUDENT ALLOWANCE RECIPIENTS

2011	2012	2013	2014	2015
99,271	96,908	85,094	79,670	75,051

CURRENT STUDENT LOAN BORROWERS

	2011	2012	2013	2014	2015
Borrowing for living costs	100,971	101,048	103,630	103,394	100,652
Borrowing for fees	193,851	189,120	180,594	173,342	169,759

PROPORTION OF FULLTIME STUDENTS GETTING ALLOWANCES

	2011	2012	2013	2014	2015
Proportion of fulltime students getting allowances	42%	41%	36%	34%	33%

DOMESTIC STUDENTS IN TERTIARY EDUCATION

2005	452,631
2006	445,696
2007	441,931
2008	418,319
2009	423,142
2010	418,319
2011	381,599
2012	371,091
2013	369,565
2014	363,644
2015	358,600

CHANGES TO STUDENT SUPPORT 2010-2016

2010

Recipients of superannuation and veteran's pension eligibility for allowances removed.

Student loan establishment fee increased.

Annual IRD admin fee introduced. A cost for having a loan that undermines the interest free scheme.

Two-year stand-down introduced for Australians and permanent residents.

Loan eligibility removed for those who didn't pass ½ their papers the previous year.

7-EFTS life-time limit introduced to borrowing entitlement.

2011

Students aged over 55's eligibility for loans for living costs or course-related costs removed.

Part-time full-year students' eligibility for course-related costs removed.

2012

Post-graduate students' entitlement to allowances removed.

All exceptions (such as national significance or recognised long course) to 200-week limit on allowances removed.

Parental income limit frozen. No longer adjusts with inflation, making fewer students eligible.

Restrictions on borrowing – below the course fees charged – for pilots. Students need to find money from some other source.

Repayment rate increases from 10% to 12% and repayment threshold frozen.

New matching agreement introduced between Customs and Inland Revenue to restrict the movement from New Zealand of some student loan borrowers.

2013

Stand-down increased to three-years for non-citizens and extended to refugees.

Students aged over 40 restricted to 120 weeks of allowances, including any they used before they were 40.

Parental income limit continues to be frozen. No

longer adjusts with inflation, making fewer students eligible.

Students aged over 65 all eligibility to allowances removed.

Students aged under-18 doing fee free level one or two courses will not qualify for any component of the student loan.

Student loan repayment threshold remains frozen, increasing repayments obligations.

2014

Increased repayment rates for overseas based borrowers. Refusal to investigate payments on the basis of income, continue to be based only on the size of the loan.

It is now a criminal offence for an ex-student to be behind in their student loan repayments.

Introduction of an "arrest at the border" capability at airports and the removal of the right to a New Zealand passport for student loan debtors.

Parental income limit continues to be frozen. No longer adjusts with inflation, making fewer students eligible.

Student loan repayment threshold remains frozen, increasing repayments obligations.

2015

Maintained the freeze on parental income threshold for student allowances, and the threshold for student loan repayments. Therefore fewer students getting allowances and higher payments for ex-students.

Extended accommodation supplement to student parents who are beneficiaries, with other changes to reduce the impact of moving between study and non-study.

2016

Maintained the freeze on parental income threshold for student allowances, and the threshold for student loan repayments. Therefore fewer students getting allowances and higher payments for ex-students.

Relaxation of the 7-EFTS life-time fees borrowing limit for some long courses.

CHAPTER FOUR: THE DEBT BURDEN

STUDENT LOANS

“The scariest thing for a student is understand you will never be able to own a home in the city you have grown up in: Auckland, New Zealand. (Student, Auckland, 19)

Ninety per cent of students surveyed said they had some form of debt.

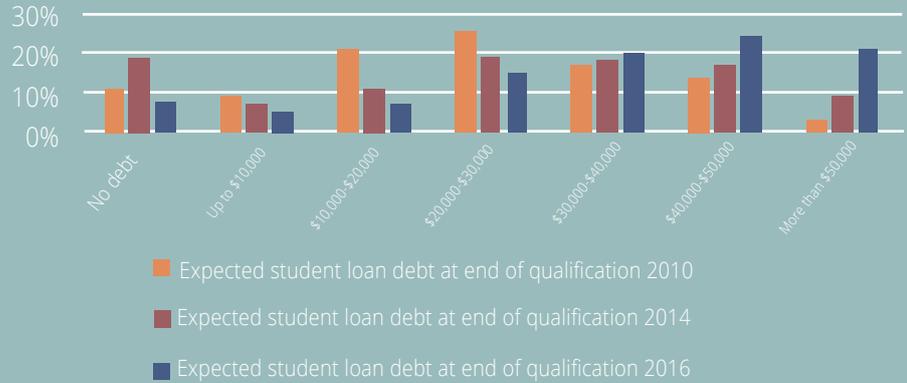
The study reveals that the numbers of fulltime students with student loan debt has increased from 78% to 88%. It also shows that 93% of students expect to be in debt by the time they graduate.

The average student loan debt was \$25,756.50, up 66% since 2010. The median debt was \$24,000, up from \$12,000. This has been driven by increasing fees but even more so by restrictions on allowances forcing more and more students to borrow to live from week to week. The Government's range of changes to student support has increased the debt taken on by individual students, on average.

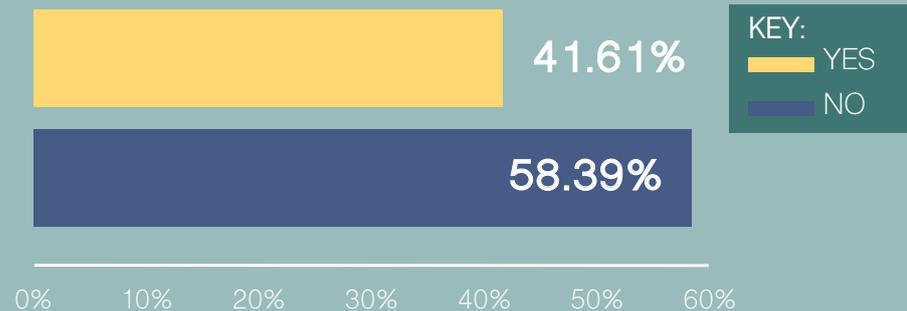
It is worth noting that typical student debt - i.e. that taken on by a full-time bachelors' student borrowing to live in a city like Auckland, is different from average and median debts across the whole loans scheme. Averages include extramural and part-time students who tend to borrow less, and indeed the minority who do not borrow. In addition, a quarter of students with debt are in their first year. The figures here, reported as averages, are therefore very conservative.

The figures are higher than those reported in the Student Loan Scheme Annual Report, since that Report includes debts which have been partially or mostly repaid. A student's debt, unless they go overseas, will peak on graduation by which time half (49.76%) said they expected to owe more than \$30,000.

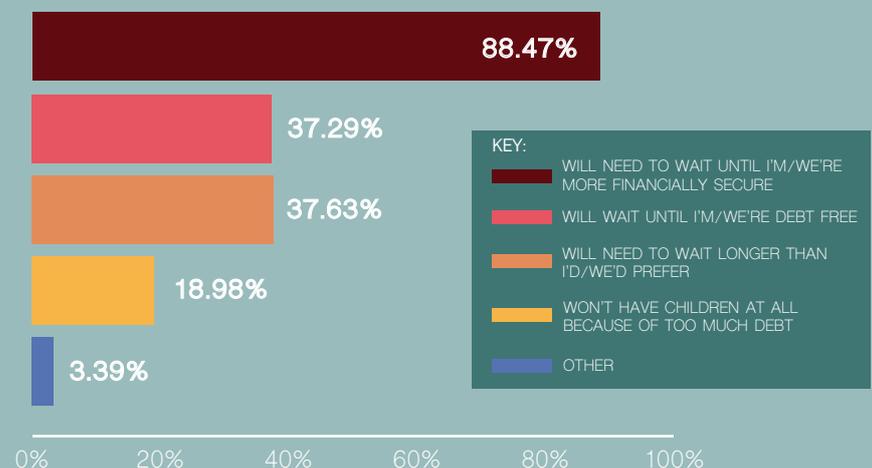
EXPECTED STUDENT LOAN DEBT AT END OF QUALIFICATION



DO YOU THINK THAT YOUR STUDENT LOAN DEBT WILL AFFECT (OR HAS AFFECTED) YOUR DECISIONS ABOUT WHETHER OR WHEN TO HAVE CHILDREN?



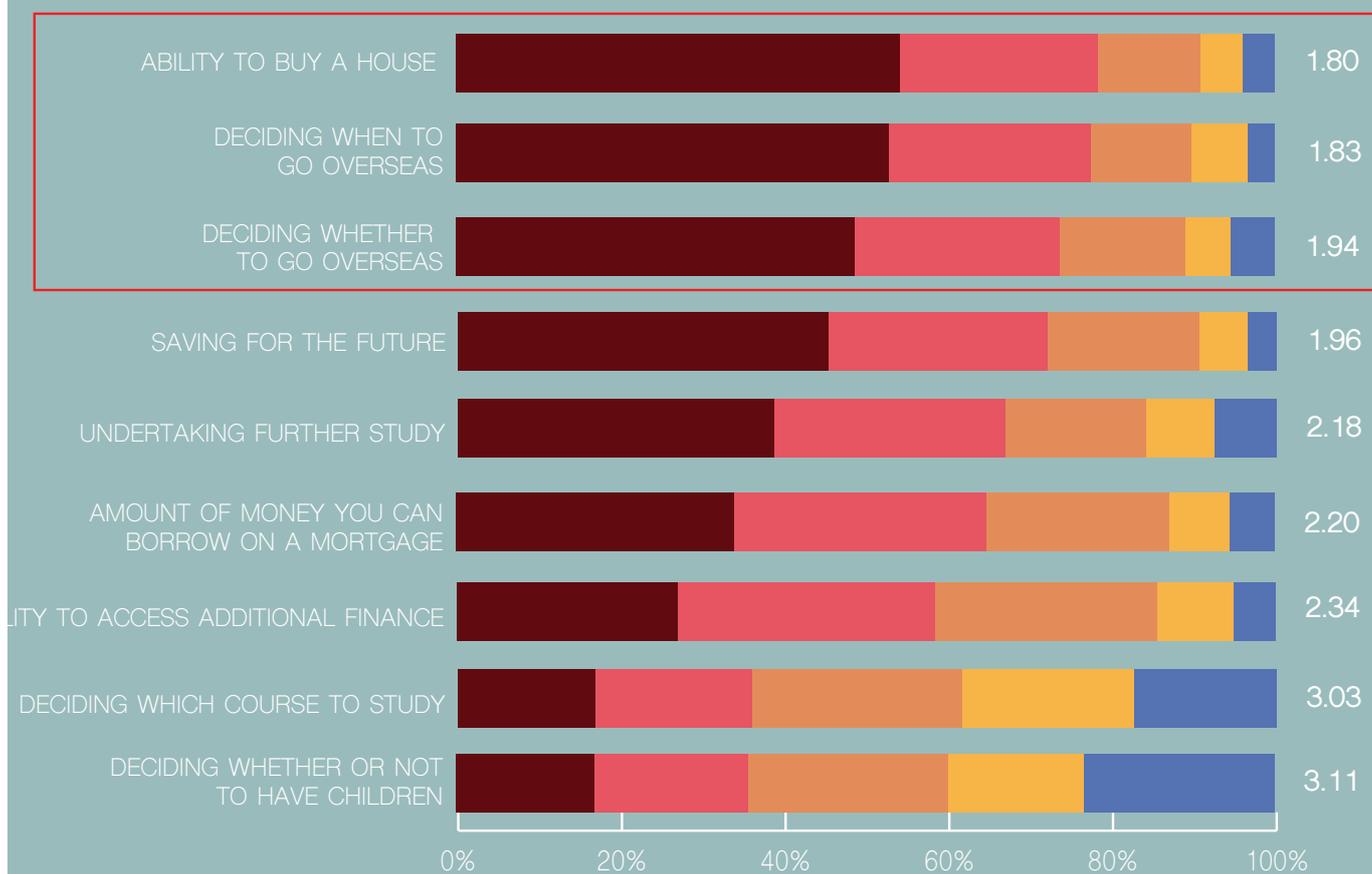
HOW DO YOU THINK YOUR STUDENT LOAN DEBT WILL AFFECT (OR HAS AFFECTED) YOUR DECISION ABOUT WHETHER (OR WHEN) TO HAVE CHILDREN



WHAT IMPACT, IF ANY, DO YOU THINK HAVING A STUDENT LOAN WILL / WOULD HAVE ON EACH OF THE FOLLOWING:

KEY:

- 1. HIGH IMPACT
- 2.
- 3. SLIGHT IMPACT
- 4.
- 5. NO IMPACT AT ALL



Comparing with 2010 and 2014, we see that in 2010 the results were essentially a bell-curve around the average of \$22,000, while the 2014 survey produced flatter results with reductions at the centre of the chart but increases happening at the extremities. This reveals that more students expect to have no debt – meaning they are being fully supported through their qualification – which increased from 12% to 18%, but also that far fewer students who do have debt expect to have less than \$20,000 in debt, dropping from 29% to 17%. Considerably more expect to owe more than \$50,000, up from 6% to 14% of all students. In 2016, we find that we have returned to a more normal distribution, except that the centre has shifted from \$20-\$30,000 to \$40-\$50,000. Comments from respondents on this question suggests that “more than \$50,000” contains a lot of variation.

THE DEBT BURDEN

Consistent with the finding that more students expect to have a lot of debt, 78% (up considerably from 65% in 2010, and even from 73% in 2014) of those with student loans expected their student loan to have a significant impact on their ability to save for their retirement, with less than 5% expecting it to have no impact.

Even more, at 79%, said they expected debt to have an impact on their ability to buy a house, with only 6% saying it would have no impact. 75% thought it would influence their decision to go overseas.

Two in three students (67%) said that their student loan debt would have a significant impact on whether they would undertake further study. This is consistent with our 2014 findings.

THE SIZE OF STUDENT DEBT

Total value of the loans scheme	
2005	7.449 b
2009	10.259 b
2013	13.562 b
2014	14.235 b
2016	15.300 b

Total people with student debt	
2005	440,000
2009	555,000
2013	710,000
2014	721,500
2016	731,754

Total people borrowing each year	
2005	145,000
2009	200,000
2013	200,000
2014	190,000
2016	182,537



Thirty-six per cent, consistent with 2010 and 2014, felt their student loan would affect their decision to have children, with 88% of these saying they would seek to wait until they were more financially secure before they considered becoming parents.

GENERATION DEBT

Although fewer people are borrowing each year, the number of people with a student loan debt continues to grow. This finding also applies to overseas based borrowers where, despite efforts and considerable expenditure on advertising and compliance activities, the number and proportion of people overseas who are behind in their obligations continues to grow. This suggests an urgent rethink of policies in that area is necessary.

“ ***As Uni students are already going to be drowning in debt after graduation, we need as much support as possible with housing/ getting jobs related to our qualification. (Student, Auckland, 21)*** ”

Luckily I live at home so I have saved on this, however in some sense it is sad as I would love to go flatting but unsure I will be able to afford this, since I am planning on doing post-graduate studies which is more money. (Student, Auckland, 22)

REPAYMENT TIMES

According to the Student Loan Scheme Annual Report 2016, the median repayment time is 7.9 years for men and 8.8 years for women, a gap that is widening and is up by 0.8 and 1.4 years respectively from when we last reported on it in 2014. Further, 25% of students will have an average repayment time of 16.1 years or longer (up by 3.4 years). Students graduating from level 5-6 (diploma) programmes have an average repayment time of 9.3 years, longer than those with bachelor's degrees at 8.5 years.

In 2005, prior to the introduction of interest free student loans, the average repayment times were 14 years for men and 28 years for women. This was due to women graduating with higher debt but mostly because women earned lower wages when they are working post-study and because women are more likely to take unpaid time out of the workforce to care for others. Lower wages and higher debt meant that women were more likely to be “flat-lining” with their repayments – making payments but not even meeting the interest charged so the principal was never reduced. Interest free student loans dramatically improved

repayment times and significantly reduced the gender imbalances inherent in the student loan scheme.

The Labour party's interest-free student loans policy has been continued by the current Government. However, as tuition fees increase, along with a number of administration charges on loans, the debt continues to grow. These additional administration charges would normally have to be reported as effective interest under the Credit Contracts and Consumer Finance Act, but in this respect it does not appear to bind the Crown. Repayment times are no longer reducing as they were under the previous government, either for loans of the same size nor overall.

The Student Loan Scheme Annual Report 2016 reported that their repayment data reflects shorter times than what most students will face. This is because these average figures include people completing short courses and those whose circumstances mean that they are able to repay their debt immediately on graduating (around 20% of all borrowers).

Note also that the Student Loan Scheme Annual Report reports on higher levels of debt year on year, and that the median and 75th percentiles have increased slightly in the table below since our 2014 report, suggesting lower financial returns for the same levels of debt.

REPAYMENT TIMES FOR THOSE OWING DIFFERENT AMOUNTS

	Median	75th percentile (ie. 25% of people)
\$50,000 - \$55,000	13.8 years	21.1 years
\$55,000 - \$60,000	14.6 years	22.8 years
\$60,000-\$65,000	16.3 years	25.6 years
\$65,000-\$70,000	16.3 years	25.6 years
\$70,000 >	19.8 years	37.7 years



As the loan scheme matures, now in its 24th year, the number of people dying without having paid off their loans is increasing:

PEOPLE DYING WITHOUT PAYING OFF STUDENT LOANS

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Number	786	930	937	720	1255	973
Value	9m	12m	13m	9m	19m	15m

CHAPTER FIVE: WHERE TO FROM HERE?

Unfreeze the parental income threshold on student allowance

1

This has been frozen since 2012. Since the freeze there has been a 27% reduction in the number of students receiving allowances.

Introduce a housing grant for all students

2

This grant should be variable to target the cities where weekly rent is gobbling up more than 100% of current levels of student support, but designed to reduce the burden that every student faces.

Restore postgraduate allowances

3

The cut hasn't saved money, but it has hurt the students who should be supported to research and innovate. The number of postgrad students taking on debt to pay for basics such as rent has shot up by 32.62% since the change.

Restore the national significance exceptions on student allowance

4

Make an exception to the 200-week limit on student allowances, by restoring a category of qualifications of national significance where students could have access to further years of allowances based on the qualification sought. This includes medicine, optometry, dentistry, and veterinary science.

Scrap the unfair 12c repayment rate on student loans

5

This kicks in at \$19,084, just two-thirds of the minimum wage. Replace it with an Australian-style progressive repayment system so those that can pay, do, and those that can't can have enough take home pay to survive.

Lift the course related costs loan cap

6

This has been frozen at \$1000 since 1993. Increase it to \$3,000 for first-year students and \$1,500 for other students. Students are getting into bank and credit card debt just to pay for basics like upfront hall costs and art supplies.

Restore access to loans and allowances for over-40s

7

Restore full access for over-40s to student allowances, and access to allowances and loans for over-65s. This is age discrimination.

Introduce a national First in Family Scholarship

8

It will break the cycle of the poverty of opportunity and encourage students from families with no history of degree level study to participate in degree-level tertiary education. It's the cheapest way of ensuring rising levels of participation in the transformative experience of tertiary education. Good for students, even better for underrepresented communities.

Adequately fund universities and polytechnics

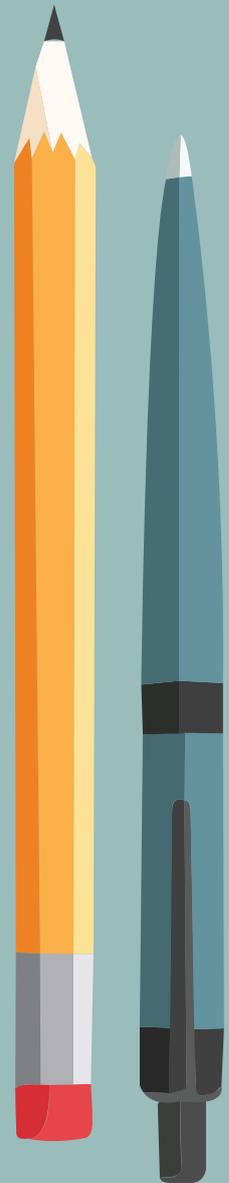
9

So that they stop passing cost rises onto students.

“ I'm graduating this year from my certificate before I go into my bachelor level study, and needing to find employment for summer and next year. I desperately want to use my qualification, and there's a real shortage ... But I won't actually be able to find work in that field, because there's not enough funding to pay new staff members (leaving other staff members overworked and underpaid). (M, Palmerston North, 19)

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