



MINISTRY OF EDUCATION

*Te Tāhuhu o te Mātauranga*

## Slow repayers

*The characteristics of borrowers who  
make slow progress in reducing their  
student loans*

This report forms part of a series called *Beyond tertiary study*. Other topics covered by the series include how graduates' earnings change over time, labour market outcomes, education and economic growth, and qualifications and income.

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# Slow repayers

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## EXECUTIVE SUMMARY

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Slow repayment of student loans means people hold loans for extended periods, and this results in higher costs to the government. Half of all those who left tertiary education with a student loan in 2006, and remained in New Zealand, are expected to have paid off their loans in full in 5.2 years and three-quarters will have paid off in less than 10 years. But for people on low incomes, the repayment rules in the loan scheme mean their repayment obligations are reduced. This means that there will always be some people who hold their loans over many years and there will be some who never repay in full. Understanding the characteristics of the people who are likely to repay slowly provides information that can help shape policy on the student support system.

This report looks at people who used the Student Loan Scheme (SLS) and left tertiary study between 2000 and 2006, and focuses on those who make slow progress towards repaying their loans. It focuses on four cohorts of student loan borrowers, divided into two categories:

- borrowers who left study in 2000, 2002 or 2004, before the introduction of interest-free loans for all New Zealand-based borrowers from April 2006;
- borrowers who left study in 2006, following the introduction of the interest-free student loans policy.

It profiles those borrowers who made little or no progress in reducing their loans post-study. It also looks at the characteristics of borrowers who were always New Zealand-based after leaving study in 2006, and whose income was consistently below the student loan repayment threshold over the next three years.

### KEY FINDINGS

#### **Who were the slow repayers in the 2006 cohort?**

46 percent of all borrowers who left study in 2006 still had 85 percent of their leaving balance outstanding after three years post-study. A significant proportion of borrowers who remained in New Zealand (40 percent) made little or no progress in repaying their loan over these three years, despite the removal of interest on their loans from 2006.

Slow repayers were more likely to:

- be over 50 years old during their last study year
- have studied below degree level
- have failed to complete a qualification
- have studied in fields where lower level courses were predominant, such as food and hospitality, society and culture, or creative arts
- be Māori or Pasifika.

Borrowers who were overseas-based for a period after study were much more likely to be slow in repaying, compared with those New Zealand-based borrowers.

#### **Who had income below the student loan repayment threshold in the 2006 cohort?**

This paper also looked at New Zealand-based borrowers who were below the income threshold for student loan repayments for the first three years after leaving tertiary study. They were broadly associated with many of the same characteristics as the slow repayers in

2006. Borrowers under the threshold were more likely to:

- be over 50 years old during their last study year
- have studied below degree level
- have failed to complete a qualification
- have studied in fields where lower level courses were predominant, such as food and hospitality, society and culture, or creative arts
- be Māori, Pasifika or Asian. This reflected the existence of a group of older Asian permanent residents (who were eligible for loans at that time, but mostly wouldn't be now).
- be female, reflecting time out of the workforce to raise children before the age of 35 years
- have received more than half of their income in the form of an income-tested benefit in their third year after tertiary study ended.

### **Slow repayers from earlier cohorts**

For the 2000, 2002 and 2004 cohorts, a slow repayer is defined as a borrower who has 75 percent or more of their leaving balance still outstanding five years post study. These borrowers may have been making some repayments, but interest and penalties incurred meant they had made little progress in repaying the loan principal. The characteristics of slow repayers in these earlier cohorts are not significantly different from the slow repayers from the 2006 cohort.

The focus in this report is on those who left study in 2006 or earlier. The employment context, the tertiary education system and the loan scheme have all changed since then.

The 2006 leavers entered tertiary education before the implementation of a set of moves designed to lift the quality and relevance of lower level tertiary qualifications that have resulted in a shift towards higher-value tertiary education, with the proportion of borrowers who take higher level qualifications rising steadily. There was a decline of enrolments in low level certificates of 31 percent between 2005 and 2010.

Changes in the loan scheme made in Budgets 2010-2012 – such as the freezing of the repayment threshold and the increase in the repayment obligation – are increasing repayment rates, leading to a reduction in forecasts of repayment times of more than a year.

At the same time, changes in the education system, such as Youth Guarantee, Vocational Pathways and greater availability of performance information are lifting the performance of the system.

The 2006 leavers experienced the first and second years of the increase in youth unemployment – 2008 and 2009. This resulted in worse employment outcomes for these leavers compared to earlier ones.

# 1 INTRODUCTION

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The Student Loan Scheme plays an important role in ensuring access to tertiary education for New Zealanders. It represents a significant investment by the government, with around \$1.6 billion of lending in 2012/13.

The loan scheme also represents a significant financial asset for the Government. However, in the year 2012/13, each dollar borrowed in the scheme is valued at only 60.9 cents (Ministry of Education, 2012). This is due to two main reasons:

- A significant portion of borrowers travel overseas and leave their loan unpaid.
- Borrowers do not pay interest as long as they remain in New Zealand, and inflation will erode the value of the loan borrowed over time. As a result, the longer a borrower takes to repay their loan, the less value that loan has to the Government and taxpayers.

For every dollar of new lending in the scheme, the Government writes off a substantial share – in 2011/12, this was 44.7 cents for each dollar loaned<sup>1</sup> (Ministry of Education, 2011). Much of the write-down recognises the loss of value over time of each borrower's loan balance. If borrowers repay quickly, the loss of value is less. So improving repayment rates is crucial to the management of the Student Loan Scheme asset.

Typical repayment times under the New Zealand Student Loan Scheme are shorter than many people think. Half of all those who left with a student loan in 2006 and remained in New Zealand are expected to have paid off their loans in full in 5.2 years and three-quarters will have paid off in less than 10 years (Ministry of Education 2011).

But the repayment rules in the loan scheme are designed to soften the impact of repayments on those with low incomes – because repayment obligations depend on the borrower's income. This means that there will always be some people who hold their loans over many years and there will be some who never repay in full. So understanding the characteristics of those who repay slowly and why their repayment is slow are matters of great importance to taxpayers.

This report examines the characteristics of those borrowers who are slow to repay their student loans, in order to inform student loan policy.

## 1.1 Scope of this report

This report presents analysis of those borrowers who left study between 1999 and 2006 with student loans of at least \$20. We will profile the characteristics of these borrowers who left study in 2000, 2002, 2004 and 2006, identifying slow repayers.

The 2006 cohort was the first group of students to be entirely affected by the Government's policy to write off interest for those who stayed in New Zealand after tertiary study. Analysing this cohort can provide some insight into who is making early progress in paying back their loans.

## 1.2 The dataset

The data used in this report is sourced from Statistics New Zealand's Student Loan Integrated Dataset (IDSL). The integrated dataset on student loans and allowances is an analytical dataset managed by Statistics New Zealand that matches data from the Ministry of Education (on

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<sup>1</sup> In 2012/13, this reduces to 39.09 cents per dollar lent.



tertiary education enrolments and completions), from the Ministry of Social Development (on borrowing and on allowances received) and Inland Revenue (on loan balances and incomes). Inland Revenue data on borrowers' residency status is now included in the dataset.

### 1.3 Structure of this report

Chapter 2 provides background, describing a previous study, and outlining the history of the Student Loan scheme, highlighting changes that impacted on borrowers.

Chapter 3 outlines the definitions used in this report.

Chapter 4 provides an analysis of borrowers who left study in the 2000, 2002 and 2004 years, looking mainly at those who were slow at repaying their loan. It shows breakdowns by demographics (gender, ethnicity, age and citizenship status), study status (qualification level, completion status, and field of study) and progress of repayment.

Chapter 5 provides a more in-depth analysis of borrowers who left study in 2006. It again looks at slow repayers, by demographics, study status, progress of repayment, and residency status (NZ resident or non-resident borrower).

Chapter 6 looks at a subset of those in Chapter 5: always-New Zealand resident borrowers who left study in 2006. It provides breakdowns for slow repayers by demographics, study status, progress of repayment, and source of income.

Chapter 7 provides a breakdown of always-New Zealand resident borrowers who were under the Student Loan repayment threshold, and looks at their demographic characteristics, study status and source of income.

Chapter 8 presents a conclusion to this report.

The appendix presents detailed data tables.

## 2 BACKGROUND

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### 2.1 Previous study

This report follows up a previous similar study, Smyth and Hyatt (2005) which investigated repayment behaviour in the cohort of students who left study in 1997. It defined a slow repayer as a borrower who had not made any progress in reducing their nominal leaving balance five years after leaving study (i.e. their balance was either the same or higher). The definition used by Smyth and Hyatt differs from that used in the current report – and reflects the fact that the study was prepared in the days before the interest-free student loans policy.

That study found that:

- about 40 percent were slow repayers, having made no progress in reducing their loans by the end of 2002;
- female borrowers were less likely than males to be slow repayers
- Māori borrowers were less likely than Europeans to be slow repayers
- completion of a qualification was a key driver of making progress to repayment. Those who had successfully completed a qualification were less likely to be slow repayers, compared with those who failed to complete a qualification
- failure to complete a qualification and studying at lower qualification levels were associated with a higher likelihood of making no progress in reducing their loans in five year post study
- those who made no progress in reducing their loans had a higher leaving balance, compared with others who made repayments to reduce their loans.

### 2.2 The context

The focus in this report is on those who left study in 2006 or earlier. The employment context, the tertiary education system and the loan scheme have all changed significantly since then.

The 2006 leavers entered tertiary education before the implementation of a set of moves designed to lift the quality and relevance of lower level tertiary qualifications that have resulted in a shift towards higher-value tertiary education, with the proportion of borrowers who take higher level qualifications rising steadily. There was a decline of enrolments in low level certificates of 55 percent between 2005 and 2010. The proportion of borrowers studying at degree level or higher rose from 56 percent to 62 percent over the years 2006 to 2011 while the proportion of borrowers studying at certificate level fell over the same period from 30 percent to 25 percent (Ministry of Education, 2012).

Changes in the loan scheme made in Budgets 2010-2012 – such as the freezing of the repayment threshold and the increase in the repayment obligation – are increasing repayment rates, leading to a reduction in forecasts of repayment times of more than a year (Ministry of education 2012).

At the same time, changes in the education system, such as Youth Guarantee, Vocational Pathways and greater availability of performance information are lifting the performance of the system.

The 2006 leavers experienced the first and second years of the increase in youth unemployment – 2008 and 2009. That made their employment outcomes worse than earlier cohorts.

As a result of these changes in the system, we need to exercise care in generalising the information in this report to later groups of borrowers<sup>2</sup>.

### **Policy changes affecting the borrowers in this study**

The people who are the subject of this report left tertiary study before the changes described above took effect, but they will have been subject to earlier changes to government policy on the Student Loan Scheme. Two key areas which affected student borrowing over this time are the introduction of interest-free student loans, and fee fixing and stabilisation policies.

#### **Interest-free student loans**

From 2000 onwards, all full-time students have been exempt from paying interest on their loans while studying.

On 1 April 2006, the Government introduced an interest-free policy for the Student Loan Scheme, for those borrowers who stay in New Zealand after they completed their study. Interest is still charged if they are an overseas-based borrower (OBB). A borrower is considered to be overseas if they are out of New Zealand for about six months (184 or more days). If a non-resident returns to New Zealand, he/she won't be reclassified as a resident until he/she has remained in the country for 183 days.

New Zealand residents repay their loans through the tax system. This means they also receive the benefit of targeting provisions in the scheme – they do not have repayment obligations if their incomes are below the repayment threshold. These benefits are not available to overseas-based borrowers.

The interest free-policy encouraged more students to use the Student Loan Scheme to support their tertiary study, with the loan uptake rate rising from 65 percent to 74 percent between 2006 and 2010 (Ministry of Education 2011).

#### **Fee fixing and stabilisation**

Another area that indirectly affected borrowers was the government's tuition fee policy. There have been a number of changes to tuition fee policy between 2000 and 2009 that affected the amount that borrowers were required to draw down to pay their tuition fees.

Before 2001, tuition fees were not regulated by the government. Fee increases of around 15 percent a year were not uncommon during this time<sup>3</sup>. In 2001, the government introduced a fee stabilisation policy. In return for increased government funding per student, all tertiary education institutions and the majority of private training establishments agreed to freeze their fees. Fee freezes continued in 2002 and 2003. Borrowers enrolled in longer programmes during the fee freeze period benefited by not needing to borrow as much as had been expected.

In 2004, the Fee and Course Costs Maxima policy was put in place by the government. This set maximum limits for tuition fees, and limited the amount by which undergraduate fees could increase if providers' fees were below the maxima (up to 5 percent per annum). For

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<sup>2</sup> A full list of policy changes to the Student Loan Scheme can be found at <http://www.educationcounts.govt.nz/publications/series/2555/83822/changes-to-the-student-support-system>

<sup>3</sup> Refer to Smart (2009)

postgraduate courses, fees were allowed to increase up to \$500 per annum on a per-EFTS basis. Students enrolled in this period would have faced increasing tuition fees, albeit at a slower rate of increase than experienced in the 1990s (Smart, 2009, Ministry of Education, 2011).

### **Repayment changes**

In 2007, a number of changes to policy were implemented for overseas-based borrowers. These included:

- *a one-year extension of the penalties amnesty.* This amnesty removed penalties from some overseas-based borrowers, reducing their loan balance. All eligible overseas-based borrowers, regardless if they applied for the amnesty or not, had their penalties reversed, and were charged a one-off 5 percent amnesty penalty
- *the introduction of an automatic three-year repayment holiday for borrowers going overseas.* While borrowers did not have to make repayments during this time, their loans still attracted interest
- *Overseas-based borrowers' repayment obligations changed, based on the size of their loan balance.* This generally meant a decrease in the payments required to be made.

## 3 DEFINITIONS

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### 3.1 Slow repayers

Smyth and Hyatt (2005) defined a slow repayer as someone who showed no progress in reducing their nominal leaving loan balance in the five years after study. However, their analysis of slow repayers took place before the introduction of interest-free student loans in 2006 for New Zealand resident borrowers. The removal of interest meant that it was much less likely that a borrower's loan balance would increase after they left study – as could occur if a borrower was making no repayments but incurring interest. The interest-free policy made it easier for New Zealand resident borrowers to repay; however it also discouraged voluntary repayments by removing the incentives for doing so.

To reflect this change of circumstances for borrowers, the definition of a slow repayer is widened in this report. Two separate definitions of slow repayers are used, depending on the cohort analysed:

#### 2000, 2002, 2004 leavers

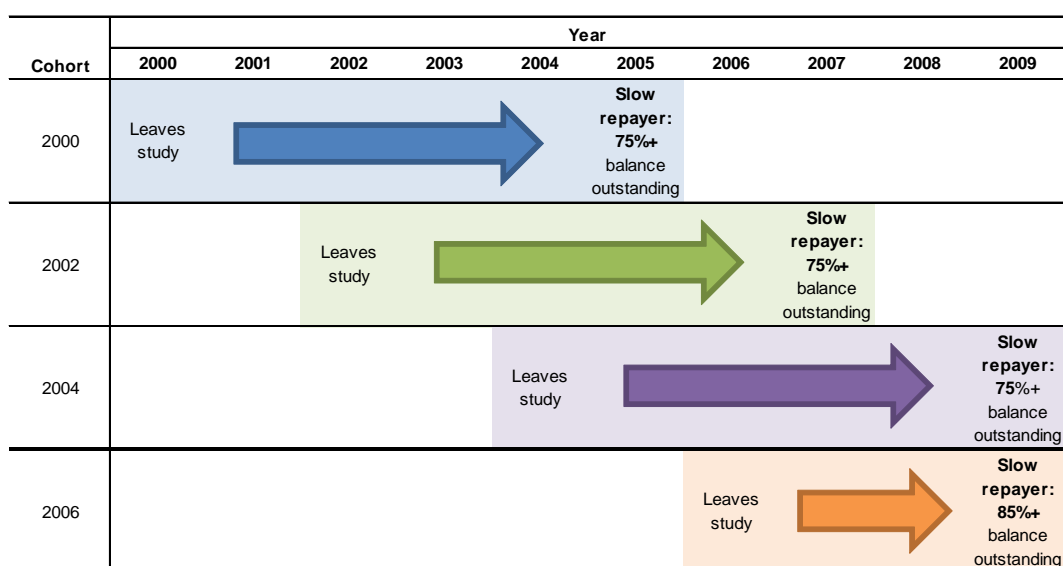
For the 2000, 2002 and 2004 leaving cohorts analysed in this study, a slow repayer is defined as a borrower who still has at least 75 percent of their leaving balance outstanding five years after completing study. Within the group of slow repayers, we also identify those who have made no progress in reducing their nominal leaving balance.

#### 2006 leavers

For the 2006 leaving cohort, only three years of observations (up to 2009) are available in this analysis. As a result, the definition of a slow repayer is adjusted to reflect the fact that borrowers have a shorter time in which to pay off their loan. A slow repayer is therefore defined as a borrower who had 85 percent or more of their original leaving balance remaining after three years.

Figure 1 below shows the four cohorts analysed in this study and the definition of slow repayers for each.

Figure 1: Definition of slow repayer by cohort



### 3.2 Residency status

Borrowers who intend to leave New Zealand for 184 or more days before their loans are repaid are required to advise Inland Revenue that they are moving overseas. However, many borrowers fail to carry out this requirement, and in the past, this has meant Inland Revenue undercounted non-resident borrowers<sup>4</sup>.

In 2007, the Government legislated to allow a match between Customs data on border movements with Inland Revenue data on loans. This enabled Inland Revenue to identify each borrower's international departures and arrivals (from 2006 onwards), hence determining if they have overseas-based borrower status (and therefore a liability to pay interest on their student loan).

A borrower is assigned OBB (overseas-based borrower) status by Inland Revenue if the data shows they have been overseas for 184 or more days. This status is also included in the IDSL, and is used for modelling and valuing the Student Loan Scheme, as well as for research and analysis<sup>5</sup>.

Inland Revenue supplements border movement data with self-declarations of overseas travel and information from other sources. This means that the OBB status is based on the most up-to-date data available to Inland Revenue. However, overseas travellers are not given the OBB status until they have passed the 184 day mark, at which time the status will be backdated to the date of the border crossing. These travellers within the 184 day limit are classified as New Zealand residents for the purposes of this study.

There are also people with OBB status who are physically present in New Zealand, either as part of a short stay back home, or during the first 183 days of their return while they wait for reclassification as a resident. These people are deemed to be overseas for the purposes of this study. Once someone has returned to New Zealand for 184 or more days, they are then reclassified as a resident, which is then backdated to the date of their actual return.

<sup>4</sup> Inland Revenue and Customs performed a limited match on border crossings for borrowers prior to 2006. This analysis suggested an undercount of overseas-based borrowers exists in older data, as the only means of identifying overseas-based borrowers was through self-declaration.

<sup>5</sup> Refer, for instance, to Smyth and Spackman (2012)

For the purposes of this report, a borrower is classified as an overseas borrower if at any point in the analysed post-study period they are assigned OBB status in the dataset. Conversely, a New Zealand resident is assigned New Zealand borrower status only if they have not been assigned OBB status.

Please note the difference between a New Zealand Permanent Resident (who is a citizen of a country other than New Zealand who has been granted certain rights of a New Zealand citizen) and a New Zealand resident (meaning, in the context of this report, the person is a New Zealand citizen or permanent resident who doesn't meet the conditions of an OBB).

### 3.3 Borrowers

The IDSL dataset provides information on all students in the tertiary sector, many of whom do not draw from the Student Loan Scheme. This analysis looks only at those students who borrow from the scheme. For the purposes of this report, borrowers were defined as having a loan balance of at least \$20 on 31 March in the year after ending their tertiary study.

## 4 SLOW REPAYERS - THE 2000, 2002 AND 2004 LEAVERS

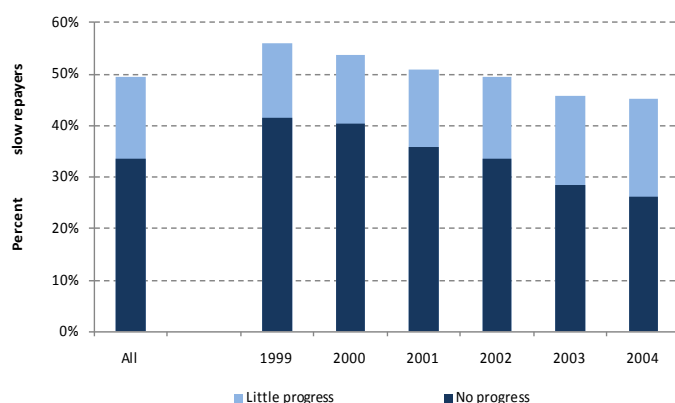
### 4.1 Overview

About 197,300 borrowers utilized the Student Loan Scheme between 1999 and 2004, leaving tertiary study by the end of 2004. Of these, about 97,800 (50 percent) still had at least 75 percent of their leaving loan balances outstanding five years after their study ended (and hence are classified as slow repayers). Of these slow repayers, 66,000 borrowers did not reduce their loans at all.

As described earlier, there were several significant policy changes in the Student Loan Scheme between 1999 and 2009. These policy changes directly or indirectly affected students' loan balances and their progress in repaying their loans. Each of the three cohorts analysed in this section were subject to different government policies, both during study and afterwards.

Figure 2 illustrates the proportions of slow repayers in the six cohorts from 1999 to 2004. It shows a decreasing trend, from 54 percent in 1999 to 45 percent in 2004. In addition, the relative proportion of slow repayers making no progress on their loans decreased over that period as well.

Figure 2: Slow repayers by leaving study cohorts 1999 – 2004



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances.

Interpretation: Ministry of Education

Note: Refer to the Appendix, Table 1 for more detailed data.

Three of the cohorts, 2000, 2002 and 2004 are analysed in more detail below, with respect to the Government policies affecting the students in these cohorts.

#### 2000 Leavers

Most borrowers who left study in 2000 had accumulated interest over the period of their study. This cohort also faced rising tuition fees that were not regulated by the government. Over the five year period after their study ended, borrowers in this cohort were not subject to the interest-free student loans policy for always New Zealand residents (which came into effect on 1 April 2006).

Of the 2000 leavers, 54 percent were classified as slow repayers, while 40 percent had made no progress at all in reducing their loans.



## 2002 Leavers

In most cases, those borrowers in the 2002 leaving cohort had the benefit of the ‘no interest while studying’ policy (introduced in 2000) at least partly over their period of study. These borrowers experienced more stable course fees due to the Government’s fee freeze from 2001 to 2003. In the five years after study ended, around 80 percent of this group benefited from the ‘interest-free student loans for residents’ policy for one year as they had unpaid balances when this policy came into effect in the 2006/07 tax year.

These policies affected borrowers’ ability to pay back their loans. For the 2002 leavers, 49 percent were classified as slow repayers (down 5 percent from 2000 leavers), while 34 percent had made no progress (down 6 percent from 2000 leavers).

These borrowers faced a relatively strong labour market once they left study and hence, were more likely to find reasonably paid jobs that helped them repay (Statistics New Zealand, 2011).

## 2004 Leavers

Almost all borrowers in the 2004 leaving cohort would have been subject to the no interest policy while studying, and stable course fees due to the fee freeze. Three of the five years after study ended would have been subject to no interest for New Zealand residents.

Again, these policies made an impact on borrowers’ loan balances. For the 2004 leavers, 45 percent were classified as slow repayers (down 4 percent from 2002 leavers), while 26 percent had made no progress (down 8 percent from 2002 leavers).

This cohort too faced a strong labour market on leaving study.

## 4.2 Demographics

This section describes key findings of analysis of slow repayers by gender, ethnicity, age and citizenship status for leaving cohorts 2000, 2002 and 2004. The data behind these results is detailed in Table 1 in the Appendix.

- **Māori and Pasifika borrowers were more likely to be slow repayers, while NZ European/Pakeha borrowers were less likely to be slow repayers.** For NZ European/Pakeha borrowers, 47 percent were slow repayers in the 2000 leaving cohort, compared with 66 percent for Māori and 71 percent for Pasifika. By the 2004 cohort, percentages are lower, with 38 percent for NZ European/Pakeha, 57 percent for Māori and 54 percent for Pasifika.

In part, this difference reflects the fact that Māori and Pasifika are more likely to take lower-level qualifications.

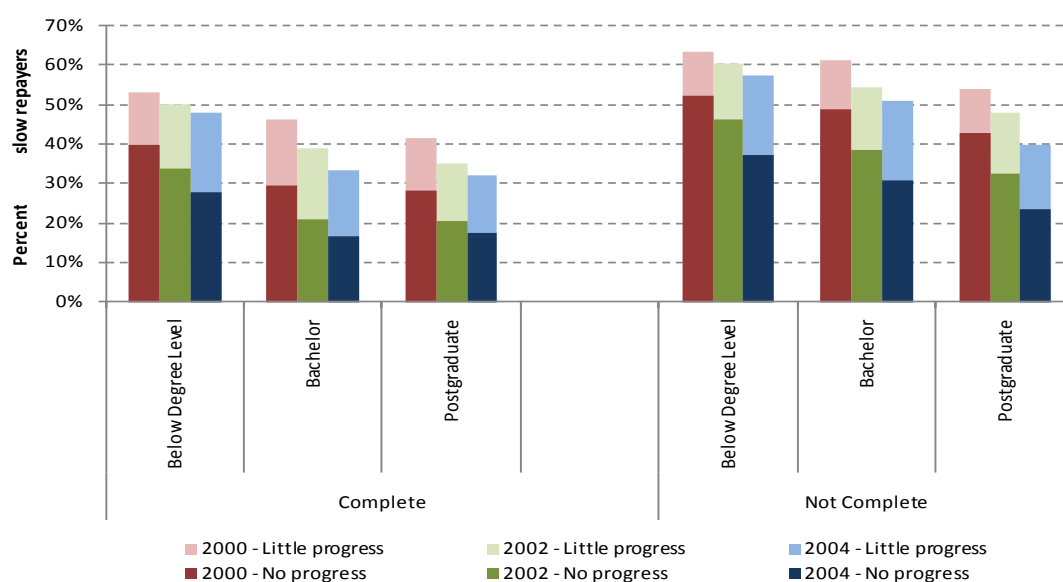
- **Borrowers aged 50 or above were more likely to be slow repayers.** 62 percent of those aged 50 years or older were slow repayers in the 2000 leaving cohort, compared with the 54 percent for the overall cohort. This gap was similar in subsequent cohorts.
- **New Zealand permanent residents were more likely to be slow repayers.** In the 2000 leaving cohort, 59 percent of NZ permanent resident borrowers were slow repayers, compared with 53 percent for NZ Citizens. This gap was consistent across all three cohorts analysed.
- **There was little difference between male and female slow repayers.** For the 2000 leaving cohort, 54 percent of males were slow repayers, while 53 percent of females were slow repayers. This did not differ greatly in subsequent cohorts.

### 4.3 Study status

This section describes key findings of analysis of slow repayers by completion status, qualification level, and field of study for leaving cohorts 2000, 2002 and 2004. The data behind these results is detailed in Table 2 in the Appendix.

- Borrowers who failed to complete a qualification were more likely to be slow repayers.** Completion status is a key indicator of a borrower’s future repayment progress. In the 2000 cohort, 61 percent of those who failed to complete a qualification were slow repayers. In comparison, 48 percent of those who successfully completed a qualification were slow repayers. There was a gap of similar magnitude in subsequent leaving cohorts. For the 2004 cohort, 54 percent of borrowers who failed to complete a qualification were slow repayers, compared with 40 percent of those who did complete a qualification.
- Borrowers at lower qualification levels were more likely to be slow repayers.** For the 2000 cohort, of those borrowers studying at below bachelor degree level, 60 percent were slow repayers, while 49 percent of borrowers at bachelor level or above were slow repayers. This pattern was consistent across all cohorts and completion status, as shown in Figure 3 below.

Figure 3: Slow repayers by completion status and qualification level, 2000, 2002 and 2004 cohorts



- Borrowers who studied in the broad fields of food and hospitality, creative arts, or society and culture were more likely to be slow repayers.** This is likely due to jobs in these fields having relatively low wages and a higher proportion of casual or part-time employment. In contrast, borrowers who studied in the broad fields of health, education, architecture or engineering were less likely to be slow repayers. This perhaps reflects the relatively higher wages and employment prospects for those fields.<sup>6</sup> Slow repayers by field of study for the 2000 cohort are shown in Figure 4 (below degree level) and Figure 5 (degree level and above).

<sup>6</sup> A clear gap in wage rates between these fields can be seen in the Quarterly Employment Survey (QES). In 2011, workers in the retail trade and accommodation industry earned an average weekly income of \$582, and in the art, recreation and other services earned \$708. In contrast, average wages for health, education and professional and administrative services (ie architects and engineers) were \$824, \$880, and \$1,011, respectively.

- There is a correlation between field and level of study: courses in some fields are predominantly below degree level<sup>7</sup>.

Figure 4: Slow repayers by field of study and completion status, below degree level, 2000 Cohort

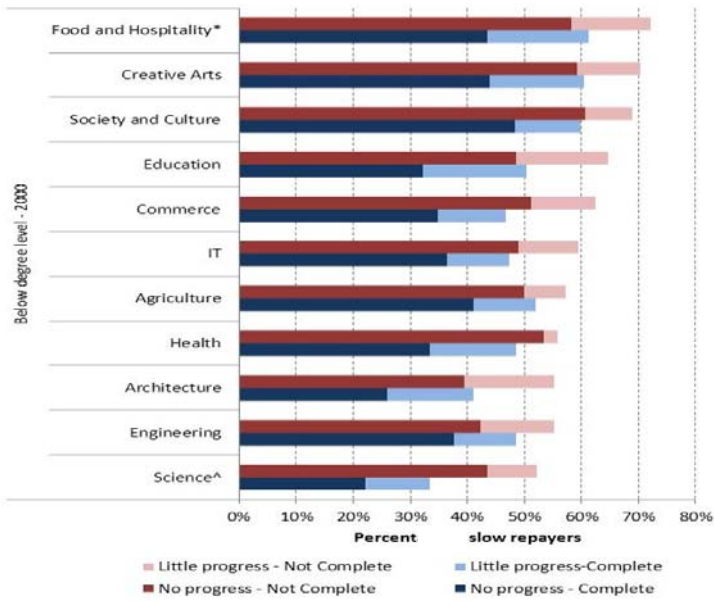
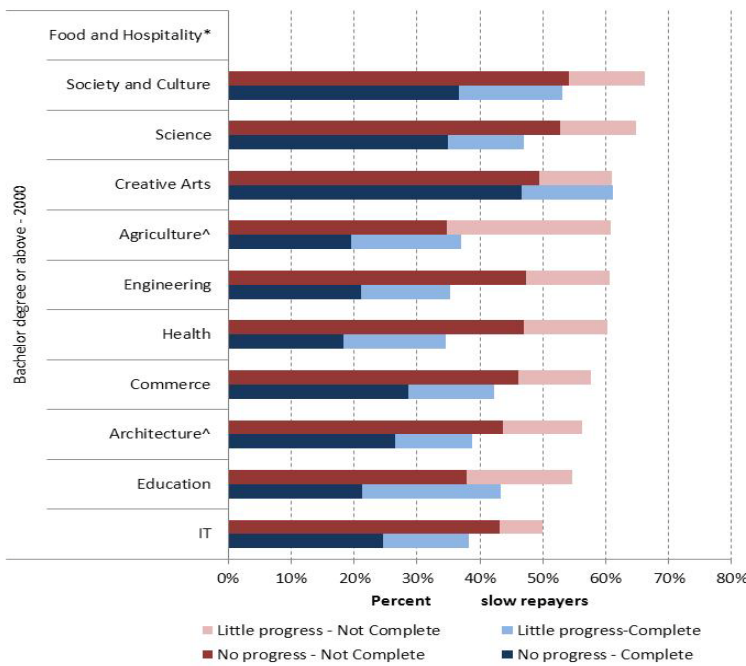


Figure 5: Slow repayers by field of study and completion status, degree level and above, 2000 Cohort



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education  
Note:

1. Refer to the Appendix, Table 2 for more detailed data.
2. Those with unknown field of study are ignored.
3. \*- Levels of qualifications in food and hospitality field are suppressed for confidentiality reasons. Less than two percent of food and hospitality borrowers were in bachelor degree or above qualifications.
4. ^ - Counts for these categories were low, with less than 100 borrowers per category in many cases. Caution is advised when interpreting these results.

<sup>7</sup> In some broad fields, there will be low homogeneity between groups. This matter will therefore will benefit from more detailed analysis.

## 4.4 Progress in repaying loans

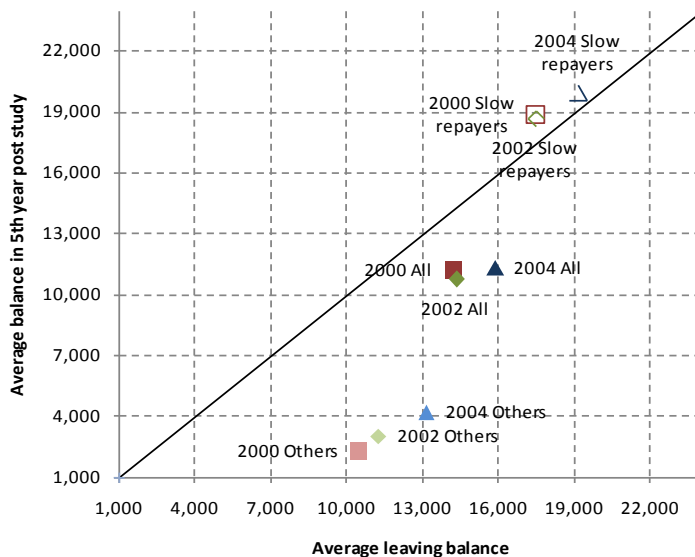
Figure 6 below displays a scatter plot comparing the average leaving balance of borrowers with the average balance five years after study was completed, for each cohort, by three categories:

- all borrowers
- slow repayers, and
- others (not slow repayers).

Key findings from this analysis are outlined below.

- **The progress of repaying loans was different in each leaving cohort.** This was likely due to each cohort facing different government policy settings both throughout their study period, and after study. Later cohorts would have had the benefit of the ‘no interest’ policy while studying and after studying (if they were New Zealand based borrowers). As such, the most recent (2004) cohort, despite having a higher average leaving balance than previous cohorts, had repaid their loans to reach an equal level to cohorts 2000 and 2002 after five years.
- **As expected, slow repayers had a higher average leaving balance than other borrowers.** For the 2004 cohort, the “others” group reduced their balance by around three-quarters. In comparison, balances for 2004 slow repayers actually increased slightly over the five year period. This was likely reflecting accrued interest for overseas borrowers, as well as penalties for late payment over this period.

Figure 6: Average leaving balance, and average balance after five years, cohorts 2000, 2002 and 2004



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

## 5 SLOW REPAYERS – THE 2006 LEAVERS

### 5.1 Overview

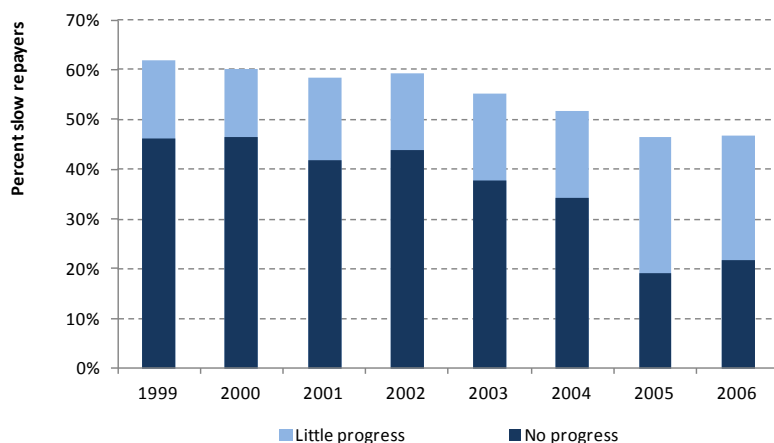
This section examines the slow repayers from the 2006 leaving cohort.

About 52,100 borrowers who borrowed through the Student Loan Scheme left tertiary study in 2006. This leaving cohort is of particular interest, as it is the first to fully experience the policy of no-interest student loans for New Zealand-based borrowers after study which was implemented in April 2006. In addition, this group also benefited from a range of policy changes introduced in 2007, including a one-year extension on the penalties amnesty, the introduction of the three-year repayment holiday option, and a change in overseas-based borrower repayment obligations (see section 2.2).

Please note that the definition of a slow repayer differs from the previous section. Due to only three years being available for analysis, we adjusted the definition to be a borrower that had 85 percent or more of their leaving balance remaining, three years after they have finished studying. On average, overall students in the 2006 cohort had balances at 80 percent of their leaving balance three years after they finished studying.

Figure 7 below illustrates slow repayers for leaving cohorts 1999 to 2006, utilising the new definition of a slow repayer. It shows a decreasing trend in the percentage of slow repayers from 62 percent in cohort 1999 to 47 percent in cohort 2006. The percentage of borrowers with no progress in paying off their loans decreased from 46 percent in cohort 1999 to 22 percent in cohort 2006.

Figure 7: Slow repayers by leaving study cohorts 1999 – 2006



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

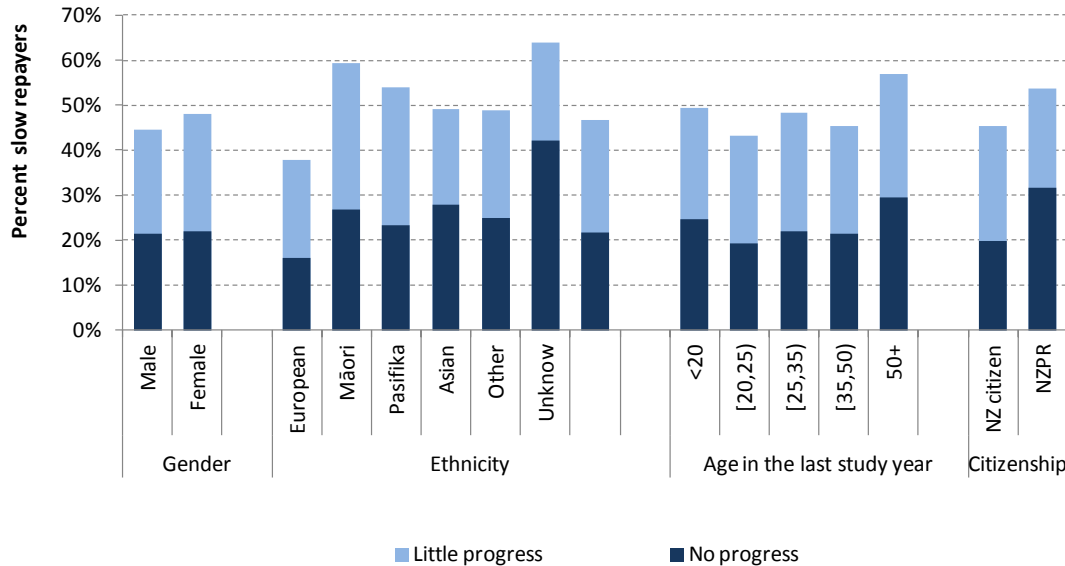
Because of the various policy settings described above (as well as the interest free policies and fee stabilisation policies described earlier), borrowers leaving study in 2006 were less likely to get into “negative repayment”, where loan balances increase after studying had ended, except if they travel overseas and fail to make payments sufficient to cover the interest being applied to their loan balances.

## 5.2 Demographics

This section describes key findings of analysis of slow repayers by gender, ethnicity, age and citizenship status for the 2006 leaving cohort. The data behind these results is detailed in Table 3 in the Appendix.

Figure 8 provides a summary of slow repayers by demographic for the 2006 cohort.

**Figure 8: Slow repayers by gender, ethnicity, age in the last study year, and citizenship status, 2006 cohort**



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

Analysis of slow repayers by demographics shows that:

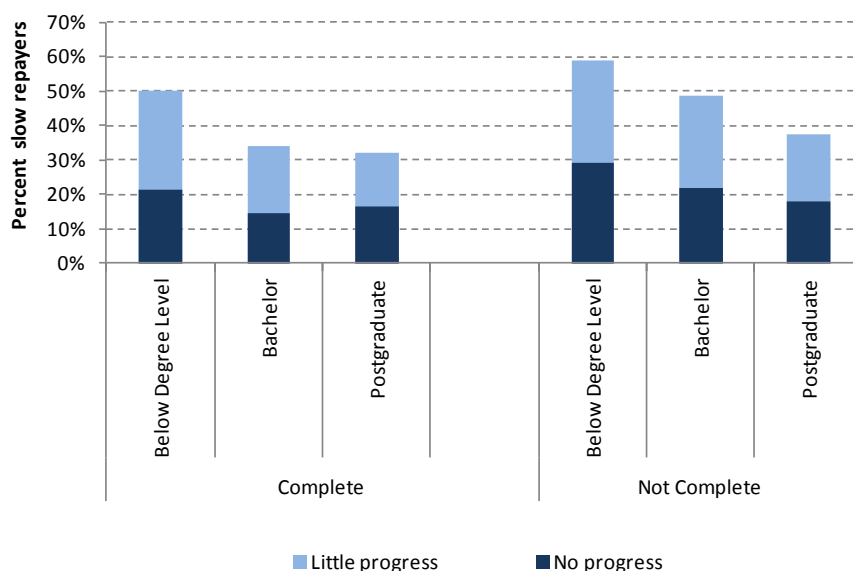
- **A slightly higher proportion of females were slow repayers, compared with males.** Around 45 percent of male borrowers were slow repayers, while female borrowers were slightly higher, at 48 percent.
- **Māori and Pasifika borrowers were more likely to be slow repayers, while NZ European/Pakeha borrowers were less likely to be slow repayers.** Around 59 percent of Māori and 54 percent of Pasifika borrowers were slow repayers, compared with 38 percent of NZ European/Pakeha and 50 percent of Asian. The high figure for Asian borrowers is strongly influenced by those Asian borrowers aged over 50, with 82 percent of them slow to repay.
- **Borrowers aged 50 or above were more likely to be slow repayers.** Around 57 percent of those aged 50 years or older were slow repayers in the 2006 leaving cohort, while all other age groups were lower than 50 percent.
- **New Zealand permanent residents were more likely to be slow repayers.** Of those who were New Zealand permanent residents, 57 percent were slow repayers. This compares with 45 percent for New Zealand Citizens.

Māori, Pasifika and those aged over 50 were more likely to be taking lower level qualifications – also associated with longer repayment times.

## 5.3 Study status

This section describes key findings of analysis of slow repayers by completion status, qualification level, and field of study for the 2006 leaving cohort. The data behind these results is detailed in Table 4 in the Appendix. Figure 9 provides a summary of slow repayers by completion status and qualification level for the 2006 cohort.

Figure 9: Slow repayers by completion status and qualification level , 2006 cohort



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

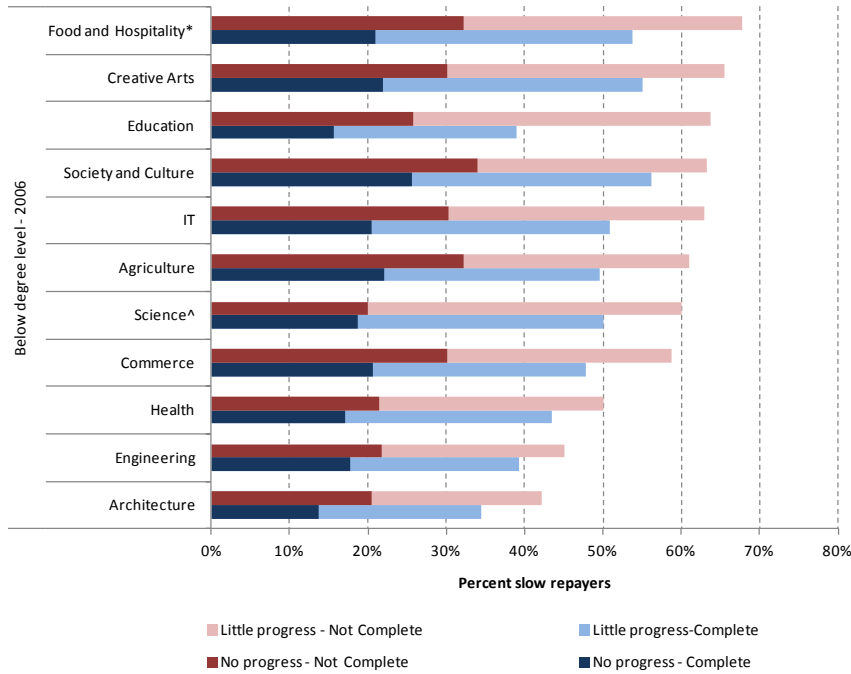
Analysis of slow repayers by study status shows that:

- Borrowers who failed to complete a qualification were more likely to be slow repayers.** In the 2006 cohort, 57 percent of those who failed to complete a qualification were slow repayers. In comparison, 42 percent of those who successfully completed a qualification were slow repayers.
- Borrowers at lower qualification levels were more likely to be slow repayers.** Irrespective of completion status, those borrowers who studied below bachelor degree level were more likely to be slow repayers, compared with those who studied at bachelor level or higher. Of those who studied below bachelor degree level and did not complete their qualifications, 59 percent were slow repayers, compared with 50 percent of those who completed their qualifications. This compares with slow repayers doing postgraduate courses at 32 percent (complete) and 37 percent (incomplete).
- Borrowers who studied in the broad fields of food and hospitality, creative arts, or society and culture were more likely to be slow repayers.** This is likely due to jobs in these fields having relatively low wages and a higher proportion of casual or part-time employment. In food and hospitality, the majority of courses were at certificate and diploma level. Of those who studied in this field, more than 50 percent were slow repayers.
- Borrowers who studied in the broad fields of education, engineering or health were less likely to be slow repayers.** Borrowers successfully completing a degree-level qualification in education, engineering and health were least likely to be a slow repayer, at 22, 24 and 25 percent, respectively. This perhaps reflects the relatively higher wages and

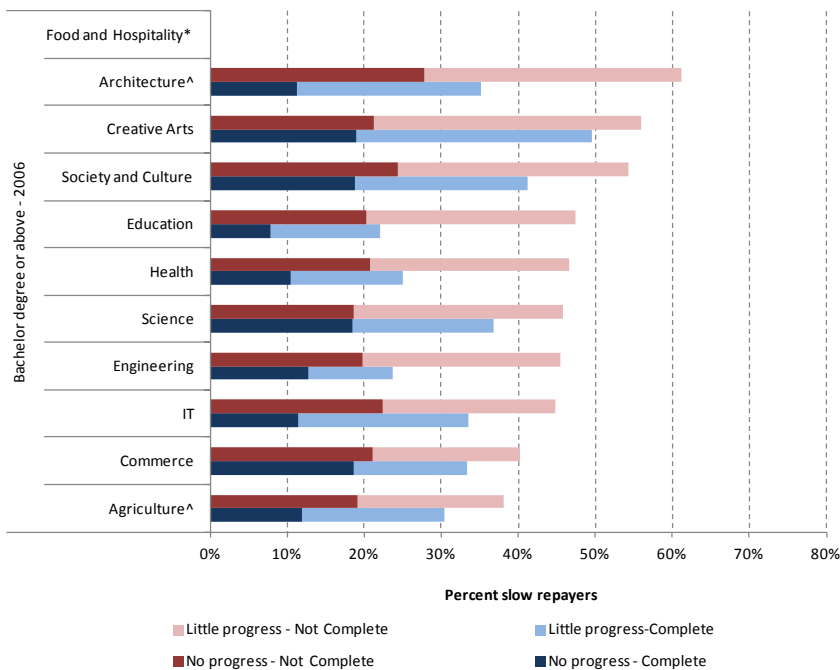
employment prospects for those fields. Smyth and Spackman (2012) find that borrowers who studied in fields of education or health also have a lower probability of going overseas after study. Slow repayers by field of study for the 2006 cohort are shown in

- Figure 10 (below degree level) and Figure 11 (degree level and above).

**Figure 10: Slow repayers by field of study and completion status, below degree level, 2006 Cohort**



**Figure 11: Slow repayers by field of study and completion status, degree level and above, 2006 Cohort**



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

Note:

1. Refer to the Appendix, Table 4 for more detailed data.
2. Those with unknown field of study are ignored.
3. \*- Levels of qualifications in food and hospitality field are suppressed for confidentiality reasons. Less than two percent of food and hospitality borrowers were in bachelor degree or above qualifications.



4. ^ - Counts for these categories were low, with less than 100 borrowers per category in many cases. Caution is advised in interpreting these results.

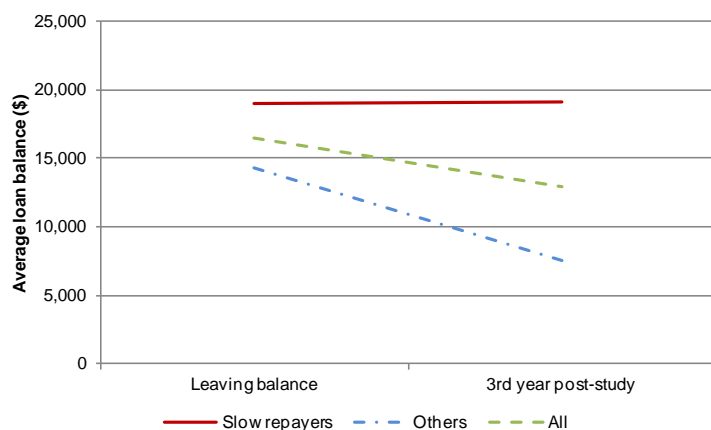
## 5.4 Progress in repaying loans

Figure 6 below compares the average leaving balance of borrowers with the average balance three years after study was completed, for the 2006 cohort, by three categories:

- all borrowers;
- slow repayers; and
- “others” (i.e. not slow repayers).

Figure 12 shows that, as expected, slow repayers had a higher average leaving balance (\$19,000) when compared with “others” (\$14,300). Balances of slow repayers increased slightly over the three years after study ended, up by 0.5 percent. “Other” borrowers’ balances fell by around 50 percent over the same period.

**Figure 12: Average leaving balance, and average balance after three years, leaving cohort 2006**



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

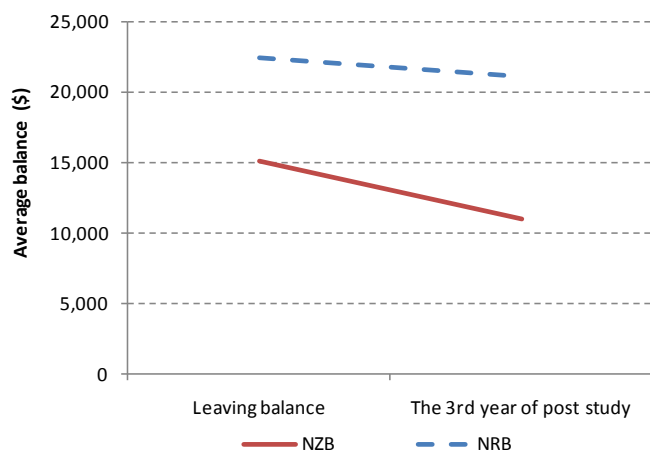
## 5.5 Residency status

The residency status of borrowers (three years after they finish studying) is a key factor in determining slow repayers. As highlighted in Section 3.2, in the years prior to the Inland Revenue data match in 2007, the IDSL dataset undercounts overseas-based borrowers and overcounts NZ based borrowers. Following the data match, from 2007 onwards, the dataset contains far more accurate information on residency status. As a result, the 2006 leaving cohort has the best available residency status information.

This report divides borrowers into two categories, always New Zealand based borrowers, and borrowers who were overseas-based for at least part of the time. A not-always-resident borrower has been identified as having travelled overseas for 184 or more days, at any point in the three-year post-study period in the dataset. Conversely, an always New Zealand-based borrower (NZB) is identified as not having travelled overseas for 184 or more days in the period.

Figure 13 shows the average balances for not-always-residents and always New Zealand residents, from leaving study in 2006, to three years after studying ended.

Figure 13: Average leaving balance, and average balance after three years, by residency status, leaving cohort 2006



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

Always New Zealand residents made faster repayment progress than non-residents over the three years analysed. In the 2006 leaving cohort, the average leaving balance of always New Zealand residents was \$15,100, compared with \$22,400 for not-always-residents. While New Zealand-based borrowers reduced their balance by about one-third in the three years after study ended, non-residents reduced their balance by only 6 percent.

There were a number of reasons why there is such a disparity between these two groups.

- New Zealand resident borrowers were not subject to interest charges, due to the interest free policy for residents introduced in the 2006/07 tax year. In contrast, not-always-residents not only had interest added to their loans, but in many cases took a repayment holiday for up to three years, which increased the size of the loan.
- Loan payments for New Zealand resident borrowers were easily and most often automatically paid through the tax system, via deductions from earnings. Not-always-residents, however, often did not inform Inland Revenue when they left New Zealand, or maintain contact with them. Therefore there was a higher risk of falling behind on repayments and incurring penalties.

## 6 ALWAYS NEW ZEALAND RESIDENT SLOW REPAYERS – THE 2006 LEAVERS

### 6.1 Overview

This section profiles always New Zealand resident slow repayers in the 2006 cohort.

One of the main goals of the government’s tertiary education funding is to lift the skill level of the resident population. A more skilled resident population leads to a more productive economy as well as being beneficial to the individuals who have acquired those skills.

Domestic slow repayers are receiving insufficient income to pay off their loan. Therefore, either their personal circumstances mean they are unable to fully participate in the workforce or their chosen career or they have failed to adequately obtain skills to meet labour market needs. This could be because:

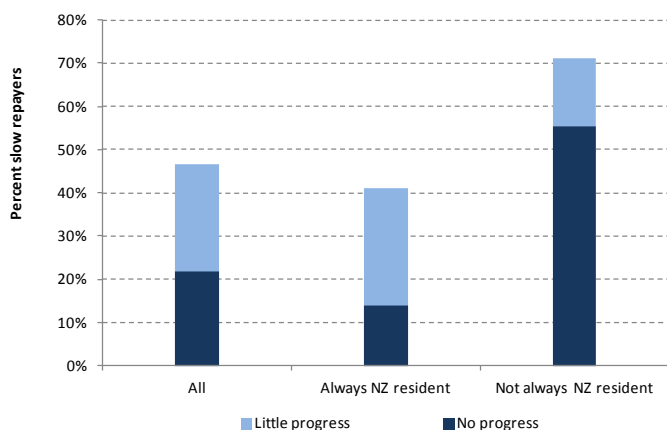
- The qualification/skills they have acquired are insufficient for the New Zealand workforce, or
- The qualification/skills they have acquired, while adequate, are not in demand in the New Zealand workforce, or
- They have failed to complete the qualification.

Understanding the reasons behind slow repayment will help to improve tertiary education and the value of the Student Loan Scheme.

As in the previous section, a slow repayer is defined as a borrower who had 85 percent or more of their leaving balance remaining, three years after they have finished studying.

Figure 14 compares the proportion of NZ resident and not-always-resident slow repayers for the 2006 cohort.

**Figure 14: Slow repayers by residency status, cohort 2006**



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

About 42,300 (81 percent) of borrowers in cohort 2006 stayed in New Zealand over the three years after they finished studying. Around two-fifths (41 percent) of these were slow repayers, compared with nearly three-quarters (71 percent) of not-always-residents. More than 50 percent of not-always-residents had made no progress in reducing their leaving loans, compared with 14 percent of residents. This is likely due to many of the not-always-resident borrowers in the 2006 cohort utilizing the three-year repayment holiday introduced in 2007.

## 6.2 Demographics

The demographics of always-resident slow repayers were similar to the overall cohort. The data behind these results is detailed in Table 5 in the Appendix. Analysis shows that:

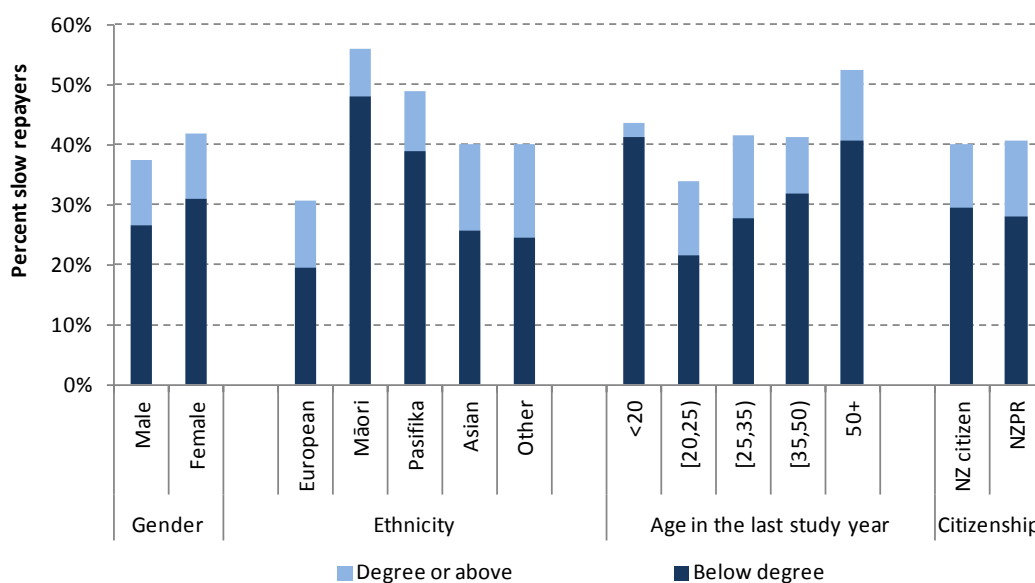
- **A slightly higher proportion of always-resident females were slow repayers, compared with males.** Around 38 percent of always-resident male borrowers were slow repayers, while always-resident female borrowers were slightly higher, at 43 percent.
- **Always-resident Māori and Pasifika borrowers were more likely to be slow repayers, while always-resident NZ European/Pakeha borrowers were less likely to be slow repayers.** Around 56 percent of always-resident Māori and 49 percent of Pasifika were slow repayers, compared with 31 percent of NZ European/Pakeha.
- **Always-resident borrowers aged 50 or above were more likely to be slow repayers.** Around 54 percent of those always NZ residents aged 50 years or older were slow repayers, while all other age groups were between 35 and 45 percent.

The last two groups were more likely to be undertaking lower level study, which is also associated with slow repayment.

### Demographics by qualification level

Figure 15 below shows the proportions of those always New Zealand resident borrowers who are slow repayers in the 2006 cohort, by demographics and qualification level.

Figure 15: Slow repayers by qualification level, by gender, ethnicity, age in the last study year, and citizenship status, 2006 cohort



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

Note:

1. Refer to the Appendix, Table 5 for more detailed data.
2. Those with unknown ethnicity are not shown in the graph
3. Those borrowers who have unknown level of qualifications are excluded.

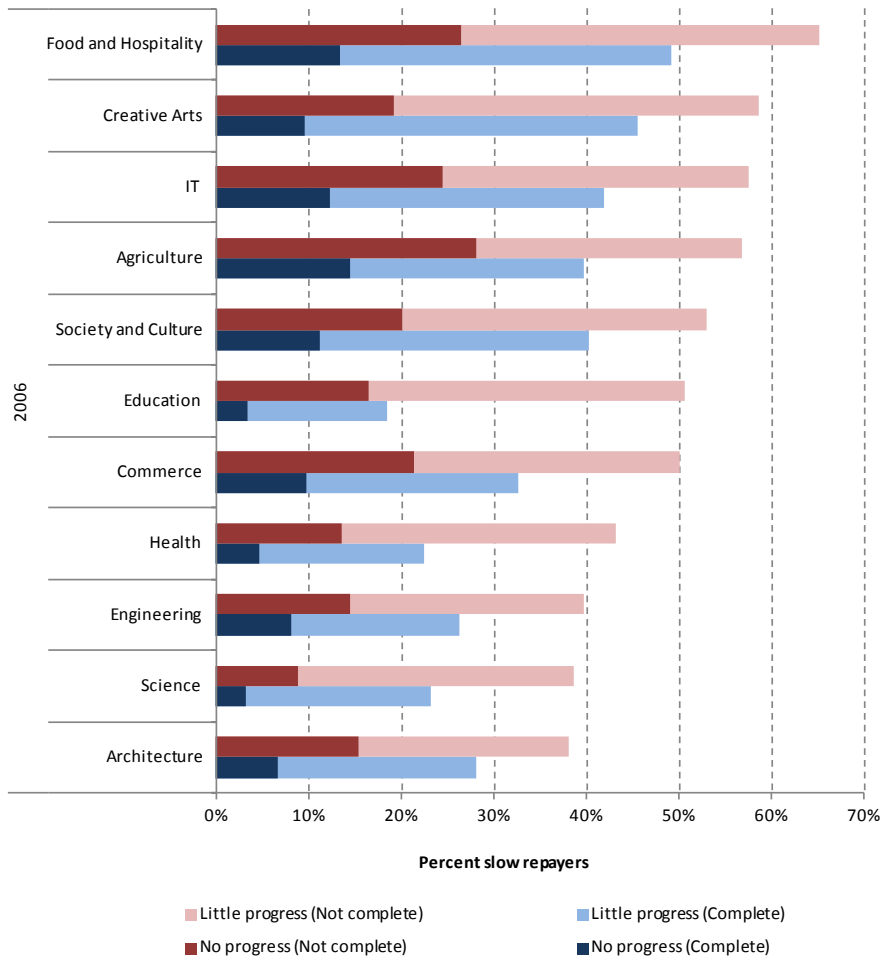
Overall, slow repayers were more likely to study at below bachelors degree level. More than 80 percent of Māori or Pasifika slow repayers studied below degree level. Of those slow repayers over 50 years old in their last study years, 77 percent studied at below degree level.

### 6.3 Study status

The breakdown of study status of always New Zealand resident slow repayers was similar to the overall cohort. The data behind these results is detailed in Table 6 in the Appendix. Analysis shows that:

- **Always New Zealand resident borrowers who failed to complete a qualification were more likely to be slow repayers.** In the 2006 cohort, 53 percent of those resident borrowers who failed to complete a qualification were slow repayers. In comparison, 34 percent of those who successfully completed a qualification were slow repayers.
- **Always New Zealand resident borrowers at lower qualification levels were more likely to be slow repayers.** Irrespective of completion status, those resident borrowers who studied below bachelor degree level were more likely to be slow repayers, compared with those who studied at bachelor level or higher. Of those always-residents who studied below bachelor degree level and did not complete their qualifications, 56 percent were slow repayers, compared with 46 percent of those who completed their qualifications. This compares with always-resident slow repayers doing postgraduate courses at 19 percent (complete) and 31 percent (incomplete).
- **Always New Zealand resident borrowers who studied in the broad fields of food and hospitality, creative arts, or information technology were more likely to be slow repayers.** This is likely due to jobs in these fields having relatively low wages and a higher proportion of casual or part-time employment. In food and hospitality, the majority of courses were at certificate and diploma level. Of those who studied in this field, 55 percent were slow repayers, and of those who successfully completed a food and hospitality course, 49 percent were slow repayers.
- **Always New Zealand resident borrowers who studied in the broad fields of health or education were less likely to be slow repayers.** Borrowers successfully completing a qualification in health and education were least likely to be a slow repayer, at 19 and 22 percent, respectively. This perhaps reflects the relatively higher wages and employment prospects for those fields. Slow repayers by field of study for always NZ residents are shown in Figure 16 below.

Figure 16: Slow repayers by field of study and completion status, 2006 Cohort

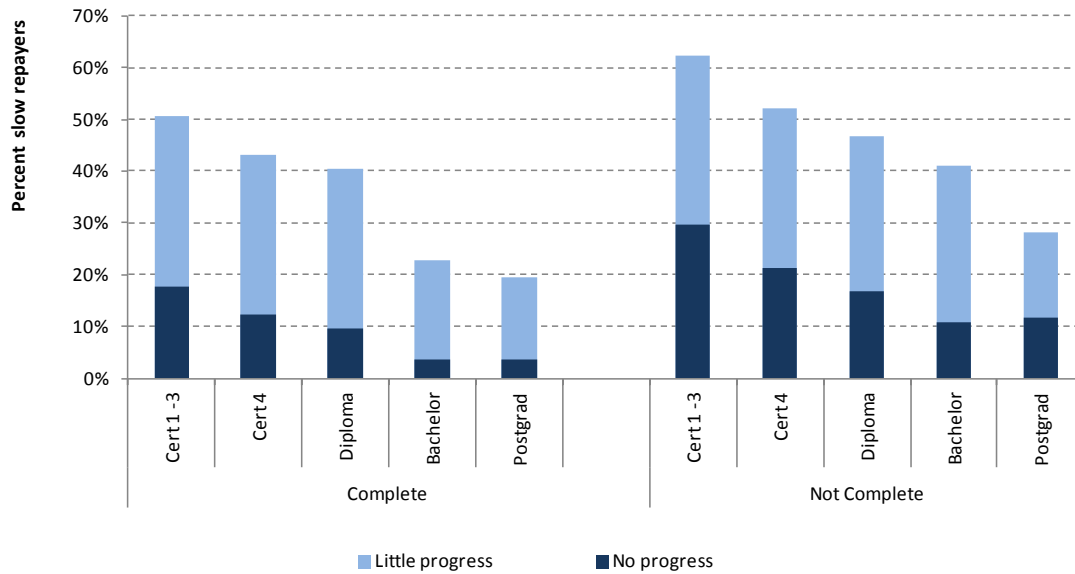


Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

Figure 17 looks at more detail at the qualifications studied by always New Zealand resident slow repayers.

Always New Zealand resident borrowers who studied for level 1-3 certificates were more likely to be slow repayers. Of those who studied at level 1-3, over 60 percent of those who failed to complete a qualification, and 50 percent of those who completed a qualification were slow repayers. By contrast, only one fifth of resident borrowers who had completed a bachelor degree or above were slow repayers.

Figure 17: Always New Zealand resident slow repayers, by completion status and level of study, 2006 cohort



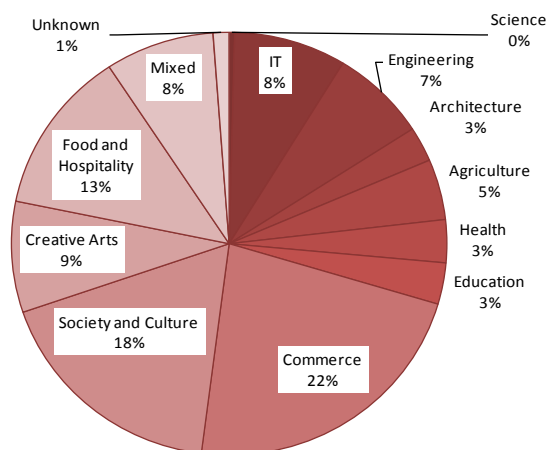
Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

About 70 percent (11,841 out of 16,293) of those always New Zealand resident slow repayers studied at below degree level. Figure 18 below looks at the distribution of these borrowers by field of study.

The highest proportion of lower-level slow repayers was in the field of commerce, at 22 percent. Society and culture<sup>8</sup> and food and hospitality also made up a significant portion of the total, at 18 percent and 13 percent, respectively. Creative arts made up 9 percent of slow repayers.

On the other hand, only 3 percent of lower-level slow repayers were in each of the health, education, and architecture fields of study.

Figure 18: Always New Zealand resident slow repayers, below degree-level qualifications, by field of study, 2006 cohort



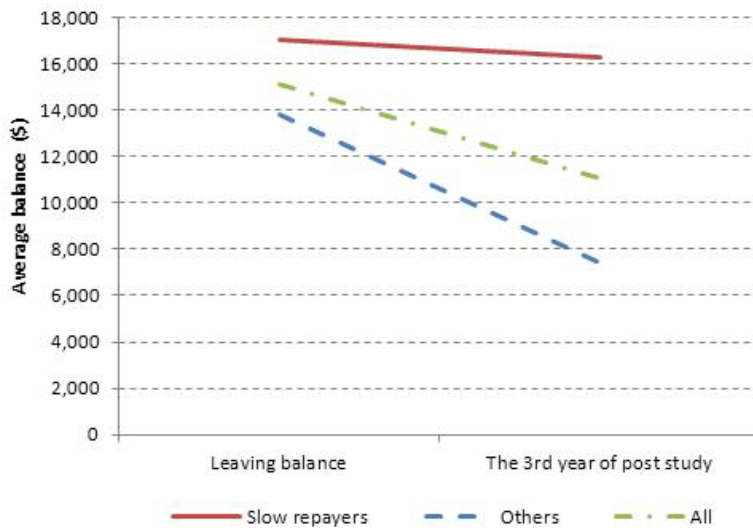
Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

<sup>8</sup> This includes such narrow fields as social sciences and humanities.

## 6.4 Progress in repaying loans

Figure 19 below shows that the average leaving balance for always New Zealand resident slow repayers for the 2006 cohort. Average leaving balances were on average 24 percent higher than “other” (not slow repayer) borrowers, at \$17,000 versus \$13,800. After three years, slow repayer average balances fell by 4 percent, compared with a 46 percent average fall for “other” borrowers.

**Figure 19: Always New Zealand resident borrowers average leaving balance, and average balance after three years, 2006 cohort**



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

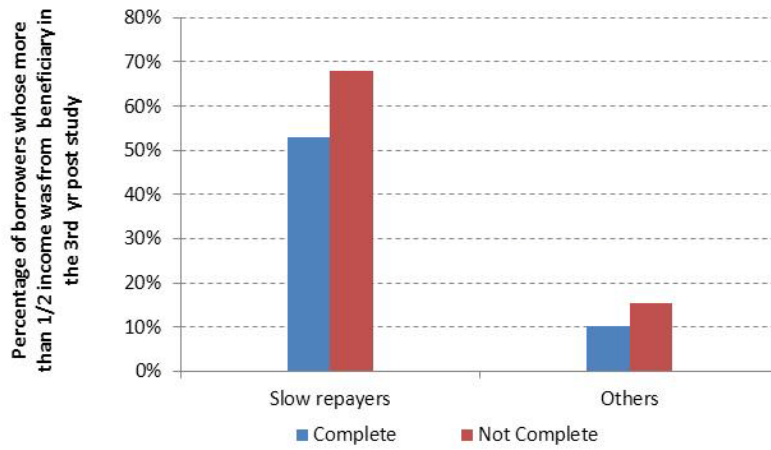
## 6.5 Sources of income

Figure 20 shows the proportion of always New Zealand resident borrowers who received more than half their income from income-tested benefits<sup>9</sup> in the third year after study ended, by completion status. More than 50 percent of slow repayers who completed a qualification received more than half their income from a benefit, and 68 percent of slow repayers who failed to complete a qualification. In comparison, only 10 percent of “others” (not slow repayers) who completed a qualification were on a benefit, and 15 percent of “others” who failed to complete a qualification.

<sup>9</sup>Benefits exclude New Zealand superannuation and Working for Families. It is not possible to break this down by type of benefit.



Figure 20: Always New Zealand resident borrowers who received more than half their income from income-tested benefits, by repayment speed and completion status, 2006 cohort



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

## 7 ALWAYS NEW ZEALAND RESIDENT BORROWERS BELOW REPAYMENT THRESHOLD – THE 2006 LEAVERS

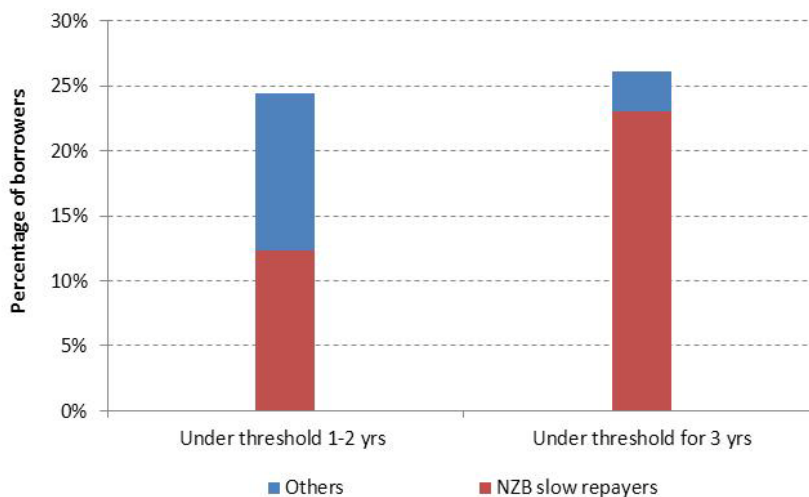
### 7.1 Overview

New Zealand based borrowers are subject to a repayment threshold, where those earning income below the repayment threshold are not obligated to pay back their student loans until they do earn an income over the threshold.

In the 2006 leaving cohort, 82 percent of always New Zealand resident slow repayers were at some point below the repayment threshold – ie in at least one of the three years they had an income below the repayment threshold that applied in that year. This suggests there is a strong correlation (association?) between slow repayment and being under the threshold. It also suggests that for these borrowers, skills learned through study were inadequate for the New Zealand job market or their personal circumstances did not allow them to fully participate in the job market.

The repayment threshold was \$17,784 for 2007/08, rising to \$19,084 by 2009/10. For the cohort who left study in 2006, approximately 42,000, or 26 percent of always New Zealand resident borrowers had income under the repayment threshold for the entire three-year period. A further 24 percent had income under the repayment threshold for one to two years.

Figure 21: Always New Zealand resident borrowers who had income below the Student Loan repayment threshold, by repayment speed, 2006 cohort



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

### 7.2 Demographics

Figure 22 shows demographic breakdowns of the 2006 cohort of always New Zealand resident borrowers who had incomes below the repayment threshold for all three years after they left tertiary study. The data behind these results is detailed in Table 7 in the Appendix.

Figure 22: Always New Zealand resident borrowers who had income below the Student Loan repayment threshold for three years after study, by gender, ethnicity, age in study year and citizenship, 2006 leaving cohort



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

The analysis shows that:

- **A slightly higher proportion of resident female borrowers were below the threshold, compared with males.** Around 24 percent of male borrowers were below the threshold, while female borrowers were slightly higher, at 28 percent. The largest difference between genders is in the age groups below 35 years, most likely reflecting time out of the workforce to raise children.
- **Māori and Asian resident borrowers were more likely to be below the threshold, while NZ European/Pakeha resident borrowers were less likely.** Around 35 percent of both Māori and Asian resident borrowers were below the threshold, compared with 18 percent of NZ European/Pakeha. Asian resident borrowers below the threshold were more likely to be permanent residents (61 percent) and aged 50 years old or above (22 percent). These results indicate that a group of older Asian permanent residents used student loans for living costs because they were ineligible for other social security benefits. However, recent policy changes have prevented this by removing eligibility for all students 55 and over from course-related and living costs.
- **Resident borrowers aged 50 or above were more likely to be under the threshold.** Almost one half (46 percent) of those aged 50 years or older were below the threshold, significantly higher than other age groups.
- **New Zealand permanent residents were more likely to be under the threshold.** Of those who were New Zealand permanent residents, more than 36 percent were under the repayment threshold. This compares with 24 percent for New Zealand Citizens.

In general, those under the threshold followed the same pattern seen in slow repayers.

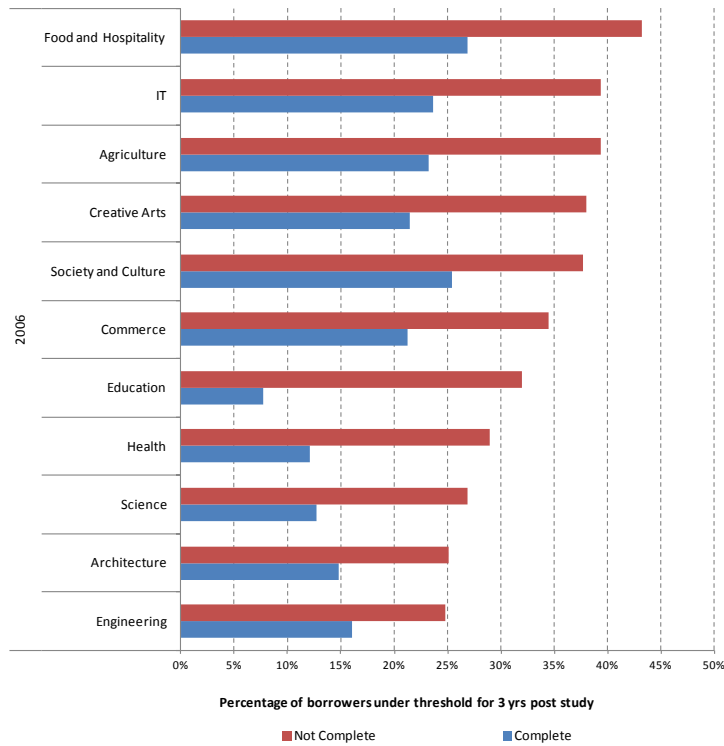
### 7.3 Study status

The breakdown of study status of always New Zealand residents under the threshold for all three years was similar to the overall cohort. The data behind these results is detailed in Table 8 in the Appendix. Analysis shows that:

- **Always New Zealand resident borrowers who failed to complete a qualification were more likely to be under the income threshold in the three years after leaving tertiary study.** In the 2006 cohort, 37 percent of those resident borrowers who failed to complete a qualification were under the income threshold after leaving study. In comparison, 20 percent of those who successfully completed a qualification were under the threshold once they left study.
- **Always New Zealand resident borrowers at lower qualification levels were more likely to be under the threshold.** Irrespective of completion status, those resident borrowers who studied below bachelor degree level were more likely to be under the threshold on leaving tertiary study, compared with those who studied at bachelor level or higher. Of those always-residents who studied below bachelor degree level and did not complete their qualifications, 39 percent were under the threshold, compared with 29 percent of those who completed their qualifications. This compares with always-residents under the threshold doing postgraduate courses at 11 percent (complete) and 19 percent (incomplete). Completion status is further analysed later in this section.
- **Always New Zealand resident borrowers who studied in the broad fields of food and hospitality, society and culture, or information technology were more likely to be under the threshold when they left tertiary study.** These three fields had largest percentage of borrowers under the threshold (food and hospitality, 27 percent; society and culture, 25 percent; and information technology, 24 percent).
- **Always New Zealand resident borrowers who studied in the broad fields of health, education and science were less likely to be under the threshold on leaving tertiary study.** The education (8 percent), health (12 percent) and science (13 percent) fields had the lowest percentage of borrowers under the threshold for three years.

Figure 23 below shows those borrowers who had incomes below the repayment threshold for all three years after leaving tertiary study, by field of study and completion status.

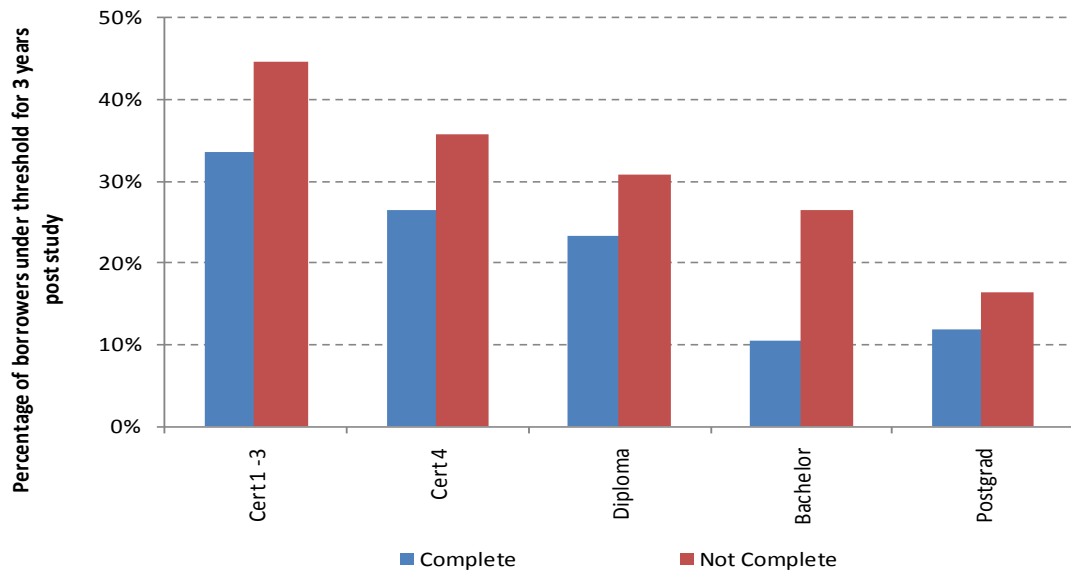
**Figure 23: Always New Zealand resident borrowers who had income below the Student Loan repayment threshold for all three years after study, by field of study and completion status, 2006 cohort**



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

Figure 24 shows the study characteristics of always New Zealand resident borrowers who had incomes below the repayment threshold for all three years after their study ended in 2006.

**Figure 24: Always New Zealand resident borrowers who had income below the Student Loan repayment threshold for all three years after study, by completion status and level of study, 2006 cohort**



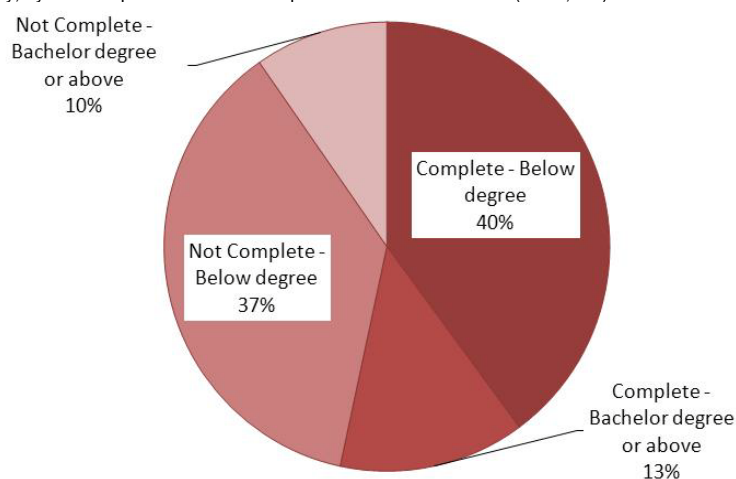
Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

Griffin, Scott and Smyth (2005) found that the completion status of a qualification was a key factor in affecting students' incomes after study ended. Figure 24 above shows that those who failed to complete a qualification were more likely to have incomes below the threshold for the three years after they left study, compared with those who completed their qualification. This was true irrespective of the level of qualification, though the difference is most obvious for bachelors degrees, where 26 percent of those who failed to complete their qualification were consistently below the threshold, compared with just 11 percent of those who completed the qualification.

Those who studied in lower level qualifications were more likely to be below the threshold, with the greatest proportion occurring for level 1 to 3 certificate qualifications.

Figure 25 shows that, of all resident borrowers who were below the threshold for all three years, the greatest number studied at below degree level, and successfully completed it (40 percent), while a similar proportion (37 percent) failed to attain their non-degree qualification.

Figure 25: Proportion of always New Zealand resident borrowers below the Student Loan repayment threshold in a three year period after study, by level of qualification and completion status. 2006 cohort (N=10,200)



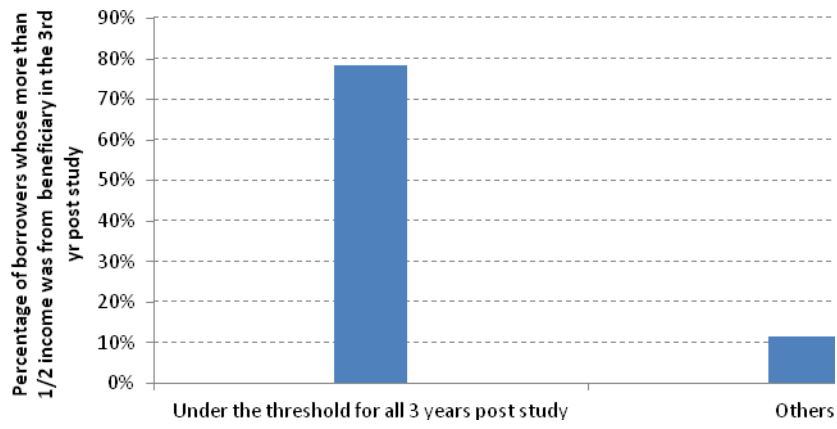
Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

## 7.4 Sources of income

Figure 26 shows the proportion of always New Zealand resident borrowers under the repayment threshold for all three years after study ended, who received more than half their income from Government benefits in the third year, by completion status.

Almost 80 percent of borrowers who were under the income threshold in all three years after leaving tertiary study received more than half of their third-year income from a benefit. In comparison, just 11 percent of 'other' borrowers (i.e. those over the threshold) were on a benefit.

Figure 26: Always New Zealand resident borrowers who received more than half their income from income-tested benefits, by income level and completion status, 2006 leaving cohort



Source: Statistics New Zealand Integrated Dataset on Student Loans and Allowances. Interpretation: Ministry of Education

## 8 CONCLUSION

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### Slow repayers by cohort

There is a clear decrease in the proportion of slow repayers by leaving cohort between 2000 and 2006. This is mainly due to the removal of interest for New Zealand-based borrowers from 2006. However other policy changes during the period studied – such as the abolition of interest while studying in 2000 and the fee stabilisation policy introduced in 2001 – also impacted differently on different cohorts.

### Slow repayers, 2006 cohort

This research mainly focused on the cohort who left study in 2006. The 2006 cohort is the first group to benefit from both the introduction of interest-free student loans (for New Zealand-based borrowers) and improved information due to the data match between border crossings and student loans. This process has improved the accuracy of information on borrowers' residency status, compared with previous year's cohorts.

For the 2006 cohort, a slow repayer is defined as a borrower who has 85 percent or more of their leaving balance still outstanding three years after their study ended.

Analysis of the 2006 cohort shows that, for borrowers under the Student Loan Scheme, being slow to repay is associated with:

- **Being over 50 years old** – Of those borrowers aged over 50 years old in their last study year, the probability of making little or no progress was significantly higher than any other age group.
- **Having studied below degree level** – Those who studied below-degree-level qualifications were more likely to make little or no progress in reducing loans, compared with those who studied at higher levels.
- **Not successfully completing a qualification** – Completion status was a key driver of influencing repayment progress after study ended. Irrespective of level of qualification, not completing a qualification increases the likelihood of being a slow repayer. This was more significant for those who studied degree or above qualifications.
- **Having studied in the food and hospitality, creative arts, or society and culture fields** – In contrast, borrowers who studied in the fields of health, education, or engineering were less likely to be slow repayers. There is a strong correlation between field and level of study, with courses in some fields of study predominantly below degree level.
- **Identifying as Māori or Pasifika** – Māori and Pasifika borrowers were more likely to be slow repayers compared with European, and younger Asian borrowers. A contributing factor was that many Māori or Pasifika studied at below degree level. Older Asian borrowers aged over 50 years were more likely to be slow repayers.
- **Being female** – Though there was a relatively small difference, female borrowers were still more likely to be slow repayers than males.
- **Being a New Zealand permanent resident** – Permanent residents are more likely to be slow repayers than New Zealand citizens.
- **Studying extramurally** – Borrowers who had studied extramurally were slightly more likely to be slow repayers than those who had studied on campus.
- **Having been overseas-based for some period after study** – This paper confirms that overseas-based borrowers were much more likely to be slow repayers, compared with those always New Zealand-based borrowers.



### **Under the Student Loan Scheme repayment threshold, 2006 cohort**

This paper also looked at always New Zealand-based borrowers from the 2006 cohort who were below the income threshold for student loan repayments for the first three years after their study ended.

Those under the threshold had broadly similar characteristics to slow repayers (as above) specifically:

- **Being over 50 years of age**
- **Not successfully completing a qualification**
- **Having studied in the food and hospitality, society and culture, or information technology fields**
- **Identifying as Māori or Asian** – Of those Asian borrowers who were under threshold consistently, most of them were permanent residents and aged 50 years or over. These figures reflect the existence of a group of older Asian permanent residents who borrowed for living costs through the loan scheme because of their ineligibility for other social security benefits.
- **Being female** – Females were slightly more likely to be consistently under the income threshold, most likely reflecting time out of the workforce to raise children.
- **Being on a benefit** – Of those earning an income less than the loan repayment threshold, a significant proportion (80 percent) received more than half of their third-year post-study income in the form of an income tested benefit.

### **Slow repayers before 2006**

For the 2000, 2002 and 2004 cohorts, a slow repayer is defined as a borrower who has 75 percent or more of their leaving balance still outstanding five years after their study ended.

The key factors associated with slow repayers in these earlier cohorts are not significantly different from the 2006 cohort.

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## 10 APPENDIX

The Appendix provides detailed tables on the figures reported on in this report.

**Table 1 Slow repayers by demographic characteristics, 2000, 2002 and 2004 cohorts**

		Leaving cohort 2000			Leaving cohort 2002			Leaving cohort 2004		
		N	No progress %	Slow repayers - 75% %	N	No progress %	Slow repayers - 75% %	N	No progress %	Slow repayers - 75% %
Gender	Male	13,041	41%	54%	16,380	34%	50%	18,393	27%	44%
	Female	14,025	40%	53%	18,231	33%	49%	23,760	26%	46%
Ethnicity	European	15,939	32%	47%	19,599	25%	42%	22,605	19%	38%
	Māori	3,813	52%	66%	6,528	47%	64%	8,955	35%	57%
	Pasifika	1,905	56%	71%	2,556	45%	64%	3,516	33%	54%
	Asian	2,742	54%	60%	3,072	43%	53%	4,164	36%	50%
	Other	1,083	53%	64%	1,299	42%	55%	1,596	33%	50%
	Unknown	1,551	41%	53%	1,563	39%	52%	1,326	29%	46%
Age in the last study year	<20	4,230	42%	56%	5,142	35%	51%	5,418	27%	48%
	20-25	10,281	38%	53%	12,564	30%	48%	14,814	23%	43%
	25-35	7,335	41%	54%	9,561	36%	51%	12,360	28%	48%
	35-50	4,443	41%	51%	5,943	34%	46%	7,680	26%	42%
	50+	762	54%	62%	1,407	52%	62%	1,896	38%	54%
Citizenship status	NZ Citizen	22,395	38%	53%	29,493	32%	49%	36,036	25%	44%
	NZPR	4,656	49%	59%	5,118	42%	54%	6,117	35%	51%
Total		27,051	29%	47%	34,611	20%	42%	42,153	25%	37%

Table 2 Slow repayers by study type, 2000, 2002 and 2004 cohorts

		Leaving cohort 2000			Leaving cohort 2002			Leaving cohort 2004		
		N	No progress	Slow repayers - 75%	N	No progress	Slow repayers - 75%	N	No progress	Slow repayers - 75%
			%	%		%	%		%	
Subsector	University	12,000	35%	49%	13,659	26%	42%	16,851	21%	37%
	Polytechnics	9,519	42%	55%	10,782	34%	49%	13,344	25%	45%
	Wānanga	237	63%	71%	810	59%	72%	2,175	43%	61%
	Private Training Establishment	5,289	49%	61%	9,333	42%	58%	9,789	34%	55%
Attendance campus	Intramural	23,982	40%	54%	29,679	33%	49%	35,322	25%	44%
	Extramural	1,215	39%	49%	3,099	43%	57%	5,094	33%	50%
Completion status	Yes	15,897	34%	48%	20,814	27%	44%	27,723	22%	40%
	No	11,169	50%	61%	13,797	43%	58%	14,430	35%	54%
Complete and level of study	Below Degree Level	6,858	40%	53%	10,194	34%	50%	13,551	28%	48%
	Bachelors	6,489	29%	46%	7,896	21%	39%	10,494	16%	33%
	Postgraduate	2,538	28%	41%	2,712	21%	35%	3,678	17%	32%
Not complete and level of study	Below Degree Level	6,489	52%	63%	8,772	46%	61%	8,964	37%	57%
	Bachelors	2,904	49%	61%	3,330	39%	55%	4,065	31%	51%
	Postgraduate	384	43%	54%	351	32%	48%	330	24%	40%
Complete and field of study	Science	972	35%	47%	1,062	27%	44%	1,293	20%	36%
	IT	1,209	34%	46%	1,653	27%	43%	1,632	22%	41%
	Engineering	933	30%	42%	1,149	23%	35%	1,617	18%	33%
	Architecture	453	27%	41%	486	20%	35%	594	19%	33%
	Agriculture	354	33%	46%	480	27%	38%	633	24%	42%
	Health	1,197	21%	37%	1,503	17%	33%	2,217	13%	27%
	Education	1,917	23%	44%	2,172	13%	34%	2,835	11%	26%
	Commerce	3,186	31%	44%	4,038	25%	40%	5,538	22%	39%
	Society and Culture	2,865	41%	56%	3,984	35%	51%	5,073	27%	47%

	Creative Arts	1,143	45%	61%	1,839	33%	53%	2,577	26%	50%
	Food and Hospitality	861	44%	61%	1,398	38%	60%	1,758	28%	53%
Not complete and field of study	Science	456	53%	63%	483	39%	55%	585	36%	57%
	IT	942	48%	58%	1,227	46%	61%	1,023	38%	57%
	Engineering	1,044	43%	55%	1,236	33%	50%	1,212	25%	47%
	Architecture	444	41%	54%	477	35%	47%	462	25%	43%
	Agriculture	321	47%	57%	396	43%	59%	441	37%	60%
	Health	336	49%	59%	447	38%	50%	513	29%	49%
	Education	474	42%	58%	483	36%	53%	618	29%	51%
	Commerce	2,097	49%	61%	3,102	43%	58%	3,024	35%	53%
	Society and Culture	2,040	57%	68%	2,367	48%	62%	2,658	38%	58%
	Creative Arts	663	56%	67%	849	49%	64%	960	36%	59%
	Food and Hospitality	669	58%	72%	825	50%	68%	795	39%	65%



**Table 3 Slow repayers by demographic characteristics, 2006 cohort**

		<b>N</b>	<b>No progress</b>	<b>Slow repayers - 85%</b>
			<b>%</b>	<b>%</b>
Gender	Male	21,795	22%	45%
	Female	30,294	22%	48%
Ethnicity	European	26,454	16%	38%
	Māori	11,982	27%	59%
	Pasifika	4,233	23%	54%
	Asian	5,517	28%	49%
	Other	1,878	25%	49%
	Unknown	2,025	42%	64%
Age in the last study year	<20	6,768	25%	49%
	20-25	17,547	19%	43%
	25-35	14,967	22%	48%
	35-50	9,870	21%	45%
	50+	2,940	29%	57%
Citizenship status	NZ Citizen	43,785	20%	45%
	NZPR	8,301	32%	54%
Total		52,086	22%	47%



**Table 4 Slow repayers by study status, 2006 cohort**

		N	No progress	Slow repayers - 85%	
			%	%	
Subsector	University	20,271	17%	37%	
	Polytechnic	15,897	20%	46%	
	Wānanga	2,892	29%	65%	
	Private Training Establishment	13,047	29%	59%	
Attendance campus	Intramural	42,228	20%	45%	
	Extramural	7,119	25%	52%	
Completion status	Yes	34,518	18%	42%	
	No	17,589	29%	57%	
Complete and level of study	Below degree level	16,737	21%	50%	
	Bachelors	13,068	15%	34%	
	Postgraduate	4,683	17%	32%	
Not complete and level of study	Below degree level	10,875	29%	59%	
	Bachelors	4,593	22%	49%	
	Postgraduate	330	18%	37%	
Complete and field of study	Science	1,611	18%	37%	
	IT	1,518	18%	46%	
	Engineering	2,184	16%	33%	
	Architecture	777	13%	35%	
	Agriculture	978	19%	44%	
	Health	2,949	12%	30%	
	Education	3,486	9%	25%	
	Commerce	6,546	20%	41%	
	Society and Culture	6,795	22%	48%	
	Creative Arts	3,180	20%	52%	
	Food and Hospitality	1,959	21%	54%	
	Not complete and field of study	Science	633	18%	46%
		IT	1,113	29%	60%
Engineering		1,506	21%	45%	
Architecture		564	21%	44%	
Agriculture		519	31%	58%	
Health		615	21%	48%	
Education		711	23%	54%	
Commerce		3,894	28%	54%	
Society and Culture		3,033	29%	59%	
Creative Arts		1,056	27%	62%	
Food and Hospitality		1,179	32%	68%	

Table 5 Always New Zealand resident slow repayers by demographics, 2006 cohort

		N	No progress %	Slow repayers - 85% %
Gender	Male	17,466	13%	38%
	Female	24,810	14%	43%
Ethnicity	European	20,910	8%	31%
	Māori	10,464	21%	56%
	Pasifika	3,639	16%	49%
	Asian	4,059	14%	40%
	Other	1,392	12%	40%
	Unknown	1,812	39%	62%
Age in the last study year	<20	5,685	18%	45%
	20-25	12,813	9%	35%
	25-35	12,207	13%	42%
	35-50	8,922	16%	42%
	50+	2,658	24%	54%
Citizenship status	NZ Citizen	35,754	12%	40%
	NZPR	6,525	22%	47%
Total		42,279	14%	41%

Table 6 Always New Zealand resident slow repayers by study status, 2006 cohort

		N	No progress %	Slow repayers - 85% %
Subsector	University	14,886	6%	26%
	Polytechnic	13,536	13%	41%
	Wānanga	2,640	24%	62%
	Private Training Establishment	11,226	23%	56%
Attendance campus	Intramural	33,723	12%	39%
	Extramural	6,186	20%	49%
Completion status	Yes	27,051	9%	34%
	No	15,237	22%	53%
Complete and level of study	Below Degree Level	14,175	14%	46%
	Bachelors	9,585	4%	23%
	Postgraduate	3,273	4%	19%
Not Complete and level of study	Below Degree Level	9,681	24%	56%
	Bachelors	3,639	11%	41%
	Postgraduate	270	9%	31%
Complete and field of study	Science	1,059	3%	23%
	IT	1,296	12%	42%
	Engineering	1,704	8%	26%
	Architecture	630	7%	28%
	Agriculture	825	15%	40%
	Health	2,325	5%	22%
	Education	2,946	3%	19%
	Commerce	4,998	10%	33%
	Society and Culture	5,205	11%	40%
	Creative Arts	2,427	10%	45%
	Food and Hospitality	1,632	13%	49%
	Not complete and field of study	Science	513	9%
IT		1,005	24%	58%
Engineering		1,293	14%	40%
Architecture		489	15%	38%
Agriculture		480	28%	57%
Health		528	14%	43%
Education		639	16%	51%
Commerce		3,336	21%	50%
Society and Culture		2,535	20%	53%
Creative Arts		876	19%	59%
Food and Hospitality		1,041	27%	65%

**Table 7 Always New Zealand resident borrowers under threshold by demographics, 2006 cohort**

		N	Under repayment threshold for all three years
			%
Gender	Male	17,466	24%
	Female	24,810	28%
Ethnicity	European	20,910	18%
	Māori	10,464	35%
	Pasifika	3,639	28%
	Asian	4,059	35%
	Other	1,392	28%
	Unknown	1,812	50%
	Age in the last study year	<20	5,685
	[20,25)	12,813	19%
	[25,35)	12,207	25%
	[35,50)	8,922	30%
	50+	2,658	46%
Citizenship status	NZ Citizen	35,754	24%
	NZPR	6,525	36%
Total		42,279	26%

Table 8 Always New Zealand resident borrowers under threshold by study status, 2006 cohort

		N	Under repayment threshold for all three years
			%
Subsector	University	14,886	15%
	Polytechnic	13,536	26%
	Wānanga	2,640	44%
	Private Training Establishment	11,226	37%
Attendance campus	Intramural	33,723	23%
	Extramural	6,186	35%
Completion status	Yes	27,051	20%
	No	15,237	37%
Complete and level of study	Below Degree Level	14,175	29%
	Bachelors	9,585	11%
	Postgraduate	3,273	11%
Not Complete and level of study	Below Degree Level	9,681	39%
	Bachelors	3,639	26%
	Postgraduate	270	19%
Complete and field of study	Science	1,059	13%
	IT	1,296	24%
	Engineering	1,704	16%
	Architecture	630	15%
	Agriculture	825	23%
	Health	2,325	12%
	Education	2,946	8%
	Commerce	4,998	21%
	Society and Culture	5,205	25%
	Creative Arts	2,427	22%
	Food and Hospitality	1,632	27%
	Not complete and field of study	Science	513
IT		1,005	39%
Engineering		1,293	25%
Architecture		489	25%
Agriculture		480	39%
Health		528	29%
Education		639	32%
Commerce		3,336	34%
Society and Culture		2,535	38%
Creative Arts		876	38%
Food and Hospitality		1,041	43%



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