

## Oral Submission to the Finance and Expenditure Select Committee on the Student Loan Scheme Amendment Bill (No 3) 147-1

S 13.14 made by Judy Whitcombe and Wendy Zemanek on 16.10.2013

Finance and Expenditure Select Committee:

**Present:** Chairperson: **Paul Goldsmith**, National, List; Deputy Chair: **Maggie Barry**, National, North Shore; **David Bennett**, National, Hamilton East; **John Hayes**, National, Wairarapa; **Winston Peters**, NZ First, List; **Jamie-Lee Ross**, National, Botany; **Kate Wilkinson**, National, Waimakariri. Members who did not attend: **David Clark**, Labour, Dunedin North; **Shane Jones**, Labour, List; **Russel Norman**, Green, List; **David Parker**, Labour, List;

Good morning. My name is **Judy Whitcombe** and my colleague is **Wendy Zemanek**. We are both members of the Parliamentary Watch Committee of the National Council of Women of New Zealand. This submission has been prepared from a background of policy decisions and consultation with the members of our organisation.

The National Council of Women has had interest in, and contributed to, the development of the Student Loan Scheme over several years as you will have seen from the references in our submission. Over the years these have been generally supportive of the scheme and the direction it has taken.

The proposals in this Amendment Act are concerned with:

- Repayment obligations – Clause 6 which addresses section 110 of the Act
- Offence and Power of arrest – Clause 8 – inserts new section 162 A and B
- Contact details for borrowers – Clause 11 – sections 193C and 207 of the Student Loan Scheme Act 2011

While our submission has addressed the text of the Bill, and it was expected that it would be considered by the Committee, we noticed that the changes contained in the Bill have already been shown in the IRD and Study Link websites as scheduled to be taking place in 2014.

### Repayment obligations Clause 6

Here the change moves the scale of \$1,000 repayment to every \$15,000 of debt to a level of \$5,000 for \$60,000 and above. (The current repayment rate is similar but stops at \$3,000 for \$30,000 or over.) While this move to speed up repayments from overseas borrowers is commendable, our concerns relate to the gender pay gap and note that no gender analysis appears to have been undertaken.

The graduate gender pay gap in New Zealand has been well documented. Refer Working Paper Ministry of Women's Affairs 2010 and the overall gender pay gap of 10.1% in the 2013 Ministry of Women's Affairs Report on the Gender Pay Gap. Gender pay gaps have also been identified in Australia, Britain and the United States.

The Ministry of Education's January 2013 publication "Moving on Up – What young people earn after their Tertiary Education" does not have gender specific analysis – but this is planned in "future work". It is to be hoped that this work will inform future moves on repayment rates.

### **Offence and Power of Arrest Clause 8**

Our earlier submissions favoured incentives rather than punitive measures. However it would appear that the stronger sanctions outlined – powers of arrest – are to be added to section 162 of the Act. This covers the identification of the offence – default of overseas repayment obligation – and the procedure for the arrest of the liable person. The proposed process is outlined in section 162B. The Study Link website states that Inland Revenue will be able to request an arrest warrant from 1 April 2014 – "subject to legislation to be introduced later in 2013".

### **Sharing Information – Contact details for Borrowers – Clause 11**

The NCWENZ position on privacy has been long held. However the existing Act already makes provision for the Contact person to assist S193A. Here the contact person is defined "nominated as the contact person of a borrower" and for the Disclosure of information between authorised persons S207. In the existing Act "authorised persons" are defined as departmental officials (Inland Revenue, specified departments) and employees of a tertiary institution.

This Bill proposes that "the Commissioner may receive the borrower's address details **from any other person** if the information is shared in accordance with any other provisions of this Act....."

The Regulatory Impact Statement does acknowledge that information sharing may be challenged in privacy grounds, but that the improved collection of student loan defaults and the signals that defaulting on repayment is not acceptable, would outweigh any privacy concerns.

### **Summary**

The Student Loan Scheme Amendment Bill addresses the problem of the ever increasing student loan defaulting and sends out clear messages that these will not be tolerated. However, all data on the graduate gender pay gap indicates that women graduates will take longer to repay their student loans and that the repayment regime proposed assumes that

all graduates will have similar repayment capability. Further work on gender analysis is required so that the impact on women graduates can be assessed.

Thank you for giving us the opportunity to address you.

Dr Judy Whitcombe                      Wendy Zemanek  
NATIONAL COUNCIL OF WOMEN OF NEW ZEALAND.

**Comments made:**

**John Hayes:** do you agree that the person who becomes a surgeon is likely to be paid more than a doctor, an engineer or a person with a political science or arts degree? So really it's not women who earn less, but is the result of the degree earned. (Judy said our concerns are gender related across occupations and that other professions may be making submissions).

**Grant Robertson:** Women take longer to repay their loans. (Judy agreed). So gender is a significant factor. (Judy agreed).

**David Bennett:** The change in this bill is about the repayment rate. (Judy said it would be better to have the repayment rate related to income).

We were thanked for our submission.

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**The following notes are provided for the interest of the Board and the Convener – they do not relate to the NCWVNZ Submission, but provide some comment on the overall problem.**

The next submitter was from **NZUSA (NZ Union of Student Associations)**. He was told: “We think that a significant proportion of the debt has been incurred by people who have been out of New Zealand for a long time - maybe for 15 – 20 years, which means \$30,000 borrowed will have risen to \$130,000. We're never going to get the money back on the basis/hope that these people might return to New Zealand. And we can't get in touch with them if they are not travelling on a New Zealand passport.”

The submitter replied that if they are on a NZ passport they can be caught. People should be advised to talk to the Inland Revenue Department and set up a plan for repayment. It's important to “become compliant.”

**Maggie Barry** asked, “What other ideas do you have to get people to “become compliant?”

The submitter noted that IRD has contact details for 25,000 of the 56,000 persons overseas who owe money. The need to repay should be promoted through social media and NZ radio. The message needs to go out that the sanctions **will** hit them. The accrued interest payment is non-negotiable.

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Following that, **Kevin Broughan, a professor from the Maths Dept at the University of Waikato** made an individual submission. He has been studying the long term effects of the loan scheme and how to secure repayments when students are overseas.

He noted that student loans are there to encourage the young to study and gain good qualifications and that they were introduced to help the government balance its books.

He said that American parents start saving for tertiary education when a baby is born. We need to try and bring about a similar situation. We need incentives for repayment.

We have Kiwisaver but it is not helping this situation. It is important to remember that students who go overseas on scholarships need additional money for all their living costs.

Failure is being punished and success is not being rewarded. The government should 'dangle a carrot' – a financial reward to students performing well.

The current trend of promoting NZ education to overseas students should stop – that money could be used to fund NZ students.

To a student, the loan repayment looks like an additional tax. Courts will penalise people for not paying money owed. For example six months in prison for \$10,000 tax evasion or fraud and this means a person is branded with a criminal conviction for life.

Students go overseas because it is easy to get a student loan. But they do not think of what happens thereafter. They need to be made aware of all the other costs involved.

What would be the use of criminalising students?

Graduate students should be given a holiday from repayment while they are getting set up in a job.

Students should have a guarantor (parent?) before going overseas for more than one year – this is often required for other loans.

Some parents invest in businesses, property etc with money that could be used for repaying the student's debt.

Many students have had to borrow additional money to cover their overseas living costs – it's not just the cost of education.

From 1992, fees were radically increased by the National Government. A huge amount of those will not be repaid – people die; people don't earn enough.