



**National Council of  
Women of New Zealand**

Te Kaunihera  
Wahine O Aotearoa

National Office  
Level 4 Central House  
26 Brandon Street  
PO Box 25-498  
Wellington 6146  
(04) 473 7623  
[www.ncwnz.org.nz](http://www.ncwnz.org.nz)

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**Submission to the Education and Science Committee on the Student Loans Amendment Bill  
No 2**

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 42 Nationally Organised Societies (NOS) and National Members. It has 32 branches throughout the country attended by representatives of those societies and some 150 other societies. The Council's functions are to serve women, the family and the community at local, national and international levels through research, study, discussion and action. NCWNZ welcomes the opportunity to make this submission which has been prepared by the Economics Standing Committee following consultation with NCWNZ members.

**General Comments**

NCWNZ sees the higher education of women as especially beneficial to society — hence the particular interest in this Bill.

In the Half year Economic and Fiscal Update (2006) Student Loans advances were forecast to amount to \$5839 million in the 2007 budget. It was estimated that \$560 million would be repaid during the year with fair value write-downs on new borrowings at \$489 million. What these figures do not reveal are the implications for women students eventually faced with repayments should they wish to take advantage of the kind of repayment 'holiday' as proposed in this Bill.

NCWNZ welcomes the news in the 2006 annual report on the Student Loan Scheme, that the number of tertiary students has nearly doubled, plus an increase in graduate numbers even though borrowing from the Loan Scheme has fallen. Members believe the 'slightly faster' repayment rate can be attributed to

- (a) the interest charge write-offs,
- (b) an overall improvement in employment statistics,
- (c) easy access to other forms of credit with borrowers undeterred by the Reserve Bank's retention of a high Official Cash Rate.

That men and women are 'equally likely' to have repaid their student loans, thanks wholly or partly to the above economic factors, could explain why many women graduates are postponing child-birth. What also should be considered is that the gender pay gap has serious implications on a woman's ability to repay her loan, any timeliness on her behalf in doing so likely results from her "going without, or having some access to her partner's income, which negates true economic independence.

A recent article reprinted in the Wanganui Chronicle (28 Dec 2006) from The Independent describes 'ground breaking research' by International Monetary Fund (IMF) economists with the conclusions that governments should 'use economic policy to reduce global inequalities' and 'use their annual budgets to ensure public money is spent in ways that reduce the gender gap, and to back rhetoric with action'. Failing to tackle inequality between men and women, claim these economists, is costing the world billions of dollars a year in lost economic growth.





New Zealand can be proud of the fact that most girls now reach four to five years of secondary education and that tertiary enrolments see over 50% as female. But society is not experiencing the full value of such progress if women are at a disadvantage when the burden of loan repayments, with or without the interest component, prevents or delays career advancement because of comparatively lower incomes than men and because of time out for child-rearing. If governments were really as concerned as they say about demographic imbalances, what they call 'the ageing society', they should indeed 'back the rhetoric with action' and devise policies which maximise the returns in tertiary education whilst removing monetary and fiscal barriers to child-rearing.

On the understanding that full interest write-offs would benefit female students, an NCWNZ response to an earlier Amendment Bill (18 August 2006) endorsed the principles of helping low income graduates and students undertaking full-year and full-time tertiary study. Since then the question has arisen as to what extent the New Zealand tax-payer is subsidising interest write-offs. It is assumed that, even with repayment 'holidays', the interest must still be paid. If so, other parts of government expenditure will be sacrificed to cover the write-offs. Neither the original Student Loan legislation nor the amendments discuss this issue. Any cuts in social services would, in the words of those IMF economists, 'have a disproportionate effect on women' — a point made by NCWNZ in several earlier submissions.

### **Specific Comments**

In early December 2006 NCWNZ branches were circulated with a questionnaire on this Amendment Bill. There has not been ample time for many replies but those received echo earlier comments about the Student Loan Scheme in general, including a further reminder that a system of scholarships and living allowances would have been preferable to loans with their compounding interest component.

### **Clause 9 Part 3 substituted**

The introduction of a repayment 'holiday' (by substituting new Clauses 31-36A in part 3 of the Act) was met with conflicting views. On the one hand, some members are wary of giving more discretionary powers to the Commissioner for Inland Revenue while others see the possibility of a more compassionate approach when it comes to female students and graduates or even males who become parent care-givers, i.e. the ability of the Commissioner to 'grant amnesty for the first three years of the life of one of their children<sup>1</sup> - to quote one respondent. Another wondered about 'female students who stay in New Zealand' implying that their contribution to our economy could potentially be as valuable as that of an 'overseas based borrower' (to use the new classification for a 'non- resident' as defined in Clause 4 of the Bill and elsewhere).

NCWNZ appreciates the necessity for a new Part 3 for this Bill as being less cumbersome than inserting a myriad of deletions and amendments for previous clauses.

### **Clause 11 Power of Commissioner to grant exemptions to borrowers ...**

Members also approve the section (Clause 11) which gives the Commissioner more flexibility when it comes to the granting of exemptions to borrowers who 'do not satisfy the 183 day requirement' regarding residency.

### **Part 2 Amendment to other enactments**

#### **Clause 36 Customs and Excise Act 1996 amended**

The need to liaise with the New Zealand Customs Service is, it is agreed, a protection against exploiting the tax payer but data-matching plus increased administration costs for the Commissioner of Inland Revenue are seen as reasons for re-assessing the value of the Student Loan Scheme.

**Concluding comments**

When the Student Loan Scheme was first proposed, the supporting arguments popular at the time, were that tertiary education was predominantly a private good, hence the expectation of taking personal responsibility for funding one's education. Few realised that the on-lending process would make student loan advances an asset in the Government accounts. What is curious about this Amendment Bill and its predecessors is the growing official realisation that keeping and attracting our students and graduates is in the public interest. Therefore relieving students of a substantial part of their financial burdens would appear to be logical. Once tertiary study is seen as a public good some less complicated reforms than those presented in this Amendment Bill should be anticipated.

Finally, NCWNZ generally favours the proposed changes, with some expressing the view that the 'repayment holiday' option should be available for students not travelling overseas. Graduates often have setting up costs when first entering the workforce so should be treated equitably with their overseas-based peers. The overwhelming belief however, is that it is appropriate now for the whole scheme to be reassessed; that sufficient time has elapsed since it was first set up; that economic and educational circumstances have changed enough over that period for in-depth analysis of the effects of the Student Loan Scheme relative to the whole economic situation to be relevant to future planning, particularly focusing on disaggregation of statistics by gender.

Thank you for the opportunity to comment on the Bill.

Christine Low  
**National president**

Heather Smith  
**Economics Standing Committee Convener**