

HOW DID REMOVING STUDENT ALLOWANCES FOR POSTGRADUATE STUDY AFFECT STUDENTS' CHOICES?

An Executive Summary of Working Paper 18-03

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SUMMARY HAIKU

Postgrad allowance
Removed. Students borrow more.
Not much else changes.

INTRODUCTION

As of 2013, New Zealand tertiary students studying towards postgraduate qualifications other than Honours were no longer eligible to receive student allowances. In this report we investigate the impact of this policy change on students. The policy could have caused students to:

- Increase their borrowing;
- Choose not to enter postgraduate study at all;
- Enter Honours instead of an affected postgraduate qualification;
- Increase the paid work they performed while studying;
- Choose to study part time instead of full time and to work more hours while studying; and/or
- Enter the postgraduate qualification and drop out due to financial pressure, the pressure of working while studying, or the stress of accumulating a large student debt.

Please note, this paper revises an unpublished initial draft. This version uses an additional two years of data from after the policy change, and omits results not robust to including the extra data. Results in this version supersede results in the previous version and include responses to feedback received on the earlier draft.

METHODOLOGY

We use individual-level data from Statistics New Zealand's Integrated Data Infrastructure (IDI). The data cover from 2006 until 2015 on tertiary enrolment, student allowance receipt, and student loan borrowing by domestic students, combined with additional information such as wage earnings.

Only students who would have received allowances had the policy change not occurred are expected to have been affected. However, these students are challenging to identify because the IDI does not include the data necessary to be certain of their eligibility. We tackle this challenge in two ways.

- We focus on the decisions of recent Bachelor's graduates whether to move on to postgraduate study. This allows us to use the allowance a student received during her Bachelor's study as a proxy for the allowance she would have received had the policy change not occurred.
- We extend to all postgraduate entrants and classify a student as having a low predicted allowance if her borrowing for compulsory course fees is below the median and a high predicted allowance if her borrowing for fees is above the median. This approach is justified by the high correlation between allowance receipt and borrowing for fees before the policy change.

To help identify any policy effect, we compare over time the quantities, characteristics, and outcomes of entrants to postgraduate qualifications affected by the policy change who were high-allowance or low-allowance types (based on their undergraduate or predicted allowance). Any effects of the policy change should show up primarily for the high-allowance students, while low-allowance students act as a comparison group. We use students entering Honours with high or low predicted allowances as additional comparison groups, neither of which is expected to have been affected by the policy change.

RESULTS

When the policy change occurred, the fraction of domestic students entering an affected postgraduate qualification who received any student allowance fell from around 18 percent to less than 2 percent. We infer about 16 percent of postgraduate entrants may have been affected by the policy change. The fraction of students potentially affected by the policy varied across affected postgraduate qualifications. It was highest for Master's students, 25 percent of whom received student allowances before the policy change. It was lowest for Postgraduate Certificate students, only 2 percent of whom received allowances before the policy change.

The fraction of domestic students entering Honours degrees who received any student allowance also decreased at the time of the policy change, though only from 42 percent in 2012 to 36 percent in 2013. This change was likely due to the strengthening labour market.

We observe no obvious policy effect on:

- the proportion of Bachelor's graduates who went straight into affected postgraduate study, either overall or within any age group;
- the total number of students who entered affected postgraduate study;
- students' choices between part-time and full-time enrolment;
- the pre-entry wages of students (as we would see if low-income people were discouraged from enrolling);
- student loan borrowing for compulsory fees;
- the amount of paid work students performed while they were studying; or
- the rate of dropping out in the first year of postgraduate study.

However, we cannot rule out policy effects in these areas that our methodology and data were not sensitive enough to pick up.

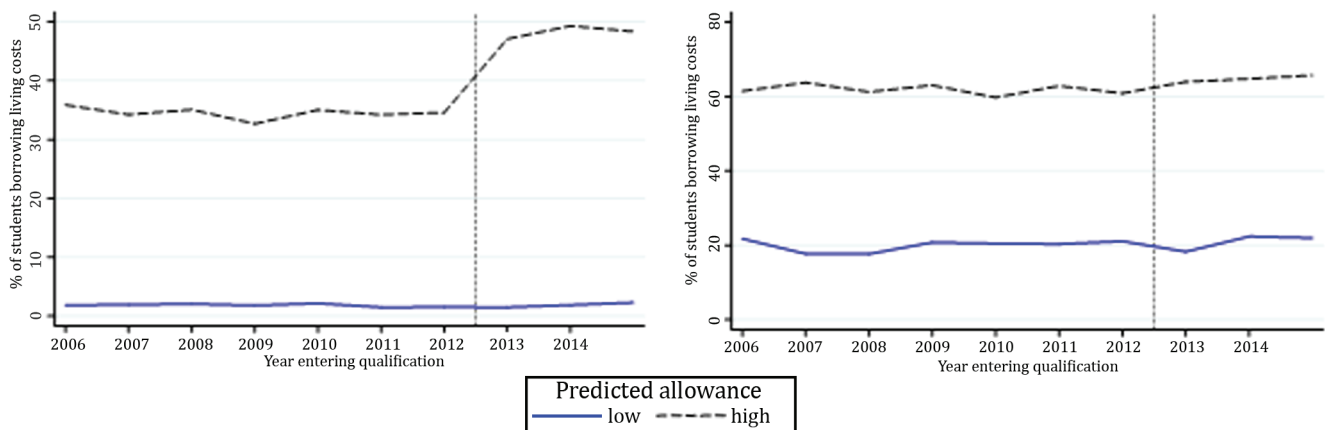




Percentage of postgraduate entrants borrowing any living costs by predicted allowance

Affected postgraduate qualifications

Honours



On the other hand, the data clearly suggest an effect on student loan borrowing for living expenses. Specifically, among students who enrol in affected postgraduate qualifications whom we predict would have been eligible for allowances had the policy change not occurred, the percentage who borrow on their student loans for living expenses increased from 35 percent to 50 percent with the policy change. In contrast, students entering affected postgraduate qualifications whom we predict would not have been eligible for allowances regardless do not increase their borrowing for living expenses, and nor do students enrolled in Honours regardless of their allowance eligibility.

CONCLUSIONS

Although we are not able to identify cleanly the effects of the removal of allowances for postgraduate students, our results suggest that the largest impact was likely to be that students who lost eligibility for allowances increased their student loan borrowing, and now face larger student debt.

Another inference we draw is that student enrolment and most other behaviours can be strongly affected by economic conditions. In particular, we see substantial changes in most outcomes during the Global Financial Crisis. Consequently, care needs to be taken in attributing changes in student numbers or behaviour to policy changes when economic conditions are fluctuating.

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