



NEW ZEALAND

Affiliated with the International Federation of Business & Professional Women

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SUBMISSION

Re: Student Loans Proposal

Introduction

1. This submission is from the New Zealand Federation of Business and Professional Women Inc.

Our organisation

2. Our organisation's aims are to link professional and businesswomen throughout the world, to provide support, to lobby for change and to promote the ongoing advancement of women. We work for equal opportunities and status for all women in economic, civil and political life and the removal of discrimination in all countries. We promote our aims and organise our operating structure without distinction as to race, language or religion.

Our membership is approximately 750.

Our structure is comprised of a National Executive, 30 branches located nationwide between Kaitaia and Southland, with a number of individual members in areas where there is no branch. We are a non political organisation.

Our interest in this bill is because we are a women's group who are committed to ensure equality for all working women through advocacy, education and mentoring.

We are pleased to submit our views on towards this review as we have policy that was passed in 2005 urging the Government to review the inequity between males and females in their ability to pay back student loans; refer below

- 12.15.3 *URGE the government to provide an equitable repayment system for student loan debt, to address inequality experienced by female tertiary students who ultimately pay significantly more for their education.* (2005)

Rationale:

- *The impact of student loans on women is significant. Women take twice as long as men on average to repay their student loans. The NZ University Student's Association (NZUSA) currently has a claim before the Human Rights Commission based on the unfairness of current policies which see women pay nearly twenty percent more for a bachelor's degree due to increased interest charges. If women had an incentive to reduce their debt significantly, they would be inclined to stay in NZ or be enticed back after some overseas experience.*
- *There have been no policy initiatives to relieve women of the unequal debt burden created by the Student Loan Scheme. The scheme discriminates against women because of the gender pay gap and the traditional work break for child bearing. The longer repayment period results in women students paying considerably more interest on their loan. The NZ Students Association was quoted in the Herald on 3.9.02 as saying that it takes a man 14 years to pay off a loan for a bachelor degree yet a woman takes 28 years to pay for the same degree.*
- *New Zealand is party to the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW). Article 2(f) requires parties to take all appropriate measures, including legislation, to modify or abolish existing laws, regulations, customs and practices which constitute discrimination against women.*

The following are opinions on the questions asked throughout the review.

1 - Overpayments-underpayments

The refund option for overpayments should be retained. What may seem a minor amount of money to IRD may make a real difference to the recipient and the employee should retain control over that decision. The student must have the option of being refunded the overpayment or being able to apply the overpayment to the balance of the loan, if they are in a position where it would not cause hardship allowing them to pay off the loan faster.

The proposal for underpayments is a good idea as the student is not always aware that an underpayment is being made and when the big bill comes in at the end of the year, it can cause hardship in trying to find the money, even if an arrangement has been made with inland revenue, paying the extra over time can put a strain on already stretched finances and may mean the student is unable to save for the following year.

1.1 - Repayments while still a student (Holiday employment-part time employment)

Students who are still studying should not have to pay back their student loans when working through the holidays. Most students try to earn as much as they can over the summer holiday period so that they can pay things like their rent throughout the academic year when they don't have so much time to earn money. The \$160 a week from studylink does not go very far on its own and students have to have be able to supplement this somehow

There is already existing policy to offer a voluntary repayment bonus, those who do have spare money are likely to take that option, students should not have start to pay back their loan until they are in full time employment. Students should be given the **option** to pay back some of their loan if they are able, it should not be compulsory.

1.2 - Doing away with the "end of year square-up"

BPW NZ agree with this proposal. This should mean ex students will not receive un-pleasant surprise letters asking for repayment money that they should have paid during the year. The development of better online services for students to be able to follow their loan obligations would be advantageous to all.

2 - Repaying an under payment at year-end by increasing the following year's interim instalments, instead of one lump sum at year-end.

BPW NZ believes this is a good idea, this is a simpler option for those doing manual payrolls.

3 - Borrowers who are based overseas

BPW NZ believes this proposal is a good idea as it would mean that the higher interest rate is not applied to the rest of the loan.

4 - Online Services

The advent of secure online services would mean that access to information about a student loan could be readily available. However a paper copy of the account is still a good thing as it is something that can be produced when discussion on a problem is required face to face. Online services will never fully replace personal contact. BPW NZ believes that an annual statement on paper is still very necessary.

5 - Repayment threshold

The existing repayment threshold of \$19,084 is very low and BPW NZ feels that where a student is married and possibly with children to care for, the impact of starting repayments when this threshold is met impacts detrimentally on the student and their family. Even single students struggle with the threshold set at this low level. We believe that the threshold should be raised to \$29,000 to give relief to those in hardship situations.

BPW NZ is disappointed that there is nothing to help women specifically in these proposals. Generally women are disadvantaged when entering employment and statistics are clear in that by the end of the first year in employment women are seriously behind their male counterparts. Because women take longer to pay off their loan (refer to resolution at beginning of submission) and the lower pay rates they are generally paid, they have a harder time paying off their loans therefore accumulating a lot more interest over the total payback period.

Thank you for the opportunity to have our say and we hope that our comments are of use to you in implementing the review.

Yours Sincerely

Noeline Reisch
Legislation Convenor
BPW NZ