

Student loans for Maori pay dividends

by Norman LaRocque

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Several groups have recently spoken out about the effects of the student loan scheme on Maori. This public display of concern was motivated by reports that the amount of debt outstanding to Maori had reached \$1 billion.



The view that \$1 billion in student debt is a problem arises in part because critics focus solely on the debt side of the equation and do not acknowledge that students' debt is matched by an important asset – the human capital they have built up through their investment in tertiary education.

Maori have increasingly been investing in tertiary education, so it is not surprising that the figure is large and growing.

Te Mana Akonga, an organisation claiming to represent Maori tertiary education students, has argued that the student loan scheme is having devastating effects by acting as a barrier to tertiary education participation and “fencing Maori out of better-paying jobs”.

To solve the Maori student debt “problem”, it wants a universal living allowance for all students – covering non-Maori as well – and a lowering of tertiary tuition fees.

If you think you have heard all this before, you have. These arguments have been trotted out regularly by all opponents of the student loan scheme. And, like rust, they never seem to sleep.

But the claim that Maori are being shut out of tertiary education by the scheme is inconsistent with the facts. A quick perusal of key educational indicators shows that Maori have been making good progress.

- The number of Maori students enrolled in formal tertiary education almost doubled between 1997 and 2003. Last year, 26 per cent of Maori aged 18 to 24 were enrolled, up from 19 per cent in 1999.
- The number of Maori completing qualifications in tertiary education almost doubled between 1997 and 2001. The number of Maori students completing diploma courses increased by 168 per cent between 2000 and 2002, and those gaining certificates rose by 120 per cent.
- The number of Maori industry trainees grew by 60 per cent between December 2000 and June this year.
- The number of Maori students enrolled in private training establishments rose by 60 per cent between 1999 and 2003.

It should also be highlighted that this increased tertiary participation by Maori has not simply amounted to time served. This increased investment in human capital is paying dividends. Maori with a qualification have earnings that are considerably higher than those of Maori without qualifications.

Data for this year from Statistics New Zealand's income survey show that Maori with a bachelor or higher degree had an average before-tax income of \$661 a week. For those with a vocational or trade qualification it was \$393 a week. That compares with an average of \$208 a week for Maori with no qualifications, \$241 a week for Maori with School Certificate, and \$351 a week for Maori with Sixth Form qualification. The

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average weekly income from wages and salaries for Maori with a bachelor or higher degree has exceeded that of non-Maori in every year since 2000.

Research by Sholeh Maani of Auckland University has shown that the income returns to educational investments for Maori exceed those of non-Maori at all levels of education.

Maori improvements in education are being matched in the job market.

The Maori unemployment rate, though still high relative to non-Maori, has dropped from more than 25 per cent in 1992 to 8.3 per cent.

A Department of Labour report notes that the number of Maori in highly skilled employment (managers and professionals) grew by nearly 120 per cent between 1992 and 2003 – well above the growth in Maori employment at lower skill levels and more than three times the growth in highly skilled non-Maori employment.

It seems incredible that Te Mana Akonga has chosen to overlook the progress Maori have made in education and the labour market since the early 1990s. Why not celebrate these gains and look for real solutions to remaining challenges rather than spend time conjuring up student loan doomsday scenarios?

Maori have benefited enormously from the tertiary education reforms introduced since 1990, including the student loan scheme, the greater diversity of tertiary education, funding for private tertiary providers and a student-driven funding system.

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Despite progress to date, important challenges remain for Maori. The proportion of Maori leaving school without a qualification remains high at 30 per cent compared with 15 per cent for the population as a whole, and Maori tertiary participation and completion rates at degree and post-graduate level remain below those of other ethnic groups.

These challenges will not be overcome by pouring hundreds of millions of taxpayer dollars into a universal student allowance, as advocated by Te Mana Akonga and others.

Such a scheme would benefit predominantly non-Maori tertiary students and would do nothing to address the important educational challenges that exist at earlier levels of education.

High taxpayer subsidies for tertiary education generally represent a transfer from people on lower incomes to people who are on – or will be on – higher incomes. This is as true for

Maori as it is for anyone else.

It would be far better to debate real and lasting solutions to the challenges facing Maori in education rather than re-run the tired debate over student loans.

Sound policies focused on earlier levels of education – a lack of which research consistently shows to be one of the biggest barriers to tertiary education – and targeted assistance at the tertiary level are much more likely to provide Maori with the educational base needed to improve their social and economic outcomes.

This article does not necessarily reflect the views of the Education Forum

Norman LaRocque is a Policy Advisor with the New Zealand Business Roundtable. He has carried out analyses of education markets and regulatory environments for the World Bank, the Asian Development Bank and the International Finance Corporation in a number of countries, including Saudi Arabia, the Philippines, Oman, Cameroon, China, India and several West African nations. He can be contacted at nlarocque@nzbr.org.nz.

Education Forum

P.O. Box 10 539

The Terrace

Wellington, New Zealand

Telephone: +64 21 607 636

Fax: +64 4 471 1304

Email: info@educationforum.org.nz

Web: www.educationforum.org.nz