

THE IMPACT OF STUDENT DEBT ON NURSES: AN INVESTIGATION



2003

Acknowledgments

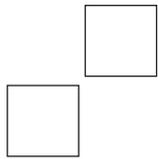
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Special thanks to the 376 nurses and midwives who shared their stories with us.

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Foreword

Student debt is a significant factor in the current nursing workforce shortage. Debt affects both the recruitment and retention of nurses. Student debt also affect nurses' decisions to have children, take up positions overseas (and make decisions about returning to New Zealand) acquire extra qualifications, undertake further training and make savings and financial decisions.

No serious attention has been paid to the effect of the student loan scheme on new graduate nurses or the effect of the nursing student debt on the health workforce. This study gives both quantitative and qualitative information about the impact of the student loan scheme on new nursing graduates.

For new graduate nurses, having a student loan is an additional stress on an already stressful work situation. Nurses are underpaid by at least 20 percent, according to national and international estimates (NZNO backgrounder, 2003) and yet face challenging working conditions, increasingly technical work practices and constant shift changes. Many work overtime to 'make ends meet' and repay their debt.

The student loan scheme is a significant but unrecognised contributor to the current nursing workforce crisis. It may act as the most significant 'push' factor in sending young nurses overseas, and in delaying their return. It is contradictory to invest in educating young New Zealanders and then effectively drive them out of the country to repay debt.

This research demonstrates the heightened impact of the loan scheme on women, and most particularly, families. There is no doubt that in the case of nurses at least, student debt is the difference between managing financially and grappling with poverty. It provides more evidence for the urgent need to address the pay gap between men and women.

It is estimated that fully funding nurses' undergraduate education would cost around \$13 million a year, and making student allowances universal for nurses would cost another \$14 million a year. Compared to the costs of the nursing shortage and high turnover for nurses, it is clear New Zealand must make a greater investment in the nurses of the future.

This paper illustrates that it is time for the Government to address the impact of the student loan scheme on nursing. If it is not addressed and some action taken to reduce its negative impact, the nursing workforce crisis will deepen and threaten the viability of the New Zealand public health system.

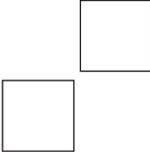
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Summary of Key Findings

We surveyed 376 nurses and midwives and found that debt affected all areas of their lives:

- They owed an average total debt of **\$19,294** at graduation.
- This was made up of **\$17,079** debt from student loans, **\$1,215** owed to banks and **\$1,221** owed to family and friends.
- They currently owe an average total debt of **\$14,155**.
- \$13,149** of this is current student loan debt, **\$616** is still owed to banks and **\$624** to families.
- Respondents with no dependent children had repaid more than twice as much of their student loan as respondents with children. Nurses with one or more dependent children had repaid **17.7 percent** of their student loans. Nurses with no dependent children had repaid **40.5 percent** of their loans.
- Over 60 percent** of respondents had considered going overseas because of their student loan debt.
- 22 percent** had considered leaving nursing because of their student loan debt.
- Nearly one third of the respondents (**32 percent**) said their student loan had an influence when considering when or whether to have children in the future or having more children, if they already have them.
- Those who made voluntary payments graduated with a smaller average student debt, (\$15,823) than those who did not make voluntary repayments (\$19,056). Borrowers who had made voluntary repayments had paid **45 percent** of their loan on average, compared to **11 percent** repaid by those who had made no voluntary repayments.
- 24 percent** said that their debt had been an issue when seeking additional finance.
- 78 percent** said their debt made it more difficult to save for the future, such as for a house deposit or retirement savings.
- 62 percent** reported they were aware of the implications of borrowing from the loans scheme while they were students – **over one third** were not fully aware of the implications of student loan borrowing.
- 69 percent** said their loan had influenced their decisions on whether to undertake further study.
- 72 percent** said their loan had caused them to feel stress.
- 26 percent** said their loan had affected their ability to provide for their children.



Background

The past 20 years has been a period of great upheaval in both the health and tertiary education sectors in New Zealand. Nurses, as the largest single occupation in the health system and as professionals with degrees from universities and polytechnics, have felt the full extent of this upheaval.

Throughout this period, a body of evidence has mounted showing how under staffing and restructuring in health has negatively affected patients and the health workforce (Aiken et al, 2000, 2001, 2002). Evidence has also mounted about the negative social and economic impact of user pays tertiary education, and, in particular, of the student loan scheme.

The Employment Contracts Act (1991) and the health reforms had a devastating impact on the nursing workforce. Public health services during the 1990s focused on the pursuit of efficiency, cost containment and constant restructuring. Health services were characterised by a loss in the number of senior nursing positions, high nursing staff turnover, a dramatic increase in the number of nursing staff employed in casual positions, increased workloads and regular delays in filling nurse vacancies. Nurses felt their work and their profession were not valued.

The 1999 election signalled a change of direction. The reforms of the previous two decades were resoundingly rejected by voters, who instead gave their mandate to parties promising a reinvestment in key public services. The major priorities of the 1999 Labour-Alliance Government for health services were to end the competitive model, improve access and re-invest in the health workforce. The health policies of the 2002 Labour Government focused on improving access to primary health care.

Despite the removal of the competitive model and significant funding increases, the health sector is still beset with numerous problems. One of the most critical is a shortage of nurses. This shortage has resulted in cancellation of operations, closing of beds and wards, and many nursing homes applying to the Ministry of Health for authority to work outside the regulations stipulating registered nurses on duty because of difficulties recruiting nurses.

In the area of tertiary education, some positive changes have been made. Student loan interest was cut for all full-time students and for low-income, part-time students (although market interest rates are still charged to other borrowers). Tuition fees were held at the same level for three years, and are now to be regulated by the Government through fee maxima. However, the overall funding system remains unchanged, and student loans continue to wreak havoc with the life decisions of the ten percent of the population who have them. A comprehensive review of student support (which will also incorporate increased access to student allowances) has been promised for over a year, but results have yet to surface.

The effects of student debt have been widespread and destructive. Although the repayment gap between men and women was identified before the introduction of the student loan scheme, other issues seem to have surprised successive governments.

The effect of student loans on the workforce has been the most signifi-



cant "side effect". Student debt is a significant factor in key workforce shortages, such as teachers and doctors, with many new graduates taking their qualifications overseas to earn better more money and repay their loans faster. While there are important debt issues for all qualified sectors within the health service, this research is focused on nurses.

There are many features of student debt that impact negatively on nurses. Many have borrowed to pay their fees each year of their three-year programmes, and many have also borrowed for living costs. While ending up with high average debts, nurses enter a workforce that, compared to other professional occupations, is notoriously low-paid. Their starting salary is likely to be under \$30,000 and will rise to around only \$45,000 after years of experience. The median nurse pay in the 2001 census was \$31,839. Nurses are mainly women, and, as such, take twice as long on average as men to repay their student loans. This is because of the gender pay gap and time taken out of the workforce to bring up children.

While the competitive models of the 1990s have been replaced with models that emphasise collaborative and co-operation and there have been improvements in access to health services and changes to student loan interest payments, expectations regarding significant improvements for nurses and financial relief for students have not yet been met. Heavy workloads, continuing shortages, relatively small pay increases and difficulties accessing training and education have left many nurses angry and disillusioned. Students are aggrieved that not enough has been done to address student allowances and their burgeoning debt levels.

The Current Situation in Tertiary Education

Fees

Prior to 1989, tuition fees for tertiary education in New Zealand were very low and largely covered administrative costs. Average university fees were under \$200 per annum, and while some polytechnic courses had higher charges for materials, most students could afford to save their fees during summer work.

In 1990, the fourth Labour Government introduced a flat tuition fee of \$1250, which was deeply unpopular with students and the wider public. National was elected on a promise of scrapping tuition fees. Instead, in 1991 it amended the Education Act to allow tertiary institutions to set their own tuition fees.

This was coupled with decreases in per-student funding, which led to massive fee increases throughout the 1990s, on average 12 per cent per year.

Average Tuition Fees for full time, full year students by sector 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
University	1,300	1,700	2,100	2,300	2,689	3,038	3,331	3,661	4,185
Polytechnic	1,300	1,600	1,900	2,100	2,529	2,888	3,127	3,179	3,599
College of Education	1,400	1,600	1,900	1,900	2,073	2,187	2,448	2,393	2,950
Wananga	1,400	1,200	900	1,100	1,431	1,900	2,360	2,724	3,991
PTE	3,900	3,700	3,900	3,700	4,081	5,057	5,473	5,343	5,115
All Sectors	1,300	1,700	2,000	2,200	2,631	3,001	3,319	3,507	4,040

Fees for nursing courses tend to sit between the average fees for universities and polytechnics. There are eighteen providers of nursing and midwifery training in New Zealand, although Otago and Victoria Universities only provide post-registration training.

2003 Domestic Fees for Bachelor of Nursing (NZ\$)

Institution	Year 1	Year 2	Year 3
Auckland University of Technology	3,546	3,546	3,546
Christchurch Polytechnic Institute of Technology	4,775	4,775	4,775
Eastern Institute of Technology	3,700	3,700	3,700
Manukau Institute of Technology	3,556	3,556	3,556
Massey University	3,700	3,700	3,700
Nelson Marlborough Institute of Technology	3,993	3,993	4,150
Northland Polytechnic	3,855	3,850	3,960
Otago Polytechnic	4,074	4,058	4,433
Southern Institute of Technology	nil	nil	nil
Western Institute of Technology at Taranaki	3,480	3,506	3,568
University of Auckland	3,850	3,710	3,710
Waikato Institute of Technology	3,700	3,700	3,700
UCOL Universal College of Learning	3,850	3,850	4,050
UNITEC Institute of Technology	3,500	3,500	3,500
Waiariki Institute of Technology	4,062	4,062	4,062
Whitireia Community Polytechnic	3,485	3,592	3,648

Tuition fees have been frozen at their 2000 levels for three years in exchange for an annual funding increase to tertiary institutions. However, with the passage of the Tertiary Education Reform Bill in December 2002, the Government regained the power to regulate fees through setting fee maxima for courses. The first fee maxima were set in the 2003 budget and could represent significant fee rises for many nursing students.

Effect of fees

There is evidence that the cost of tertiary education has an impact on participation in tertiary education and on study choices. Auckland University's Taskforce for Improving Participation in Tertiary Education identified fees and loans as a major barrier to participation, especially for Maori and Pasifika students.

A report commissioned by the Ministry of Education detailing barriers to participation in education (Stockwell, 1997), indicated some students looked at cost effectiveness when choosing courses:

I know of students who don't want to pay for three-year courses at university. Instead they are looking into what they perceive to be more cost-effective options. Courses that are shorter, more practical and with more external outcomes, e.g. one-year travel courses

Similarly, a Ministry-commissioned study (Parr, 1995) into the plans of seventh formers revealed that for students considering tertiary education, "cost minimisation [was] as significant a factor as career-related reasons." Students not considering further education cited the cost of studying and tuition fees as very important in their decision not to take up tertiary education.

Nearly 20 per cent of students surveyed by the Victoria University of Wellington Students' Association in 2001 said fees were very influential when making the decision whether or not to attend university. "The cost of fees is too high" was the second major reason for not attending university, after grades not being high enough.

The 2001 NZUSA Income and Expenditure Survey also showed how cost could affect course decisions. Male students, Asian students, first years and those from a high socio economic background had higher tuition fees on average. Fourteen percent of students surveyed identified "costs less to study there" as one of the reasons they chose to attend their particular institution. Nineteen percent said fees had some influence on their course decisions while 11 percent said they tended to take cheaper courses.

Allowances

In 1989 the current student allowance scheme was introduced. In 1992, access was dramatically cut and students under 25 were means tested on their parental income. Allowances begin to abate on a combined parental income of \$28,080 and come to zero at around \$50,750.

The effect of this policy is that now only 36 percent of full-time students are eligible for allowances. The remaining two thirds are eligible for the \$150 per week living costs component of student loans, and many borrow to live.

It is a major anomaly to treat students as children until they are 25, when at age 18 they can drink alcohol and vote. Government policy assumes parental support exists years after most people would consider young adults should be financially independent. In effect, most students rely on student loans for their living costs until they are 25 years old.

Research shows this policy is particularly unfair because the majority who are ineligible for allowances because of parental income actually receive little or no financial support from their parents.

Parental means testing of student allowances for those under 25 also contravenes the spirit of the Human Rights Act, as it is a clear form of age-based discrimination.

Compounding the injustice of the scheme, the parental income abatement thresholds for student allowances have not moved to keep pace with increases in average incomes or inflation. The levels have been frozen since they were introduced in 1992.

There are particular issues for nursing students in current student allowances policy. The hours and nature of the study makes it particularly difficult to maintain part-time or holiday jobs, particularly clinical placements, where students may have to travel.

There are also particular costs associated with nursing study, including uniforms and travel, which increase student reliance on the loan scheme.

Loans

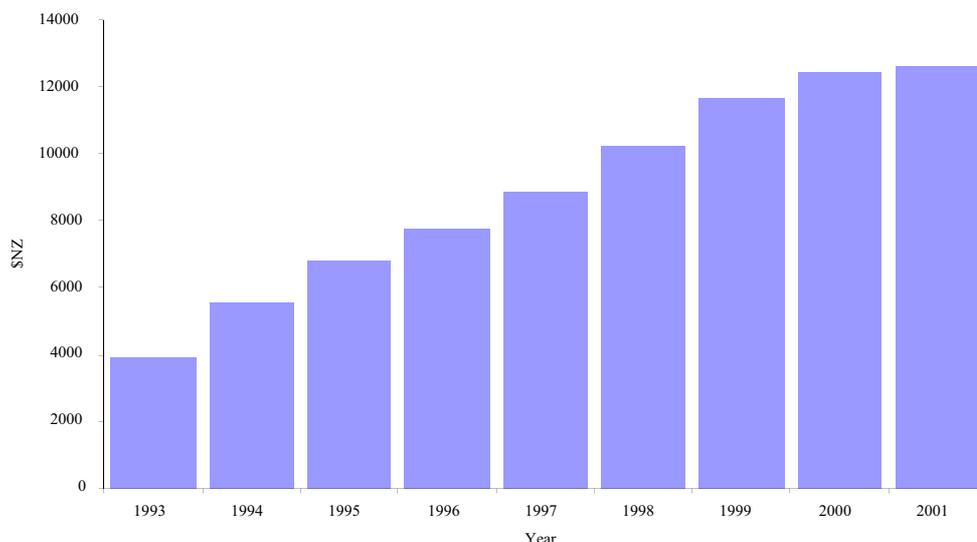
The number of students borrowing each year under the student loan scheme has gone up dramatically over the past decade. There are several reasons for this. More students are undertaking tertiary courses, and students in many private training establishments are able to borrow for fees and living allowances now. A key factor has been the year-on-year increase in the level of fees, which has meant that summer holiday work is now unlikely to provide enough to pay fees.

Loan Borrowers by Academic Year (IRD, 2002)

Year	Number of Loan Borrowers
1992	44,202
1993	68,411
1994	79,338
1995	89,817
1996	95,411
1997	105,038
1998	114,387
1999	115,142
2000	128,158
2001	148,174

Not only are more students taking out student loans annually, but also in each year since the scheme started, they have borrowed more and more. Average student debt began at around \$3,500, but is now in excess of \$12,500. For those undertaking three-year degrees, the average is even higher than this. The following chart shows the growth of student debt over the past decade.

Amount borrowed by year, student loan scheme



Major concerns with the student loan scheme have included the high and compounding interest, which means many graduates will take most of their lives to repay their loan and many will never repay it.

Successive governments have made policy changes that attempt to address these problems, and they are having some positive effects on repayment times according to research undertaken by NZUSA.

Women and the student loan scheme

Women are particularly disadvantaged by the student loan scheme. At all ages and stages women earn less than men, but the gap between men's income and women's income is at its highest for those with tertiary qualifications. Data from 1998 shows the hourly earnings of women with a tertiary degree was 83 percent of men's hourly earnings; for women with no tertiary

qualifications it was 86 percent of men's hourly earnings (MWA, 1999). Overall, women's pay is 86 percent of men's hourly rates, and 81 percent of men's total weekly earnings (Dixon, 2000). Women will take significantly longer to pay their debt off because they are less likely than men to be in the force at every age group up to 65 years. The female labour force participation rate of 57.2 percent continues to be lower than the male rate of 72.9 percent (MWA, 1999). Through their unpaid work in the home, many women are supporting their partner's or husband's debt servicing, but not reducing their own debt. The woman at home may get a base interest write off but her loan will still be increasing by the rate of CPI-adjusted interest.

The average female graduate can expect to take twice as long as the average male graduate to repay their loan, and will pay considerably more interest in total¹. The following average student loan repayment times were calculated by NZUSA using the Iversen² model, matching average annual student loan borrowing for polytechnic students broken down by gender (provided by the Ministry of Social Development) with census data on income for bachelors degree broken down by age bands, ethnicity and gender (provided by Statistics New Zealand).

Repayment for three-year bachelors degree

Ethnicity	Female repayment time	Male repayment time
Maori	24 years	16 years
Pacific	33 years	21 years
Pakeha	22 years	13 years
Total	28 years	15 years

In 2001 the Ministry of Education estimated a repayment time of 23 years for maximum borrowing of \$30,300 for nurses. This repayment time was greater than 16.3 years for a secondary teacher and 20.2 years for a general practitioner, and did not even take gender into account.

A nurse, according to the Iversen model, will take 30 years to repay a debt of \$30,300. In this time, she will pay a total of \$60,209 in student loan repayments, which includes a whopping \$29,909 in interest. These statistics will be even worse if she takes time out of the workforce in order to bear or rear children.³

¹ According to NZUSA calculations (using the Iversen model), the average male graduate would pay a total of \$8009.05 in interest, while his female counterpart would pay a total of \$12,495.84

² The Iversen model of student loan repayment modelling was commissioned by the Ministry of Education in 1995 and uses gender breakdowns of loan statistics on average annual borrowing and Census data on average graduate income by age to determine the amount of time it will take a male and a female to repay their debts

³ While the Iversen model takes into account time taken out of the workforce to have children by using average incomes across all women, the calculation for nurses uses nurses' pay forecast through their career.

Notional repayment of student loan debt for a Registered Nurse

This page provides a model of debt repayment for a graduate nurse with a debt of \$20,000 who begins work on the average pay of \$30,000 and repays at the required rate.

	\$
Year 1 Debt:	20,000
Interest:	1400
Repayment (salary 30,000)	1500
Owes	19900

Year 2 Debt:	19900
Interest:	1393
Repayment (salary 32,000)	1700
Owes	19593

Year 3 Debt:	19593
Interest:	1372
Repayment (salary 34,000)	1900
Owes	19065

Year 4 Debt:	19065
Interest:	1335
Repayment (salary 36,000)	2100
Owes	18300

Year 5 Debt:	18300
Interest:	1281
Repayment (salary 38,000)	2300
Owes	17281

Owing after five years:	\$17281
Amount repaid after five years:	\$9500
Total debt reduction: \$	2719

International Comparisons

Other countries have more favourable student support and fee arrangements than New Zealand. Finland has never charged fees for tertiary education and free education at all levels is a constitutionally protected right.

Ireland is an example of a country that has recently removed fees for full-time undergraduate students. Most students in public tertiary institutions in the Czech Republic, Sweden, Norway, Russia, Romania, Denmark, Poland, Germany, Brazil and Austria also pay no fees.

New Zealand tertiary fees are among the highest in the world, according to the New York State University at Buffalo study on the comparative costs of higher education. For low-cost, public tertiary courses in 2000/01, New Zealand had the third highest tuition fees behind Hong Kong and Chile.

Those countries with student loans schemes tend to have more favourable conditions than New Zealand. Australia's Higher Education Contribution Scheme (HECS) is a good example. It has lower interest rates, higher repayment thresholds, and tiered repayment obligations, with equity-based exemptions.

While fee levels are similar to those in New Zealand for bachelor of nursing students, the Australian Government is currently considering reducing the HECS contribution rate for nurses to boost enrolments.

Nursing students in the United Kingdom receive a bursary to study, and have their tuition fees met by the National Health Service.

In Australia, the United Kingdom, Canada and the United States pay levels for nurses are much higher in New Zealand. While our nursing graduates are keenly sought overseas for their skills and high level of education, in terms of student loan debt and low wages they are significantly disadvantaged.



The Nursing Workforce

In 2002, from a total of 47,694 registered nurses, 37,907 met the Nursing Council's criteria of an active nurse or midwife (Nursing Council New Zealand, 2002). In order for a nurse to be defined as active they must meet three criteria. These are that they:

- Are included in one or more parts of the Register or Roll of Nurses (as defined by the Nurses Act 1977),
- Hold a current annual practising certificate (APC), and
- Have reported in the workforce survey that they are working in one or more types of nursing or midwifery (on a voluntary or paid basis) in New Zealand.

Of the 37,907 nurses deemed active, there were 2973 enrolled nurses, 33,124 registered nurses and midwives and 178 midwives who had a direct-entry qualification.

Age and Gender

Females comprise 90.5 percent of the registered nursing workforce (Health Workforce Advisory Committee, 2002a). The average age of nurses and midwives is 43 years old and increasing. (ibid)

It appears that nurses and midwives are retiring later. There is a decrease in nurses under 25 years. This reflects the loss of graduate nurses and midwives to overseas positions, and a higher average age of nursing students.

Given that nursing requires a high level of physical ability, it is most likely that a large proportion of nurses will retire over the next decade. Too few nurses are being trained to replace this loss.

Maori Nursing Workforce

Maori are significantly under represented in the nursing workforce. Seven percent of registered nurses and midwives identified as Maori in 1999/2000 (Nursing Council of New Zealand, 2002). This figure is particularly alarming given that Maori comprise 15 percent of the population and that Maori lag behind non-Maori in most health indicators.

A reduction in health disparities is a major priority for this Government and a reduction in Maori health inequalities is a feature of all recent health strategies. A key strategy identified to improve Maori health and support Maori participation in the health sector is development of the Maori workforce.

Improving the Maori health workforce will bring about gains in health and therefore address issues around the health disparities between Maori and non Maori (HWAC 2002a, page 52).

Submissions to the Health Workforce Advisory Committee (HWAC) in 2002 identified, over and above all else, there is a significant need for additional investment in the Maori workforce.

Pasifika Nursing Workforce

The Pasifika population in New Zealand is 227,000 (6 percent) and has a projected growth to 600,000 by 2051. Reducing the inequalities in health for Pasifika peoples is a priority in many of the Governments health strategies.

Proportionately, there is a lack of Pasifika nurses in the nursing workforce. At the same time there is an increased need and demand for Pasifika nurses.

The HWAC report "Framing Future Directions" identified building the capacity of the Pasifika health workforce as one of the six priority areas of health workforce development. In its report the committee stated there were many serious issues facing the workforce and that resources were required to support the development of the Pasifika health workforce. It was noted that:

it is critical that future initiatives build on existing work, support the small pool of Pacific expertise currently available and find mechanisms to increase the pool (Health Workforce Advisory Committee 2002b, page 11)

Nursing Shortages

There is currently a national and international shortage of nurses. There are no national statistics collected on nursing turnover or vacancies, although the Ministry of Health has begun project work to collect this data. In 2001, based on an analysis of district health board (DHB) vacancies, the New Zealand Nurses Organisation (NZNO) estimated there was a shortage of 2,000 nurses.

Recruitment and retention in nursing is a significant problem in both the private and public sectors. The cost of recruitment for nurses by DHBs has been conservatively estimated at over \$100 million a year (Ministry of Health, 2001). Annual turnover of nursing staff is estimated to be as high as 20 percent in some health services.

There is also another shortage — a shortage of nurses wanting to nurse. In 2000 the Ministry of Health commissioned the Nursing Council and the Health Information Service to conduct research into nurses and midwives who purchase APCs but choose not to work in clinical practice.

This research found the most often reported reasons for nurses not wanting to work in clinic practice were:

- Parental or childcare responsibilities
- Unsuitable hours
- Unattractive salary

In 2002, a study investigating nurses' career plans, their reasons for remaining in their current job and any future intentions to change their job, reached similar conclusions as the NCNZ study. This study found that job satisfaction, family responsibilities, lifestyle, income and professional development were factors strongly influencing career plans (Cobden Grainge and Walker, 2002).

This research report found a high intention to travel overseas, especially among younger nurses seeking increased remuneration. Though New Zealand nurses have always had a strong trend towards overseas travel following registration, this appears to be on the increase. Walker and Cobden also found that younger nurses were less likely to be nursing five years after registration, compared to older nurses.

A study by Finlayson and Gower (2002) of hospital nurses revealed that of the nurses surveyed, 34 percent indicated an intention to leave their current position within the next 12 months. One of the recommendations from this study was that strategies for attracting people into the profession be explored as a matter of priority.

Nurses' Pay

Prior to 1991 most New Zealand nurses had their wage rates and conditions established by the national nursing award. The Employment Contracts Act (1991) resulted in the disbanding of the national nursing award, the formation of 23 collective employment contracts in crown health enterprises (CHEs) and a plethora of private sector contracts.

Approximately 60 percent of nurses are employed in the public sector. Pay rates across the 21 DHBs still remain different, even though there has been consolidation of the 21 employment contracts into four multi-employer collective agreements (one is still under negotiation) and one other agreement. NZNO is pursuing a national approach to public sector wage negotiation.

Comparisons in wage rates across DHBs and in the private sector are difficult to draw because of the fragmentation created by regional bargaining under the ECA. Significant variations of pay exist for nurses across the country depending on rosters, allowances and public holiday pay rates. Pay steps also differ and some contracts have performance-based steps.

The figures presented below are the basic salaries from two multi-employer collective agreements at April 2003.

	South Island MECA	Auckland MECA
1st year RN	29,932	33,917
2nd year RN	30,072	37,883
3rd year RN	34,349	40,336
4th year RN	36,574	42,529
5th year RN	38,561	45,000
6th year RN	41,282	

The Employment Contracts Act (1991) and a competitive, market-based model of health care delivery and wage bargaining led to a fall in nurses' real incomes in the 1990s. Gordon and Morton (2001), in an analysis of the public sector gender pay gap in 2000, found a slight but sustained opening of the pay gap in the public sector between men and women. Professional women fared even worse and the pay gaps grew more among women with tertiary qualifications.

From an examination of nurses' wages internationally and by comparisons with other similarly qualified professionals, NZNO has found that nurses in New Zealand are significantly underpaid. (2003). NZNO has called on the Government to significantly improve pay and conditions for all nurses and midwives employed in DHBs.

Nursing Workloads and Training

The health reform climate of the 1990s placed pressure on the nursing workforce to increase productivity, with reduced resources to do that same work. This made working in health care more stressful than ever before. The resulting dissatisfaction and disillusionment led to difficulty retaining and recruiting new nurses in many settings. There are many anecdotal accounts of new graduate nurses leaving nursing due to lack of support and stress.

Increased clinical loads have reduced the number of nurses participating in training. Managers have reported being unable to release staff to attend training due to lack of replacement staff. A survey of nurses working in primary health settings indicated that for 20 percent of nurses, lack of finance and lack of relief staff are significant barriers to accessing education, yet 96 percent of respondents said education opportunities were available to them (Ministry of Health, 2001).

Nursing Education

There are 16 polytechnics and universities providing undergraduate comprehensive nursing programmes. Each student must undertake 1500 hours of clinical experience in the three-year degree programme. Successful achievement from the undergraduate programmes results in registration as a comprehensive nurse.

Approximately 1150 comprehensive nurses graduate each year from undergraduate programmes. The number of nurses graduating has declined by around a third since 1990, when 1609 graduated. This has happened in a time where participation in tertiary education increased substantially for most other areas of study.

Year	Nurses Qualifying⁴
1997	1410
1998	1444
1999	1222
2000	1184
2001	1156
2002	1154

Since 1992 the sole route to a registered nursing qualification in New Zealand has been through a degree programme. Nursing education transferred to universities and polytechnics in 1976. Prior to that nursing training had been on an apprenticeship model, based in hospitals.

A review of undergraduate education completed in 2001 (KPMG, 2001) identified changes needed to meet nursing and health demands of the 21st century. The report recognised the impact of the health restructuring on the workforce and identified changes needed to manage increasing patient acuity in hospitals.

Recruitment and retention among Maori and Pasifika peoples was identified as a significant issue for the future nursing workforce. But there was no mention of the student loan scheme in the report as a factor adversely affecting students.

"The complete absence of any mention of the student loans and fees on attrition rates and potential recruitment to the profession is an inexplicable omission". (Brown, Kai Tiaki: Nursing New Zealand, July 2001, page 23.)

4 Between 1996 and 2001, 150 and 300 of the new comprehensive nurses each year were enrolled nurses up-skilling to registered status between 1996 to 2001.

Nursing students

There were 1206 students enrolled in their third and final year of a bachelor of nursing degree as at July 31 2002. At the end of 2002, 1154 had completed their studies.

Ninety-three percent of bachelors of nursing students in 2001 were female and seven percent were male.

Three quarters (76 percent) were enrolled at polytechnics and 24 percent were enrolled at universities.

Sixty-eight percent of enrolments were Pakeha. 13 percent were Maori, four percent were Pasifika and nearly five percent were Asian. Only 1.6 percent of nursing students were international students.

Those expecting to complete their qualifications in 2002 were spread across age groups. There was a large concentration of older students – nearly a third aged 40 and over.

Age of Nursing Students, 2002

Age Group	Percentage of Total
20 and under	13
21-24	15
25-29	13
30-34	13
35-39	14
40 and over	32

It is assumed that most graduates are people in their early 20s, with years of working life ahead of them. This profile shows clearly that large numbers are much older than that. There has not yet been any research on whether older people are undertaking tertiary courses in the knowledge that they will never be able to repay their student debt in their lifetimes. However, as respondents to our questionnaire note later in this document, older people are conscious that they are unlikely to repay debt and thus see no point in taking extra measures (voluntary payments, overseas placements) to do so.

Research Findings

This is the fourth debt casebook that NZUSA has produced, and the first in partnership with NZNO. It is intended to give a picture of nurses and student debt; their opinions, experiences and plans. This study is an attempt to put a human face to the growing student loan statistics, and to give a more rounded view of what happens to graduates after they have taken out a student loan.

This survey was sent to a random sample of 1500 registered nurses with between one to five years' post-registration experience. Random samples of five groups of 300 nurses were generated for each of the five years, ie 300 with one year post registration, 300 with two years' registration etc up to five years. Fifteen hundred letters with survey forms were posted to the nurses' homes and 376 replied. The response rate was therefore 25 percent, which is standard for this style of survey.

- Most of the respondents were women, as is to be expected: 90.95 per cent were female, 6.9 percent were male and 2.1 percent did not specify.
- The majority of respondents identified as Pakeha, at 82.1 percent; 9.04 percent were Maori; 4.2 percent identified as "other" ethnicity; 2.6 per cent as Pasifika; and 1.8 percent as Asian.
- The average age was 32 and 51 percent were aged 30 or above. The average age at graduation was 29.
- 203 (53.9 percent) had no dependent children. 72 (19.1 percent had one child), 48 (12.9 percent) had two children, 42 (11.1 percent) had three children, and 10 (2.6 percent) had four or more children. Twenty-nine respondents (7.7 percent) indicated they were sole parents.
- 149 (39.6 percent) of respondents were married; 106 (28.1 percent) were single. Ninety-two (24.4 percent) were in de facto relationships; 27 (7.1 percent) were divorced and one (0.2 percent) was widowed. Two respondents did not specify.
- 22 respondents (5.85 percent) indicated they were midwives, although we did not ask a specific question to test whether the respondents had trained as nurses and/or midwives.
- The number of graduates from each year was as follows:

1996 32

1997 58

1998 60

1999 85

2000 83

2001 30

Currently studying: 22

There were six respondents who did not specify their graduation date or who graduated earlier than 1996.

39.8 percent of respondents received a student allowance while studying.

	On Graduation	Now
Number of Respondents	376	376
Total Student Loan Debt	\$6,438,718	\$4,957,008
Average Student Loan Debt	\$17,079	\$13,149
Total Bank Debt	\$458,200	\$232,197
Average Bank Debt	\$1,215	\$616
Total Family Debt	\$460,300	\$235,300
Average Family Debt	\$1,221	\$624
Total Overall Debt	\$7,273,718	\$5,336,356
Average Overall Debt	\$19,294	\$14,155



- 40 percent of respondents had made voluntary repayments on their student debt. For those that had, their student loan debt had fallen since graduation by an average of 59.2 percent and they currently owed an average of \$8,716.
- This study examined the impact of student loans on nursing graduates. However, 22 respondents were midwives. It is unknown whether these respondents were midwives only or nurses and midwives. A direct entry midwifery qualification has been available since 1992. The authors believe the results of the investigation are able to be generalised to midwives.
- Date of graduation had a significant impact both on the size of student debt on graduation and the amount of student loan repaid (as would be expected, with earlier graduates having had a greater amount of time earning to be making repayments). Average graduating student loan debt ranged from \$15,210 for those whose last year of study was 1996, to \$20,141 for those whose final year was 2001. The proportion of debt declined according to graduation date — 1996 graduates had repaid an average of 30 percent while this figure was halved for graduates from 2000.

Themes

Many themes emerged from the responses received. Some common threads are discussed below, with answers to specific questions.

Nurses, student debt and their families

The student loan scheme is particularly harsh on the repayment requirements of borrowers with lower incomes and dependent children. Governments seem not to notice or care that a 10 percent deduction on all income over around \$15,000 for student loan repayments can have a profound effect on the standard of living of families. The NZUSA 2001 Income and Expenditure Survey showed that 12 percent of tertiary students have one or more dependent children. While sadly most tertiary institutions do not record the numbers of student parents, we expect those numbers to be much higher for the largely female and older population of student nurses.

Forty-five percent of respondents to our survey had one or more dependent children. Twenty-nine (7.7 percent) respondents indicated they were sole parents. These women reported a different experience of the loans scheme and of nursing more generally.

Respondents with no dependent children had repaid more than twice as much of their student loan as respondents with children. Nurses with one or more dependent children had repaid 17.7 percent of their student loans. Nurses with no dependent children had repaid 40.5% of their loans.

They found their compulsory student loan repayments were causing extreme hardship. The \$50+ that was being automatically deducted from their wages each fortnight was needed to cover basics such as food, clothing, accommodation, and other bills.

Respondents were supporting three or more children on starting salaries of around \$29,000 per year, and needed every penny to stay afloat. Many reported they would be better off on a benefit, particularly when childcare costs are taken into consideration. Without a second income, there was greater pressure to work long hours, and this resulted in difficulties with childcare, as well as other issues associated with being away from young children, including guilt for the mother and behavioural problems for the children. Respondents with partners also found it was difficult to support their families after student loan payments were deducted from their already low incomes.

Repayment policies in this country do not take into account the variation of borrowers' responsibilities. Firstly, our repayment threshold is very low. It is calculated at the rate of the Domestic Purposes Benefit with two children, while in Australia Higher Education Contribution Scheme (HECS) repayments do not kick in until borrowers have reached the average wage. Subsequently, New Zealand borrowers are making repayments when their income rises above approximately \$15,000, while Australian borrowers are doing so only when their income exceeds approximately \$25,000.

Secondly, our repayment obligation is for a flat ten percent of income over the threshold. The Australian system is again much fairer, with payments starting at three percent and moving to a maximum of six percent for incomes over \$45,629 per annum (these amounts are adjusted annually for changes in average weekly earnings).

Thirdly, New Zealand borrowers must make repayments on income over the repayment threshold, regardless of their personal circumstances. Australian borrowers are exempted from HECS payments if they are entitled to a Medicare Levy reduction or if they have low family income.

My ability to pay for extra curricular activities is curtailed or non-existent hence my children often go without. My children do not starve, however they only have 1 pair of shoes and life is a struggle. Any incidentals are difficult to manage.

46 year old Pakeha divorced mother of three

When I separated from my husband is when the impact of my loan hit me. I am in CCH position and pay \$560 per fortnight for childcare. WINZ won't subsidise my childcare as my gross income is too high. Yet I lose a significant amount to student loan. Similar problem with IRD family support. Also I can't reduce my repayments even though my personal circumstances have changed. I have given myself until the end of the year then I will probably have to stop working until my children are older, as all of my separation money will be gone on living costs.

30 year old Maori divorced mother of four

In the first two or three years of my practice I was on a low rate and we lived on food parcels from support agencies and family, this caused a great amount of stress on family relationships.

44 year old Pakeha married father of three

Now I am earning I am not eligible for low-income subsidies. I am struggling to support my family. I feel I am in a worse position with no immediate means of addressing this debt. Financial stress has contributed to my marriage break up. Shift work is contributing to my family breaking down. I feel frustrated that I am on a never-ending cycle. My family is being destroyed. I am not at home because of the shifts. I juggle babysitters. I can't afford to cut shifts because the debt is mounting.

40 year old Pakeha divorced mother of three

No time spent with children – maybe 1 hour late afternoon before bed, no weekends – having to work additional hours means no family time. Causes guilt, and children have problems you are not even aware of. Getting a job is supposed to make life easy and increase your self esteem etc the financial stress of student loan and poor nursing pay has not given me self confidence, pride – it's more of a burden to have a job in nursing than anything else. There are no monetary or recognised rewards in this job.

29 year old Maori widowed mother of one

I tried to cover up to my children that our household income was decreasing but I was devastated when I heard one child say to another "don't ask for that, we are poor now." I also feel that my husband covered up his disappointment that I chose to go into a career that would cost so much to train and then pay so poorly. I feel indebted to him for his support but it makes me feel guilty that I have cost him so much.

38 year old Pakeha married mother of three

□ Leaving nursing, □ going overseas

There is already a great deal of evidence that financial circumstances are a contributing factor to the loss of many nurses overseas.

In the recent past, there has been some overstatement of the "brain drain" or a massive increase of qualified young people heading overseas and never coming home. However, it is clear there are some groups of professionals who are leaving in large numbers, and that high student debt is encouraging them to find better-paid work overseas. This is the case for our health workforce, with doctors, dentists, nurses and other professionals taking their debts and their skills off shore.

The criteria for registration is outlined earlier in this report, and makes clear that this survey would not reach many nurses who were working overseas. However, we found a high proportion of our respondents sent surveys in from other countries, had already nursed overseas or planned to nurse overseas in the very near future. Others had been lost to nursing and were already working in another field, or training to work in another field.

Thirteen respondents indicated they had definite plans to travel overseas, and some had already accepted jobs and were travelling in early 2003.

A further 22 respondents were already nursing overseas, or had nursed overseas (some were intending to leave again). The most popular destinations were Australia, the USA, the UK and Saudi Arabia.

Seven respondents have left nursing and are working in another area. Three of these have become school teachers.

This survey, which for the above reasons does not include the majority of nurses who have left nursing or left New Zealand, reveals there was still significant "leakage" from nursing in New Zealand – 42 respondents or 11 per cent of the total response.

It seems that going overseas to repay student debt has often been a successful strategy.

Repayment of those who have been overseas

Graduating Debt	Current Debt	Amount Repaid
8,000	0	8,000
11,000	0	11,000
11,000	4,000	7,000
12,000	3,000	9,000
15,000	0	15,000
15,000	10,000	5,000
15,000	4,850	10,150
16,000	0	16,000
17,000	0	17,000
17,000	15,000	2,000
17,000	19,000	0
24,000	11,000	13,000
27,000	0	27,000
27,000	562	26,438
28,000	20,000	8,000
29,000	12,000	17,000
30,000	0	30,000
30,000	33,000	0
41,000	37,000	4,000
44,500	42,000	2,500
46,000	40,500	5,500
Average graduating debt =	Average current debt =	Average amount repaid =
\$22,880	\$11,995	\$10,885

Those going overseas to repay their debt had much better results than those who stayed and worked in New Zealand. One third of those who went overseas - seven out of 21 (one had no prior loan) had repaid their student loan in full. They had repaid nearly half of their loan on average – 47.5 per cent, compared with 23 percent for the total sample. Those who travelled overseas had a range of graduating debt from nil to \$46,000.

Of those who didn't travel overseas, only 47 or 13.2 percent⁵ had repaid their debt in full. This group had a much lower average graduating debt – only \$10,236 and a range of \$900 to \$34,000. If you subtract the 20 borrowers in this group who had loans of less than \$10,000, only 27 or 7.6 percent of those who did not travel overseas repaid their loan in full.

Those who responded that they had considered going overseas were relatively consistent through the age groups of respondents. However, this altered around the age of 50, where very few indicated they would consider going overseas.

⁵ This does not include those who repaid student loan from other borrowing, ie banks or family and still owe large amounts through that borrowing.

Those who had definite plans to nurse overseas had an average debt of \$28,000 and a range of debt from \$10,000 to \$68,000. This is consistent with information from other sources, such as the Data Integration Project data released by Statistics New Zealand in 2002, which showed overseas borrowers owed \$7000 more on average than borrowers resident in New Zealand.

I am currently planning on leaving NZ. Will be gone in six months. It has been a huge factor in my decision to leave NZ to earn the money that nurses deserve.

37 year old married mother of three

It appears, or it is the case, that the further I go with nursing the more I am penalised financially. The more educated I am, the more potential to earn – therefore more is taken out to pay off the loan. There is no incentive in NZ to be educated, or to stay and nurse.

40 year old Pakeha single mother of two

Having a student loan has been a main contributor to my decision to nurse overseas next year. Nursing in NZ it would take too long (and incur too much interest) to repay my loan.

24 year old single Pakeha female

I have spent the last three years in the UK, on holiday at present. Only nursed in New Zealand for 8 months. One does not make enough money as a nurse to live, buy a house, have children and then service a student loan.

25 year old Pakeha female, living with partner

I now live overseas. I worked in NZ for 2 years post registration. Paying money off my loan every pay. I once got a statement from the IRD on my loan, and despite paying around \$100 every fortnight, I was barely covering the interest and so after paying money every two weeks, after one year I had only paid \$5 off the principal! I was so disheartened that I left NZ for Saudi Arabia and had repaid my loan after five months!

24 year old Pakeha female, living with partner

I am leaving in February 2003. Instead of staying where I am at the moment, in a ward that I love, working with great staff and a town that is home, I have made the decision to leave NZ and go overseas in order to chase the agency money nurses can make to get ahead financially ie to pay my loan off.

28 year old Pakeha single female

I felt staying in NZ made it almost impossible to pay off this loan, so I chose to go overseas to be able to earn more money.

32 year old single male

I will be leaving next year. I enjoy nursing in NZ but it doesn't pay enough. I am merely gaining experience and then will be off to the highest payer overseas.

28 year old Pakeha single female

I realised that the pay a nurse gets is rubbish compared to other public service sectors so I returned to uni and did a Graduate Diploma in Primary Teaching and I am now teaching. The pay is better and the hours of work etc.

**24 year old Pakeha
single female**

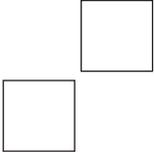
Two degrees of debt

The success of the student loan scheme is predicated on borrowers following a certain path of decisions, in order to repay their loan in a reasonable time frame. For them to do so, they need to enter tertiary education straight from school, with no dependents, and work to repay their loan, without taking time out of the workforce. The other thing they must do is make the right choice the first time and complete only one degree.

Borrowers who complete two undergraduate degrees will often have loans of \$60,000 or more. Yet their qualifications in many cases will not lead to increased income to repay this higher debt. In this study, it was clear many of the nurses completed more general arts or science degrees with no firm employment ideas. They found that a Bachelor of Nursing gave them a qualification with which to gain employment – however, their debts were now double that of their classmates.

Therefore it is not surprising those nurses who had completed another undergraduate degree prior to beginning their Bachelor of Nursing had the largest debts of this survey. These nurses had debts in excess of \$50,000 – as high as \$68,000 in one case.

Nurses will clearly never repay such huge debts, and will be penalised by their indecision, change of direction or desire to learn, which led them to completing a Bachelor of Science or Arts before becoming a nurse. Using the Iversen model of repayment times, with average female income for a bachelors degree and a debt of \$60,000 produces shocking results. This woman will not repay her loan even after working for 50 years – in fact, her loan will be bigger on her retirement than it was on her graduation, due to interest. This is not an unlikely scenario for a nurse with two degrees and a double helping of debt.



Career development

There have been significant changes in the nursing profession in the past decade. Changing health needs and technologies and consumer demands mean nurses are expected to access further learning and educational qualifications after registration. The introduction of competence-based practising certificates under the Health Practitioners Competence Assurance Act will bring nurses into line with medical practitioners and evidence of continued learning will be mandatory.

Over two thirds of respondents (69 percent) reported that their student loan had an influence on whether or not to undertake further study such as a Masters of Nursing. It seems that once the reality of student loans had sunk in for nurses in the workforce, many completely ruled out the option of undertaking further study if it meant getting into further debt.

Despite being an A grade student and receiving an award for academic excellence I have chosen not to enter a Masters in Mental Health Nursing as I do not wish to increase my debt.

34 year old Pakeha married mother of two

When I finished my BN I was determined to go on to do a Masters – I love studying. However, I can't inflict further debt on our family. I had hoped to enter nursing education but this won't proceed without a Masters.

40 year old Pakeha married mother of two

I couldn't stand to get further into debt. Lecturers/tutors tried to persuade me to study longer but the exorbitant cost plus no income!

37 year old Pakeha married mother of two

There is absolutely no way I would study further as it would cost me more and I wouldn't get any extra pay. I feel I am in a rat race and I will never be able to pay it off and it will keep getting bigger and bigger. The repayments I have made barely made a difference.

31 year old Pakeha female, living with partner

It's still approximately \$1500+ for one paper towards a Masters – it's not an option.

30 year old Pakeha female, living with partner

Instead of going on to continue with postgraduate study, I have had to focus solely on nursing practice, because of financial difficulties. I did start some postgraduate study but had to pull out because of the financial stress.

38 year old Pakeha married mother of one

Increased Workload

One of the unforeseen effects of student debt on nurses seems to be they are working longer hours in order to compensate for pay lost to repayments. Nurses surveyed here admitted they were working more hours than advisable.

When asked about the impact of their student loan on their nursing career, a large proportion of respondents talked about working longer hours, extra shifts and unsociable hours.

Many nurses worked the extra hours to try and compensate for the income lost to student loan repayments, or to try and pay their loans off more quickly.

This was viewed very negatively by the nurses surveyed, who felt their families were suffering due to this extra workload, it had negative effects on their physical and mental health, and it led to compromised safety for patients.

This overwork also seems to be contributing to staff leaving nursing. Many respondents reported that working extra shifts and not taking holidays contributed to burnout, and made their nursing work personally unsustainable.

Nursing wages are poor anyway. You have to work weekends and nights just to recoup the payments. This means I don't see my children as much as I would like. Maybe one weekend day a fortnight – it puts a lot of pressure and guilt on me as a mother. I also resent having a loan because my earning power is capped, unlike doctors.

49 year old Pakeha divorced mother of three

It makes you feel like you need to work an extra shift to pay for your loan, quite difficult when you have two young children.

27 year old mother of two, living with partner

The first year out I got less disposable income than I had on the benefit and I was still a single parent. Had one-hour return travelling time and didn't qualify for a community services card any more. Worked first year with no holidays to earn as much as possible.

46 year old Pakeha divorced mother of three

In order to pay my loan off faster, I tended to work more over time and after-hours shifts/weekends which in reflection led to burn out and leaving the profession.

28 year old Pakeha single female

I am presently doing lots of overtime shifts to try and save to pay my loan off and tiredness is not good for anyone's career – you don't seem to give it your best when you feel like you live at work.

26 year old Pakeha female, living with partner

I currently work 40 hours per week in community mental health and one eight-hour shift inpatient per fortnight to make up for student loan repayments. It is a consideration when thinking of moving into general nursing.

36 year old Maori female, living with partner

The demography of the student loan

One of the great questions surrounding the student loan scheme is its effect on fertility – does having large amounts of debt discourage people from starting a family, or lead borrowers to delay having children until they have the debt under control?

One of New Zealand's leading demographers has already begun to form a conclusion on the effects of the student loan scheme. At a meeting of the Australia Population Association and the Association of New Zealand, Professor Ian Pool (of the University of Waikato) attributed "incipient indicators that fertility [in New Zealand] may now be heading down further" due to the student loan scheme. In particular, Professor Pool noted that:

"the punitive student loan scheme is probably the most anti-natalist measure ever put into legislation by a New Zealand government. It has the same effect as the costs for schooling. In a Population Association of America Session in 1998, in which Peter McDonald and I participated, these were shown to both affect fertility in Japan and Korea. The fact that it [the Student Loan Scheme] also seems to be a major push factor for the emigration of the skilled just makes it an even worse issue. The recent adjustment may limit its most severe impact, but until it is radically adjusted, then its medium- and long-term effect on New Zealand's human capital will be very negative..."

We in New Zealand seem to have forgotten the demographic truth that repayment starts at exactly the moment graduates need to set up businesses and start family formation...In the meantime, we have lost by emigration, and perhaps lost to parenting, a generation of our more skilled."

In a recent presentation to the 2002 NZUSA Debt Summit, Professor Pool said loans impinge upon "factors of reproduction as well as production", and because in New Zealand, family building is linked to home buying, it is likely to have a negative influence on the economy, and that the loans scheme "may play a significant role in shifting New Zealand to the low sub-replacement fertility levels of Europe"

Professor Pool went on to outline how demographic density means that major life cycle changes are concentrated in age groups:

Ages 15-34 have high levels of these:

- physiological maturing
- finishing education
- starting first job
- perhaps starting up a small business
- meeting a "significant other"
- traditionally, start of family-building
- traditionally, first home purchase
- taking out first mortgages
- (and) in New Zealand also the student loan

In a paper on Australia's far less punitive student loans, Higher Education Contribution Scheme (HECS) The Higher Education Contribution Scheme – A HECS on the Family? Natalie Jackson from the University of Tasmania outlines the way that there is already much lower fertility for people with higher education, than people with few or no qualifications. She says:

There is little – if any – understanding amongst the policy-making community that a policy does not have to be even remotely concerned with population for it to have demographic outcomes. This paper argues that the Higher Education Contribution Scheme (HECS) introduced by the Federal Government in 1989 may be one such policy. There can be little doubt that it contains strong anti-natal propensities and thus has the potential to exacerbate structural ageing.

Declining fertility rates can have a widespread impact on the welfare of general community. Like other developed countries, New Zealand's population is aging. As the supply of working-age people declines relative to the number of non-working age people (especially superannuitants), the Government is likely to find it increasingly difficult to meet its various social obligations (e.g. maintenance of access to health care and education, provision of welfare and superannuation support). Declining fertility rates are likely to make this problem worse, by further reducing the number of potential workers.

These concerns are reflected in the results of this survey. Nearly one third of the respondents (32.1 percent) said their student loan had impacted on their decision to have children or more children.

Many said they would not consider having children until their loan was repaid. Many others said loan repayments were a factor in deciding not to have further children.

Several respondents said they were concerned that by the time it would be financially possible for them to have children, it might not be physically possible, because of their age. One nurse reported he and his partner might have already left it too late, and had been unable thus far to have a successful pregnancy.

I won't be having any more children because of this debt.

36 year old Pakeha mother of one, living with partner

Loan scheme discriminates against nurses, most of whom are women. Women face greater debt as they stop/reduce income/work to have children. So cannot pay loan off, but interest keeps accruing. So they are less likely to pay loan off which is very unfair. Increasing my financial vulnerability!

29 year old Pakeha married mother of two

Disinclined to have children, as time spent off with kids is interest mounting on loan. If I were to have children, by the time I returned to work, full or part time, the interest accrued would have wiped out anything I'd repaid already.

25 year old Pakeha single female

I only have one child due to the current situation of myself working full time (and paying off student loan) as well as paying for day care for my preschooler. The trouble is, I am nearing my mid thirties and if I am to have another child, time will be against me. A difficult situation, and really no way out at this point.

33 year old Pakeha married mother of one

Voluntary Repayments

There is very little data available as to how many student loan borrowers make voluntary repayments on their student loans. While doing so shortens the time it will take to repay the loan in total, there are no other incentives provided to encourage borrowers to make extra payments. In Australia, for example, voluntary repayments are matched by a loan reduction of 15 per cent of the amount of the extra payment.

Forty percent of respondents or 150 had made voluntary repayments on their student loan. Two hundred and twenty-seven had not, 215 of whom had a student loan. Of the nurses we surveyed, this represents a significant minority making the effort to repay their loans more quickly.

Interestingly, those who did make voluntary payments graduated with a smaller average student loan, \$15,823, than those who did not make voluntary repayments, who had an average student loan of \$19,056. This difference had, of course, increased since graduation, as those who had made voluntary repayments owed an average of only \$8,716, and had repaid 44.9 percent off their loans on average.

The group who had not made voluntary repayments now owed an average of \$17,056. They had repaid on average only 10.4 percent of their loans.

Respondents were asked why they hadn't made repayments on their student loan, and there were three main strands of answers.

The most common answer was that their income was not high enough to sustain voluntary payments, and family and financial commitments meant they never had "spare money" to commit to their student loan.

As a new graduate nurse in 1999 I was paid \$11 per hour. Two years later I was on \$14.50 per hour (public hospital). I have a mortgage, three dependent children, and usual living expenses - not a lot of spare money left for voluntary repayments!

**37 year old married
mother of three**

I pay approximately \$50 per week off my loan already (compulsory). I support two children (single parent) and pay childcare as I work full time shift work. There is nothing left after paying household expenses and I have only been working 20 months so my yearly income is not that great.

**41 year old Pakeha
single mother of two**

A smaller group indicated that when they did have spare money, they had other priorities on which to spend it. Many respondents said they were better off channelling extra money into their mortgage payments rather than their student loan.

The way I look at it student loan can only ever take 10 percent of my income once I earn over approx \$14,000 - \$15,000 – my mortgage interest rates can increase far more than 10 percent - therefore I choose to make voluntary payments on my mortgage rather than on my student debt.

34 year old Pakeha married mother of two

I am only paying the minimum required amount for my student loan repayments as I am also trying to save for other important things such as a house.

**30 year old Pakeha female,
living with partner**

Getting into full time work again I needed to spend, e.g. shoes, clothes and replace many things I went without while studying and being a student in order to complete the course itself.

48 year old Pakeha divorced female

A third group said they didn't make voluntary repayments because they felt it wouldn't affect their overall debt. This group typically had large loans, and felt that a voluntary repayment would not even make a dent in their loan and would therefore be a waste of time.

For voluntary payments to make an impact on the daily interest charged, I'd have to make at least \$300-\$500 payments on a regular basis – a once-off payment does nothing. Besides, I don't agree with how the loans are set up with interest accruing as soon as you draw down the loan and it's my right as a New Zealand citizen to be educated – as far as I'm concerned the loan doesn't exist.

32 year old Pasifika female, living with partner

Because of my age I know I won't ever pay it off so can't see the point in paying back more than I have to.

52 year old Pakeha female

There's no point. I will never pay off my debt in my lifetime. It will just remain (government policy willing) as a ten percent surcharge on income tax. The only chance I have to clear my debt is if the government – under pressure from unions and protest groups perhaps – writes it off. A voluntary repayment would be plain stupid.

**34 year old Pakeha male,
living with partner**

My loan is so large that the interest is more than my whole repayment. Putting \$\$\$ on it is like burning money.

24 year old Pakeha married mother of one

It is clear many borrowers with large loans feel disempowered by the size of their debt, and feel voluntary payments would not make much of a difference. Those with smaller loans, however, saw the light at the end of the tunnel, and felt repaying their loans was an achievable goal. There may well be other factors that link the size of graduating debt to whether or not borrowers make voluntary repayments, including the amount of family financial resources (which would make it easier to borrow less and repay sooner) and the financial habits of the borrower (such as aversion to debt).

Hindsight

Sixty-two percent of respondents said they were aware of the implications of borrowing from the student loan scheme when they were students. However, significant numbers identified interest charges on their loans as an issue they weren't adequately prepared for, and many respondents said they had little or no advice given to them about the student loan scheme.

When asked if there was anything they would have done differently to finance their studies given hindsight, the majority answered they had no other choice. Many gave strategies for borrowing less through working more before or during study, or borrowing from another source. Others said they would have entered another field of study or would have not undertaken study at all.

I wasn't fully aware of the impact the loan would have on my future. At the time I thought "oh well just a little extra tax" – however, having a vast sum of money hanging over your head gets depressing. I would have tried to work while studying, but that would have been difficult with family commitments.

33 year old Pakeha married father of one

I had no other alternatives to getting a student loan, unless I worked several years in an unskilled job first to save the fees and then gone into nursing, but by then I probably wouldn't have wanted to do nursing training. In hindsight, I wouldn't have done the nursing degree. I know receptionists who are paid better than me!

Would have done the study before I had three children whilst free education was still available through the hospital-based training programme.

26 year old Pakeha female, living with partner

Don't think there was any alternative at the time. In hindsight it would have been great not to have needed a loan. But my parents put three of us through uni together and simply couldn't afford to help us more than they did and the government didn't give us any assistance until I was into my second degree.

27 year old Pakeha female, living with partner

Stress

Nursing is considered a stressful occupation. Nursing is not only physically but also emotionally and intellectually demanding. For new graduates this is even more so. Mostly newly registered nurses are working in acute hospitals. They may be adjusting to the stress of shift work

71.8 percent of respondents said their loan has caused them to feel stress. When asked about the effects of this stress on their mental and physical health, answers ranged from lack of sleep to depression to high blood pressure.

It's another debt but also I have no control over payment of it, as it is deducted automatically by IRD – this adds to my financial burden and since I have started to work as a nurse I have developed high blood pressure and insomnia. This is partly because of work stress but also because of financial pressure, which my loan contributes to.

41 year old Pakeha single mother of two

Absolutely, it was a debt over my head while trying to feed my children etc, trying to buy a home, earning poor money, and having to clear the debt on a single wage. The financial debt caused me financial worry, and regret that I had not accumulated the debt in a more lucrative career allowing me more financial freedom.

38 year old Pakeha divorced mother of two

At the beginning of the year I was financially overwhelmed with debt surrounding me in all areas of my life. I was working extra hours to try to get ahead – eventually I must've burnt out – I had an anxiety attack and couldn't go to work. Since that day in March I've been battling anxiety and depression – I'm slowly getting back to work in mental health – but my parents paid back my bank debt, so I only owe them \$10,000. I try not to think of the student loan cos that is too overwhelming.

32 year old Pasifika female, living with partner

Wished I didn't bother doing the degree (two degrees) in the first place because now I'm worse off than when I started and not earning much money. Also I had depression. Couldn't work and had no income because I was self employed, no ACC etc.

31 year old Pakeha female, living with partner

Student loan was one major reason why I continued to work through my pregnancies, until late last trimester, as well as during the first one and a half years of my baby's life. This was extremely tired and demanding. As a consequence I suffered a degree of personal and professional burnout.

39 year old Pakeha married mother of two

The thought of never owning a home – even entering into a relationship with \$27,000 debt on board – there are huge social implications. Physically pushing myself to work a 40-hour week whether I'm up to it or not because the amount IRD take out each fortnight for themselves lowers my wages considerably. Mentally – it's always in the back of my mind.

30 year old Pakeha single female

Bank debt

Student loans can impact on borrowers' access to other sources of finance (such as overdrafts, credit cards and mortgages) in two ways. The first is that borrowers will find it more difficult to save for a deposit on a home because of losing 10 percent of their income to student loan repayments. The second is that student loan repayments will be considered in the calculation of how much other debt can be serviced and therefore how much can be lent to student loan borrowers.

In a September 2002 survey of bank managers and loan officers, the NZUSA found loans were having an impact on borrowers' ability to access bank finance. Fifty-one percent of those who had received applications from clients with student loans say their loans were a contributing factor in declining finance. Of these, mortgages were the most likely to be declined (34 percent) and 22 percent had cited student loans as very important in the decision-making process. Two banks made it clear that the size of the loan was a factor when considering finance, as opposed to the ability to make repayments, which contradicts the advice of the banking ombudsman (1997).

This survey shows that loan debt is affecting a significant minority of nurses — 24.14 percent of respondents said their student loan had caused difficulty when applying for additional finance such as bank loans or credit cards. In addition, a further 25 or 6.6 percent specified that they hadn't tried to seek additional finance.⁶ Many said they would not seek a home loan or other debts until they had repaid their student loan.

Another group said they had found ways of hiding their student debt, either by not declaring it to their bank, or by buying their home in the name of a family member.

When approaching the bank to get a mortgage for our first home we were asked if we had student loans. When I said yes the loan manager said that I was lucky my husband had such a good salary and the loan would be calculated on his wages.

24 year old Maori married mother of one

We were advised by our bank that a student loan would be viewed as a "black mark" if we wanted to borrow more money or upgrade our house.

31 year old Pakeha married mother of one

Repayment of an increasing loan seems a more immediate issue, rather than looking at future aspects such as retirement funds, which I believe nurses need to seriously consider. Overall, the student loan scheme has created a generation who do not wish to commit to further financial decisions (such as home loans) due to a current financial burden.

I cancelled my retirement fund as a trade off for extra loan payments. It is significant as a weekly budgeting issue. It certainly has made me nervous about retirement saving for the future.

29 year old Pakeha mother of two, living with partner

It has counted against us when trying to buy a house (we are still renting now). Buying a house is a big goal at present and the student loan is like a stone around your neck when applying for loans.

25 year old Pakeha married mother of one

29 year old Pakeha single male

⁶ It is clear that we should have included a "not applicable" option in this question for the survey

Case Studies

The following are summaries of some responses to the survey, which show the differing impact of the loan scheme to participants in this survey.

Respondent A

She is a 37-year-old nurse who graduated in 1998 with a \$40,000 student loan. She is planning on leaving New Zealand in six months and says her student loan has been a huge factor in this decision. She has suffered from depression from the financial stress of studying and working in the public health system. As a new graduate nurse in 1999 she was paid \$11 per hour. Two years later she was only earning \$14.50 per hour working in a public hospital. With a mortgage, as well as three children to support, she has no money left over for voluntary repayments.

Respondent B

She had a relatively small loan of \$8000 when she graduated in 1998, which is now \$3000. However, with her husband at home caring for their disabled child, the repayments still affect their life considerably, so she works a second job on her days off and works night shifts whenever she can for extra money. She therefore sees little of her family and feels guilty about this. They live in a two bedroom house and cannot afford to move, so her other child sleeps in the living room. She definitely would not have studied given hindsight and will not pursue the area of nursing education, as she won't inflict further debt on her family.

Respondent C

She is a 39-year-old Pakeha woman who has a \$38,000 student loan and is the sole parent of four children. She works extra shifts but feels bad about spending time away from her kids. The loan was a point of tension between her and her former husband. She is worried she will end up with a huge debt of combined mortgage and student loan, and concerned that the student loan debt is not counted in matrimonial settlement.

Respondent D

She is a 46-year-old Pakeha divorced mother of three, who was on the DPB and financed her study through a \$12,000 loan from family and also from the bank. She sold her house to repay those debts. Her teenage daughter was not eligible for student allowances because her income was deemed too high – at only \$13 per hour.

Respondent E

He is a 44-year-old male who finished study in 1998 owing \$16,000 and he has now repaid \$1000 of the principal. He has already worked in Australia and plans to return there to earn more money and repay his loan more quickly. His partner is a nurse aide and he has discouraged her from further study and encouraged her to continue to work.

Respondent F

He owes \$37,000 on his student loan. He is 34 and finished study in 1996. He feels there is no point in making voluntary repayments, as he will never repay his loan. He worked in the UK for one year, and avoided making voluntary repayments. He was separated from his partner during this period.

Respondent G

She is a sole parent with three children who owes \$21,000 through the student loan scheme. She is aged 40 and divorced. Her family support has reduced and she is no longer eligible for subsidised health care and is struggling to support her family. She feels shift work and juggling babysitters is leading to her family breaking down.

Respondent H

He is a 42-year-old, married Pakeha who owed \$15,000, which is now completely repaid, as he has transferred the debt to his mortgage. His wife, who worked full time over the course of his study, supported him. He and his wife delayed having children for three to four years and are now finding it difficult to conceive, as his wife is now in her late 30s. He now regrets the financial pressure of study.

Respondent I

She is a 28-year-old Pakeha female who owes \$36,000 on her student loan from her studies that finished in 2000. She left the country in February 2003; leaving a ward she loves in her home town to chase nursing agency money and says the sole reason for this is to repay her debt. She is concerned she won't be able to specialise in nursing and her career will suffer.

Respondent J

She is a 44-year-old Pakeha woman who has repaid \$1000 of her \$22,000 student loan. She finished studying in 1998. She works even when unwell and feels stress is affecting her mental and physical health. She had a termination in May 1999 because it was not possible to cope financially with a new baby, even though she wanted to keep the child. She is concerned for her daughter, who is about to undertake tertiary study, and hopes she will handle her debt better, as she is borrowing while young and single.

Respondent K

She is a 26-year-old female who graduated owing \$12,000, which is now down to \$8,500. She is finding meeting costs of working plus living costs difficult. She worked 12 hours a week while studying and felt this work adversely affected her studies. She wants to be financially secure before having children and feels by the time her loan is paid off, she will be of an age where it is difficult to become pregnant.

Respondent L

She is a 24-year-old female Pakeha mother of one child. She finished study in 1999 with a \$55,000 student loan, which is now \$57,200. Her loan is so large that the interest is more than her entire repayment and repayments feel like burning money. She says her baby is her number one priority but that her husband has sleepless nights with worry.

Respondent M

She is a 30-year-old mother of two who finished study in 1997 with a \$30,000 student loan. She has recently returned to work and is careful to keep her income under the repayment threshold. Previously she worked in childcare to earn better money than nursing but she missed nursing very much. She particularly resents the interest rates. Her husband is undertaking a teaching degree and they are living on a student allowance of \$270 a week after tax for four people, plus the income of her two nights a week at a nursing home.

Respondent N

She is 28 years old and married with one child, and owes \$37,000 for her study, which finished in 2000. She enrolled in some postgraduate study but had to pull out because of financial stress. She feels very guilty about having to work rather than looking after her 18-month-old child at home. She and her husband have struggled to support their child, to the extent they have gone without food and clothing themselves at times. They have agreed to put off having more children for several years, and she says that debt has caused tension in her marriage.

Respondent O

She owes \$65,000 on her student loan, after finishing study in 1999. Her debt is so high because she completed a Bachelor of Arts before starting a Bachelor of Nursing. She is nursing in New Zealand to gain experience and will then head overseas. She visited an accountant who advised her to go overseas and never come back. She is 28 years old.

Respondent P

She finished study in 1998 owing debt to banks, loan scheme and family totalling \$44,000. Now she owes just \$15,000 on her student loan. She is a 39-year-old self-employed midwife, married with two children, who has made the decision to have no more children due to financial reasons. Her student loan was one major reason she chose to work through her pregnancies and while her children were babies.

Respondent Q

She is a 27-year-old sole parent to one child who owes \$16,000 for her nursing degree completed in 1996. She says she would be better off on the benefit. She has been on anti-depressant medication, in part because of financial stress and would definitely work overseas if she had no commitments in New Zealand.

Respondent R

She is a widowed Maori woman aged 29 with one child. She graduated owing \$5000 on her student loan and \$3000 elsewhere – the student loan is now repaid. She found surviving on nurse's pay difficult while also caring for a child and sick parent, and had to get a second part-time paid job. She worked a lot of overtime in her first two years of nursing to repay debt. As a result she was only able to spend about one waking hour per day with her child.

Respondent S

He is 27 years old and married with one child. He borrowed \$15,000 and has repaid \$1000 since 2001. He says he is already underpaid compared to other professions with a degree, and that he pays the government to work for them in an underpaid profession.

Respondent T

She is a 26-year-old woman who has repaid \$4500 of her \$24,500 loan. She says she used to earn more money working at a supermarket with far lower stress levels and no loan to worry about. Because of extreme stress she would like to reduce her hours, but can't afford to because of her loan repayment. Her partner is unable to continue his own studies, and they can't afford to get married, buy a house or have children.

Respondent U

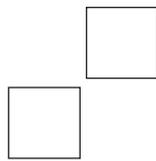
She owes \$45,000 after completing two degrees. She is 31 years old and lives with her partner. She worked as an independent midwife to make better money to repay her debt but found the work was too exhausting and pulled out. She lied about having student loan in order to get a mortgage. She says the loan is a burden on herself and her partner, and is deferring having a child because of the interest that would mount on her loan.

Respondent V

She owes \$35,000 from her studies completed in 1998. She is a 32-year-old Pasifika woman. Her family assisted her in repaying credit card debts, and she also owes them \$10,000. She experienced burnout after working extra shifts and is now battling anxiety and depression. She feels it is unfair that she is indebted to New Zealand, while her pay does not reflect any appreciation for what she gives back to the country.

Respondent W

She borrowed \$12,000 through the student loan scheme, but has transferred that debt over to a Westpac Trust Graduate Loan Package. She is supporting her husband who is studying and one small child. She is repaying the loan to Westpac at the rate of \$100 per fortnight. This loan only attracts two percent interest. The loan will be repaid in 18 months, but repayments affect daily living costs. She is concerned that time will be against her when it comes to having another child, as she is delaying that until after her debt is repaid. She is in her mid 30s.



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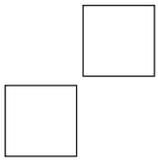
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New Zealand Nurses Organisation



The New Zealand Nurses Organisation (NZNO) is a membership driven organisation representing over 33,000 health professional and health workers. NZNO's membership comprises registered nurses, midwives, nursing students, enrolled nurses, caregivers and allied health professionals.

NZNO is committed to representation of its members, the promotion of nursing and midwifery and participation in health and social policy development in the interests of the health and partnership of the tangata whenua together with all the peoples of New Zealand.

NZNO's structures include the Maori caucus - Te Runanga, O Aotearoa, NZNO, the Nursing and Midwifery Advisory Committee (NMAC) and the National Student Unit (NSU). NZNO has 21 professional speciality groups representative of distinctive nursing areas.

Membership to the New Zealand Nurses Organisation – New Zealand's largest nursing organisation – offers privileges and benefits including:

- Employment Contract Negotiations
- Practical Advice and Assistance
- Indemnity Insurance
- Information and Library Services
- Professional and Specialty Practice Support
- Education and Training
- Monthly Journal

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New Zealand University Students' Association

The New Zealand University Students' Association was formed in 1929. NZUSA is a federation of students' associations, representing the interests of students at nine university campuses (including Massey Extramural students), three colleges of education and three polytechnics. NZUSA exists to represent the common and collective concerns of member student associations.

NZUSA is committed to the principles of the Treaty of Waitangi and recognises Te Mana Akonga as the parallel, autonomous Maori Students' Association, which represents Maori tertiary students. NZUSA recognises the Tertiary Women's Focus Group (TWFG) as a forum for women students to express their concerns to NZUSA.

The objects of the Association include, but are not limited to:

- Representing both nationally and internationally the views of students on matters of concern to students, or of concern to students as members of society in general;
- Function as a major, informed and principled pressure group with education and student welfare and national and international social reform among its areas of concern
- Promote barrier free education
- Encourage and co-operate closely with other student organisations

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