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Panel on Education

Updated background brief prepared by the Legislative Council Secretariat for the special meeting on 20 March 2009

Pre-primary Education Voucher Scheme

Purpose

This paper summarises the concerns of members on the Pre-primary Education Voucher Scheme (the Scheme).

Background

2. In his 2006-2007 Policy Address, the Chief Executive announced a new education initiative to subsidize early childhood education. Under the Administration's proposal, starting from the 2007-2008 school year, every child aged above two years and eight months and attending a non-profit making (NPM) kindergarten (KG), including KGs for students with special educational needs, charging a school fee not exceeding $24,000 per student per annum (pspa) for a half-day place or not exceeding $48,000 for a whole-day place would be eligible for a voucher, to be redeemed by the KG concerned.

3. The value of the voucher was $13,000 pspa in 2007-2008, progressively increasing to $16,000 pspa in 2011-2012, to cover the cost of inflation, salary increment and qualification creep over the years. Of the $13,000 subsidy, at least $10,000 must be used on fee subsidy, with the remaining spent on professional upgrading of teachers, including the appointment of supply teachers to substitute for teachers on training courses, reimbursement of course fees, or provision of school-based professional development. By the 2011-2012 school year, the whole amount of the voucher would go towards fee subsidy. All KGs were subject to a quality assurance mechanism, and starting from the 2012-2013 school year, only KGs meeting the prescribed standards might redeem the voucher.

4. According to the Administration, the purpose of introducing the Scheme was to increase investment in pre-primary education, in order to alleviate the financial burden on eligible parents, and improve the quality of pre-primary education

without the elaborate regulatory controls embodied in the traditional subvention model, so as to preserve the flexibility and adaptability of KGs.

5. The Scheme was approved by the Finance Committee at its meeting on 15 December 2006.

Deliberations of the Panel

6. The Panel on Education (the Panel) held four meetings to discuss the Scheme and received the views of 32 deputations at two of its meetings. While all the deputations supported the provision of subsidy for pre-primary education, they had raised concern about a number of features of the Scheme. The concerns of members on the Scheme are summarised below.

Eligibility criteria

7. Members shared the concern of the deputations about the restrictive eligibility criteria for the Scheme as it covered NPM KGs only. Members considered that parents should enjoy the right to select KGs most suitable for their children, irrespective of whether or not they were profit-making. Moreover, some districts might not have NPM KGs in the vicinity, and parents would have no choice but to send their children to private independent (PI) KGs. The proposed criterion of non-profit making would render some 10% of parents with pre-school children not eligible for the subsidy. Members were strongly of the view that any PI KGs which met the prescribed criteria should be eligible to redeem the voucher.

8. According to the Administration, PI KGs varied considerably in size and operation mode. The Administration had all along adopted the policy of subsidising only NPM KGs in early childhood education. NPM KGs were required to reinvest operating surplus to improve the quality of education, but PI KGs enjoyed a maximum profit margin of 10% which could be used at their discretion. As the use of surplus was not regulated, the Administration considered it inappropriate to use public funds to subsidise the operation of PI KGs. There were some 1 030 NPM KGs in the territory, and their geographical distribution should be able to accommodate the needs of families in individual districts. The Administration envisaged that PI KGs intending to join the Scheme would proactively plan to switch to operate on a NPM basis during the transition years.

9. Members did not accept the Administration's explanations, and urged the removal of the non-profit making eligibility criterion. After further consultation with the pre-primary education sector, the Administration proposed to modify the Scheme to provide a transitional period of three years until the end of the 2009-2010 school year for PI KGs. PI KGs satisfying all the other prescribed requirements of the Scheme save for the NPM status could redeem the vouchers of parents whose children were enrolled at various study levels in such PI KGs as of the 2007-2008 school year throughout these children's education in the same PI

KGs. In addition, a one-off facilitation grant up to $30,000 would be provided to each eligible PI KG to meet the conversion cost to NPM status on a reimbursement basis, subject to submissions being made by August 2007.

Extension of the transitional period

10. Members considered the modified proposal an improvement to the original one but still inadequate to address all their concerns. Members remained of the view that the choice for KGs should rest with the parents and it was inappropriate to compel PI KGs to switch to NPM mode in order to be eligible for joining the Scheme. Members pointed out that shrinkage in PI KGs was not conducive to the healthy development of pre-primary education. In the long run, pre-primary education should be free. At the meeting of the Panel on 14 January 2008, members requested that the transitional period should at least be extended to five years.

11. The Administration explained that the principles and eligibility criteria for the Scheme were generally accepted by the pre-primary education sector, and it had to respect the decision of the Finance Committee concerning these principles and eligibility criteria. The transitional period was provided to address the concern of parents who had already selected PI KGs for their children for the 2006-2007 and 2007-2008 school years. As a substantial number of PI KGs had converted to NPM operation, the Administration considered it inappropriate to change the approved principles and eligibility criteria before the end of the transitional period as any changes might create confusion and some stakeholders might consider such changes unfair. The Administration undertook to review the Scheme in the 2011-2012 school year.

12. As regards the conversion of PI KGs to NPM status, the Administration informed members that as of December 2007, a total of 838 of some 980 KGs had joined the Scheme, among which 749 were NPM KGs and 89 were PI KGs eligible under the three-year transitional arrangement until the end of the 2009-2010 school year. Of the 142 KGs which had not joined the Scheme, some were still undecided and some might eventually not join the Scheme. In the 2006-2007 school year, some 40 KGs had ceased operation. The Administration would discuss with PI KGs the administrative and operational problems encountered in converting to NPM status and assess the situation in due course, taking into account the number of KGs which had decided to maintain the PI status. For the time being, the Administration had no intention of providing full subvention for pre-primary education.

Ceiling of school fee

13. Under the Scheme, only NPM KGs charging a school fee not exceeding $24,000 a year for a half-day place and $48,000 for a whole-day place would be eligible for the Scheme. Members sought information on the reasons for setting the ceiling of school fees at such levels as one of the prescribed eligibility criteria.

There was a view that the ceiling of school fee should be removed altogether to encourage PI KGs to change to NPM operation and invest more in enhancing the quality of education.

14. According to the Administration, the school fees of KGs in 2006 stood at about $10,000 a year. It therefore proposed that of the voucher value of $13,000 for the 2007-2008 school year, $10,000 should go towards fee subsidy and the remaining should be used for professional development of teachers. In proposing a maximum school fee of $24,000 a year for a half-day place, the Administration had taken into consideration the progressive increase of the subsidy to $16,000 in the 2011-2012 school year, and had provided a margin of $8,000 to cater for the difference in fee levels among KGs. The Administration considered it necessary to set a ceiling on the KG school fee to ensure that children could benefit from an affordable and quality pre-primary education under the Scheme and public fund was used properly. The Administration had conducted a cost analysis of KG operations for the voucher value that would sustain KGs in providing quality education. In deciding the fee ceiling, it had taken into consideration the need to improve the quality of pre-primary education, subsidize the pre-primary workforce to upgrade themselves and improve the learning facilities and environment of KGs.

15. Members noted with concern the significant increase of school fees by 60% by some KGs in the 2007-2008 school year. They were concerned about the availability of mechanism to adjust the value of the voucher in accordance with inflation.

16. The Administration advised that the factor of inflation had been considered in the design of the Scheme. The Administration would consider the need to adjust the value of the voucher should inflation keep on rising. As regards the substantial increase of school fees by some KGs, the Administration clarified that after the implementation of the Scheme, KGs formerly in receipt of subsidy under the Kindergarten and Child Care Centre Subsidy Scheme (KCSS) had to reflect the amount of fee subsidy in their fee adjustments in the 2007-2008 school year. This might explain the large increase of school fees for certain KGs.

Age limit

17. Members noted the minimum age of children eligible for the voucher at two years and eight months. There was a concern about the need of some families such as single parent families to send their children below this age to attend whole-day child care centres. Some deputations requested the Administration to extend the scope of the Scheme to cover children aged two to three attending child care centres.

18. According to the Administration, there was no educational basis for children below the age of three to receive formal education which underpinned the pre-primary years. The Administration considered the provision of half-day pre-primary education sufficient and appropriate for children aged three to six who

should have more time to interact with their parents and families in the home environments. From that perspective, it had all along been the Government policy to subsidise children at the age of three to six attending pre-primary education on a half-day basis. The Administration recognised the need of some parents to send their children aged two to three to attend child care centres, and children aged three to six to attend whole-day KGs. These parents were subsidised by other financial assistance schemes such as the Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS), if they met the means test criterion. The Administration had no plan to include children below the age of two years and eight months in the Scheme in the next five years.

<u>Salaries</u>

19. Under the conditions for subsidy under KCSS, KGs were required to pay teachers according to the Recommended Normative Salary Scale (RNSS). Upon the implementation of the Scheme in the 2007-2008 school year, KCSS for eligible NPM KGs would be continued for one more year should they not be ready to join the Scheme. Members noted the concern of pre-primary teachers about the adverse impact of the abolition of RNSS. Members considered the continued existence of a normative salary scale for pre-primary teachers essential for maintaining a stable and quality pre-primary workforce as well as enhancing the quality of pre-primary education. They urged the Administration to formulate a salary framework for pre-primary principals and teachers in line with the proposal to raise their qualifications by phases.

20. The Administration considered it appropriate to let the market decide the remuneration for KG teachers. In its view, KGs should enjoy full discretion in determining salaries for their teachers and principals. Some KG operators welcomed the provision of more flexibility in salary administration. The Administration welcomed the formulation of salary scales for teachers and principals by the pre-primary sector but would not interfere in this regard.

<u>Professional upgrading</u>

Prescribed qualifications

21. Members welcomed the proposal of professional upgrading of the pre-primary workforce as an integral part of the Scheme. Under the Scheme, all serving KG teachers were expected to obtain the Certificate in Early Childhood Education (C(ECE)) within five years by the 2011-2012 school year, and KGs joining the Scheme were required to meet the prescribed standards by the beginning of the 2012-2013 school year. To encourage teachers working in PI or NPM KGs who had chosen not to join or were not eligible for the Scheme to upgrade themselves, these teachers might claim reimbursement for up to 50% of the fees for an approved early childhood education diploma or degree course, capped at $60,000.

22. Since quality pre-primary education was vital to the development of children in learning, there was a view that KG teachers should preferably be degree holders in early childhood education. The Administration advised that all serving KG principals were encouraged to obtain a Bachelor in Education in Early Childhood Education (BEd(ECE)) qualification. In the 2007-2008 school year, around 240 KG principals were pursuing a BEd(ECE) qualification. New KG principals appointed from the 2009-2010 school year would be required to possess a BEd(ECE) plus one year post-qualification experience and completion of the certification course for principals. Professional upgrading of the pre-primary workforce had to be implemented on a progressive basis, having regard to the qualifications of the existing workforce and the availability of places in BEd(ECE) programmes in local universities. The Administration might consider further professional upgrading of pre-primary teachers to degree level when all teachers had a C(ECE) and all KG principals had attained a BEd(ECE) qualification.

23. Members were concerned that to meet the upgrading requirement before the specified deadline, more pre-primary teachers in each KG were attending C(ECE) programmes. In the absence of a specified teacher-to-class ratio and free lessons, pre-primary teachers had to work continuously throughout the school hours. In addition, KGs joining the Scheme were required to conduct self-evaluations and undergo external quality review conducted by the Education Bureau (EDB). Given the increased teachers' workload, some members called on the Administration to review the manpower establishment in KGs and provide a suitable teacher-to-class ratio as in the case of primary and secondary schools.

24. The Administration explained that unlike the public sector schools, pre-primary institutions historically enjoyed a high degree of autonomy in resource management and staff administration. The Administration acknowledged the problems that might arise when many serving KG teachers were attending professional upgrading courses during the transitional period. KGs could use the teacher development subsidy embedded in each voucher to employ supply teachers to relieve teachers to attend upgrading courses. The Administration hoped that the temporary manpower problem would be mitigated after the transitional period.

25. Some members held the view that the manpower problem in KGs was not transitional but structural. The large number of serving KG teachers attending upgrading courses after the implementation of the Scheme only intensified the problem. The provision of short-term supply teachers could not resolve the structural problem in the pre-primary education sector. The problem could only be resolved by the establishment of a teacher-to-class ratio for KGs which was agreed by the pre-primary sector.

Teacher development subsidy

26. Members noted that the teacher development subsidy of $3,000 per voucher would be reduced to $2,000 in 2009-2010 and to zero in 2011-2012. There was a view that the teacher development subsidy should be maintained at $3,000 until the

2011-2012 school year. The Administration explained that it hoped that the pre-primary workforce could complete the upgrading courses in the shortest possible time. However, the Administration would consider the merits for extending the provision of the teacher development subsidy if necessary.

27. Members noted that as the minimum age of children eligible for the voucher would be two years and eight months, teachers teaching children below this age would not be entitled to subsidy for professional development. Members urged the Administration to treat teachers for children aged between two and three equitably, and to monitor the spending of the voucher value earmarked for professional development.

28. The Administration explained that there were very few teachers who were teaching children aged two to three only. Most of them would be teaching children aged three to six as well, and they would benefit from the Scheme. The Administration would ensure that all serving teachers would have the same incentive and opportunity to meet the enhanced qualifications by the end of the 2011-2012 school year. As regards the arrangements for monitoring the spending of the voucher value earmarked for professional development, the Administration pointed out that KGs would be required to submit to EDB an annual staff development plan which would set out the timetable for teacher training among other matters, and to state clearly the spending position of the part of the voucher value dedicated towards teacher development in their audited accounts. KGs would also be required to maintain separate accounts for keeping track of the spending of the provision. The unspent balance as at the end of the 2011-2012 school year would be clawed back by EDB.

Quality review

29. Members noted that only local NPM KGs meeting the prescribed standards might redeem the voucher starting from the 2012-2013 school year. KGs not meeting the prescribed standards by then as a result of the quality review might face possible closure. According to EDB, the quality review was primarily improvement-oriented and conducted on the basis of document reviews, observation and discussion with KG stakeholders, and KGs were required to submit annual school plans and school reports. As pre-primary teachers were required to obtain a C(ECE) by 2011-2012 and the quality review might be conducted before they obtained the qualification, some members requested the extension of the deadline for KGs to meet the prescribed standards in order not to create excessive pressure on the part of KG teachers.

30. The Administration explained that the quality assurance framework was an integral part of the Scheme to ensure effective utilisation of public resources and enhance the quality of pre-primary education. It was built on the performance indicators already established in consultation with the pre-primary education sector since 2000, and had been implemented for the KG sector in the past few years. Under the quality review, EDB would consider a number of performance indicators

including the quality of teaching and the learning environment in individual KGs. EDB had conducted some 40 workshops on the quality review for pre-primary principals and teachers, and had given advice on how the annual school plans and reports for the review should be prepared. It would conduct additional workshops when necessary. The Administration had no plan to extend the deadline for KGs to meet the prescribed standards for joining the Scheme.

Fee remission for needy families

31. Members sought information about the financial assistance to the needy students under KCFRS after the implementation of the Scheme. The Administration advised that the actual fee remission for a student would be the difference between the actual fee charged by eligible KGs for KCFRS (capped at $25, 400 per student per annum for whole-day KG classes, or $16, 000 for half-day classes) and the voucher value dedicated towards fee subsidy for that school year. Needy students attending whole-day classes in eligible KGs would continue to receive a subsidy for meal charges. If parents chose to enrol their children in eligible KGs which charged more than the fee ceilings, they would have to top up the difference as under the existing practice. Students who were attending PI or NPM KGs not eligible for redemption of vouchers and who were receiving fee remission in the 2006-2007 school year would be grandfathered until their completion of pre-primary education. The Administration would ensure that no existing students would receive less fee remission as a result of the implementation of the Scheme, until their completion of pre-primary education.

Relevant papers

32. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
13 March 2009

Appendix

Relevant papers on
Pre-primary Education Voucher Scheme

Meeting	Date of meeting	Paper
Panel on Education	19.10.2006	Minutes Agenda
Panel on Education	13.11.2006 (Item IV)	Minutes Agenda
Panel on Education	21.11.2006 (Item I)	Minutes Agenda
Legislative Council	6.12.2006	Official Record of Proceedings Pages 46 - 75 (Question)
Finance Committee	15.12.2006	Minutes FCR(2006-07)29 FC19/06-07(02)
Finance Committee	20.3.2007	Administration's replies to Members initial written questions (Reply Serial Nos. EMB098, EMB136 and EMB152)
Legislative Council	9.5.2007	Official Record of Proceedings Pages 9 - 15 (Question)
Panel on Education	9.7.2007	Minutes
Panel on Education	18.10.2007	Minutes Agenda
Legislative Council	7.11.2007	Official Record of Proceedings Page 73 (Question)
Panel on Education	14.1.2008 (Item IV)	Minutes Agenda

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