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Panel on Education

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 11 January 2010**

Pre-primary Education Voucher Scheme

Purpose

This paper summarizes 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 six meetings to discuss the Scheme and received the views of deputations at three meetings. The concerns of members on the Scheme are summarized below.

Eligibility of private independent (PI) KGs

7. Members shared the concern of many 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, and PI KGs meeting the prescribed criteria should be eligible to redeem the voucher.

8. The Administration advised that it had all along adopted the policy of subsidizing 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 subsidize the operation of PI KGs. Nevertheless, after further consultation with the pre-primary education sector, the Administration agreed 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.

Extension of the transitional period

9. 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. Members requested a transitional period of five years.

10. 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 of December 2008, 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. 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.

Ceiling on school fee

11. Members sought information on the reasons for setting the ceiling on annual KG fees at \$24,000 and \$48,000 for half-day and whole-day places respectively as one of the prescribed eligibility criteria. There was a view that the ceiling on school fee should be removed altogether to encourage PI KGs to change to NPM operation and invest more in enhancing the quality of education.

12. According to the Administration, KG fees 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 KG 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 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.

13. 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 a mechanism to adjust the value of the voucher in accordance with inflation. The Administration advised that the factor of inflation had been considered in the design of the Scheme. It would consider the need to adjust the value of the voucher should inflation keep on rising.

14. 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 big increase in school fees for certain KGs. The Administration also advised that pursuant to the introduction of the Scheme, it had tightened the vetting and approval procedure for KG applications for tuition fee increases to ensure that any proposed fee increases were justified.

Age limit

15. 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 an extension of the scope of the Scheme to cover children aged two to three attending child care centres.

16. 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 subsidize 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 subsidized 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.

Salaries

17. Under the conditions for subsidy under KCSS, KGs were required to pay teachers according to the Recommended Normative Salary Scale (RNSS). Members noted the concern of KG teachers about the adverse impact of the abolition of RNSS upon the implementation of the Scheme. In the view of members, the continued existence of a normative salary scale for KG teachers was 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 requirement to raise their qualifications by phases. There was a suggestion that qualification subsidies should be provided to KG teachers to give basic respect for their qualifications.

18. The Administration pointed out that before the implementation of the

Scheme, RNSS only applied to KGs under the former KCSS and did not apply to all KGs in the pre-primary sector. In its view, KGs should enjoy full discretion in determining salaries for their teachers and principals. As the Administration had made substantial financial commitment to pre-primary education and injected new resources through the Scheme, KGs should have adequate capacity in formulating salary scales and providing qualification allowances for their teachers at their own discretion. The Administration's stance was that since pre-primary education was privately run, the salaries of KG teachers should be determined by the market. According to the data collected from KGs in a questionnaire survey conducted by the Education Bureau (EDB), the average monthly salaries of full-time teachers (excluding principals) teaching half-day and whole-day classes in KGs offering local curriculum were \$9,800 and \$16,300 respectively in the 2009-2010 school year. The Administration also advised that KGs joining the Scheme were required to disclose in the Profile of Kindergartens key operational information, including teacher salaries and other expenditure items. This arrangement would enhance transparency and enable parents to make informed choices, taking into account the expenditure patterns of KGs.

Professional upgrading

Prescribed qualifications

19. Members welcomed the 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. 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. As regards KG principals, from the 2009-2010 school year onwards, they would be required to have a degree in early childhood education and complete a certification course before appointment, or exceptionally within the first year of their appointment.

20. Members noted 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, KG teachers had to work continuously throughout the school hours. Given the increased administrative work brought about by the Scheme, members called on the Administration to improve the staffing ratio in KGs so as to make available free periods to KG teachers. Some KG deputations requested an extension of the five-year period for obtaining the C(ECE) qualification.

21. The Administration explained that according to the preliminary figures, in the 2009-2010 school year, about 9 060 teachers (including principals) in local KGs were holding the Qualified Kindergarten Teacher or above qualification, of whom about 4 680 teachers had a C(ECE) and about 880 teachers had a bachelor degree in

Early Childhood Education. As over 80% of serving teachers had completed or enrolled in the C(ECE) courses, the Administration believed that the transitional problems would be resolved gradually within the next few years. The Administration hoped that the pre-primary workforce could endeavour to go through the transitional period to achieve the professional upgrading. The Administration had explored ways to alleviate the administrative work of KGs and the workload of teachers, including revising the standard forms to facilitate their keeping of records and reporting changes. KGs could use the teacher development subsidy embedded in each voucher to employ supply teachers to relieve teachers to attend upgrading courses.

22. 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

23. 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.

24. As the minimum age of children eligible for the voucher was 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.

25. The Administration explained that there were very few teachers who were teaching children aged two to three only. Most of them were teaching children aged three to six as well, and they could 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 were 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 were also 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

26. 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 an extension of the deadline for KGs to meet the prescribed standards in order not to create excessive pressure on the part of KG teachers.

27. 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. The Administration had no plan to extend the deadline for KGs to meet the prescribed standards for joining the Scheme. Up to April 2009, the Administration had conducted quality review for 320 KGs, representing 41.2% of the KGs joining the Scheme, and the quality review reports had been uploaded to the website of EDB to facilitate access by parents.

Subsidy for whole-day KGs

28. Members shared the concern of many KG deputations about the inequitable treatment to whole-day KGs under the Scheme. Under the Scheme, the number of students enrolled was used as the basis for calculating the amount of subsidies provided to KGs, regardless of whether they were whole-day or half-day. Given the lesser number of students in whole-day KGs, the amount of subsidies received by whole-day KGs were substantially less than half-day KGs. With longer working hours but lesser subsidies, the turnover rate of teachers in whole-day KGs was high. Members considered that whole-day KGs were necessary to cater for the need of working families, and urged the Administration to address immediately the inequitable provision of subsidies for whole-day and half-day KGs.

29. The Administration acknowledged the practical need of some families for whole-day KGs, and undertook to examine the matter.

Fee remission ceiling

30. 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 were grandfathered until their completion of pre-primary education.

31. Members noted with concern that the ceilings on fee remission for half-day and whole-day KGs were fixed at the current level until the 2011-2012 school year. With the increase of KG fees in the past two years, some low-income families had been paying more for KG fees after the implementation of the Scheme. Members urged the Administration to adjust the ceilings on fee remission immediately.

32. The Administration acknowledged that prior to the introduction of the Scheme in the 2006-2007 school year, 78% of the whole-day KG children receiving full fee remission and 76% of the half-day KG children receiving full fee remission under KCFRS did not need to top up the tuition fee. In the 2008-2009 school year, the respective percentages had fallen to 46% and 64%.

33. After gauging the views and suggestions of various stakeholders, the Administration agreed to adjust from the 2009-2010 school year the fee remission ceilings for KGs annually on the basis of the respective weighted average fees (WAF) of the non-profit-making half-day and whole-day KGs eligible for the Scheme. After the application of WAF to the fee remission ceilings in the 2008-2009 school year, 71% of the whole-day KG children and 75% of the half-day KG children receiving full fee remission under KCFRS did not need to top up the tuition fee.

Provision of 15-year free education or direct subsidy to pre-primary education

34. Many members considered that pre-primary education was indispensable to the overall development of children, and called on the Administration to review its policies and provide 15-year free education including pre-primary education in the long term. Members proposed that alternatively, the Administration might consider providing direct subsidy to pre-primary education as in the case of primary and secondary education. Such an arrangement could achieve the spirit of the Scheme in allowing freedom, flexibility, autonomy and diversity in the school system and giving more choices to parents.

35. The Administration stressed that the existing policy was to provide 12-year free primary and secondary education. The issue of the provision of free pre-primary education had been considered in the context of introducing the Scheme, and a consensus had been reached that such provision would not be implemented. A policy decision had been made to implement the Scheme to provide a certain level of fee subsidy to parents. The Administration also pointed out that the fiscal position of the Government did not allow further investment in pre-primary education. The provision of free pre-primary education had to be examined together with other policy commitments.

36. Members stressed that when the proposal for the Scheme was presented to the Panel for consideration, there were no alternative proposals. The acceptance of the Scheme by the Panel did not mean that it did not support free pre-primary education.

Latest development

37. In June 2009, the Administration announced its decision to kick start a review of the Scheme later in the year. A working group was established under the Education Commission in October 2009 to take forward the review of the Scheme. Chaired by Professor Edmond KO Inq-ming, the working group is tasked to collate the views of stakeholders on the implementation of the Scheme and to make recommendations to the Government for the improvement of the Scheme. The working group plans to submit a report to the Education Commission by the end of 2010, after which recommendations will be submitted to the Government.

Relevant papers

38. A list of the relevant papers on the Legislative Council website is in the **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
Panel on Education	20.3.2009	Minutes Agenda Motion passed under the agenda item of "Review of Pre-primary Education Voucher Scheme" by the Panel at the

Meeting	Date of meeting	Paper
		special meeting on 20 March 2009
Legislative Council	27.5.2009	[Question 3] Asked by : Hon CHEUNG Man-kwong Problems of the Pre-primary Education Voucher Scheme Reply
Legislative Council	10.6.2009 (Motion)	"Immediately reviewing the Pre-primary Education Voucher Scheme" Hansard (English) (page 179) Progress report
Panel on Education	22.6.2009 (Item I)	Minutes Agenda
Legislative Council	9.12.2009	[Question 12] Asked by : Hon CHEUNG Kwok-che Review of Pre-primary Education Voucher Scheme Reply
Legislative Council	16.12.2009	[Question 2] Asked by : Hon CHEUNG Man-kwong Remuneration for kindergarten teachers Reply