



## **Productivity Commission Inquiry More effective social services:**

# **A case study on the provision of Early Childhood Education**

from the New Zealand Educational Institute, NZEI Te Riu Roa

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## **Introduction**

NZEI Te Riu Roa welcomes the opportunity to submit to the Productivity Commission Inquiry on More Effective Social Services on behalf of its 50,000 educator members, many thousands of who are early childhood education (ECE) teachers and support workers.

This submission takes the form of a case study looking at the Government's provision of ECE. It also makes brief responses to the Inquiry's questions.

NZEI's submission raises some crucial questions at a time when data-driven policies and privatisation in the education system are becoming more common. There is also growing public interest in and concern at developments in the education system.

These two trends are connected because, in large part, top-down, data-driven policies and privatisation do not improve education services for most users.

## Summary

In recent times, there has been a rapid increase in both the number of children attending ECE and their hours of attendance.

Between 2001 and 2014, the number of licensed ECE places increased from 117,863 to 187,083. Of these 69,220 new places, 57,153 are in all-day education and care services and 86% have been provided by for-profit centres. Of all services, some 47% are recorded as being community based and 53% as being privately run.

It is NZEI's contention, as outlined in the case study, that this rapid increase in for-profit provision has come at the expense of quality, and impacted negatively on effectiveness and efficiency. Labour is the biggest cost in the provision of ECE, and the profit motive incentivises service providers to cut labour costs. Yet high-quality ECE provision is entirely dependent on high-quality staffing.

There is increasing qualitative evidence of poor quality practices in services. Government agencies are also raising concerns.

Any definition of "effectiveness" with regard to ECE services must have as a fundamental premise that services deliver high quality education.

As such, the Government faces a number of risks:

- to its 'clients', that is the children in ECE, from substandard provision
- to its reputation, as examples of poor quality come into the public domain
- to its goals. Poor quality ECE will make it more difficult for the Government to reach its student achievement goals. It will also undermine long-term economic goals, as poor quality ECE leads to higher costs associated with crime, welfare and health and lower income from taxes.
- to its finances. Any kind of economic shock or downturn where people lost jobs would see children taken out of ECE. For-profit providers rely on parents for about 30% of income. The collapse of the ABC chain of centres in 2008 led to taxpayer bailouts, public outcry and to considerable stress for families who were still reliant on the service
- to its policymaking. It appears that the Government intends to change the funding model for ECE – but without meaningful consultation with the sector as part of its policy development. It would appear the lessons of Novopay, charter schools, National Standards, the IES and class sizes have not been recognised.

An independent inquiry into the sector is urgently needed.

## Overview

The Commission has said it wishes to look at ‘combining public, not for profit and private sectors to tackle difficult social problems in new and innovative ways’. ECE services in New Zealand are already delivered through the public, not-for-profit and private sectors. There is much in their current provision to illustrate the pluses and pitfalls of different ways of providing social services, and to point the way forward to how ECE might more effectively tackle social problems.

The Productivity Commission’s stated goal for this inquiry is to ‘to find and recommend measures that would lead to improvements in the efficiency and effectiveness of social services’.<sup>1</sup>

The first challenge is to agree a definition of efficiency and effectiveness in relation to education, and ECE in particular. In NZEI’s view, the primary measure of an ECE service’s effectiveness must be the quality of learning and teaching experienced by the child. This is a complex measure: quality learning outcomes for children cannot be measured solely in the short term or quantitatively or in direct economic terms.

But research<sup>2</sup> is clear that quality ECE brings better child well-being and learning outcomes as a foundation for lifelong learning. This leads to improved and more equitable child outcomes, particularly in educational achievement and employment; a reduction of poverty; increased intergenerational social mobility; more participation by women in the labour market; and more robust social and economic development for society at large. It leads to lower, long-term costs for taxpayers on healthcare and crime.

The issue here is that these benefits are conditional on the *quality* of the education provided. In the long run, expanding services or participation without attention to quality will not deliver good outcomes for children or the long-term productivity

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<sup>1</sup> NZEI Te Riu Roa supported a 2013 CTU submission to the Productivity Commission arguing that ECE services were a public good and not a social service and should not be in scope. We maintain that position but for the purposes of this submission have applied the Commission’s inquiry parameters.

<sup>2</sup> For example, 1 Dalli, C., White, E.J., Rockel, J., Duhn, I. et al. (2011). Quality early childhood education for under-two-year-olds: What should it look like? A literature review. Retrieved April 16, 2013 from [www.educationcounts.govt.nz/publications/ECE/quality-early-childhood-education-for-under-two-year-olds-what-should-it-look-like-a-literature-review/executive-summary](http://www.educationcounts.govt.nz/publications/ECE/quality-early-childhood-education-for-under-two-year-olds-what-should-it-look-like-a-literature-review/executive-summary); Also – OECD (2012), Starting Strong III: A Quality Toolbox for Early Childhood Education and Care, OECD Publishing. Retrieved April 16, 2012 from [http://www.oecd.org/document/0/0,3746,en\\_2649\\_39263231\\_49317504\\_1\\_1\\_1\\_1,00.htm](http://www.oecd.org/document/0/0,3746,en_2649_39263231_49317504_1_1_1_1,00.htm) . Also – the report, Solutions to Child Poverty In New Zealand – Evidence for Action, published by the Office of the Children’s Commissioner, December 2012

benefits for society – or, more particularly, in terms of the Government’s stated goal of lifting education achievement. Furthermore, research has shown that if quality is low, it can have long-lasting detrimental effects on child development, instead of bringing positive effects.<sup>3</sup>

Therefore, NZEI contends that in terms of educational ‘services’, quality and effectiveness should be seen as synonymous. It should also be noted that the ‘care’ and ‘education’ of very young children are inextricably linked so that poor provision of one leads to poor provision of the other.<sup>4</sup> Efficiency in ECE is illustrated, in general, by the provision of higher-quality services at the same or lower price as other providers. The issue in ECE therefore becomes one of upscaling existing high-quality services, and downsizing less effective providers.

Research, and a growing body of examples in this country, indicates there is a correlation between quality provision and not-for-profit services because not-for-profit services are more likely to align with and maintain professionally recognized indicators of quality.<sup>5</sup> Moreover, there are a number of risks both politically and to children that arise from the rapid expansion of for-profit provision of ECE in New Zealand in recent years. These include:

- profit-taking driving lower quality provision, and therefore fewer benefits and greater risks to children
- the growing use of poor employment practices to cut labour costs, which impairs the ability of staff to deliver quality ECE (‘zero hours’ contracts, the use of large numbers of relievers and unqualified staff, poor staff: child ratios, and so on)<sup>6</sup>
- risks to equity and access. Privatised ECE systems tend to deliver quality provision to children whose parents can afford to pay; those whose parents can’t – and who are often in more urgent need of quality services – are more likely to end up in low quality services
- provider rather than client (child-)centred drivers<sup>7</sup>
- instability of provision, as evidenced by the collapse of the ABC chain of centres in 2008<sup>8</sup>

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<sup>3</sup> Carroll-Lind, Dr J and Angus, Dr J, *Through their lens*, (2011) executive summary <http://www.occ.org.nz/assets/Uploads/Reports/Education/Through-their-lens.pdf>. Also - <http://www.lead.ece.govt.nz/ManagementInformation/RecentAnnouncements/ECEAdvisoryGroups.aspx>

<sup>4</sup> Helen May, (2013), *The Discovery of Early Childhood* (2<sup>nd</sup> ed), NZCER Press, Wellington

<sup>5</sup> NZEI report, (2007), Quality Public ECE: a vision for 2020. A report to NZEI Annual Meeting, Wellington. Also - <https://cdn.auckland.ac.nz/assets/central/ece-literature-review-benchmarking-study-171108.pdf>

<sup>6</sup> Ibid Carroll-Lind. Also - Ministry of Education Briefing Papers to the Incoming Minister, 2014. Also - Working with Te Whaariki, ERO national report May 2013 (findings) <http://ero.govt.nz/National-Reports/Working-with-Te-Whariki-May-2013>. Also - <http://www.lead.ece.govt.nz/~media/Educate/Files/Reference%20Downloads/Lead/Files/RecentAnnouncements/SAGUnderTwosReport.pdf>. Also - <http://www.ero.govt.nz/National-Reports/Improving-quality-employment-responsibilities-in-kindergartens-and-education-and-care-services-May-2014>

<sup>7</sup> [http://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=11358879](http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11358879)

- development of cartel behaviour if there is market dominance. Private sector operators have been buying up high-quality community providers in New Zealand in recent years, leading to large-scale operations that can dominate a suburb, district or small town
- cost-cutting of other resources that children need in order to learn well – good quality play equipment and adequate outdoor space
- inefficiency due to duplication of services or under capacity through a reliance on ‘market driven’ expansion (as is now the case in New Zealand) rather than planned provision
- a loss of responsiveness to local communities. For-profit services tend not to have parent governance structures or to network with their communities, other than for marketing purposes
- a lack of cultural responsiveness in some services. Operators have opened in low socio-economic areas with limited Treaty of Waitangi or Pasifika knowledge
- inefficient Government spending on ECE qualifications offered by a proliferation of private providers
- a growing political risk to the Government as poor quality, for-profit ECE services are exposed and educational achievement targets are not met, despite the best efforts of educators.

Innovation in teaching and learning and/or the delivery of educational services is associated by some with a requirement for private/for profit entrepreneurial involvement. But the history of the ECE sector and indeed the broader schooling sector both in New Zealand and internationally does not support this.

Large for-profit providers may develop new systems to run more efficient businesses but this does not appear to be applying to innovations in pedagogy. As well, because of competition issues, they are less likely to share any innovations with the rest of the sector. However, for-profit services are very quick to respond to profit-signals and this has led to extremely rapid growth in some businesses.

On the other hand, NZEI members report that innovation is happening in high-quality not-for-profit services.<sup>9</sup>

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<sup>8</sup> <http://www.smh.com.au/comment/the-shaky-business-of-childcare-and-past-lessons-20140312-34mfs.html>

<sup>9</sup> Just two of the many non-profit centres with innovative cultural practices would be Nga Kuaka in the Waikato and Mana Tamariki in Palmerston North. Toru Fetu in Porirua is a successful Pasifika collaboration between a community in Porirua and the local kindergarten association. Papamoa Kindergarten won a Green-Gold medal in the 2010 EnviroSchools competition (<http://www.taurangakindergarten.org/itemdetails/Papamoa-Kindergarten/409.aspx>). The Centres of Innovation, which lost their funding in 2008, were highly regarded within the sector and had potential to be upscaled: <http://www.educate.ece.govt.nz/Programmes/CentresOfInnovation/PastAndCurrentCentresOfInnovation/Innovation.aspx?p=2>. At the same time, owner-operator services are recognised as developing pedagogical innovation, for example, The Kids Club in Hamilton has very good self-review practices.

Ultimately, the efficiency and effectiveness of the provision of ECE services cannot be divorced from other supports and services for babies and young children – or from their challenges. For example, as awareness of the debilitating effects of poverty on children becomes better known, more is being asked of high-quality centres to militate the effects of poverty but they face challenges that include the constraints on special education funding (special needs children are more likely to live in poverty), silos in the health and welfare systems, and funding cuts. Despite this, non-profit kindergartens and centres can and do act effectively as ‘hubs’ to facilitate the provision of multiple services.

### **The way forward**

To build more effective and efficient ECE services, it would be useful for the Productivity Commission to consider a number of recommendations. The rationale for these are explained more fully in the next section. These would:

#### **Provision**

- develop indicators of quality ECE based on the learning dispositions as set out in Te Whāriki; and on other criteria that are research- and evidence-based (100% qualified teachers, good ratios, small group sizes, relationships, a warm and welcoming learning environment)
- look at indicators of social cohesion, as a positive and measurable outcome
- address growing concerns about the rapid proliferation of new ECE services and a widely perceived decline in the quality of ECE provision: an independent inquiry into current services is needed
- ensure higher standards of ECE for priority learners
- extend paid parental leave by offering parents the funding subsidy that is available to private providers of ECE for under-two-year olds. In effect, this funding subsidy has become a subsidy to employers who benefit from parents returning to the workforce, and taxation policies ought to be considered in this light
- more informed ‘choice’ by way of specific information delivered to parents about what does (and does not) constitute quality in ECE
- improve the cultural competencies of providers overall
- improve transitions for students between ECE and school
- ensure better planning for the provision of ECE services to ensure access to quality services in all areas
- upscale the development of ‘hubs’ in low socio-economic centres that facilitate the delivery of a range of social services to vulnerable families and children
- ensure better workforce planning to improve efficiency.

#### **Regulation**

- strengthen the regulation and public monitoring of ECE services to ensure that existing funding is being spent as intended
- regulate the marketing of ECE services.

#### **Pedagogy**

- reinstate the 100% qualified teacher funding band



- improve the teacher:child ratio for under-two-years
- improve professional learning and development for educators through more effective and efficient provision. PLD is urgently needed across the sector, and across the curriculum, and for special needs education
- improve initial teacher education in ECE. The relatively large number of ITE providers raises issues around their monitoring and quality. NZEI members welcome NZQA's review of sub-degree qualifications and this review could be extended to degree courses
- increase the amount of independent, qualitative research on the effect of the changes to ECE provision over the last decade
- support the Minister of Education's stated intention to strengthen the implementation of the ECE curriculum Te Whāriki.

#### Leadership/collaboration

- ensure stronger relationships and better partnerships in the education sector, between the Ministry of Education, the elected Government of the day, and the profession
- extend innovative practice that is occurring at the grassroots
- formalise grass-roots collaboration between providers
- invest in leadership. Professional leadership has been recognised as a key driver of quality in education. In the ECE context, the need to lift the quality of leadership is under-resourced. It also needs to be considered in the context of a relatively 'flat' leadership structure in centres.<sup>10</sup>

#### Governance

- commit the Government to investing in companies that profit from Government-funded services. For example, if the Government took a corner shareholding in the soon-to-be listed Evolve Education it would have access to financial information and information on the quality of services. It would be more able to ensure quality ECE is the company's primary objective
- better public reporting by all publicly funded ECE services, both in terms of accountability of funding and profits, and in terms of reporting to parents on the quality of service
- more public disclosure of contact between providers and Government ministers
- a more responsive and open Official Information Act process.

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<sup>10</sup> There is a lack of universal investment in leadership development and leadership research in ECE. Carroll-Lind, Dr J et al, *Developing Pedagogical research in ECE* (2013) <https://nzca.ac.nz/assets/Uploads/Member-resources/Developing-Pedagogical-leadership.pdf>. Also – 'Successful leaders build and motivate quality teaching staff' in Norman, R, (2011) *Successful educational leadership in New Zealand*. NZCER Press, pg 37

## Current provision of ECE

### The numbers

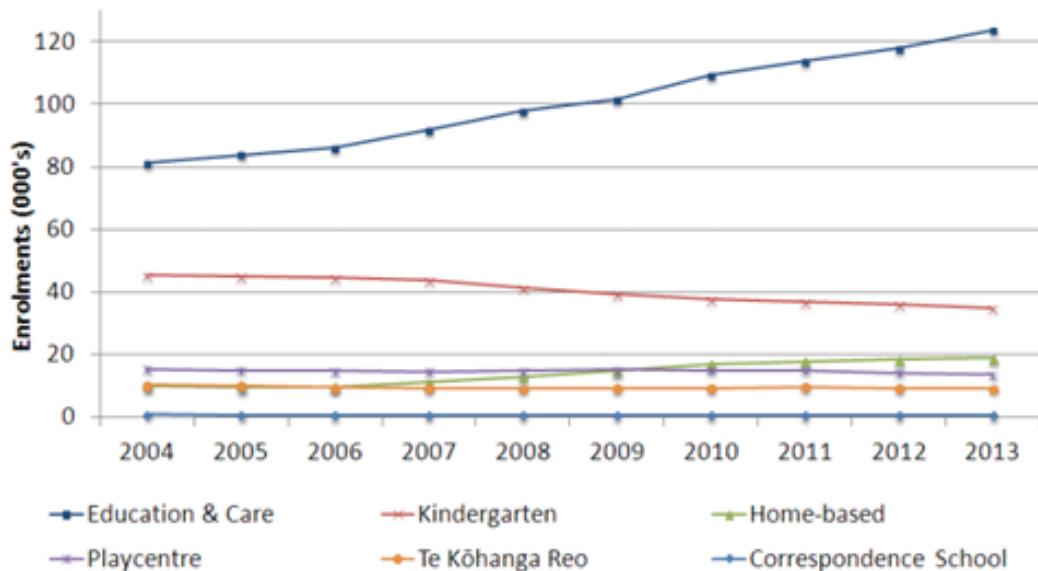
There were 187,072 places licensed in Early Childhood Education services in New Zealand, at the year ended June 2014.<sup>11</sup> The average occupancy rate for all licensed places was 80%.

The ECE services that Government funds are education and care (57% of places), home-based (15%), Kindergarten (13%), Te Kōhanga Reo (7%), Playcentre (6%), casual education and care (less than 1%), and hospital-based (less than 1%).

### A range of providers

These services are offered to families by a range non-government providers, including for-profit (mainly education and care and home-based services) and non-profit (kindergarten, plus a relatively smaller proportion of education and care and home-based services), and services with a significant volunteer component (Te Kōhanga Reo and Playcentre). The Ministry of Education records 47% of services as being community based and 53% as being privately run.

Over the last decade, the most rapid growth in services has been in for-profit providers, represented in the 'education and care' sector. (Growth in licensed service enrolments by service type between 2004-2013 and 2012-2013 [from Ministry of Education, Annual ECE Census: summary report 2013].) Note: the number of licensed places is lower than the number of enrolments, as some children attend more than one service.



<sup>11</sup> All figures from Ministry of Education websites.

## Funding

ECE services are funded by Government on the basis of per child-hour of attendance, to a maximum of six hours per child-place per day, at various rates (from \$3.38 to \$12.43 per hour). Factors affecting the level of the funding rate include whether services are all day or sessional, the age of the child, and the percentage of certain kinds of qualified and registered teachers at a centre (Playcentre and Kōhanga qualifications aren't recognised). The four funding bands for qualified and registered teachers are for centres with 0-24% qualified teachers, 24-49%, 50-79% and 80%+. There are also relatively small amounts of extra equity funding available for language, isolation, special needs and socio-economic status.<sup>12</sup>

The largest cost to ECE service providers is wage costs, estimated at being about 75% of the total cost of running a service.<sup>13</sup>

To meet minimum licensing regulations, services must operate with certain staff: child ratios, according to the age of the children and the type of service offered. For example, in education and care services, there must be a ratio of one staff member for five under-two-year-olds. The funding level increases if more of these staff members are qualified and registered teachers, up to the current maximum 80% qualified teacher funding band.<sup>14</sup>

Total public expenditure on ECE for the year to June 2013 stood at \$1.64 billion, with the bulk of this money spent by the Ministry of Education (MoE) on the child-hour-attendance funding; although the figure also includes \$186m of spending by the Ministry of Social Development (mainly on the childcare subsidy for low income parents, to cover fees charged by centres), and ERO \$9.6m. (2014 figures not available.)

For-profit centres also generate extra revenue by charging parents, and the industry norm in private centres is for two-thirds of income to come from taxpayers and one-third from parents.<sup>15</sup>

## Rapid change

The ECE sector in New Zealand has seen enormous change in recent decades, resulting from deep-seated social change. Like many western countries, we have gone from being a society where most young children were raised at home by their mothers to being a society where most children will spend at least a few of their early years attending ECE before they attend school.

This reflects both a change in attitudes toward the care of young children (an end to the idea that 'mother is best', that was particularly prevalent with regards to the care of

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<sup>12</sup> <http://www.lead.ece.govt.nz/ManagementInformation/Funding/FundingHandbook.aspx>

<sup>13</sup> <http://www.educationcounts.govt.nz/publications/ECE/28930/4---findings>

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[http://www.legislation.govt.nz/regulation/public/2008/0204/latest/DLM3902730.html?search=ts\\_regulation\\_education+2008\\_noresel&p=1](http://www.legislation.govt.nz/regulation/public/2008/0204/latest/DLM3902730.html?search=ts_regulation_education+2008_noresel&p=1)

<sup>15</sup> Evolve Education prospectus - [http://www.evolveeducation.co.nz/images/Final\\_20Prospectus\\_20-20no\\_20attachments\\_20\\_2814\\_20Nov\\_29.pdf](http://www.evolveeducation.co.nz/images/Final_20Prospectus_20-20no_20attachments_20_2814_20Nov_29.pdf), p67

infants and toddlers) and, in more recent times, an increased need for both parents to work, particularly to meet rising housing costs.<sup>16</sup>

These factors have fuelled a rather remarkable jump in the number of children attending all-day, for-profit services.

Between 2001 and 2014, the number of licensed ECE places increased from 117,863 to 187,083. Of these 69,220 new places, 57,153 are in all-day education and care services and 86% are in for-profit services.

The introduction of the '20 hours ECE' policy in 2007 entitled all three and four year-olds to 20 hours of free ECE. Its practical effect for service providers was a spike in demand for services and a much higher hourly rate paid to providers for these children. From 2010 the policy was extended to all five-year-olds.

More recent Government policy has focussed on 'participation' in ECE by vulnerable children, with various initiatives underway to encourage their parents to enrol children in services.<sup>17</sup> The initiatives are targeted at children from low socio-economic backgrounds, and at Māori and Pasifka children who are also disproportionately represented in poverty statistics. Child poverty is well recognised as the prime case of educational underachievement.<sup>18</sup> The MoE reported in 2013 that Māori enrolments in ECE were up by 6.2 percent and Pasifka by 6.3 percent.

The percentage of children, overall, who have participated in some form of ECE before entering the primary school system has also been climbing, to 95.7% in 2013, with a target of 98% by 2016.

At the same time as the number of children attending ECE has increased, the number of hours they attend has also increased. The average number of hours per enrolment per week rose from 13.5 hours in 2000 to 21.7 hours in 2013 (up 60%).

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<sup>16</sup> <http://www.stuff.co.nz/national/63620751/rising-housing-costs-hit-wallets>

<sup>17</sup> <http://www.minedu.govt.nz/theMinistry/Budget/Budget2010/Factsheets/ECEParticipation.aspx>

<sup>18</sup> Boston, J., & Chapple, S. (2014). Education and child poverty. In *Child poverty in New Zealand*. Wellington, NZ: Bridget Williams Books. Also –

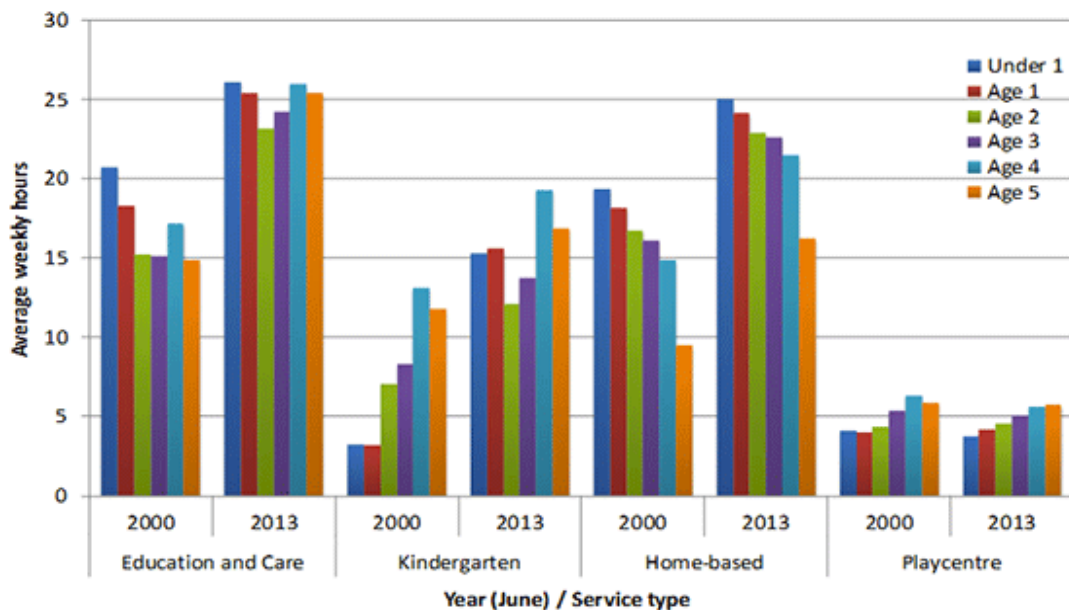
Ed. Carpenter, V, & Osborne S, (2014). *Twelve thousand hours: Education and Poverty in Aotearoa New Zealand*. Dunmore Press. Also –

*Improving Educational Performance: Why Tackling Child Poverty Must be Part of the Solution*, Boston J, 2013 paper.

<http://iaps.victoria.ac.nz/staff/team/Education%20and%20child%20poverty%20V4.pdf>. Also –

Rashbrooke, Max (2013), *Inequality: A New Zealand Crisis*, Bridget Williams Books

Average number of hours spent per week in ECE per enrolment by year of age and service type between 2000 and 2013. (Ministry of Education (2013), *Participation in early childhood education*, <http://www.educationcounts.govt.nz/statistics/ece2/ece-indicators/1923>)



### Increased spending

According to the MoE, public expenditure on ECE increased significantly between 2002 and 2013. This increase is accounted for by increased volume, increased all-day provision, increased numbers of under 2s (higher funding rate), inflation, the 20 Hours policy and increased teacher registration (and hence the higher funding rate).<sup>19</sup>

In current 2013 dollars, spending rose by 203% from \$542 million in 2002 to \$1,641 million in 2013. Public expenditure on ECE when expressed as per full-time-equivalent (FTE) child has also increased significantly, from \$5,700 per FTE child in 2002 to \$9,700 per FTE child in 2013. Public investment in ECE as a proportion of national wealth (GDP) has increased by 137%, from 0.33% to 0.77% between 2002 and 2013.<sup>20</sup>

However, a 2008 UNICEF Innocenti Research Centre report, *The childcare transition – A league table of early childhood education and care in economically advanced countries* set benchmark standards that are directed towards what Governments can do to ensure that childcare is managed in the best interests of children and societies. The suggested minimum level of public funding was 1% of GDP.<sup>21</sup>

At the same time, ECE costs have also risen for families. For-profit centres that offer quality services generally charge extra fees (as much as \$400 + a week). Costs rose sharply at some centres after the funding band for 100%-qualified and registered teachers was cut in 2010.<sup>22</sup>

<sup>19</sup> <http://www.taskforce.ece.govt.nz/wp-content/uploads/2010/11/5b-Funding-Settings.pdf>

<sup>20</sup> <http://www.educationcounts.govt.nz/indicators/main/resource/public-expenditure-on-early-childhood-education-ece>

<sup>21</sup> [http://www.unicef-irc.org/publications/pdf/rc8\\_eng.pdf](http://www.unicef-irc.org/publications/pdf/rc8_eng.pdf)

<sup>22</sup> <http://www.odt.co.nz/news/dunedin/170541/child-care-costs-pressure-families>

### **But funding cuts for some services**

Although Government spending on ECE overall has risen steeply due to the reasons listed above, funding for some services has fallen. This is due to the removal of the 100% funding band.

In particular, this has hit high-quality, non-profit services, as these services – for example, kindergartens run through the New Zealand Kindergarten Association – run their services with 100% qualified staff to ensure high-quality provision. Many of these services have continued to employ 100% qualified teaching staff, despite the lower funding they now receive, which has put them under serious financial strain.

The loss of this funding band has also had significant workforce implications. New graduates have borne much of the cost of this change. They had trained in the expectation there would be jobs for them as qualified teachers but then found there were not. Many with large student loans have ended up working in low-paid, unqualified roles. There are reports of high-quality, non-profit centres advertising for qualified teacher roles and receiving hundreds of job applications – as these teachers seek to move away from low-paying roles in low-quality, for-profit centres.

### **Demographics and further funding cuts**

It appears unlikely that the rapid growth in the number of children attending ECE and their increasing hours will continue.

After relatively fast growth in the early part of the century, New Zealand's population was forecast to grow at a slower pace for the next decade; however the recent bounce in immigration figures may impact on this,<sup>23</sup> particularly as New Zealand is perceived as a good place to raise children.<sup>24</sup>

Pasifika and Māori populations are also predicted to rise faster than the national average, through a faster birth rate.<sup>25</sup> This raises the ante on Government to ensure the provision of quality ECE services for these children, who are disproportionately affected by child poverty.<sup>26</sup>

At the same time, Government spending on ECE is forecast to fall in real terms, at least through until 2018. According to an economic analysis of the 2014 Budget, Government spending on ECE will fall in real terms by 6.9% between 2013-2018.<sup>27</sup>

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<sup>23</sup> [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=10866858](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10866858) and <http://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE2302#> and <http://tvnz.co.nz/business-news/immigration-nz-hits-all-time-high-6161543>

<sup>24</sup> [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11348512](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11348512)

<sup>25</sup> <http://www.treasury.govt.nz/government/longterm/fiscalposition/2013/affordingourfuture/03.htm>

<sup>26</sup> Ibid, Boston & Chapple, Boston, Cartpenter & Osborne, Rashbrooke

<sup>27</sup>

[http://www.nzei.org.nz/NZEI/Media/Releases/2014/11/Changes\\_to\\_decile\\_funding\\_ignore\\_the\\_real\\_issue.aspx#.V GpTr\\_SUf5k](http://www.nzei.org.nz/NZEI/Media/Releases/2014/11/Changes_to_decile_funding_ignore_the_real_issue.aspx#.V GpTr_SUf5k)

## Quality ECE services

As noted earlier, quality is at the crux of the discourse on the provision of ECE services in New Zealand.

There is now widespread acceptance that quality ECE has a lifetime, positive effect on young children, particularly so for disadvantaged children. This is the reason given for the Government's policies to improve participation.<sup>28</sup>

Children who attend quality ECE have better health, better educational achievement, more lifetime employment, pay more taxes, are convicted of fewer crimes and use less welfare services. The Nobel Prize-winning economist James Heckman and others have concluded: The evidence is unassailable that every dollar invested in ECE produces a return on that investment of at least \$US7.<sup>29</sup>

## What is quality?

Yet in New Zealand quality is becoming a contested concept. All services claim to be offering 'quality' services. Government regulations are designed to ensure 'quality' provision. Most services market their centres on the basis of their 'quality'.

NZEI members themselves advocate strongly for quality services and have identified factors that ensure quality: 100% qualified teachers, good ratios, small group sizes, good relationships, a warm and welcoming learning environment. Others in the profession identify similar factors.<sup>30</sup>

Yet there remains a perception among some providers that ECE 'isn't rocket science' and you can't go past the 'nana factor'.<sup>31</sup> Professional educators are aghast at this attitude. Warm and loving relationships in services are of course essential. But they are simply the beginning of a high quality practice. To ensure the maximum benefit to children of ECE, the practice must go a lot further than physical safety and emotional stability. As recognised in the ECE curriculum Te Whāriki, ECE must develop engagement and exploration: it must develop the learning dispositions in children that will ensure their lifelong development.

There is also a growing body of neuroscientific research into the brain development of infants and toddlers that identifies the crucial importance of excellent practice in this area. Yet this is an area where for-profit provision is growing the fastest – in part because many high quality, non-profit services have reservations about very young babies being in care and do not offer this service. And NZEI members in these services

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<sup>28</sup> <http://www.educationcounts.govt.nz/statistics/ece2/participation-publications/participation-in-early-childhood-education-evidence-booklet>. Also – Ibid. Expert Advisory Group, Office of the Children's Commissioner.

<sup>29</sup> The arguments well summarised in this review, and in the book that is being reviewed: <http://www.edweek.org/ew/articles/2014/10/15/08kaufman.h34.html?tkn=PYVFL1nBl7mrM0OCQLudCzJpJHpWTfHfHfkc>

<sup>30</sup> Final report EPPE longitudinal study. Siram-Blatchford, Iram et al [http://www.ioe.ac.uk/RB\\_Final\\_Report\\_3-7.pdf](http://www.ioe.ac.uk/RB_Final_Report_3-7.pdf)

<sup>31</sup> [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=10647625](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10647625)

report that it is the under-two-year-olds who are more likely to have unqualified staff as their main teachers/caregivers – ‘because they are only babies’<sup>32</sup>.

For-profit services that do offer high-quality services for infants and toddlers charge parents \$400 a week or more, and this is simply unaffordable for most families.

A more effective alternative to the risk of low-quality ECE for infants and toddlers would be to extend paid parental leave. This could be financed by transferring the subsidy that is currently paid to providers for under-two-year-olds, which is \$300+ a week, to parents. There is a strong demand from parents for longer paid parental leave.<sup>33</sup>

### **Growing concerns about quality**

There are widespread and growing concerns within the ECE sector about the detrimental effect on quality caused by the proliferation of large and/or hands-off for-profit providers.

Many of the new operators have little or no experience in the sector. As Peter Monteith from the Tauranga Kindergarten Association put it, ‘It’s like kiwifruit. Everyone thought there was big money in it and lots of people got in to it.’<sup>34</sup>

Retired professional rugby players have opened large centres in South Auckland, and ex-professional cricket players are reported to have opened centres in Christchurch. New centres are opening with children in large, age-specific rooms where the dominant resource for children is a flatscreen TV playing American cartoons on a loop. Other resources appear limited. This scenario is just one that contravenes many best practice principles.

One of the most critical factors in raising the achievement levels of disadvantaged and vulnerable children is the quality of oral language learning in the early years. In high-quality ECE, this occurs in frequent, unpressured, language-rich, small-group interactions between qualified teachers and children. But it appears that this most critical of factors is being limited in many large, for-profit centres.

NZEI has qualitative evidence showing that minimum staff ratios are not maintained in some for-profit centres; that staff are exhausted from working long contact hours for low pay; and as a result that quality teaching and learning are being seriously compromised.

As one of several initiatives, NZEI surveyed 22 staff working in large, for-profit centres and their comments are stark:

- ‘I have heard teachers deny children and babies food because the budget is going over.’

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<sup>32</sup> NZEI online survey of members in for-profit services and qualitative research

<sup>33</sup> <http://www.scoop.co.nz/stories/HL1207/S00153/campaign-to-increase-paid-parental-leave-26-for-babies.htm>

<sup>34</sup> This article outlines many of the issues in this section - <http://www.educationaotearoa.org.nz/all-stories/2014/10/1/the-rise-and-rise-of-corporate-childcare.html>



- 'The manager expects all children to get themselves to sleep. 'They have to get used to it' – this was said about an infant four-months-old and used to being nursed to sleep – there's no allowing for a nurturing practice.'
- 'Never enough teachers to effectively take care of the children.'
- 'We end up spending the day more as a glorified babysitter and cleaner, and don't really get time to do any meaningful teaching.'
- 'Blindspots on the floor.'
- 'Lack of bicultural competencies.'
- 'I really worry for little babies in with 25 other little babies, with one teacher to five babies. Ratios are worked out to bare minimum staffing. You have to consider who can change nappies, prepare meals, be inside, be outside, be able to go to the loo, be on non-contact. Children are at risk.'

Not surprisingly, confidence within the sector is plummeting. An online survey by the Child Forum Early Childhood Network found that 63 percent of respondents believed things would get worse in the coming 12 months.<sup>35</sup>

A large number of complaints have also been made against centres. These numbers are now being released by the Ministry of Education under pressure from the sector, and showed that in 2013, 246 complaints were made against services, mostly about fees but 26 alleging physical or verbal abuse.

But the actual number of complaints is likely much higher because centres are not required to report complaints against unqualified staff.<sup>36</sup>

The Education Review Office report, *Improving Quality – employment responsibilities in kindergartens and education and care services*, called on the Government to investigate how services might report on the conduct and competence of unqualified staff.

This ERO report found that 41% of education and care services had 'minimally effective or ineffective practices for managing and developing staff' compared to just 4% of kindergartens. Some 91% of kindergartens supported staff development 'very well' compared to just 37% of education and care services.

Most recently, the Ministry of Education's Briefing to the Incoming Minister of Education, 'Aspiration and Achievement', October 2014, flagged quality in ECE as a concern – 'We need to lift the quality of ECE, and ensure it benefits the children who need it most'.

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<sup>35</sup> <http://www.childforum.com/news-early-childhood-education-latest/1199-ece-sector-confidence-policy-survey-2014.html>

<sup>36</sup> <http://ero.govt.nz/National-Reports/Improving-quality-employment-responsibilities-in-kindergartens-and-education-and-care-services-May-2014> – there is no legal requirement to report complaints against unqualified staff, although all services are required to have a formal complaints policy in place to respond to poor performance/misconduct.

The Ministry's paper also says, 'In ECE, as in schooling, we will support educators to take the lead in improving quality, creating stronger professional leadership and standards.'

However, the expectation that educators working in large, for-profit services would be in a position to lift quality is unreasonable, to say the least. These employers use quite draconian employment practices that limit the role of these educators. There is no encouragement of collaboration with teachers outside of the company centres, and even active discouragement – some even train their own staff in-house, meaning these staff have limited experience of what good practice looks like. Many staff are employed on 'zero hours' contracts and as relievers – and if they speak out about poor practices, they do not get the hours they need to earn a living. Staff have been subject to disciplinary hearings for making even the mildest of criticisms of centre practice. These staff also work very long hours of 'contact time' – up to 38 hours a week (compared to 26 hours in kindergartens) – and staff are simply too exhausted to advocate effectively for higher quality provision.

For many staff, too, there is not the choice of leaving a bad employer. New graduates who need experience to gain registration can end up tied to an employer who continues to promise they will sign off on the paperwork needed for registration 'in six months'. Staff in areas of high unemployment may have few other employment choices. Other staff report they feel a loyalty to children and families to stay in centres where the practices are poor, to try and make it the best they can for those children.

At the same time, there is a hunger among ECE staff for independent, meaningful professional learning and development (PLD) because staff do want to continually improve their practice. NZEI member networks of ECE teachers conduct their own PLD, but unsurprisingly staff at for-profit centres are discouraged from joining NZEI. Initiatives, such as those of the New Zealand Childcare Association Te Tari Puna, to build collaboration and deliver PD, could also be upscaled.

### **The most vulnerable children, equity and 'choice'**

The trend in the provision of social services in recent years has been away from 'red tape' and 'bureaucracy', and toward 'light regulation' and 'choice'. This is having a detrimental effect on children.

Some 260,000 New Zealand children live in poverty.<sup>37</sup> And while many high quality, low-cost, non-profit centres operate in areas of high poverty, there has also been a proliferation of lower quality, for-profit services in these areas. Families in these areas cannot afford fees and for-profit centres aggressively target their marketing with offers of no fees, free food, pick-up services, free nappies and free toys to encourage enrolments.

This variety of ECE provision may appear to fall under the ambit of 'choice' but under these circumstances 'choice' becomes a misnomer. As discussed earlier, there is a wide variance between what private providers describe as 'quality' and what academics and professionals would describe as 'quality'.

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<sup>37</sup> <http://www.childpoverty.co.nz/>

As a result, it has become difficult for parents to identify what is quality from a plethora of claims about quality that range from what is simply aggressive marketing to a more measured and research-based approach.

As it is, educators widely report that parents are choosing services on the basis of their opening hours, their free stuff, and their new, shiny premises. This is borne out in recent research from Waikato University.<sup>38</sup>

The resulting combination of falling standards of quality in ECE, and aggressive marketing of low-quality services to the parents of the most vulnerable children, raises serious questions about whether the Government will attain its goal of raising student achievement levels by way of its investment in ECE.

It also adds credence to the argument put forth by Finnish educationalist Pasi Sahlberg (who has worked for the World Bank and the OECD) that you cannot have both 'choice' and 'equity' in education.<sup>39</sup>

Poor children in New Zealand are increasingly being channelled into poor quality ECE services while the children of more educated parents, who can conduct their own research into what constitutes 'quality' and who can, if necessary, afford the very steep fees at high-quality, private centres, are more likely to receive quality ECE.

### **Quality control**

The regulation of the ECE sector is currently too weak.

New services must be licensed under regulations that outline standards that are regarded in the profession as minimums, but by some providers as maximums. These standards were weakened when the 100% funding band for qualified and registered teachers was cut and the maximum size of centres was increased from 50 children to 150 children.

The 20 Hours ECE policy was also extended to all five-year-olds, which raised concerns about a defacto privatisation of public primary schooling 'from the bottom up'. This would be a regressive step, as discussed below.

Ongoing monitoring of ECE services is through regular Educational Review Office visits and public reporting. However, visits by ERO are planned and notified well in advance.

Educators state that it is easy enough to 'wing' an ERO review by having all the paperwork up-to-date, by having all the resources for children out on the floor, and by making sure the teacher: child ratios are right on the day.

There are widespread anecdotal reports of frequent infringements of legal minimums at centres.

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<sup>38</sup> Linda Mitchell et al, (2014) *ECE Participation Programme Evaluation. Delivery of ECE participation initiatives: Stage 2: Commissioned report*

<sup>39</sup> <http://www.wholechildeducation.org/blog/equity-the-driver-for-school-improvement>

## **Business efficiency and effectiveness at the expense of educational efficiency and effectiveness**

There is strong evidence to suggest that large for-profit providers of ECE services are running extremely efficient, effective and profitable businesses. Centres are being advertised for sale on websites on the basis of their profitability.

In another example, Kidicorp was listed on the New Zealand sharemarket in 2003 but delisted four years later. Wayne Wright, who owns the business with his wife Chloe, said at the time that it was tough being listed because teachers could see the profits and would ask for a pay rise. He has subsequently added that public reporting of profits also means shareholders want a dividend and parents do not want fees to rise.<sup>40</sup> An analyst said Kidicorp's delisting was a good idea because the profits weren't a good look.

Kidicorp has grown hugely since then and now has licensed places for nearly 15,000 children operating under 20 brands. It received \$180m in Government funding in 2013, and given industry norms, would be expected to take in about another \$77m in fees from parents. It has also received grants from Government to build new centres and only recently sold its own government-funded training college for teachers.

One factor in Kidicorp's rapid growth appears to lie in how it manages its property. It has a history of buying up existing centres, selling the properties on, and leasing back the facilities. This way it does not become overloaded with debt. The 2013 annual report of the listed Australian Education Trust notes that Kidicorp leases properties comprising 12% of the trust's portfolio.

In November this year, a prospectus was launched for the listing in New Zealand and Australia of a new company, Evolve Education, which will own the PORSE home-based ECE service, the Lollipops chain of centres, and 55 other centres – all of which receive Government funding. The PORSE founder, who will be involved with the new company, has received business awards for the success of her business. The Evolve listing will raise \$132m but there will be no public offering.

The Evolve float, along with the rapid growth of other for-profit providers, raises the prospect of increased inflexibility for Government in how it commissions ECE services. The prospectus notes that any changes to Government funding represent a corporate risk, and it is likely that Government would be intensely lobbied if it wanted to change its model, or its regulations, to align with its education goals, rather than with the business practices of private providers. There is evidence of this already.

The success of large-scale ECE businesses relies on their keeping costs down. As staffing is around 75% of the cost of running an ECE service, there is a strong, perverse incentive to keep these costs down – although quality teaching is what drives the quality provision of ECE. Consistent, high-quality teaching and learning cannot be provided by low-paid, over-worked and job-insecure staff.

Thus we now have the situation where Government funding that is intended for the provision of quality ECE in order to raise the educational achievement of young New

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<sup>40</sup> <http://www.stuff.co.nz/business/10416449/Childcare-to-float>

Zealanders is instead being turned into an income stream for private owners. There is a perverse incentive on private providers to decrease quality.

### **Fraud and corruption**

This privatisation of ECE provision in New Zealand has parallels with the provision of education services through charter school overseas. Similarly, these types of schools have been controversial in terms of their effectiveness and their value for money. Research by charter school backers in the US indicates that the schools do quite well, but more independent research suggests that they do about the same as public schools even though they have more resources and tend to have fewer high needs students in their schools.<sup>41</sup>

However, an even bigger problem for Governments in terms of the provision of education services by for-profit providers is the prevalence of fraud and corruption that this type of provision appears to generate.

In New Zealand, NZEI has received numerous reports that private, for-profit centres are not meeting their legal obligations in how they claim Government funding, in particular by claiming for qualified-teacher contact time when those teachers are not on the floor. Attendance record-keeping is also reported to be variable, with existing rules exploited to retain funding when children are away for long periods – and when centres are using relievers so that when children are away their staff costs are lower. Centre managers are reported to be under extreme pressure from owners to meet business targets.

Fraud, corruption and ‘poor business practices’ have proved embarrassing for Governments in New Zealand and around the world:

<http://www.irishexaminer.com/ireland/another-creche-scandal-but-weve-been-here-many-times-before-232787.html>

<http://www.theguardian.com/world/2014/sep/11/swedish-elections-cracks-showing-nordic-model>

[http://www.nytimes.com/2014/09/13/nyregion/charges-brought-against-four-day-care-operators.html?\\_r=0](http://www.nytimes.com/2014/09/13/nyregion/charges-brought-against-four-day-care-operators.html?_r=0)

<http://www.myfoxtwincities.com/story/21390518/investigators-day-care-deception>

<http://charterschoolscandals.blogspot.co.nz/>

[http://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=10812634](http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10812634)

<http://www.radionz.co.nz/news/on-the-inside/247999/correspondent-john-gerritsen>

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<sup>41</sup> <http://www.tcrecord.org/Content.asp?ContentID=16917>. Also – <https://credo.stanford.edu/documents/NCSS%202013%20Executive%20Summary.pdf>. Also – <http://www.reuters.com/article/2013/02/15/us-usa-charters-admissions-idUSBRE91E0HF20130215>. Also – [http://www.salon.com/2014/10/02/the\\_great\\_charter\\_school\\_rip\\_off\\_finally\\_the\\_truth\\_catches\\_up\\_to\\_education\\_reform\\_phonies/](http://www.salon.com/2014/10/02/the_great_charter_school_rip_off_finally_the_truth_catches_up_to_education_reform_phonies/)

<http://www.listener.co.nz/current-affairs/education/early-warnings/>

One study in America found \$US30m of fraud by charter schools in one state alone.<sup>42</sup> In Britain, a scandal in Birmingham ran in the headlines for weeks when it was discovered that Muslim fundamentalists were seeking to take control of a group of charter-equivalent schools.<sup>43</sup>

In New Zealand, charter schools have proved to be an unpopular initiative with the potential to undermine what has been a highly successful public school system. The new charter schools here also receive much greater per pupil funding than public schools, which would suggest an inefficient provision of services, in part because they are currently funded for minimum roll levels even when they fail to meet them.<sup>44</sup>

Looking globally, charter schools have not produced the hoped-for lift in educational achievement that was meant to come both from their greater 'efficiency' and the element of competition that they introduced to the public system. In the US and Sweden, where charter schools are now well established, educational results in the recent PISA results have been disappointing, to put it mildly.<sup>45</sup> Charter school 'efficiency' appears to come from cutting the labour costs of professionals and by employing unqualified staff – at the expense of quality provision.

### **Lack of research**

It is disturbing that given the number of children attending ECE, and the size of the Government spend, that research into its effectiveness in New Zealand is limited. There are a small number of academics working in the field and a limited amount of research conducted by the Education Review Office.

Yet changes in the sector are happening very quickly, and the lack of in-depth information and research about their impact is astonishing.

For example, while there is extensive international research on the importance of high quality care for under-two-year-olds, there has been very little research into home-based care in New Zealand, although this has grown very rapidly.

A report from the Office of the Children's Commissioner found in 2011 that 'that the regulatory regime, the education and support services and the monitoring of practices for under 2-year-olds falls short of what is in their best interests. The regulatory regime has minimum standards that are too low; the infant and toddler content in teacher

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<sup>42</sup> <http://www.dailykos.com/%C3%A5/2014/10/02/1333858/-Charter-school-fraud-has-cost-Pennsylvania-at-least-30-million#>

<sup>43</sup> [http://en.wikipedia.org/wiki/Operation\\_Trojan\\_Horse](http://en.wikipedia.org/wiki/Operation_Trojan_Horse)

<sup>44</sup> [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11321934](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11321934)  
<http://tvnz.co.nz/national-news/charter-school-s-roll-plunges-green-party-6180066>. Also –  
<http://qpec.xleco.com/index.php?option=content&task=view&id=186&Itemid=213>

<sup>45</sup> <http://www.theguardian.com/world/2013/dec/03/swedish-results-fall-free-schools-pisa-oecd>. Also –  
<http://www.thenewamerican.com/culture/education/item/17086-oecd-u-s-schools-mediocre-on-education-compared-to-world>

education programmes is too meagre; and this report confirms the more extensive ERO report that quality standards are too low in too many services.<sup>46</sup>

### **Undesired consequences of current provision of ECE services**

A number of undesired consequences are resulting from the rapid expansion of government-funded, for-profit ECE services. These include:

- Rising concerns about poor quality services
- Increasing risk that Government will not meet its goals for improved educational achievement by way of its investment in ECE
- Increasing political risk as poor quality services are exposed
- Inflexibility in the model as corporate owners lobby for funding practices that support their business models, rather than the needs of children and vulnerable communities
- Poor provision due to a lack of planning of new services (oversupply and closures in some areas; undersupply in other areas)
- Missed opportunities to upscale innovative and effective services.

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<sup>46</sup> <http://www.occ.org.nz/assets/Uploads/Reports/Education/Through-their-lens.pdf>

## The Inquiry's questions

### **Q1 What are the most important social, economic and demographic trends that will change the social services landscape in New Zealand?**

High levels of poverty are entrenching in New Zealand society. Unless the Government acts, it will face higher social costs in the future. Children who grow up in poverty have poorer long-term outcomes, most notably in educational achievement and employment. Research on cognitive development and the benefits of early intervention reinforce the urgent issue of ensuring the provision of high-quality ECE services. As outlined in the NZEI case study above, inefficient and ineffective services in ECE will undermine their value to children, families and the future economic and social wellbeing of New Zealand.<sup>47</sup>

A narrow 'investment' approach to social services that costs the value of the Government's spend in the short term may undervalue the long-term benefits that accrue from a broader investment.<sup>48</sup> This will leave a long-term liability for later Governments and taxpayers, in terms of both the unmet potential of adults to work and pay taxes, and their higher costs relating to health, welfare and crime.

### **Q2 How important are volunteers to the provision of social services?**

Education services are hugely reliant on volunteer services.

As well, partnerships between providers and 'clients', built by way of volunteer involvement, are crucial to both the effective provision of education services and to the development of 'parents as first teachers'.

However, unqualified volunteers are no substitute for qualified professionals, in particular, those working with vulnerable children.

ECE services and primary schools rely on volunteers for a raft of contributions, including fundraising; governance; and parent help for transport on school trips, sports coaching, some in-class programmes, food-in-schools initiatives, property maintenance, and so on.

Educators themselves also give their time for free by working long hours. In term time, teachers work some 55 hours a week<sup>49</sup> and most also work during the school holidays on planning, preparation, professional development (often funded by themselves), creating resources and so on.

In addition, a 2010 NZEI survey found that, on average, educators spend \$8m a year of their own money on classroom resources.<sup>50</sup>

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<sup>47</sup> <http://www.occ.org.nz/assets/Publications/Choose-Kids-Why-investing-in-children-benefits-all-New-Zealanders-OCC-2.pdf> (2014)

<sup>48</sup> Chapple, Simon (May 2013), 'Forward liability and welfare reform in New Zealand' in *Policy Quarterly*, Institute of Governance and Policy Studies, Victoria University of Wellington

<sup>49</sup> NZEI member survey

<sup>50</sup> <http://www.educationaotearoa.org.nz/all-stories/2010/4/14/teachers-speak-with-their-wallets.html>



Many education providers in disadvantaged communities also provide or facilitate social services to struggling families in order that these families can support their children's learning.<sup>51</sup>

In education, it often happens that people who begin as volunteers, for example, in kōhanga reo or as parent help in schools, move into paid roles. In disadvantaged communities, volunteers may start in the hope that they will find paid employment.

Volunteers are particularly important in governance roles as these forge strong community partnership models for the delivery of education. Non-profit schools and centres in high socio-economic areas benefit from highly-qualified, professional volunteers taking governance roles; while low socio-economic, rural and remote communities can struggle to find enough volunteers with suitable experience and qualifications for these roles.

In disadvantaged communities, education providers have a vital role to play in building parent capacity, and services such as Playcentre and Kōhanga Reo do this well. Non-profit ECE providers and schools see the value of working with parents as volunteers and also offering teaching and learning to parents so they can better support their children's teaching and learning. This work, however, is under-resourced.

For-profit services, especially in ECE, usually do not have parent governance bodies, and therefore have weak ties to their communities, and to other services.

### **Q3 What role do iwi play in the funding and provision of social services and what further role could they play?**

Iwi are important stakeholders in the provision of education. Iwi education authorities and iwi education plans make a vital contribution in their rohe but are reliant on the Ministry of Education for implementation. More coordinated approaches between iwi education authorities and the compulsory sector, which is organised, funded and directed by the MoE, have potential.

Iwi may have clear ideas and directions that they would like schools and centres to consider. If iwi designs and desires align with those of the funder then there will be greater success in iwi ideas being implemented.

In ECE, iwi (like other community providers) face challenges because of the unplanned nature of provision, as has been outlined by the Early Education Federation. A dearth of planning by the Ministry of Education in the provision of services means a large, for-profit centre can open in the same area as high-quality community services and begin marketing aggressively to fill its roll. This makes it difficult for high-quality providers to sustain their services.

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<sup>51</sup> Ed. Carpenter, V, & Osborne S, (2014). *Twelve thousand hours: Education and Poverty in Aotearoa New Zealand*. Dunmore Press. Nb pp165-185

#### **Q4 What contribution do social enterprises make to providing social services and improving social outcomes in New Zealand?**

For-profit providers of ECE, which could be described as ‘social enterprises’, are now the biggest supplier of services. This has been detrimental to the quality of provision as for-profit providers are incentivised by the profit motive to cut labour costs. But high quality teaching and learning is dependent on qualified, registered and adequately paid teachers. Too many teachers are required to work too many contact hours, meaning they are stressed and exhausted – as outlined in the case study. Their professional expertise needs greater recognition, if the benefits of ECE are to accrue to children.

The increasing dominance of for-profit providers in the ECE sector is leading to increased inequity in service provision. Perversely, the children who most need high quality services are now less likely to get it. Parents with good incomes and who need long-hours of ECE can afford to pay the very high fees of good quality ECE – particularly for infants and toddlers. The children of parents with no spare income are increasingly segregated into lower-quality centres with their peers – yet the research is clear that disadvantaged children benefit from being in ECE with children from different social backgrounds.<sup>52</sup>

In the primary sector, many education services that were formerly undertaken directly by Government agencies, such as professional development, advisory services, employment services, and so on, are now provided by private providers operating on contract to the Ministry of Education, or are purchased by schools who pay providers out of their operations grants.

In particular, since the contracting out of professional learning and development, and advisory services, teaching professionals report a lack of access to adequate professional development as one of their prime concerns.<sup>53</sup>

#### **Q5 What are the opportunities for, or barriers to, social-services partnerships between private business, not-for-profit social service providers and government?**

The current Government appears to support the provision of education services by the for-profit sector, and in the ECE sector in particular there are few barriers.

The charter school experiment looks to extend this model to primary schooling, despite widespread opposition.

As reported in the case study, there is little reputable evidence to support the idea that social-service partnerships with for-profit providers improve the efficiency or effectiveness of high-quality education services.

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<sup>52</sup> Final report EPPE longitudinal study. Siram-Blatchford, Iram et al  
[http://www.ioe.ac.uk/RB\\_Final\\_Report\\_3-7.pdf](http://www.ioe.ac.uk/RB_Final_Report_3-7.pdf)

<sup>53</sup> NZEI member survey

**Q6 What scope is there for increased private investment to fund social services?  
What approaches would encourage more private investment?**

As is evidenced in the ECE sector, private investment in services requires that these services then make a profit for investors. This has been detrimental to quality, that is, the effectiveness of service provision, as described in the case study. While the private sector has been effective in meeting rapidly growing demand for ECE services, as a result of more parents returning to work (rising housing costs would appear to be a factor in this), at relatively short notice, this appears to have been at the expense of quality.

It is now timely to focus on making these services more effective by lifting quality so that Government meets its long term objective of raising student achievement levels.

**Q7 What capabilities and services are Māori providers better able to provide?**

Te Kōhanga Reo, puna reo, iwi education authorities, urban Māori authorities, and so on, effectively deliver education services for Māori children. The research is clear that Māori children learn better in an appropriate cultural context. As the Government has identified Māori (and Pasifika) children as priority learners, all services must be culturally competent and responsive – but this is not consistently the case in practice.

Māori providers have a vital role to play in supporting all services to be culturally competent, with at least a basic understanding of Te Tiriti o Waitangi and Pasifika culture.

The number of students attending Kōhanga Reo, however, is declining (as are other parent-led services) as more parents need to return to paid work for financial reasons. It may be appropriate for more parent-led services to look at transitioning to being led by teachers, who are qualified and registered, to ensure quality provision.

However, Māori providers also face challenges. Māori children are disproportionately represented in child poverty statistics and, as a correlation, in statistics of educational underachievement. Before any child living in poverty can be expected to learn, other needs must be met – health, food and other material needs, housing adequacy and stability, emotional wellbeing.

There is a risk that if Māori providers are funded to deliver education services, which are then measured on narrow outcomes, the Government will wash its hands of its responsibilities – ‘here’s the money, it’s your problem now’ – when the problems of poverty, and the level of child poverty that exists in New Zealand, require a whole-of-Government response.

There is also a role for Māori providers to support non-Māori teachers who teach Māori children. Many non-Māori teachers are very keen to develop their cultural competency and their Reo but are scared of ‘getting it wrong’.<sup>54</sup>

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<sup>54</sup> NZEI member feedback

## **Q8 Why are private for-profit providers significantly involved in providing some types of social services and not others?**

For-profit providers operate in the ECE sector but there are few in the primary sector. The private sector operates in ECE because it is seen as a highly profitable business opportunity (see case study). Demand for services has increased as more parents have had to return to work for financial reasons and more women return to work sooner after having their children. For-profit providers have had easy access to subsidies, extended by the 20 Hours ECE policy and TAP funding, and this has led to rapid growth for these businesses, particularly for home-based services and other services aimed at under-two-year-olds. An expansive ECE licensing policy and a lack of planning, compounded with the scrapping of the Discretionary Grant in 2008 that supported community services to expand, has also contributed to private-sector growth.

Charter schools in the primary sector, which were introduced as a 'trial' after the 2011 election, are set to expand, although there has been no independent research conducted on their effectiveness in New Zealand, and what appears to be limited MoE evaluation – and very little of that is available in the public domain. These schools operate outside of the state sector and are fully funded by Government. There is little reputable evidence to suggest however that more charter schools would improve the effectiveness or efficiency of education provision.<sup>55</sup> In fact, research suggests they will cost more to run and provide less effective services; cater to fewer high-needs students; create social segregation; and undermine what has been a successful public system of primary education.<sup>56</sup>

Current levels of low underachievement among disadvantaged students would be more effectively and efficiently tackled by lowering the level of child poverty in New Zealand and by mitigating its well-documented effects.<sup>57</sup>

## **Q9 How successful have recent government initiatives been in improving commissioning and purchasing of social services? What have been the drivers of success, or the barriers to success, of these initiatives?**

As discussed in more detail in the case study, the opening up of the ECE sector such that for-profit providers are now the dominant supplier has not been a successful initiative because of declines in the quality of service provision

The main barriers in this sector would appear to be a wilful ignorance of good quality ECE practice, the profit motive, a lack of collaboration between providers, poor employment practices such as 'zero hours' contracts, and a lack of good professional development and learning.

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<sup>55</sup> <http://www.tcrecord.org/Content.asp?ContentID=16917>. Also – <https://credo.stanford.edu/documents/NCSS%202013%20Executive%20Summary.pdf>. Also – <http://www.reuters.com/article/2013/02/15/us-usa-charters-admissions-idUSBRE91E0HF20130215>. Also –

[http://www.salon.com/2014/10/02/the\\_great\\_charter\\_school\\_rip\\_off\\_finally\\_the\\_truth\\_catches\\_up\\_to\\_education\\_reform\\_phonies/](http://www.salon.com/2014/10/02/the_great_charter_school_rip_off_finally_the_truth_catches_up_to_education_reform_phonies/). Also –

<http://www.parliament.nz/resource/0000252342>

<sup>56</sup> <http://www.nybooks.com/articles/archives/2010/nov/11/myth-charter-schools/>

<sup>57</sup> Ibid. Office of the Children's Commissioner

Funding of the new charter schools has been a very expensive, and therefore inefficient use, of resource – in large part, at this stage, this is because the schools are funded for more students than they might actually have.<sup>58</sup>

The introduction of the new pay system, Novopay, was also unsuccessful, in that it was expensive both to Government and to schools, which lost many thousands of teaching and learning hours in the process of dealing with all the errors.

Proposed changes to school funding, that involved increased class sizes, were greeted with outrage by parents, and as a result did not proceed.

The barrier to success for all these initiatives has been an approach that ignores the profession and ‘clients’ (families). There is a failure to consult in any meaningful sense with professionals (NZEI members warned that Novopay was not ready to proceed, but these concerns were ignored); initiatives are developed with very limited professional input; grassroots initiatives that educators are keen to develop are ignored. NZEI members have excellent networks with parents and a strong sense of their views – but this input is also ignored. This means that ‘providers’, that is education professionals, are being required to deliver services for which there is limited professional or public support.

There needs to be a stronger and more responsive relationship between the Ministry of Education, the elected Government of the day, and the profession – to reduce these inefficiencies and this ineffectiveness.

**Q10 Are there other innovations in commissioning and contracting in New Zealand that the Commission should explore? What lessons could the Commission draw from these innovations?**

The Commission could look at the commissioning and contracting of schools to act more effectively as hubs for the provision of social services to families in need, perhaps together with the new Children’s Teams and the Children’s Action Plan.

Increased teaching of the Treaty of Waitangi and cultural competency in teacher colleges, to reflect the needs of priority learners, could be incentivised through commissioning and contracting processes.

The Commission could explore what ‘quality’ looks like for Māori and Pasifika students in both ECE and primary schooling, in consultation with Māori providers and the profession, and how to commission and contract for that.

**Q11 What other international examples of innovative approaches to social service commissioning and provision are worth examining to draw lessons for New Zealand?**

The Commission might look to developments in Sweden, which led the way in the use of for-profit providers to deliver education services. The Swedish education system is now seen to be going backwards in terms of student achievement levels and the new

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<sup>58</sup> [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11321934](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11321934)  
<http://tvnz.co.nz/national-news/charter-school-s-roll-plunges-green-party-6180066>. Also –  
<http://qpec.xleco.com/index.php?option=content&task=view&id=186&Itemid=213>

Government is looking at ways of re-regulating the provision of education (and other social) services.<sup>59</sup>

In the United States, where private provision and related reforms have been underway for some 20+ years, there has been no lift in educational achievement. Indeed, there is growing protest at the negative effect that the intense focus on measurable outcomes has had on the quality of public education.<sup>60</sup>

### **Q12 What are the barriers to learning from international experience in social services commissioning? What are the barriers and risks in applying the lessons in New Zealand?**

There are few barriers to learning from the international experiences if those looking keep an open mind. Indeed, there is increasing evidence from reputable organisations, such as the OECD and others, that increased competition and privatisation in the provision of education is having a negative effect.<sup>61</sup>

### **Q13 Where and when have attempts to integrate services been successful or unsuccessful? Why?**

Many non-profit ECE services and primary schools are operating as very successful 'hubs' for the provision of a range of social services.

The success is driven by schools being at the heart of communities, by parents trusting educators, and by educators being able to form effective relationships with vulnerable families.

Wraparound services can address a number of concerns voiced at a site, on behalf of the children and families. The only limit to success with these initiatives is the level of funding – often, each service can only offer a little and that may not be enough for the 'client'. For example, special education services have great potential to address barriers to learning in a timely and effective manner, with strong long-term benefits, but these services cannot meet unmet demand because of barriers such as a lack of funding and the cap on the public service numbers – even though Ministry special education staff work at the frontline with families.<sup>62</sup>

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<sup>59</sup> <http://www.theguardian.com/world/2013/dec/03/swedish-results-fall-free-schools-pisa-oecd>.  
<http://www.tandfonline.com/doi/abs/10.1080/0268093022000032328#.VHulPleUf5k>  
<http://www.ft.com/cms/s/0/dc8bb3b4-29f2-11e4-914f-00144feabdc0.html#axzz3Kb4C20rM>  
<http://www.reuters.com/article/2014/10/06/us-sweden-politics-welfare-idUSKCN0HV11V20141006>

<sup>60</sup> <http://www.nybooks.com/articles/archives/2014/nov/20/myth-chinese-super-schools/>  
<sup>61</sup> <http://www.oecd.org/pisa/pisaproducts/pisainfocus/PISA-in-Focus-N42-%28eng%29-FINAL.pdf>  
<http://www.smh.com.au/comment/oecd-says-competition-in-education-has-failed-20140902-10ba3c.html>

<http://citizen.co.za/283932/privatisation-policies-increase-inequality-education-report/>

<sup>62</sup> <http://www.stuff.co.nz/national/education/63695170/highneeds-pupils-low-on-funding>

There are many successful initiatives in this space with potential for further development.<sup>63</sup>

**Q14 What needs to happen for further attempts at service integration to be credible with providers?**

All the time and money that has gone into less effective strategies, such as National Standards and charter schools, could be diverted to initiatives such as hubs, as described above.

The Government would also achieve more efficient and effective education services by addressing unmet special needs in education, and by lowering the level of child poverty.

**Q15 Which social services are best suited to client-directed budgets? What would be the benefit of client-directed budgets over existing models of service delivery? What steps would move the service in this direction?**

and

**Q16 Which social services do not lend themselves to client-directed budgets? What risks do client-directed budgets create? How could these risks be managed?**

Education already has client-directed budgets in that a very large proportion of funding to centres and schools is roll-based. When a child moves to a new service or school, they take their funding with them. This creates a high level of competition between providers, which can undermine the provision of high quality education.

In effect, marketing begins to take precedence, and leading media companies buy into this. The Fairfax group now promotes its league tables of schools based on National Standards data even though that data is a very poor indicator of the quality of teaching and learning in a school. This helps to create perverse consequences, such as ‘white flight’ to high decile schools.<sup>64</sup>

Data from standardised testing, such as National Standards results, is extremely unreliable as indicator of quality in education provision. At best, in a broad-brush sense, it is simply an indicator of the socio-economic status of children at the service – as socioeconomic status closely correlates to educational achievement.<sup>65</sup>

The Government has indicated that it is looking to change how it funds schools, and to get rid of the decile rankings that attract equity funding, because parents are using deciles as an indicator of quality. But it is likely that parents would instead use the likes of National Standards data and this too would mean ‘flight’ to schools with a higher socio-economic profile, rather than to schools with excellent learning and teaching

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<sup>63</sup> Ed. Carpenter, V, & Osborne S, (2014). *Twelve thousand hours: Education and Poverty in Aotearoa New Zealand*. Dunmore Press. Nb pp165-185. Also –

<http://www.familiescommission.org.nz/publications/research-reports/paths-of-victory>

<sup>64</sup> [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11355827](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11355827)

<sup>65</sup> Boston, J., & Chapple, S. (2014). Education and child poverty. In *Child poverty in New Zealand*. Wellington, NZ: Bridget Williams Books.

profiles – unless there is a concerted effort to create a more informed debate about what constitutes quality in education.

**Q17 What examples are there of contract specifications that make culturally appropriate delivery easy or more difficult?**

The link between the purchaser, the fund-holder, and the ‘client’ can be tenuous. Decisions about the appropriateness of services, and their purpose, need to be more carefully taken before contracts are specified. If a central Government agency provides the funding, sets the targets, and demands the accountability – but whānau, for example, has no ownership of these, then success becomes less likely.

The for-profit provision of ECE in areas of high Māori and Pasifika population has raised concerns as some providers have little Treaty of Waitangi awareness or cultural competency, particularly at a management level.<sup>66</sup>

Better planning of the provision of services would include more ‘client’ involvement in deciding the ‘issues’ so that real services are decided on for realistic outcomes.

**Q18 How could the views of clients and their families be better included in the design and delivery of social services?**

Teachers, principals and support staff have excellent relationships with ‘clients’ because these relationships are key drivers of quality teaching and learning. However, the professional voice is often overlooked in decision-making.

Schools and centres are also potentially useful vehicles for the conducting of parent-surveys.

Schools and many non-profit ECE services have strong relationships with families through their parent-run governance structures. Te Whāriki and centre practice – its design and delivery is then shaped by parents. For-profit centres and services, tend not to have parent-run governance structures.

**Q19 Are there examples of service delivery decisions that are best made locally? Or centrally? What are the consequences of not making decisions at the appropriate level?**

More local input into centrally-made decisions would be beneficial to provision. For example, licenses for new ECE centres are being given to operators who then open centres in areas where there are already spaces available in high-quality community centres. High-quality centres have been forced close because they cannot compete with the aggressive marketing of large, for-profit centres.

**Q20 Are there examples where government contracts restrict the ability of social service providers to innovate? Or where contracts that are too specific result in poor outcomes for clients?**

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<sup>66</sup> NZEI member feedback.



There is little incentive in existing ECE contracts to innovate pedagogically. They may be an example of contracts that are so specific they result in poor outcomes for clients.

Most pedagogical innovation in ECE occurs in the non-profit sector. The for-profit sector tends to be more conservative in its practice, and to emphasize 'care' before 'education', although they may be innovative in their business practices (see case study).

Of particular concern in ECE is that the privatization has led to less collaboration between services, which is detrimental both to pedagogical practice and to children, as previously educators would be more aware of children who needed more support as they moved between services.

The New Zealand primary schooling system has been internationally recognized as innovative<sup>67</sup> but the change to National Standards appears to be pushing the system toward a narrowed curriculum and less innovation.<sup>68</sup>

**Q21 How can the benefits of flexible service delivery be achieved without undermining government accountability?**

Herein lies the dilemma. The Government is looking to determine accountability through narrow outcomes (Public Achievement Information) but this requires inflexible and inefficient delivery in the short term, leading to poor actual outcomes in the long term. See above.

**Q22. What is the experience of providers and purchasing agencies with high-trust contracts? Under what circumstances are more relationship contracts most likely to be successful or unsuccessful? Why?**

- the ECE sector is an example of 'high trust contracts' and also of how they fail because of perverse incentives created by the profit motive (see case study)
- the new Children's Teams, as a function of the Children's Action Plan, which customise services based on the child at risk may be a more positive model. ECE does/can play a part in this –  
<http://childrensactionplan.govt.nz/assets/Uploads/Childrens-Team-Service-Design.pdf>

**Q23 Do Crown entities and non-government commissioning agencies have more flexibility to design and manage contracts that work better for all parties? Are there examples of where devolved commissioning has led to better outcomes?**

They may well have more flexibility, but the risks to children are extremely high. The risks outlined in the case study would be exacerbated.

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<sup>67</sup> <http://www.istp2014.org/about-the-summit/>

<sup>68</sup> <http://www.waikato.ac.nz/wmier/research/projects/the-rains-research-on-national-standards>

**Q24 Are there examples of where government agencies are too dependent on particular providers? Are there examples of providers being too dependent on government funding? Does this dependency cause problems? What measures could reduce dependency?**

Yes. The collapse of the ABC chain of centre is a good example. This provided a great deal of uncertainty to families and required a taxpayer bailout in Australia, although the lessons appear not to have been learnt.<sup>69</sup>

With the increased provision of for-profit services in New Zealand this kind of risk increases for Government, particularly if there were to be, say, an increase in interest rates that affected highly leveraged services or a business downturn where parents lost jobs and took children out of services.

Non-profit centres that have maintained the 100% qualified teacher ratio may also be affected by a business downturn and fewer enrolments as they are increasingly financially stretched – although many, particularly kindergartens, keep fees at zero or a minimal levels meaning parents would still be able to send their children.

Increasingly, large providers are coming to prominence in the non-profit sector of ECE delivery (Kidicorp, Evolve Education, for example). These companies are highly dependent on Government funding and create risk to Government, as described elsewhere. An independent review of the sector is urgently needed.

**Q25 What are the opportunities for and barriers to using information technology and data to improve the efficiency and effectiveness of social service delivery?**

The Ministry of Education is looking at using new technology to improve the reporting of attendances and absences in ECE. This has potential to achieve more efficient spending.

There is also rapidly increasing use of technology in ECE and schools for the delivery of teaching and learning and for reporting to parents and the Ministry.

There is great potential for the improved delivery of services and there are also risks. There maybe an incentive for some providers to use technology to cut costs by using technology as a substitute for quality teaching and learning practices. A research- and evidence-based approach to the roll-out of technology in education, with good professional development for educators, is crucial.

**Q26 What factors should determine whether the government provides a service directly or uses non-government providers? What existing services might be better provided by adopting a different approach?**

As discussed, there is potential for the Government to deliver more effective and efficient services by removing the profit incentive. The profit incentive is driving for-profit providers to decrease quality by cutting labour, and other, costs that are essential to the provision of quality ECE.

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<sup>69</sup> <http://www.smh.com.au/comment/the-shaky-business-of-childcare-and-past-lessons-20140312-34mfs.html>

**Q27 Which social services have improved as a result of contestability?**

High-quality owner-operator ECE services are well-regarded in the sector, and contestability allows them to appear in the ECE landscape. But contestability has also allowed large-scale operators, using slick marketing to push low quality services, to proliferate. An analogy would be with food – lower socio-economic areas are getting McDonald's ECE while higher socio-economic areas are getting Logan Brown.

**Q28 What are the characteristics of social services where contestability is most beneficial or detrimental to service provision?**

High quality, non-profit provision is the most beneficial for children. Owner-operator provision can also work well. When management becomes too removed from the day-to-day provision of services, either through a lack of time or through a business practice that discourages robust professional input, then the risk of poor quality provision increases. Providers, with close links to their communities and other social service providers, and who support their professional educators well, are best placed to offer high-quality services.

**Q29 For which services in which parts of New Zealand is the scope for contestability limited by low population density?**

There are reports of large for-profit centres opening in areas of low population density and squeezing out high-quality community-based providers. There are also reports of low socio-economic areas, such as in Northland, where access to any high-quality ECE is limited. This comes back to the issue of the lack of planned provision, as described in Q33.

**Q30 Is there evidence that contestability is leading to worse outcomes by working against cooperation?**

Yes. There are widespread reports of this in the ECE sector, as described in the case study.

**Q31 What measures would reduce the cost to service providers of participating in contestable processes?**

There is a cost to children, families and taxpayers if costs are cut in contestable processes and quality suffers as a result.

**Q32 What additional information could tender processes use that would improve the quality of government purchasing decisions?**

More public reporting of tender and contractual processes. More opportunities for existing providers to contest ECE licensing applications – as a way of generating a more informed, grass-roots process that will deliver quality services. (See Q33).

In ECE, the Government will obtain greater value for money by working with high-quality providers to expand their services. A 'purchasing' model that simply looks for efficiencies of scale – by dealing with large operators with well-developed business processes – puts quality provision at risk, and is at best a short-term gain.

**Q33 What changes to commissioning and contracting could encourage improved services and outcomes where contestability is not currently delivering such improvements?**

This is an area in need of urgent change. Currently there is very limited planning for the provision of ECE services. The sole criterion that determines whether a service will receive funding is that it have a licence from the Ministry of Education. This is a 'market driven' approach. Often the Ministry is unaware that a service will be applying for a licence until after the resource and building consents for a service have been issued. Significant public funds (and potentially private investment) are invested into services that are not necessarily sustainable in the long term or that duplicate existing services.

This lack of national planning puts some high-quality ECE services in jeopardy. New services are being set up in shiny buildings with bright colour schemes, and are marketed aggressively to parents (free toys to children, free formula and nappies for babies, and so on) without consultation with existing services.<sup>70</sup> Services with stable teaching teams, high numbers of registered teachers, small group sizes, and well-established environments, equipment and resources, and with sound policies, procedures and practices – that is, they provide high-quality ECE – are put under financial stress due to fluctuating rolls. A number of these services have closed.

There needs to be a more robust planning process with more input from the sector before new services are opened. Many existing high-quality services have the potential to increase capacity, at relatively low cost, and this needs to be supported. A market-driven approach that encourages low-quality provision is inappropriate in ECE.

**Q34 For what services is it most important to provide a relatively seamless transition for clients between providers?**

Transitions between ECE and primary school, and between primaries and into intermediate, and from intermediates and into secondary schooling are crucial transitions for students. This is made easier by collaboration between providers, which is widely reported in the sector as being easier between in non-profit services. For-profit centres tend not to collaborate with other providers in their communities.

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<sup>70</sup> <http://www.educationaotearoa.org.nz/all-stories/2014/10/1/the-rise-and-rise-of-corporate-childcare.html>

**Q35 Are there examples where the transition to a new provider was not well-handled? What were the main factors that contributed to the poor handover?**

Yes. There are reports in ECE of for-profit providers bussing children out of local areas to large centres. This makes the transition between ECE and school more difficult as the ECE centre has weak relationships local schools and teachers.

**Q36 What are the most important benefits of provider diversity? For which services is provider diversity greatest or most limited? What are the implications for the quality and effectiveness of services?**

There is an enormous amount of provider diversity in both ECE and primary schooling. In ECE there is provider diversity in terms of for-profit, community-based and parent-led services, and within these groupings there is a wide range of different ways that the service is provided (Steiner, Froebel, Montessori, puna reo, and so on). The implications for quality and effectiveness are discussed in the case study.

In primary schooling, there is also a very wide range of schools offering different types of programmes. Each primary school has a unique charter determining its character. Some primary schools have enrolment zones, but in general parents in cities and large towns have a good choice of primary schooling.

This means that most 'clients' have a wide choice in the provision of services.

**Q37 How well do government agencies take account of the decision-making processes of different cultures when working with providers?**

There is some concern with the Ministry of Education's Pasifika Education Plan that it does not reflect the view of providers. This also applies to the Māori education strategy, Ka Hikitea.

There is also mixed, at best, support in Māoridom for charter schools<sup>71</sup>, yet it has been stated that their introduction is aimed at underachieving Māori and Pasifika students. If Government agencies were to consult in a meaningful way with Māori, it is likely that the decision-making would be different.

**Q38 Do government agencies engage with the appropriate people when they are commissioning a service?**

There is potential for the Ministry of Education to engage in more responsive ways with stakeholders when commissioning services, to develop more effective and efficient services. However, the ministry is limited by the political direction it receives.

**Q 39 Are commissioning agencies making the best choices between working with**

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<sup>71</sup> <http://www.educationaotearoa.org.nz/all-stories/2013/7/18/charter-schools-more-hype-than-hope-for-mori.html>

**providers specialising in services to particular groups, or specifying cultural competence as a general contractual requirement?**

There are serious concerns about the decisions being made in ECE. Greater emphasis needs to be placed on cultural competence in ECE contracts.

**Q40 How well do commissioning processes take account of the Treaty of Waitangi? Are there examples of agencies doing this well (or not so well)?**

There are concerns that some new ECE providers do not take account of the Treaty of Waitangi. They may say the ‘right things’ in the commissioning process but this may not translate into good practice. Individual educators may be able maintain good practices, but if management does not support these practices throughout the company, then it will be inconsistent.

ERO reviews of ECE providers are inadequate. They are notified in advance so centres can organise themselves to appear in a good light on the day, and ERO only reports on whether a centre is ‘Not Well Placed’, ‘Requires Further Development’, ‘Well Placed’, ‘Very Well Placed’ (to promote positive learning outcomes) – not whether the learning is actually happening.

**Q41 Which types of services have outcomes that are practical to observe and can be reliably attributed to the service?**

As described in the case study, the concept of outcomes in education is complex. The only meaningful outcomes are long-term. Drilling children to pass standardised tests in short-term is not a good indicator of long-term outcomes.<sup>72</sup> (See Q44)

**Q42 Are there examples of outcome-based contracts? How successful have these been?**

Internationally, the experience of outcomes-based education policies has not been positive. In China, for example, where measurable outcomes are reported as being very high, there is widespread fraud and corruption in the education system, and students are noted for their lack of innovative thinking, initiative and creativity, which is a problem in a fast-changing global environment that requires these skills for economic success.<sup>73</sup>

Other systems, Singapore for example, which do well on an outcomes basis, exclude special needs students from schooling and testing. There is evidence that focussing on narrow outcomes incentivizes schools to ‘counsel out’ special needs and disadvantaged students in order to produce good results at the expense of quality teaching and learning.<sup>74</sup> Yet there is also evidence that suggests mainstreaming special needs students produces better outcomes for both those special needs students and their classmates.<sup>75</sup>

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<sup>72</sup> <http://www.danpink.com/2008/10/factoid-of-the-day-works-and-plays-well-with-others-edition/>

<sup>73</sup> <http://www.nybooks.com/articles/archives/2014/nov/20/myth-chinese-super-schools/>

<sup>74</sup> Ibid – charter schools

<sup>75</sup> <http://www.ihc.org.nz/wp-content/uploads/learning-better-together.pdf>

In the US, an increasing focus on outcomes-based system is having a detrimental effect on student achievement levels. There has also been a steep increase in cheating scandals where funding has been linked outcomes.<sup>76</sup>

**Q43 What is the best way to specify, measure and manage the performance of services where outcomes are not easy to observe or to attribute?**

The National Education Monitoring Project gave excellent information on student outcomes by way of school sampling, but its work was discontinued in 2010. Indicators that based on curricula – learning dispositions, key competencies – would be valuable, as could indicators of attendance and social cohesion. But indicators must be based on research, evidence and professional good practice to ensure their relevance to long-term outcomes.

**Q44 Do government agencies and service providers collect the data required to make informed judgements about the effectiveness of programmes? How could data collection and analysis be improved?**

Education has become increasingly politicised in recent decades in Western countries. This makes it difficult to hold reasoned debates about complex issues, such as data collection and its use.

Education is perceived in some quarters as an ‘untapped market’<sup>77</sup> and in an increasingly competitive global marketplace, some entrepreneurs look to social services, particularly education, as a way of creating profitable businesses. This has not led to positive outcomes in the countries that have privatised education services (as described above).

Driving this privatisation has been what the profession frequently sees as the misuse of data. This has led to a strong sense of caution in the use of data in education.

It is vital in education that data that is used for decision-making is publicly available and robustly peer-reviewed – before it is released as ‘fact’. Too often data is politicised for short-term gain, leaving the public in no way well-informed about complex issues and the way forward.

**Q45 What have been the benefits of government initiatives to streamline purchasing processes across agencies? Where could government make further improvements?**

‘Hubs’ of services in school communities are proving a successful way to integrate services – see Q.10.

Overall, however, there been more mistakes than benefits, and much could be learned from these mistakes – Q9.

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<sup>76</sup> Ibid – charter schools

<sup>77</sup> <http://www.motherjones.com/mojo/2011/10/rupert-murdoch-compares-us-education-system-third-world-countrys>

**Q46 Is there sufficient learning within the social services system? Is the information gathered reliable and correctly interpreted? Are the resulting changes timely and appropriate?**

There is a great deal of research, debate and publishing in the education sector.

In New Zealand, the issues are complex as the system grapples with challenges related to entrenching inequality, rapid technological change, rising parental anxiety, increased politicisation, funding cuts, and students with unmet special needs.

There is not a consensus between the Ministry, the elected Government, and the profession on the way to meet these challenges. There is also a lack of agreement on how reliable key information is and its interpretation.

The resulting changes, therefore, have been controversial and there is not agreement on their timeliness or their appropriateness.

**Q47 Does the commissioning and purchasing system encourage bottom-up experimentation? Does the system reinforce successful approaches and encourage reform of less successful ones?**

Qualified educators are highly motivated to experiment and develop better ways of improving teaching and learning. There is good grass roots collaboration and innovation. There is potential for this to be supported and upscaled – as a more effective and efficient alternative to top-down, data-driven policies.

Unfortunately, recent reforms in the sector are driving out this kind of innovation and replacing them with a more conservative form of education system based on data-driven policies, such as National Standards.

One area of agreement, however, has been the development of Modern Learning Environments, which has generally been positively received by the profession – with the proviso that there needs to be more professional development available to teachers so they can make it work well (as opposed to the failed open-plan learning experiment of the 1970s).

**Q48 Would an investment approach to social services spending lead to a better allocation of resources and better social outcomes? What are the current data gaps in taking such an approach? How might these be addressed?**

This depends on what is meant by an ‘investment approach’. Concerns about this approach, in the technical sense, have been raised by academics – in that the ‘investment’ looks at Government spending rather than wider, long-term benefits.<sup>78</sup>

An investment approach that takes a broad-based, long-term view of government spending and its resulting benefits, rather than an approach which relies on short-term savings and short-term outcomes, would be welcomed. The difficulties that relate to a long-term approach, within a short-term political cycle, are however acknowledged.

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<sup>78</sup> Chapple, Simon (May 2013), ‘Forward liability and welfare reform in New Zealand’ in *Policy Quarterly*, Institute of Governance and Policy Studies, Victoria University of Wellington



**Q49 How can data be more effectively used in the development of social service programmes? What types of services would benefit most?**

Data that is developed with the intention of improving professional practice, and in close consultation with professionals, would improve services. Data that is designed to measure short-term outcomes, such as standardised testing, is an ineffective use of money. See Q15, Q16.

**Q50 What are the benefits, costs and risks associated with using data to inform the development of social service programmes? How could the risks be managed?**

There are many pitfalls with using quantitative data sets to drive education programmes. In particular, data may reflect one insignificant factor in a complex situation. When data drives programmes, rather than 'clients', errors occur. Programmes may be sold to 'clients' on the basis of data – and set up unrealistic hopes that difficult situations, such as poverty or underachievement, for example, will be fixed quickly. See Q15, 16 and 21.

Policymaking that engages with clients and is more responsive and flexible would limit these risks.

**Q51 and Q52 How do the organisational culture and leadership of government agencies affect the adoption of improved ways of commissioning and contracting? In what service areas is the impact of culture and leadership most evident? How do the organisational culture and leadership of providers affect the adoption of improved ways of supplying services? In what service areas is the impact of culture and leadership most evident?**

Government agencies must enact the policies of elected Governments. There is, however, increasing evidence that a growing politicisation of the public service is limiting informed public debate.<sup>79</sup>

The existence of highly profitable Government contracts also increases the lobbying of officials and ministers by the for-profit sector, which alters the culture of the sector away from education toward the priorities of corporate providers. There is ample evidence of this happening in the US and the UK, and some evidence that it is beginning to happen in New Zealand.<sup>80</sup>

During the introduction of National Standards in New Zealand there were reports of Government officials with inside knowledge switching jobs to work for companies who were tendering to provide services to implement the standards. Some for-profit ECE

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<sup>79</sup> <http://igps.victoria.ac.nz/publications/files/34e63597d56.pdf>  
<http://www.stuff.co.nz/business/better-business/63477694/ministry-encourages-creeping-secrecy>  
<http://www.stuff.co.nz/dominion-post/comment/editorials/10640015/Editorial-Abuse-of-OIA-disgraceful>

<sup>80</sup> <http://www.yesmagazine.org/issues/education-uprising/why-corporations-want-our-public-schools>  
[http://www.huffingtonpost.com/alan-singer/protest-builds-against-pe\\_b\\_1586573.html](http://www.huffingtonpost.com/alan-singer/protest-builds-against-pe_b_1586573.html)

providers appear to be actively lobbying ministers. There is little evidence to suggest that these practices do anything to improve educational outcomes.

It is crucial that both Government officials and providers show leadership by prioritising their target work on priority learners – and by asking parents what they would like for their children; then parents, Pasifika and iwi, would be enabled to deliver on these desires to effect the best changes for themselves and Aotearoa New Zealand.

**Q53 What institutional arrangements or organisational features help or hinder the uptake and success of innovative approaches to service delivery?**

Institutional arrangements that foster grassroots, professional innovation will deliver better services for children – see Q9, Q20.

There is evidence from the US that charter schools deliver teaching and learning that is more traditional and focused on standardised outcomes. It is unclear whether this will happen in New Zealand. However, at least one New Zealand charter school is showing innovation in its business practices that may not be beneficial to students. The trust that runs one school has used a significant amount of its funding to buy back land, which it is understood, will then remain with the trust even if the school fails. This does not lift sector confidence in this form of delivery.

Many new graduates emerge from their ECE training as passionate advocates of biculturalism and cultural competencies in education services. Too often they are then employed by for-profit services that do not value this expertise. This is a complex area as regulating services to deliver cultural competency has the potential to trigger a backlash. It makes more sense for commissioning agencies to work with services that see cultural competency as a priority.

**Q54 Have recent amendments to the Public Finance Act 1989 made it easier to coordinate across government agencies? Are there any examples where they have helped to deliver better social services? What further measures could be effective?**

Unfortunately, the Act does engender a reductive approach to the provision of social services. For example, in this inquiry, it would be useful to look more broadly at imperatives such as the United Nation Convention on the Rights of the Child.<sup>81</sup>

**Q55 Are there important issues for the effective commissioning and contracting of social services that will be missed as a result of the Commission's selection of case studies?**

NZEI has responded by supplying a case study on ECE.

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<sup>81</sup> <http://www.victoria.ac.nz/education/research/nzaroe/issues-index/2009/pdf/text-teonedalli.pdf>

**Q56 Are you willing to meet with the Commission? Can you suggest other interested parties with whom the Commission should consult?**

Yes. Other interested parties might be the New Zealand Kindergarten Association, Playcentre, Te Kōhanga Reo, Te Tari Puna o Aotearoa, the Early Childhood Council, the Early Education Federation and academics working in the field.