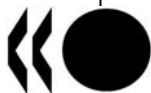


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Organisation de Coopération et de Développement Économiques  
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**16-Jun-2010**

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**DIRECTORATE FOR EDUCATION  
EDUCATION POLICY COMMITTEE**

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**Network on Early Childhood Education and Care**

**RESPONSES ON FINANCING ECEC SERVICES: NEW ZEALAND**

**21-22 June 2010  
Conference Centre Room CC4  
OECD, Paris**

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# memo

**To:** Kelly Makowiecki, OECD  
**Cc:**  
**From:** Julie Keenan  
**Date:** **File:**  
**Subject** **New Zealand response to questionnaire; ECEC financing**

## PART I: Data on ECEC costs and financing and data-related issues

### 1.1 General information: types of ECEC services

#### 1.1.1 Types of ECEC available in New Zealand

All types of provision available in New Zealand are available to 0-5 year olds: home-based or centre-based. Some individual providers choose not to take children of some ages.

All types may be either private for-profit or not-for-profit; except kindergarten, playcentre and kōhanga reo, which are not-for-profit. There is a very small proportion of public providers, less than two percent of the total, which are owned by government agencies.

No ECE is compulsory.

#### 1.1.2 Which type of ECEC provision is mostly in use or in operation in your country?

Type of provision	Integrated system	
	% of registered children	% of services, centres, pre-schools
Public provision	1.9	1.7
Private for profit or not-for-profit provision	97.2	97.3
Other type of provision	-	-

Source(s): Ministry of Education census data, 2009

Known data limitations: Classification between public and private services is weak, definition of for-profit and non-profit is not a reliable guide to services' intentions. Totals do not add to 100 due to these issues.

### 1.2 Public spending on ECEC services

#### 1.2.1 Public spending on public and private ECEC services

	Integrated system	
	Public services	Private services
Public expenditure (as % of GDP)	-	0.6%

Source(s): Vote Education spending data for 2007/08, with Vote Social Development Childcare Assistance spending added

Known data limitations: all spending is attributed to private ECE services given weaknesses in data

#### 1.2.2 Public spending on ECEC services at different levels of government

Year	Integrated system	
	Total amount (local currency NZ \$000)	% of GDP
2007/08		
National/Federal	1,030,784	0.6%
State/Provincial/ Regional	n/a	n/a
Local/Municipal	n/a	n/a

Source(s): Vote Education spending data for 2007/08, with Vote Social Development Childcare Assistance spending added

Known data limitations: No information is available on local government spending.

### 1.2.3 What is covered by public spending?

Service category	% of total public expenditure on Integrated system
Infrastructure	97.3%
Workforce supply (e.g. salaries, recruitment etc.)	0.2%
Workforce development (e.g. in-service training, support services for staff)	1.1%
Curriculum and pedagogical materials	n/a
Ancillary services (transport, meals, etc.)	n/a
Research on ECEC	n/a
Others: policy and advisory (includes research, curriculum and pedagogical materials)	1.4%
Total	100%

*Source(s):* Vote Education spending data for 2007/08, with Vote Social Development Childcare Assistance spending added

*Known data limitations:* most funding is paid as grants to ECE services, these have been attributed to infrastructure but could be used for a range of purposes, so other categories are likely to be understated.

### 1.3 Private spending on ECEC services

Please note: 3-5 year olds only		Total spent, in local currency (NZ \$000)
		Integrated system
Private sources	Household expenditure	62,253
	Expenditure of other private entities	3,659
	All private sources	65,912
Private: of which subsidised		n/a
Others, please specify		n/a

*Source(s):* Ministry of Education calculation based on administrative data, 2007/08.

*Known data limitations:* These data are based on inference from administrative data. This response relates solely to 3-5 year olds, it has not been possible to calculate a response for 0-2 year olds. There is no reliable information on private funding of ECE in New Zealand.

### 1.4 Issues on data collection

#### 1.4.1 What are the most critical gaps in national data and international comparisons?

From New Zealand's perspective the most critical gaps are:

- In national data: information on which children receive funding and how much; how much parents pay for ECE; the link between government funding, quality of provision, and educational outcomes of ECE
- In international comparisons: comparable data between national systems (by age and by type of provision)

#### 1.4.2 Bearing in mind the possible quality limitations of comparative data, what internationally comparable data on financing ECEC would be most relevant for policy making in your country?

Information on the cost and funding arrangements of comparable integrated ECE systems, in terms of cost and revenue per child or per hour of ECE. This would include total costs, breakdowns into the main cost categories (eg wages, learning resources, facilities), total revenue and breakdowns into main revenue sources (eg government, fees, other grants).

#### 1.4.3 Where quantitative data is not available, what kind of qualitative information – at a national and international level – on financing ECEC would be most useful for policy making in your country?

The type, nature and effectiveness of funding incentives used in ECE.

How information is collected and costs minimised.

How funding incentives fit with government's objectives for ECE, and the types of provision available

*1.4.4 What are the biggest challenges in collecting data on financial aspects of ECEC services in your country (e.g. low policy priority, jurisdictional, lack of resources and capacity, fragmentation of ECEC services, lack of agreed common definitions of ECEC services within a country, etc.)?*

Balancing the cost of data collection, or of upgrading data infrastructure, with the benefits of additional information.

*1.4.5 If you have taken some actions to improve data on financial aspects or ECEC in general, please describe your country experience.*

We have improved the representativeness of consumer price index data on ECE. This has happened after conducting fee surveys with limited success.

We have conducted three surveys of the costs ECE providers incur; these have increased our understanding of the drivers for providers, but have had a relatively low response rate and providers have reported that these surveys are time-consuming to complete.

## **Part II. Why invest in ECEC? Research on benefits of ECEC**

### **2.1 What research has been carried out in your own country on:**

- **Net benefits to children, parents and society of public and private investment in ECEC**
- **Net benefits or evaluations of specific ECEC programmes or initiatives**

New Zealand has no new comprehensive research on net benefits published since 2006.

Evaluations of the following specific initiatives have been published since 2006 (all are available at [www.educationcounts.govt.nz/publications/ece](http://www.educationcounts.govt.nz/publications/ece)):

- ECE Strategic Plan (based on 2006 data in eight localities, a further update to 2008 is in progress now)
- Sustainability of ECE services during the implementation of the ECE Strategic Plan
- Early effects of Free ECE
- Promoting ECE Participation Project
- Parent Support and Development from ECE: pilot projects
- Government-funded ECE professional development, ECE assessment exemplars, and ECE ICT professional development.

**2.2 What research has been carried out in your country on the relative benefits of public ECEC investment to increase accessibility (i.e. children's enrolment) versus increasing quality of services (e.g. raising staff qualifications, improving staff/ child ratio, etc.)?**

New Zealand has no recent explicitly outcome-focussed research. New Zealand has relied on evidence of cost and of benefit of ECE from international studies.

It is possible that the next report on the ECE Strategic Plan evaluation will provide some insight into local decisions about the balance between accessibility and service quality.

## **Part III. Financing mechanisms and funding strategies**

### **3.1 Overall policy contexts**

#### **3.1.1 Policy objectives**

**Starting Strong II identified 5 main policy objectives for public investment in ECEC:**

- 1. Responding to the rise of the service economy and the influx of women into salaried employment;**
- 2. Reconciling work and family responsibilities in a manner more equitable for women;**
- 3. Managing demographic challenges: falling fertility and continuing immigration;**
- 4. Acting against child poverty and educational disadvantage;**
- 5. Early childhood education and care as a public good.**

New Zealand has not adopted any of these 5 objectives as a main objective.

The government is shifting the focus towards objective 4, with a focus of combating educational disadvantage.

The main driver in the past five years has been to recognise public benefits of ECEC (5) while acting against educational disadvantage and underinvestment by lower-income families (4). New Zealand policies have had the effect of recognising increasing participation in work by women, gender equity and maintaining fertility (1-3).

### 3.1.2 *Political debate– balance between parental leave benefits and childcare services*

**Regarding public investment in childcare services versus parental leave benefits, what are the current challenges and trade-offs in your country? Are these underpinned by specific policy objectives?**

New Zealand invests more in ECE services (\$1.3 billion 2010/11) than in parental leave (\$0.16 billion 2010/11). That said, previous OECD analysis in *Babies and Bosses* has found that New Zealand has a relatively high level of spending on welfare benefits for single mothers, and relatively low participation in work for sole parents of children under school age.

Government-mandated paid parental leave is currently fourteen weeks at \$430 per week, or just under half of average total weekly earnings of \$960. Employment protection extends to twelve months. Both benefits are dependent on workforce attachment.

There is no restriction on access to ECEC while parents are receiving paid parental leave or on employment-protected leave.

Spending on child and family allowances includes welfare benefits for single parents, and tax credits for working families. These are focussed on income adequacy rather than incentivising on work or study or other activities. There are also ECE fee subsidies for middle and low-income families who work or study.

### 3.2 *Main sources of financing ECEC – where do resources come from?*

#### 3.2.1 *Various sources*

**Six major sources of financial resources have been identified in past research:**

1. **governments (See question 3.2.2);**
2. **parents;**
3. **for-profit providers,**
4. **ECEC as business communities;**
5. **social organisations, and**
6. **international organisations**

Funding from government and parents is most important. These sources amount to almost all funding for ECE. Other sources are relatively small. For-profit or social or community providers fund ECE by starting up providers, and meeting deficits as needed. These sources of funding are likely in effect to be temporary loans that are repaid from future fees and government subsidies.

#### 3.2.2 *Sources from governments*

<i>Types of public finance</i>	<i>Federal/ national</i>	<i>State/ province/ region</i>	<i>Local/ municipal</i>
<i>General tax revenues</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
<i>Ear-marked tax revenues for ECEC sector</i>	<i>X</i>	<i>n/a</i>	<i>n/a</i>
<i>Earmarked tax revenues for specific ECEC programmes, type of services or categories of expenditure</i>	<i>X</i>	<i>n/a</i>	<i>n/a</i>
<i>Transfers from other levels of government as part of general block grants</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
<i>Transfers from other levels of government as block grants to ECEC sector</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
<i>Transfers from other levels of government earmarked for specific ECEC programmes, type of services or categories of expenditure</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

*Source(s):* Estimates of Appropriations, 2010/11

*Known data limitations:* omits any small funding sources provided by local government.

### **3.3 Funding strategy – how to manage financial resources for ECEC**

#### **3.3.1 Strategies to increase public spending on ECEC**

- 1. Has there been an increase in public spending on ECEC services since 2005? If yes, how much increase? What were the driving forces in making a case for increased spending on ECEC? Feel free to answer separately for the childcare and early education sectors if more appropriate in countries with the “split systems”.**
- 2. Please share your country experience such as:**
  - **where the increased resources came from;**
  - **strategies or research evidence that helped the argument for the increase;**
  - **challenges associated with the increase and policy lessons you have learnt in tackling them;**
  - **key political debates among politicians, general public, and the media of the time;**
  - **how the increased budget was spent (e.g. to build more childcare places, increase the number of staff, increase staff salaries, increase participation of low-income families, etc.); etc.**

Government funding for ECE has tripled since 2005, from around \$400 million to over \$1.3 billion forecast in 2010/11. This has been driven by increasing costs due to changed government funding incentives, and underlying growth in ECE provision due to population growth and increased uptake of ECE. Funding has come from the central government budget. In the past four government budgets the increases have been matched in part by reprioritisation within ECE spending (for example, deferring adult: child ratio changes or scaling back incentives for teacher registration).

Since 1990, funding for ECE has been linked to children’s use of ECE, and has not been capped. This approach means that funding paid by government is not easy to predict in times of change, and that significant changes to funding or to incentives or eligibility can have unpredictable or large results.

Since April 2005, New Zealand has had funding incentives to give effect to the previous government’s aim of full ECE teacher registration. The funding incentives were designed fund the full cost of that change, to link future funding increases to changes in cost for ECE services rather than headline inflation. Since July 2007, New Zealand has funded 20 Hours ECE (previously called Free ECE) for 3 and 4 year olds. Together, these policies have led to significant increases in spending. Most spending went to increase the size of the qualified workforce and increase salaries for registered ECE teachers; or for government to pay fees previously met by parents. These incentives had a faster effect than originally expected. Workforce or provider supply could not always match demand for either teachers or places, with the result that costs and fees increased.

The decisions to introduce 20 Hours Free ECE and full teacher registration were based on the then-government’s interpretation of research evidence in ECE. These policies led to debate about the role of government in parenting, parents’ ability to choose to stay at home with children, and a view that ECE providers were being forced to fit a centre-based teacher-led model and to become like schools.

The current government has announced, in Budget 2010, that it will remove incentives for services to have more than 80 percent qualified teachers, from February 2011. Government has cited insufficient evidence that 100 percent qualification levels are beneficial and good value for money compared to 80 percent qualifications.

#### **3.3.2 Distribution of public resources to the providers (supply-side subsidies)**

**Past research categorises supply-side subsidies broadly into two types:**

- 1. government-run and subsidised non-profit private ECEC services; and**
- 2. subsidies to for-profit private providers.**

	Government-run and subsidised non-profit or for-profit private ECEC services	Subsidies to for-profit private providers	Others (Specify)
Name/ type of scheme	<i>ECE Funding Subsidy, 20 Hours ECE, Property Grants</i>	<i>See column to the left</i>	<i>n/a</i>
Duration of programme: hours per day, days per week, hours per year	<i>Decided by ECE service</i>		
Purpose of subsidies	<i>To reduce costs for families and make ECE available</i>		
Universal or targeted (if targeted, specify conditions or eligibility)	<i>Universal (except targeted property grants)</i>		
Parents' share (e.g. %, free, set ceiling, etc.)	<i>Decided by provider; except parents cannot be charged fees for 20 Hours ECE</i>		
Annual costs of programme per child/family (in local currency, year)	<i>Decided by provider</i>		

*Source(s):* Estimates of Appropriations, 2010/11

*Known data limitations:* There are no material differences between funding for for-profit and non-profit providers; no information is collected about the proportion paid by parents or the annual cost of the programme; limited information is available about children's attendance, for example whether participation is spread over a week or just on one or two days.

### 3.4 Other policy issues

*Market mechanisms to widen access to, and ensure quality of, ECEC services*

*3.4.1 How are ECEC services regulated by public authorities? Please detail minimum quality standards. How are these statutory quality standards set? Who polices them and how? How is the quality (e.g. curriculum, staff qualifications, staff-child ratio, space, etc.) of individual services communicated to parents?*

ECE providers must meet standards in order to operate. These are set by government after consultation with early childhood providers. Providers are responsible for communicating quality standards to parents, who can also access information from the Ministry of Education and Education Review Office.

The Ministry of Education assesses these standards for all new providers, and is currently reassessing every ECE provider for compliance. The Education Review Office carries out a review of each provider every three years, and reports any concerns to the Ministry of Education as well as releasing a report to the provider, educators and families and parents of each service (these are at [www.ero.govt.nz](http://www.ero.govt.nz)).

Minimum standards address the following:

- Curriculum:
  - plan, implement, and evaluate a curriculum that is designed to enhance children's learning and development;
  - ensure collaboration with the parents family or whānau in relation to children's learning and development;
  - obtain information and guidance to support children's learning and development of enrolled; and work effectively with parents
- Qualifications, adult: child ratios and maximum service size:
  - to comply with the qualification, adult-to-child ratios and service-size requirements
  - to ensure that children and educators are supervised by a person responsible (in teacher-led ECE, a registered teacher with an early childhood diploma or degree).
- Premises and facilities
  - provide sufficient and suitable space for a range of activities, including effective curriculum implementation and safe and healthy practices
- Health and safety

- promote the good health and safety of children; prevent accidents and the spread of infection among children
- ensure that the premises, facilities, and other equipment on those premises are in good repair, used safely and maintained and that appropriate emergency procedures are in place.
- Governance and management
  - the service provider regularly collaborates with parents, families and educators
  - documentation and records are developed, maintained, and regularly reviewed; and made available to parents and the Ministry
  - staff have adequate professional support, development opportunities, and resources.

**3.4.2 Are the for-profit providers eligible for public funding in your country? If yes, besides the financial incentives, what other incentives do you give to stimulate them to provide more and better ECEC services (e.g. regulation or deregulation on the minimum standards)?**

For-profit providers are eligible for funding on the same basis as non-profit providers. New Zealand has a market-led system of ECE provision, which provides incentives for all providers to meet parents' needs and government standards for funding and regulation

**3.4.3 If your country has any case studies of a provider failure, inspectorate reports, and/or research on low quality of the private ECEC services, please list references and attach relevant documents, if available.**

Education Review Office reports are available on [www.ero.govt.nz](http://www.ero.govt.nz).

New Zealand has not had a significant provider fail for educational reasons. We have seen financial problems with two large private providers and one large local community-based provider in the past five years. One private provider is awaiting sale, another has been sold, and the community-based provider has recovered.

*Financial crisis and ECEC*

**3.4.4 Please share your country experience with an increase/ decrease on the budget on ECEC services as a result of, or in response to, the economic crisis. Was there a budget cut on ECEC as a result of the crisis; if yes, how much? Has ECEC been included in the stimulus package; if yes, what was the rationale/ policy thinking behind the decision?**

ECE spending has continued to increase through the recession. In Budget 2010, government has reduced the rate of future spending growth by removing some more costly spending and deferring some future increases, but has not decreased total spending. As a result, ECE spending is expected to increase by \$107 million in 2010/11 compared to 2009/10, but this is some \$15 million less than it would have increased otherwise.

ECE is not seen as a priority for economic stimulus: compared to other education or economic interventions ECE is seen to have small and long-term effects, especially in times of relatively greater unemployment.