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GROUP

# A New Zealand where Children can flourish

## Priorities for education

**The impact of sickness on a child's educational outcomes can be devastating. Illnesses of children (aged 0-14 years) associated with poverty have increased since 2000. There are now about 40,000 such hospital admissions every year.**

**CPAG's priority for the 2017 election is the introduction of measures to substantially reduce child hospital admissions for preventable diseases. Access to healthcare, dry and warm housing, and sufficient family income provide the foundation for children's wellbeing, so they are able to thrive, and to learn.**

**At the same time, it is crucial that that the education system is resourced adequately so that children from all socioeconomic backgrounds are assured of equal opportunities to achieve in their schooling.**

**The focus of this paper is on funding education to ensure all children in Aotearoa-New Zealand have access to these learning opportunities, which are necessary for individuals and communities to thrive in tomorrow's environment.**

## Education is a public good

The Education Review Office (ERO) has identified 'priority learners' as students from low socioeconomic backgrounds, Māori and Pacific learners, and students with special education needs. These groups of students have historically not experienced success in the New Zealand schooling system.

Research shows the links between socioeconomic disadvantage or poverty and a broad range of negative outcomes, including health and wellbeing, longevity and lifetime income.<sup>1</sup> Educating children and their families is key to breaking the intergenerational poverty cycle and improving the quality of life across generations. Effective education benefits both the individual and wider community.

Education is a large, diverse and influential area of the public sector. The early childhood, school, tertiary and adult and community education sectors are all integral parts of our education system. In this year's Budget, Vote Education and Vote Tertiary Education estimates and appropriations totalled \$14.6 billion for the 2017-2018 year.<sup>2</sup>

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1 Expert Advisory Group, 2012, Working Paper no.2: Lifecourse Effects on Childhood Poverty, Office of the Children's Commissioner, <http://www.occ.org.nz/assets/Uploads/EAG/Working-papers/No-2-Lifecourse-effects.pdf>.

2 <https://www.budget.govt.nz/budget/2017/by/vote/educ.htm>.

While the current Government claims that education expenditure has increased significantly since it was elected in 2008, much of the new expenditure is attributable to population growth. In reality, spending on the education sector has not kept pace with actual costs of educational services, or with the growing educational needs that are the consequence of chronic economic and social inequalities.

Since 2008, the Government's position has consistently been that it will not increase general taxation or public debt. There is therefore no new public money for education, so existing funding must be re-prioritised to areas of greater need and/or greater impact.

The two key issues to consider when weighing up politicians' promises and priorities for government expenditure on education are: firstly, is the funding sufficient to meet all reasonable community demands and expectations? And secondly, is the funding distributed in a way that reduces unequal access to and benefits from education?

One way of judging the adequacy of government expenditure on education is to compare the spending with that by other developed economies in the Organisation for Economic Cooperation and Development (OECD), as published annually in the Education at a Glance omnibus.<sup>3</sup> To provide a fair comparison of the data each country provides, the expenditure for each country is reported here in equivalent US dollars, adjusted for each country's purchasing power.

## Is Education in New Zealand adequately funded?

An analysis of the OECD family database<sup>4</sup> shows that, for 2013, New Zealand spent slightly more than the OECD average (1% vs 0.7%) of public funds on early childhood education and care (ECCE) as a proportion of GDP, and New Zealand also spent more than the OECD average total per child 0-5 years (USD 4,400 vs USD 4,300). However, a 2016 OECD report also stated that New Zealand childcare was second only to the UK in having the highest family costs, equating to 29% of a family's net income compared to 16% in Australia, and less than 10% in Germany and France.<sup>5</sup> This disparity suggests that the burden of childcare costs in New Zealand is disproportionately borne by households.

New Zealand data are not reported to the OECD for participation in ECCE by household income or mother's qualifications. However, 92.4% of New Zealand 3-5 year olds and 41.9% of 0-2 year olds were enrolled in ECCE in 2014. Average ECCE attendance hours in New Zealand increased from 13.2 in 2000 to 20.4 in 2014. This increase is likely in response to minimum work hours required to qualify for Working for Families (WFF) tax credits, the main form of family income assistance, and because since 2007 the majority of services began to offer 20 hours of government-subsidised enrolment.

The Government's policy of focussing on its Better Public Services (BPS) target of increased ECCE participation<sup>6</sup> has come at the expense of maintaining quality provision in a government-subsidised increasingly privatised sector. Poor quality ECCE can be harmful, whilst high quality provision establishes important foundational dispositions to learning, and is especially beneficial to children from disadvantaged homes.

The 2016 Education at a Glance report states that the OECD average total annual expenditure per student by educational institutions was USD 10,493 for the 2013-2014 year, so New Zealand's USD 10,045 was slightly below the OECD average. However, New Zealand's cumulative expenditure

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3 <http://www.oecd.org/edu/education-at-a-glance-19991487.htm>

4 [http://www.oecd.org/els/family/database.htm#public\\_policy](http://www.oecd.org/els/family/database.htm#public_policy)

5 <https://www.childforum.com/news-early-childhood-education-latest/1429-nz-childcare-costs-early-childhood-education-fees-oecd.html>

6 <http://www.ssc.govt.nz/bps-results-for-nzers>

across the total of a student’s primary and secondary education was USD 124,998 compared with the OECD average of USD 123,031. A major difference between the two figures was that the average OECD expenditure per student on primary education was USD 50,680, while in New Zealand it was USD 44,066, so it would appear that, on average, OECD countries prioritise spending at primary school, while in New Zealand, the priority is at secondary school.

Of course, educational institutions spend both public and private sources of funding. So, another point of comparison is the relative share of public and private expenditure on education. This is a big issue in New Zealand because while the law says that schooling is free, many schools, particularly those in wealthier communities, seek large ‘voluntary donations’ from families. In addition, they include expensive digital devices in their ‘essential’ stationery packs, and directly recover the considerable costs of student participation in sports, cultural activities and education outside the classroom, all on a user-pays basis. Also, a growing phenomenon in New Zealand is what is known internationally as supplementary private tutoring (e.g. Kip McGrath, NumberWorks ‘n Words), also paid for by families or households.

An additional cost is the private fee for NCEA examinations and formal school qualifications. Children from the poorest families, no matter how capable and competent, face another barrier to achieving the qualifications necessary for employment or further education.

Increasing the costs of education is not confined to New Zealand. Between 2008 and 2013, private sources of expenditure on primary, secondary and post-secondary non-tertiary education increased by an average of 16% across the OECD, while public expenditure increased by only 6%. Many OECD governments are transferring more and more of the costs of education onto households.

**Table 1. Distribution of sources of funding, New Zealand compared with the rest of the OECD (2013) (Source: stats.oecd.org)**

	New Zealand			OECD		
	Public (%)	Private (%)	Proportion household expenditure	Public (%)	Private (%)	Proportion household expenditure
Primary School	92	8		93	7	
Lower Secondary	86	14		93	7	
Upper secondary	75	25		87	13	
Tertiary	51.9	48.1	33	70.3	30.2	21.4
Average (%) across all levels of learning	74		18	84		12

Across the OECD as a whole, from primary to tertiary education, households in 2013 contributed an average of 12% of total education expenditure, compared to 84% expenditure from public funds. In New Zealand, households contributed 18% of expenditure, compared to 74% contributed from public funds. So in New Zealand, households contribute 50% more to total expenditure during the course of a student’s education.

The high private cost of education continues through to tertiary. A 2016 New Zealand government report on student loan debt<sup>7</sup> reported that 731,800 people had a student loan debt, averaging NZ\$ 21,000 per student with a national nominal total of NZ\$15.3 billion. The median leaving loan balance in 2014 ranged from around NZ\$ 9,400 for those with Level 1-4 certificates, to NZ\$32,400 for those with postgraduate qualifications. The median repayment time ranged from 7.8 years for postgraduate

7 [http://www.nzherald.co.nz/personal-finance/news/article.cfm?c\\_id=12&objectid=11787574](http://www.nzherald.co.nz/personal-finance/news/article.cfm?c_id=12&objectid=11787574)

qualifications to 9.3 years for Level 5-7 diplomas.

In effect, the longer children remain in formal schooling, the considerably greater the financial burden on households. This private household burden is also increasing over time as the proportion of public funding decreases or fails to keep pace with costs. As a consequence, New Zealand households directly contribute almost twice as much per student to the costs of secondary schooling as their average OECD counterparts.

This household financial jeopardy runs entirely counter to one of the government's Better Public Services targets: to increase the proportions of students with Level 2 qualifications at age 18, and Level 4 qualifications at age 24. On the one hand, students from households in material hardship and income poverty are encouraged to stay in formal education as long as possible. However, if and when they do, their families are expected to pay ever increasing proportions of the cost.

## Is Education funding distributed fairly?

Approximately 30,000 out of 750,000 students attend private schools in New Zealand. For the most part such students come from already socioeconomically advantaged households in society and enjoy considerably better learning conditions and facilities than are available at their local state school. According to the 2016 Child Poverty Monitor, 155,000 or 14% of children in New Zealand experience material hardship, 295,000 or 28% live in income-poor households, and 90,000 live both in low income households and in material hardship.

The current government claims that it is 'inequitable' to fund public and private education providers differently. Logically, this position means that private institutions will receive a greater share of current public funding, or a disproportionately higher share of any new funding. Table 2 demonstrates that New Zealand is consistently spending less per student than the OECD average in both public and private institutions.

**Table 2. Average distribution of public funds per primary student (2013)**

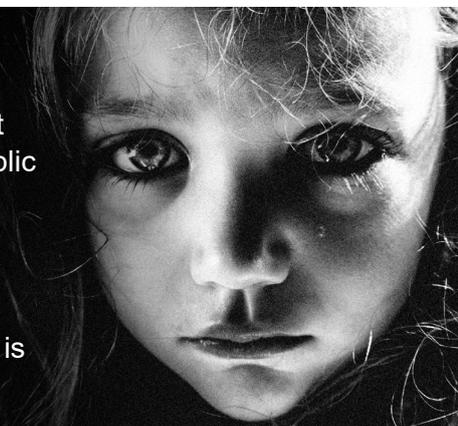
	New Zealand		OECD	
	Public (\$ USD)	Private (\$ USD)	Public (\$ USD)	Private (\$ USD)
Primary school	6841	1606	8383	4290
Lower Secondary	8213	1750	9744	6176
Upper secondary	8963	5728	9252	5743
Tertiary	8218	2823	12263	4201
Average across all levels of learning	7763	3759	9433	5951

Arguably, there is a much more important equity consideration in respect of New Zealand learners. This is the imperative to reduce the differences in achievement faced by children living in poverty and hardship. In New Zealand, there is a stronger than OECD average relationship between achievement and socio-economic circumstances.<sup>8</sup> Other high performing OECD countries are better at mitigating the consequences of child poverty and hardship via public provision of education.

8 <https://www.oecd.org/education/school/50293148.pdf>

Child Poverty Action Group's analysis shows that there is a disproportionately large education costs burden faced by households in New Zealand. Given the unacceptably high numbers of children experiencing income poverty and material hardship, CPAG believes there is an overwhelming case for increasing the proportion of public funds in ECCE, school and tertiary education. If as Government claims, there is no more money to be had, CPAG argues that there is a moral imperative to redistribute existing funding to meet the needs of the most disadvantaged in society.

CPAG is calling for six practical commitments from the next government, which together will contribute to a significantly improved, supportive learning environment for children living in poverty. These are not the only public funding increases needed to improve the educational outcomes for children in families experiencing material hardship and income poverty. However, they would be an important step in the right direction and evidence of government commitment to ensuring that child poverty is not a barrier to educational success.



## Recommendations

- 1. Ensure that high quality, culturally responsive early childhood education is available for all children in early childhood care and education (ECCE) by requiring 100% degree-qualified teachers in all ECCE centres.** Ensure all teachers are adequately prepared and supported to meet the needs of children from all socioeconomic and cultural backgrounds, including those living with learning difficulties and disabilities.
- 2. Reduce household per-student spending to OECD average.** Household contributions to the cost of education are consistently higher in New Zealand than across the OECD. This is inherently unfair, but disproportionately unfair on families living in material hardship and income poverty. Education is a social good and should be paid for through general taxation, not user pays.
- 3. Increase school operational grants annually in line with CPI or actual costs, whichever is greater.** There are enormous pressures on schools to constantly do more, and report more of what they do. At the same time, publishing school level achievement data without the contextual information that decile rating provides makes any school-to-school comparisons of success or quality meaningless. When government does not fully fund the costs of existing and new policies, new compliance or new knowledge and skills, families end up contributing more, and teachers, leaders and trustees in schools work longer and harder on activities not directly related to the quality of student learning.
- 4. Pilot targeted Risk Index funding model and learning support funding with additional Vote Education resources before system-wide implementation.** The current government's 'social investment' ideology is based on early intervention to avoid more costly interventions later in a student's time in education, or adulthood. This is fine in principle, but it will be many years before the results of the experiment are known. In the meantime, government needs to guarantee that children and young people who are still in the system do not lose out because funding is shifted from later intervention to earlier intervention.

## Recommendations (continued)

**5. Remove the cap on eligibility for tertiary student loans and allowances.** We all benefit, socially and economically, from a more educated, happier, healthier and engaged society. Tertiary education enables people to contribute to family and community development. People whose education has been fully funded by society are more likely to want to give back to that society, and to feel part of it. Support tertiary students to gain the full benefit of their potential and their studies, without having to worry about a roof over their head, or where their next meal is coming from.

**6. Guarantee a genuinely free education in all public schools at compulsory schooling level. In particular remove the “hidden costs” of free education:**

- Abolish NCEA and scholarship examination fees, or at the minimum provide a 100% subsidy on these in decile 1-4 schools.
- Ensure students whose families cannot pay the expected voluntary donations are not disadvantaged in their schooling as a result.
- Ensure schools are funded sufficiently to meet all the costs of curriculum delivery, including such additional requirements as digital technology, languages, and outdoor education/camps.

Schools must be accountable to follow the law in terms of charging fees and requesting donations, and in being reasonable in their expectations of how much already overstretched families can contribute to meeting the cost of high quality learning experiences for students.