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The sinking of the early childhood education flagship?

**Government's plan to privatise kindergartens: the bulk-
funding story**

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ABBREVIATIONS

| | |
|--------|-------------------------------------------------------------------------|
| AKA | Auckland Kindergarten Association |
| CECUA | Combined Early Childhood Union of Aotearoa |
| CNIFKA | Central North Island Free Kindergarten Association |
| DOPS | Statement of Desirable Objectives and Practices |
| MOE | Ministry of Education |
| NRB | National Research Bureau\ |
| NZCER | New Zealand Council for Educational Research |
| NZEI | New Zealand Educational Institute |
| NZFKA | New Zealand Free Kindergarten Associations |
| NZFKU | New Zealand Free Kindergarten Union (now split into the KZFKA and NZKF) |
| NZKF | New Zealand Kindergarten Federation |
| OECD | Organisation for Economic Co-Operation and Development |
| PPTA | Post Primary Teachers Association |
| PSU | Per Session Unit Staffing Scheme |
| WFKA | Waikato Free Kindergarten Association |
| WRFKZ | Wellington Region Free Kindergarten Association |

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INTRODUCTION

Kindergartens in New Zealand have been viewed historically as the flagship for Government support of the early childhood sector (e.g. Wylie, 1992). The bulk funding of kindergarten operational grants introduced in the 1991 Budget indicated an ideological shift by Government towards the principles of the New Right ideology. This and other similar moves showed that Government's intention was to withdraw state support and encourage an early childhood sector which required a minimum of state intervention.

This paper sets the bulk funding of kindergartens in its wider political and educational context and follows the progression of the policy from the 1991 Budget until the election of the first coalition government on 12th October 1996. It argues that this policy represents an attempt by government to privatise the kindergarten services.

The paper describes the general economic and political climate as well as the educational background in New Zealand in the years prior to 1990 and the implementation of bulk funding. The philosophy and framework of the New Right ideology is examined, key advocates of this ideology are identified and their agenda with regard to the early childhood sector and kindergartens in particular is explored. A brief history of the kindergarten movement provides the background for an analysis of the events between 1990 and the election of 1996 identifying the characteristics of the New Right agenda which, this paper argues, underpinned Government's decisions.

For the purposes of this paper 'kindergarten' refers only to free kindergartens represented by either the New Zealand Free Kindergarten Associations or by the New Zealand Kindergarten Federation.

THE ECONOMIC AND POLITICAL CLIMATE IN NEW ZEALAND PRIOR TO OCTOBER 1990

During the mid-1970's shortfalls in performance and stresses had become apparent in the New Zealand economy (Crocombe, Enright, Porter 1991; Kelsey 1993, 1995). Overseas borrowing had reached a high level, the balance of payments deficit, unemployment and inflation all increased dramatically, the Muldoon-led National

Government continued to provide subsidies and allow tax write-offs but these moves were not sufficient to enable it to retain office.

Following the 1984 election, the fourth Labour Government came to power. Announcing that the country faced an economic crisis, the currency was immediately devalued by 20% and the government then focussed on economic considerations. This eased the way for the implementation of a radical programme of reform based on New Right or Liberal ideology which was becoming influential internationally. The reform involved a move towards a radically deregulated economy, driven by market forces (Kelsey, 1993).

New Right advocates believe that the free market is the best means of regulation and that the provision of a welfare state disrupts the operation of the market. The outcome of these beliefs is advocacy of choice and competition, reduced public expenditure, a reduced welfare state, the sale of state assets and the privatisation of state businesses. Advocates believe that those who cannot succeed in the market place should be allowed to fail.

Lauder (1990) has argued that the implementation of New Right policies depends on an ability to discredit and undermine existing structures and frameworks. These strategies invariably commence with public pronouncements on the failure of the institutions, or with policies being attacked. This is followed by the publication of New Right alternatives as matters of economic orthodoxy.

The fourth Labour Government followed this path, moving swiftly to deregulate the economy, targeting low inflation at the cost of high interest rates and growing unemployment. State assets were sold to enable debt repayment and state sector administration was rationalised. In the 1987 election Labour was returned to office with a reduced majority, with the promise to focus on social considerations during their second term in office.

By 1988 it was apparent that the economic reforms had failed to affect the desired economic recovery and that they were becoming increasingly less acceptable politically.

The New Zealand Treasury in their Briefing Papers to Incoming Government (New Zealand Treasury, 1984, 1987) provided the blueprints for subsequent economic and social policy reform. The philosophy encapsulated in both briefings was that of the New Right, emphasising reduced state input and encouraging privatisation, choice

and competition with reliance on the market for regulation. The Labour Government followed these principles throughout their two terms in office although some considerations of equity remained to temper their reforms.

Voters displayed their rejection of the Labour Government's policies in the 1990 election when a National Government swept to power. By this time, however, the New Right philosophy had become accepted rhetoric and the framework for economic and social reform had been established.

THE EDUCATIONAL ENVIRONMENT PRIOR TO OCTOBER 1990

The 1983 OECD report on education in New Zealand was laudatory about both the education system and the quality of teaching in New Zealand. It found that the system was “economically run and by no means extravagant in its demands on resources” (OECD Committee on Education, 1983, p12).

In 1986, however, only three years later, when the New Right ideology was exerting a strong influence, the report of the Education and Science Select Committee into the Quality of Teaching asserted that “there is widespread recognition that some teachers are unsatisfactory. They damage the children they teach, and parents have expressed their strong concern” (Education and Science Select Committee, 1986, p8). The only documented evidence of this concern was reference to unnamed and undated discussions between parents and some individual members of the committee. The discrediting of existing structures described by Lauder (1990) had commenced.

Similar sentiments were expressed in later documents (New Zealand Treasury, 1987; Sexton, 1990). The New Zealand education system was not without flaws at this time; there were some inequities and a bureaucracy which was slow and often cumbersome. There was, however, little evidence presented to support many of the criticisms.

Despite this lack of evidence, these negative sentiments coloured subsequent education policy. The groundwork for radical education reform commenced against this limited background.

The Treasury 1987 Briefing Papers to the Incoming Government comprised two volumes. *Government Management Volume Two: Education Issues* viewed education from an economic perspective as a means to provide the skills and expertise required to fuel the economy. It was also seen as a private good, a commodity which individuals chose to consume (Middleton, Codd and Jones, 1990).

Treasury's briefing papers provided the vision for a radical reform of the education system according to the New Right ideology, focused on a market-driven education system. Parent choice would force competition amongst institutions which would lead to improved standards. The Treasury belief in the individual, or private, benefit of education included the viewpoint that students (or parents) should contribute towards the cost of their education.

In 1988, the Prime Minister, Rt Hon. David Lange, took over the education portfolio and stated his desire to reform the education system. A series of task forces and working groups were set up to examine each sector of education. The reforms focused on the re-organisation of education administration. The Department of Education was disestablished and the Ministry of Education (MOE) was formed. The role of the MOE, much narrower than that of the previous Department, was to provide advice to the Minister and oversee the implementation of national policies (Lange, 1988). Education Boards were disestablished and a range of independent bodies was established to complement the system.

State involvement in education was to be reduced and governing boards would assume the responsibility for the efficient running of their institutions. Many responsibilities were to be assumed by these boards. They were to be contracted to the MOE through a charter which would set out desired objectives and requirements. It was envisaged that their responsibilities would extend to devolved systems of funding in which individual governing boards would receive a bulk grant to manage the financial affairs of their institution.

Parents would be encouraged to exercise choice in their selection of an institution. It was believed that competition for students amongst institutions would improve the quality of the education provided. Private initiatives would be encouraged and institutions which failed to survive competition would be allowed to fail in accordance with free market principles.

Issues of equity tempered the reforms. *Tomorrow's Schools* stated that "equity objectives will underpin all policy related to the reform of education administration"

(Lange, 1988, p25). Equity objectives specified consideration for women, Maori, Pacific Island and other minority groups, working class, rural and disabled students, teachers and communities. These equity considerations were intended to soften the harshest effects of the New Right ideology on education.

THE EARLY CHILDHOOD CARE AND EDUCATING SECTOR PRIOR TO OCTOBER 1990

Over the years the early childhood care and education sector in New Zealand has been characterised by its diversity. In 1988 there were over 20 different types of early childhood services (Early Childhood Care and Education Working Group, 1988), each with its own particular philosophy and model of operation. Until 1986, early childhood care and education was viewed as two different types of services. Those designated 'childcare', were regarded as services for the disadvantaged, while others were designated as 'education' (Consultative Committee on Pre-school Services, 1947).

In July 1986 the administrative responsibility for child care services was transferred from the Department of Social Welfare to the Department of education, indicating acceptance that care and education were inseparable in the early years. In 1988, three year integrated training for child care staff and kindergarten teachers was introduced.

Reform of the early childhood sector was on the agenda of the Labour Government when they came to office in 1984. Economic considerations had taken precedence, however, and little action occurred until 1987 when they were returned to office. At this time education reform became a key issue.

As noted earlier, the Treasury Briefing Papers of 1987 put forward the view that parents, as the prime beneficiaries of early childhood care and education, should meet the costs of services, rather than the state. There was an emphasis on targeted funding, attached to the child rather than the provider. Treasury also stated a concern that over-professionalisation of early childhood personnel was increasing the cost of provision (New Zealand Treasury, 1987).

Dr Anne Meade, a strong advocate for the early childhood sector has recorded (Meade, 1990) that in 1987 she was approached by the Prime Minister's Office to join the Education Advisory Group. She notes that it was coincidental that at the

same time, she was also asked to convene the Working Group on Early Childhood Care and Education as part of the social policy reform process. Meade believed that being in both of these roles was significant in “shifting early childhood issues from the government’s agenda to the government’s decision agenda” (p8).

Early childhood education reforms

The Early Childhood Care and Education Working Group presented its report, *Education to be More*, in 1988. At the time, *Administering for Excellence* (Taskforce to Review Education Administration, 1988), which detailed the proposed reform of the school sector, had just been released and the early childhood working group was able to fit their report to this model. Elected boards of trustees for early childhood services, bound by charters to ensure adherence to certain quality criteria, were proposed.

In return, each chartered early childhood service would receive government funding at a universal rate. The method of calculation recommended was a bulk grant based on an hourly rate per child. It was envisaged that equitable government funding for all early childhood services would ensure that all services could comply with the chartering criteria.

The rate of the hourly grant was not determined by the funding level for kindergartens, currently receiving the highest level of government funding for the early childhood services, was used as an example to set a minimum level. Noting that kindergartens could not be said to be “richly funded” it was estimated that kindergartens would require an hourly rate of \$3.50 per child per hour to maintain their level of income. (ECCE Working Group, 1988).

The report noted also that this rate was insufficient to increase staffing to meet the standard of quality envisaged in the report and that any reduction below the \$3.00 rate “Would require the introduction of substantial kindergarten fees, and would probably be seen as going backwards on early childhood care and education” (ECCE Working Group, 1988, p68).

Education to be More was a progressive report which emphasised equity in the funding of services and in access to appropriate, affordable services. It was followed in December 1988 by *Before Five* (Lange, 1988) which was the Government’s policy document for the early childhood sector. *Before Five* contained some significant

differences from *Education to be MORE*: elected boards of trustees were rejected and the existing management structures of early childhood services were retained.

Bulk grant funding was accepted and staged increases were planned. It was envisaged that all services would reach the full universal rate by 1994/95. A decision was not made on what this rate should be.

The first payment of the bulk grant was made on 1st February 1990. Quality guidelines laid out in the *Early Childhood Management Handbook* (Ministry of Education, 1989) included staff:child ratios and caregiver training in excess of those in the Early Childhood Regulations.

The working group's intention of linking the receipt of funding to the quality guidelines required in charters was not successful, however, since centres had not yet completed the chartering process. Funding was therefore paid out to all centres regardless of whether they met the quality criteria.

The continuation of existing management structures allowed private providers to receive the bulk grant directly. A lack of tagging and poor accountability procedures resulted in abuse by some unscrupulous providers (cited in Mitchell, 1995; Early Childhood Education Project, 1996).

THE ECONOMIC AND POLITICAL CLIMATE FROM OCTOBER 1990 AND THE EARLY CHILDHOOD SECTOR

The October 1990 election resulted in a landslide victory for the National Party. Hon. Lockwood Smith was appointed Minister of Education and Hon. John Luxton was appointed Associate Minister with delegated responsibility for the early childhood sector.

In November 1990, the quality guidelines for chartering were reinforced by the promulgation of the Conditions for Receipt of the Early Childhood Bulk Grant. In this, staff:child ratios and caregiver training requirement remained in excess of the minimum standards.

This was not to last for long. The Education Gazette of the 14th December 1990 included a supplement titled *Early Childhood Education Charter Guidelines: A*

Statement of Desirable Objectives and Practices. The Statement (hereafter referred to as the DOPs) contained over sixty objectives and practices which were deemed to be part of every early childhood charter. The DOPs affirmed the minimum standards as laid out in the Early Childhood Regulations 1990 s the level required for chartering, thereby qualifying providers for funding.

The following week the National Government released the *Economic and Social Initiative* (Bolger, Richardson and Birch, 1990). In his introduction the Prime Minister announced that the measures reflected the “serious state of the New Zealand economy” and that the Initiative “is stiff medicine, designed to bring the economy back to full health as rapidly as possible” (p3).

The Economic and Social Initiative articulated the National Government’s intention to continue to pursue a New Right ideology.

The measures in the initiative included the termination of planned increases to early childhood funding and the announcement of seventeen reviews of the education sector. Four of these reviews focused on the early childhood sector. Meade and Dalli (1992) have stated that it was “extraordinary that 25% of the (Education) reviews were on a sector that takes about 4% of Vote:Education” (p120). The reviews were on property, funding, staffing, training and qualifications and the Early Childhood Development Unit.

Two days after the release of *The Economic and Social Initiative*, in an unexpected move, legislation was passed which specified that kindergartens could charge fees (Education Amendment Act, No 3, 1990). This move was in opposition to kindergarten philosophy.

There was concern within the early childhood sector over the reviews, particularly the halting of the staged funding increases. Concern increased when the convenor of the funding review, Rosemary Renwick, withdrew and a reconstituted team was led by a State Services Commission official.

The official review team remained under cover until after the 1991 Budget (ECCE Funding Review Committee, 1991). When released, it was shown to have recommended a new funding system which would, instead of moving towards a higher universal funding rate, cap the kindergarten rate at its current level. This was a move away from the *Before Five* philosophy of increasing the funding to all early childhood services to a fair and equitable level.

The 1991 Budget was released on 30th July 1991. It announced widespread cuts to spending and included greater emphasis on targeted assistance. The 1991 Budget had a dramatic effect on the early childhood sector. Funding for children under two years of age in child care centres was cut and the early childhood regulations were “eased” to make it simpler for alternative providers to establish centres. A reduction in the training points requirement for supervisors and an increase in the child:staff ration for children under two years of age in mixed age group centres were proposed.

It was announced that kindergarten funding would remain at the 1991 level and that kindergarten salary bulk funding would be introduced. Compulsory teacher registration for kindergarten teachers was removed.

Helen May (1992) has described the general outrage that followed this budget and notes that the National Government was forced to amend and pull back from the extremes of some budget night announcements. She notes, however, that a lack of political clout in the early childhood sector meant that this sector’s budget night announcements remained largely unchanged.

These moves were in line with the National Government’s stated aims of reducing state input and encouraging alternative providers (Bolger, Richardson, Birch, 1990). They were also in line with the Treasury’s views as expressed in *Government Management Volume Two* (New Zealand Treasury, 1987).

THE KINDERGARTEN MOVEMENT

A historical perspective

The first New Zealand kindergarten opened in Dunedin in 1899. It was initiated by a group of Dunedin residents who were concerned about the large number of young children who were left to roam the streets while their parents worked long hours in the local factories. A public meeting was called and this group decided to employ a trained teacher and provide free education for these children.

The success of this venture resulted in further kindergartens opening throughout the country; each kindergarten adhered to the philosophy espoused by this initial group

and up to the time of writing kindergartens have continued to provide free early childhood education and employ only trained teachers.

Government support for the kindergarten movement has been provided in a variety of ways. Initially it took the form of a one-off grant and this was followed by a commitment to match funds raised locally. Capitation grants to support building costs, were introduced and then withdrawn.

In 1992 Cathy Wylie described the support provided as including “80% of building costs (with a limit of six new kindergartens a year), free building sites (until 1990), actual teacher salaries, a national career structure, some support for the national network of employing associations (the Free Kindergarten Union), and a national system of professional support through senior teachers” (Wylie, 1992, p2).

By the 1980s New Zealand kindergartens had developed a reasonably homogeneous, nationwide service. The standard kindergarten operated on a sessional basis, older children attended five mornings per week and younger children attended three afternoons. Children were generally aged between three and five years of age and up to forty children were enrolled in each session.

On the two afternoons when children were not in attendance kindergarten teachers completed administrative tasks, held pre-entry playgroups, home-visited children and parents, attended meetings with related agencies, planned programmes and generally updated resources. Although no fees were charged, parents were asked to make a voluntary donation with families paying according to their ability.

The ration of one teacher to 20 children was recognised to be less than desirable and in 1986 a scheme to increase staffing levels in kindergartens was introduced. This scheme, the Per Session Unit Staffing Scheme (PSU), increased annual funding by 10% to provide 50 extra teachers per annum over a four year period. The aim was for all kindergartens to have three trained staff by 1994. As shortage of teachers delayed the scheme in it early stages and this scheme was never fully implemented.

Regional kindergarten associations, comprising elected parents from individual kindergartens were formed and a national body, the New Zealand Free Kindergarten Union (NZFKU), completed the administrative structure. Teacher salaries were paid directly and Education Boards employed teachers and provided support in very much the same manner as for the school sector.

New initiatives within the kindergarten movement were developed to extend the availability of the service to families and increase the quality of provision; these included the establishment of mobile pre-school units to service rural and isolated areas and the growth of a national system of professional support. By 1988 there was a New Zealand-wide Professional Support Scheme consisting of eight regional teams of senior teachers who provided support across association boundaries. Provision was based on a ration of one senior teacher to 40 teachers.

By 1996 there were 591 kindergartens, catering for 47,208 children which represented 29.6% of all children attending early childhood services.

Kindergartens and the education sector reforms

During the reforms of the education and early childhood sectors in 1988 and 1989, kindergartens, like all other forms of early childhood services, negotiated charters and came to terms with the administrative changes. Associations received an operational grant to help with the running expenses of kindergartens. The Ministry of Education established a Discretionary Loans Scheme to replace the previous capital funding and establishment grants.

For kindergartens the *Before Five* policies meant that they would not receive staged funding increases until the latter stages of the proposed scheme. This was on the basis that they were the early childhood service receiving the highest hourly rate of funding.

As has been noted already, the election of the National Government in October 1990 was followed in December 1990 by the release of *The Economic and Social Initiative*. The initiative not only announced the cessation of the early childhood staged funding for all early childhood services but it also included the cessation of the staged staffing increases for free kindergartens (the PSU Scheme).

This loss was significant for the free kindergarten movement; the Education (Early Childhood Centres) Regulations 1990, passed in September of that year, had set a 1:15 staff/child ration as part of the minimal requirements for a licence – but, at this point in the implementation of the PSU Scheme, many were still operating with a 1:20 ration. Failure to gain a licence would result in ineligibility for funding. The Regulations specified certain conditions under which a provisional licence could be granted and kindergartens which did not yet meet the required ration were

subsequently granted these provisional licences. The renewal of these was, however, a cause of on-going concern.

The passing of the *Education Amendment Act (No 3) 1990* which made possible the payment of fees for attendance at a kindergarten, further increased the level of concern about government's plans for the future of the kindergarten movement.

Kindergarten associations remained strongly opposed to charging fees and refused to do so, convinced that this would restrict children's access to kindergartens. A National Research Bureau study, *Survey of Caregivers of Children Under Five, Use of Early Childhood Services*, suggested that more than a quarter of those families paying less than \$20.00 per week for attendance at an early childhood services (this would include kindergarten users) would either stop using the service altogether or reduce their hours if there was a small increase in the weekly costs (National Research Bureau, 1993).

THE INTRODUCTION OF BULK FUNDING

The Budget of 1991, the first in the new National government's term of office, served to heighten the kindergarten movement's anxiety further: kindergarten funding was capped, the compulsory registration of kindergarten teachers removed and kindergarten salary bulk funding introduced.

The budget intention was that kindergarten bulk funding would be implemented from 1st February, 1992. The rate was set at \$2.86 per child per hour, 64 cents per child per hour less than the minimum recommended three years earlier in *Education to be More* (ECCCE Working Group, 1988). This minimum, it had been estimated, would not be sufficient to improve staffing; however, kindergarten associations were now being required to improve staffing in order to comply with licensing criteria and remain eligible for funding.

It was clear that kindergartens were facing serious pressures.

The NZFKU and the Combined Early Childhood Union of Aotearoa (CECUA) representing kindergarten teachers at the time, strongly opposed kindergarten bulk funding. They pointed to the lack of analysis to support such a policy and voiced

concerns that the quality of the kindergarten service would inevitably deteriorate (Mitchell, 1991; NZFKU, 1991).

Previous experiences of bulk funding have indicated that this style of funding can have undesirable effects. A 1991 study for the PPTA (McGeorge, 1991) documented a history of inequities under former systems of bulk funding of schools in New Zealand. He described grants being deleted and abolished as economy measures, building appropriations being reduced, the need to use operating funds to pay staff, women and pupil teachers being exploited as cheap labour, a lack of funding for special educational requirements and inequities between schools, their staffs and between teachers at particular schools.

Kindergartens themselves had had some experience of this during the depression when the capitation grant was withdrawn. The sudden reduction in funding for children aged under two in the 1991 budget was a very clear example of the ease with which the bulk grant could be manipulated.

Despite the vocal opposition of NZFKU and of CECUA, however, a working group was set up in August 1991 to facilitate implementation of the policy and, although not originally included, CECUA and the NZFKU asked to be represented. In his address to the working group Mr Luxton said that he had fought against pressures to reduce kindergarten funding during the budget round but that he believed that bulk funding would give kindergarten associations the ability for self management, allow them to expand and diversify the service and create opportunities for greater choice and flexibility.

A transitional arrangement was proposed, but it was made clear that the Government was committed to salaries bulk funding across all early childhood services and that this intention would not be reversed (Mitchell, 1991; NZFKU, 1991).

By November 1991, dissent within the NZFKU over the acceptance of bulk funding was apparent. A special general meeting resolved "that the meeting reluctantly accepted that the Government would not reverse its decision..... and will negotiate a transitional arrangement..... with the best conditions possible for the kindergarten movement" (NZFKU, 1991).

The dissent continued. By mid-December 1991 the Auckland, Waikato, Central North Island and Wellington associations had seceded from the NZFKU and formed the New Zealand Kindergarten Federation (NZKFF). Their association represented

39% of all free kindergartens in New Zealand. The remaining members of the NZFKU renamed their group the New Zealand Free Kindergarten Associations (NZFKA).

With two bodies, rather than one, now representing the kindergarten movement, negotiations on transitional funding arrangements continued. It was eventually agreed that the implementation of bulk funding would be delayed until the 1st March 1992, to allow time for appropriate financial systems to be developed. The transition period was subsequently extended to March 1995.

The combination of policy moves involving the kindergarten movement clearly indicated the impact that New Right ideology was having on the kindergarten movement. It was clear that government was seeking to distance itself from responsibility for the kindergarten service: the legislation allowing kindergartens to charge fees can be seen as a way to reduce the state's responsibility for funding and bring the funding mechanism into line with services run by alternative providers. The halting of the PSU Scheme and the capping of kindergarten funding at the 1991 level indicated that the state was no longer prepared to increase support for kindergartens. The bulk funding of kindergartens enabled the state to devolve responsibility for kindergarten provision to kindergarten associations which soon after broke off into two separate groups thus breaking the coherence of a national structure. The removal of compulsory teacher registration indicated that the market, rather than regulation, should determine the level of training desired. The kindergarten movement was clearly expected to increasingly become subject to the market and competition – succeeding or failing according to its ability to take a share of the market.

It was clear by now that the kindergarten “flagship” was in serious trouble.

THE EFFECTS OF KINDERGARTEN BULK FUNDING – SOME EARLY STUDIES

During the first three years of the operation of bulk grant funding, several studies were conducted which explored some of its effects on the kindergarten movement.

Wylie, 1992 and 1993, NZCER

Cathy Wylie (NZCER) conducted one of the earliest studies in 1992, three months after the start of kindergarten bulk funding. The work was a survey of all 41 free kindergarten associations, all 42 senior teachers and the head teachers and the chairpersons of the committees in a random sample of 25% of fixed site kindergartens.

Wylie (1992) found that “while it is still very early days yet in the switch to bulk funding, changes were already occurring at association and kindergarten level” (p32). These changes included management strategies, particularly those concerned with financial arrangements and investment practices; maximising the income gained by ensuring that kindergartens maintained full rolls or by increasing group size; cost cutting and prioritising spending. Wylie noted that kindergarten and association staff and volunteers were absorbing most of the effects of these changes through increased workloads and cut-backs.

A clear link was also found between “parental socio-economic status and the resources available to each kindergarten” (Wylie, 1992, p32) and predicted that this inequity was more likely to increase rather than decrease.

The study concluded that the bulk funding of kindergartens may have brought their funding mechanism into line with other early childhood institutions but that there was no evidence that it had improved their operation or enabled innovation, flexibility or better opportunities for children.

A follow-up study, funded principally by NZCER with a small contribution from CECUA, was conducted in 1993 and examined the impact of bulk funding fifteen months after the introduction of the policy (Wylie, 1993).

The major findings of this study were that the introduction of bulk funding had resulted in:

- A considerable increase in workloads and stress for staff and volunteers
- pressure to maintain full rolls and an increase in group size in many kindergartens to maximise funding
- A continued reliance on donations and fundraising
- The beginning of a rationalisation of the number of kindergartens

- An increase in the number of kindergartens which complied with the 1:15 ration due to income from investment and roll increases
 - A widening in the resource gaps between kindergartens in low income areas and others, to the long term detriment of access and quality for children from low income families
 - A growing emphasis on the financial availability of individual kindergartens making it increasingly difficult to target resources to particular needs
- Wylie (1993) believed that the changes that had occurred were more likely to be associated with increasing income or decreasing expenditure than with improving the quality of the service provided. Any increase in access (through increased group size) was dependent not on demand but on the existence of buildings which contained sufficient space.
- She believed that kindergarten associations had responded to bulk funding in a manner which had “Made only minor encroachment on its quality” but warned that many changes were still in fledgling form and that some hard choices lay ahead.

Houghton and Wilson, 1993 and 1995, University of Otago

Another study to monitor the effects of kindergarten bulk funding was conducted on behalf of the MOE by the University of Otago (Houghton and Wilson 1993, 1995). The initial stage of this three year study used two sources of information: the associations’ accounts for 1991 and 1992, and in some instances those of individual kindergartens; plus postal questionnaires, to establish associations’ perceptions of the changes since the introduction of bulk funding in March 1992.

The first stage of the study showed that associations had increased both their autonomy to manage and plan, and their income from fundraising and investments. The workloads of teaching, administrative staff and volunteers had increased and relationships with teaching staff had deteriorated. Opening hours, teaching resources and community responsiveness remained unchanged.

Houghton and Wilson (1993) showed that on average 93% of association income came from the bulk grant for salaries and operations and 4% from local funds. Investments contributed less than 2% and other Government grants contributed to the remaining 1%.

The second stage of Houghton and Wilson's study, released in April 1995, reported on the impact of the policy during 1993 and 1994. The transitional arrangement was in operation throughout the time, and for this reason, it was noted that the next stage of the study, 1995/1996, would provide a more conclusive evaluation of the effects of bulk funding on associations' policies, operations and finances. The third stage of the study had not been released at the time of writing.

Houghton and Wilson (1995) found that bulk funding had resulted in a 1000% increase in the size of budgets administered by kindergarten associations. Kindergarten associations described some positive effects from bulk funding such as improved management autonomy giving increased flexibility in setting budget priorities, an ability to direct expenditure to perceived needs and better targeting of resources for areas such as teacher development and property maintenance.

These positive effects were tempered with a caution that while bulk funding encouraged associations to make these plans, their ability to carry them out was dependent on there being sufficient money in the bulk grant.

Negative effects described by associations were: increased group sizes (20 out of 30 associations reported increased group size in at least some kindergartens); increased staff stress due to increased workloads and the pressure to maintain full rolls and increased group sizes; increased responsibilities for volunteer management; as lack of recognition of equity considerations in the bulk grant and insufficient funds to effectively manage the association.

The second stage of the study noted that staff morale had significantly worsened. Workloads, hours of work and functions of teaching staff had increased. Senior teachers were working longer hours and their functions increasingly involved them in management, planning and policy development. There was also a flow-on impact on senior teachers' workloads arising from teachers' dissatisfaction and stress.

Associations felt that "the quality of services delivered to children had not suffered but that association and kindergarten staff and management had insulated children from potentially negative impacts of bulk funding" (Houghton and Wilson, 1995, pVI).

Dougherty, 1994, Massey University

A 1994 study into teacher and parent perceptions of kindergarten bulk funding and the effects of the policy on the quality of care and education found that in order to maintain quality, the workloads of teachers and mothers had increased (Dougherty, 1994). Dougherty also found that parents were being asked to contribute more to some kindergartens in an effort to maintain the quality of the service. There was concern that this would disadvantage kindergartens in the lower socio-economic areas.

Conclusions from the research

There is a striking degree of consistency in the findings of these reports which showed little evidence to suggest that Mr Luxton's stated aims in introducing bulk funding were being achieved. Kindergartens certainly had the ability for self management but their ability was dependent on the availability of sufficient funds in the bulk grant to carry out plans. The service had expanded only insofar that more children were present in those kindergartens which had sufficient space to accommodate them.

The studies found little evidence of the diversity, flexibility or choice within the service which Mr Luxton had stated bulk funding would provide. Many kindergartens had increased their staffing to meet the 1:15 licensing requirement but this had invariably been achieved by attracting additional funding through increasing group size and operating additional sessions.

yet, advocates of the New Right ideology would have found some satisfaction at the "progress" within the sector. Kindergartens' funding was now capped, limiting the state's input to the 1991 level of funding. Fee charging was now possible. Bulk funding had devolved the responsibility for kindergarten provision to the kindergarten associations and the low level of the bulk grant would be likely to force them to charge fees, employ untrained staff, compete with other services and operate in a manner more like other fee-charging early childhood services. Kindergartens which proved not to be financially viable would be unlikely to be subsidised by cash-strapped associations and would close, leaving in existence only those which could support themselves. The stage was set for the state to withdraw from responsibility

for provision in the early childhood sector. The market would then regulate the sector and dictate the quality of the services provided.

THE PRESSURE TO CHANGE

As government's agenda for kindergartens became increasingly clear, kindergarten associations remained steadfastly opposed to charging fees despite the ongoing pressure being applied to encourage them to do so. In 1994 Mr Luxton was invited to address the NZFKA conference in Wellington. He told the delegates that they could no longer hold on to the "sacred cows" of the past (Luxton, 1994). These "sacred cows" included sessional provision, trained teachers and free access.

He asked that they "face the realities of New Zealand's social and economic structure of the nineties" (Luxton, 1994) and adopt a "more business-like approach". He stated that Government had two objectives – "to be fair to all organisations and to be financially responsible with the use of tax-payer funds" (p4).

The clear intention of Mr Luxton's speech was to apply pressure on kindergarten associations.

By March 1994 all associations were required to have assumed responsibility for their payrolls and this resulted in a payment of 1.5 cents per child per hour, previously paid to the central payroll services, being paid to the kindergarten associations. This took the hourly rate from \$2.86 per child per hour to \$2.875. This funding was restricted to a maximum of 320 sessions per year (within a forty week period) and to a maximum of eight sessions per week.

As 1 March 1995 approached, and the transition period before the implementation of bulk funding neared its end, kindergarten associations also managed to increase their staffing to meet the required 1:15 staff/child ratio. The improved level of staffing was achieved by attracting additional funding through increasing group sizes and utilising the maximum 320 funded sessions. These moves were not made in response to community demand, nor were they in line with recognised early childhood quality characteristics; they were made in an effort to survive.

The predicted "rationalisation" of kindergartens had commenced and two kindergartens had closed. These kindergartens were Sandbrook, situated in Otara,

and Etterick Place, sited in Tokoroa. Both of these kindergartens served low income communities.

When the 1995 budget was announced it was clear that yet again the kindergarten service was being put under pressure to change and become more like other early childhood services. Two options for kindergarten funding were provided.

The first option increased the hourly rate from \$2,875 to \$2,90 per child and retained the eight session per week and 320 sessions per year restrictions. The second option reduced the hourly rate from \$2,875 to \$2,50 (the rate applicable for other early childhood services) but removed the restrictions on the maximum number of sessions that would be funded weekly and annually. It also provided access to the Department of Social Welfare childcare subsidy if associations chose to charge fees.

The first option would provide a funding increase of 0.87% (NZ Education Institute, 1995). The second option would involve extending kindergartens' hours of service and charging fees to become eligible for the childcare subsidy. However, kindergartens would need to operate an additional 51 sessions per year to break even with those on the higher hourly rate (NZEI, 1995).

Adopting the second option would also represent a significant shift in philosophy and operation. It would considerably increase the hours of work and workload of kindergarten teachers and reduce their comparability with the working conditions of teachers in the primary school sector.

Kindergarten associations were not persuaded by the second option. at their annual conference, in July 1995, Mr Luxton, in a hard-hitting speech, accused kindergarten associations of "burying their heads in the sand" (Luxton, 1995, p6). He stated that he would not "marginalise other sector providers who offer similar educational facilities" by increasing kindergarten funding. He denied that the Government wanted to "force kindergartens out of business" or "privatise" them.

The campaign begins

The increase of 0.87% received under the first option of funding in the 1995 budget was not sufficient to relieve the financial demands confronting the kindergarten movement. In June 1995, the NZEI which by now had amalgamated with CECUA to become the major early childhood union, initiated a campaign to gain an increase in

kindergarten funding. In November 264 petitions containing more than 16,000 signatures were presented to Parliament, requesting an increase in funding for kindergartens (Mitchell, 1995).

In response to the petition, the Education and Science Select Committee invited submissions on kindergarten funding from the NZEI, NZFKA, Wellington Region Free Kindergarten Association (WRFKA), Central North Island and Waikato Free Kindergarten Associations (CNIFKA, WFKA), the Auckland Kindergarten Association (AKA), as well as the MOE.

The submissions from kindergarten associations showed a high degree of consistency. They revalidated the findings of the studies which had examined the effects of kindergarten bulk funding and indicated that the difficulties identified in these studies had increased rather than diminished. All argued that kindergartens provided high quality early childhood education, that there was considerable demand for the service and that it was valued. The submissions recommended a significant increase in kindergarten funding (NZEI, 1995a, NZFKA, 1995a, WRFKA, 1995a).

The MOE was asked to respond to specific questions which had arisen during the course of the Select Committee's deliberations. Their submission (MOE 1995b) quoted the research of Houghton and Wilson (1995; 1995) on the effects of direct funding on kindergartens, detailed the 1995 Budget changes and provided a rationale for these changes. The submission emphasised that the changes brought the funding arrangements for kindergartens into line with the rest of the early childhood sector, allowed associations more flexibility and enabled them to respond better to the needs of their communities. It pointed out that kindergarten associations could access the Department of Social Welfare childcare subsidy if they chose to move to the lower rate of funding and charge fees.

This submission caused consternation within the kindergarten sector and some of the participants in the Select Committee process made supplementary submissions which provided an analysis of the MOE paper and presented evidence to refute the MOE claims.

NZEI (NZEI, 1995b) asserted that the MOE submission quoted research selectively and in a misleading manner and failed to note the significant negative impacts described in successive reports on the bulk funding of kindergartens.

The NZFKA in an oral presentation (NZFKA, 1995b) provided evidence which showed that 87.56% of families using kindergartens did not want an increase in the number of sessions offered and that only 11.73% would prefer more sessions (NZFKA, 1995c). A survey also showed that 93.9% of families rated the programme proved as good to excellent (NZFKA).

The WRFKA Supplementary Submission (WRFKA, 1995b) included a paper which compared the quality of kindergarten education with recognised quality characteristics and the findings of recent research (Meade and Cubey, 1995). Both comparisons revealed that kindergartens scored well on each criterion, excepting the group size and staff/child ration and it was argued that an increase in funding would enable kindergarten associations to improve in these areas.

In late November 1995, in an unusual move, the Select Committee requested that Mr Luxton attend the hearing with MOE officials. The MOE Briefing Notes stated that the increase in funding sought by the kindergarten sector would result in a return to a system of “Preferential funding treatment from Government” at a time when the aim of current policy was for Government to buy “Educational hours of a particular quality from early childhood services, and, overall, is neutral in terms of service type” (MOE, 1995a).

The MOE stated that although the hourly rate of the bulk grant had not increased, kindergartens had increased their funding by 4.1% by extending their operation to the maximum 320 funded sessions and that “the changes to funding arrangements are designed to achieve parity between kindergartens and the rest of the sector” (MOE, 1995a).

The MOE’s advice to Government was to not increase kindergarten funding but rather to push kindergartens to charge fees and to extend their hours of operation. Their comments that kindergarten associations had the opportunity to reduce their cost structure during the transition period clearly referred to the employment of untrained teachers. The research quoted by the MOE showed that approximately 90% of the bulk grant was spent on salaries (Houghton and Wilson, 1995) and this therefore represented the only way to significantly alter their cost structure.

The Education and Science Select Committee presented a request that the Government give favourable consideration to 260 of the petitions and most favourable consideration to the remaining four.

The Government responded by noted that the March 1996 changes in funding arrangements were made on the basis that all providers offering a comparable quality of service for equal hours should receive comparable funding from the Government. It was stated that kindergartens had the ability to increase their funding by extending their hours of operation. Careful consideration would proceed and an announcement would be made on the issue on the 23rd May 1996 (NZ Government, 1996).

Meeting changing rules and requirements

During subsequent months the kindergarten community continued to struggle with the bulk grant. On the 1st March 1996, a new funding guide was sent to early childhood centres (MOE, 1996a). The booklet incorporated the quality funding rates announced in the 1995 Budget and was an interim guide until a finished document was prepared for use in July 1996.

Over the years a number of rules pertaining to the claiming of the grant had evolved. These included the 'five day rule' which stated that if a child was absent for more than five days without evidence that the parent wanted the place to be held, then the child could not be counted for funding. Additionally, where children attended more than one service, funding could not be claimed for simultaneous attendance hours (the 'dual enrolment' clause).

It had always been intended that enrolment, not attendance, should be the basis of the bulk grant but attendance had now become the more important consideration. The March 1996 guide changed the 'five day rule' to a '9 plus 12 rule'. The effect of this was that a child could be absent for up to nine calendar days and funding could still be claimed. All funding was to cease after the 21st calendar day regardless of the reason for absence. This guide reiterated the dual enrolment requirements and specified that kindergarten parents must verify the attendance register at least once a month.

These rules and requirements contributed to the increased workload of kindergarten teachers. Considerable time was involved in contacting caregivers to ensure that notification was received and monthly roll signing became a large task for kindergartens with up to ninety children on their rolls.

In early 1996 kindergarten associations began to lose significant amounts of funding, following audits by MOE auditors. The Central North Island Free Kindergarten

Association had over 30% of their kindergartens audited at this time and deductions for the rule which matched attendance to the enrolment agreement, amounted to \$30,000 (Little, 1996).

Associations corresponded and met with officials from the MOE in an effort to understand the new interpretations. They also approached the Minister with their concerns. The rules remained in force despite indications that ministerial officials felt that the MOE interpretation and application were overly bureaucratic.

ADHERENCE TO AN IDEOLOGY

During the two terms of office of the National government between October 1990 and October 1996, government management of the education sector had attracted considerable criticism and negative publicity and 1996 was an election year. In May 1996, the Minister of Education, Hon. Lockwood Smith and his Associate, Hon. John Luxton were replaced by Hon. Wyatt Creech and Hon. Bill English. The Associate Minister, Mr English, gained responsibility for the early childhood sector.

The MOE, in a Briefing Paper to the new Minister on the early childhood sector (MOE 1996c) noted the kindergarten community's dissatisfaction with the funding rates for kindergartens. The MOE noted that there was the option for kindergarten associations to increase funding by opting for the lower funding rate, accessing the child care subsidy and extending the hours of service; they noted also that kindergartens had received concessions that other early childhood services had not, and that "an improved management style is needed".

The briefing also stated that the MOE had offered assistance to kindergarten associations needing to address management issues.

The NEI and kindergarten associations again responded angrily to the MOE's position. They accused the MOE of providing poor quality advice which include factual inaccuracies and misleading comments (NZEI, 1996; Falck, 1996). Associations argued that they were indeed most efficient managers and had managed to operate effectively on a constantly eroding sum of money.

On 23 May 1996, the much awaited Budget was announced. Hopes within the kindergarten community were high, as the results of the Government's consideration

of the Education and Science Select Committee recommendations were anticipated. The Budget announced an increase in sessional funding from 1 January 1997 for all licensed services. The provision for kindergartens was separate and amounted to an increase of 2.5%. This took the hourly rate from \$2.90 per child per hour to \$2.9725 per child per hour. The kindergarten community had requested a significant increase; 11% was the commonly agreed figure required.

Kindergarten associations had acknowledged that teachers deserved a significant pay increase. They accepted that teachers' workloads had increased and that such an increase was an essential component in remedying teacher recruitment and retention difficulties. It was widely recognised that without a significant increase in Government funding there was little possibility of associations being able to fund any pay increase for teachers.

Kindergarten teachers, via their union, the NZEI, sought a pay increase for all teachers with progress towards pay parity and a unified teaching scale. The claim also attempted to set the maximum number of teaching sessions and to define term breaks. Negotiations were postponed on numerous occasions. Kindergarten teachers held a one day strike on the 3rd September, 1996 and issued further notice to strike prior to the election in October that year.

Meanwhile teachers, parents, association and union representatives continued to voice their disapproval of the 1995 and 1996 Budget provisions and to lobby for increased funding.

Government offers an 'improved' funding package

Details of an "improved" funding package were announced on the 27th July 1996, at the NZFKA Annual Conference. Press statements from the Minister's office had described the package as "aimed to make kindergarten more accessible, with greater flexibility in the sessions they offered" (Evening Post 24.7.1996). the package included the lifting of the 320 session funding restriction and increasing the limit to 360 sessions, an extra 40 funded sessions per year. The rate of the funding would be \$2.90 per child per hour. It was estimated that the package would give associations the ability to increase their funding by up to 12.5%. a kindergarten of 45 children per session had the possibility of increasing their annual grant by up to \$15,660 (English, 1996). If associations chose to reject the new package they could retain the 320 session maximum and access the \$2.9725 rate.

The response of association representatives yet again indicated concern. They queried the existence of a funding formula and noted that they had already confirmed user satisfaction with the service. The response was that associations were able to choose whether they wished to change and that the Government was relatively neutral in this matter.

Kindergarten associations were told they could access this revised funding in two ways. The first involved offering sessions for an additional five weeks each year. This would align kindergartens more clearly with other fee charging early childhood services rather than with the school sector, with which it was currently aligned. It would also significantly alter the conditions of work of kindergarten teachers.

The second option would involve operating funded child-contact sessions on one of the twice weekly non-child-contact sessions that kindergarten teachers currently worked. The findings of the research studies on kindergarten bulk funding had indicated that there had already been a significant increase in the workload of kindergarten teachers.

At an NZFKA Special General Meeting on 10th August, 1996, kindergarten associations voted to reject the new funding package and to seek an increase to the hourly rate of funding. The Kindergarten Teachers Collective Employment Contract remained unresolved at this time. The uncertainty of increased funding had contributed to the postponement of negotiations on four occasions as well as the postponement of planned strikes by kindergarten teachers in early August.

On the 3rd September 1996, a one day strike was held.

The rejection of the funding package, coupled with the threat of further industrial activity by kindergarten teachers prior to the election applied pressure on the Government. There was already industrial unrest in other sectors and the election date of 12th October, 1996 was approaching.

A third revised funding package

On the 23rd September, 1996, a third revised funding package for kindergartens was announced. This package bowed to the pressure for an unconditional increase in

funding and increased the hourly rate from \$2.90 per child per hour to \$3.09 per child per hour.

The announcement of the increase in funding was followed by direct Government intervention in contract negotiations immediately prior to the election. This included the payment of a one-off bonus and a 5.5% pay increase. The move facilitated the settlement of the kindergarten teachers' employment contract for a nine month term and averted a strike planned for the 8th October, 1996.

The Government and employers could not agree on the insertion of a 320 session cap in the collective employment contract. Government policy continued to be that kindergartens could access funding to a maximum of 360 sessions.

Senior Teachers were removed from the contract and placed on an identical separate collective employment contract. Redundancy and redeployment provisions were added and a letter of understanding set out an agreement by NZEI and the employers to undertake an independent job evaluation between kindergarten teachers and teaching positions in the school sector.

The pressure from Government for kindergartens to charge fees, employ untrained staff and change their operation to match more closely with that of other early childhood services relied on the premise that all early childhood services should be funded at the same low level. This view matches well with the beliefs of Treasury outlined earlier in this paper and shows the influence of New Right advocacy.

That money was available for additional funding, was shown by the revised funding packages. What has been evidenced in the early childhood sector, and for kindergartens in particular, is not a lack of money but an ideological shift which dictated against such a move. The basis of this shift was the New Right ideology.

The general election on 12th October 1996 was the first to be held in New Zealand under a new electoral system of mixed member proportional representation (MMP) and resulted in a caretaker Government holding power until December 1996. After the election it remained uncertain as to what the policy line for the kindergarten movement would be.

CONCLUSION

The economic and political climate of the seventies and eighties created a set of circumstances which enabled the Fourth Labour Government to implement a programme of swift and radical reform following New Right ideology. This focussed on economic considerations and entailed more individual responsibility and regulation, governed by the operation of the market. The reforms introduced were tempered by equity considerations which blunted the strongest negative effects of the New Right ideology.

By the time that a National Government came to power in 1990, the New Right ideology was firmly entrenched. The National Government likewise focussed on economic recovery and continued to pursue the doctrines of the New Right within a more hard line approach.

The early childhood sector achieved increased support and recognition under the fourth Labour Government. The *Before Five* reforms of the sector, whilst bowing to some New Right concerns, featured equitable funding, improved access and quality objectives.

When the National Government came to power, however, there was a change in the philosophy underlying early childhood policy. The view of the New Zealand Treasury, as espoused in their briefing to incoming governments, was that early childhood education represented a private good and that parents should therefore pay for the service, with targeted assistance to the children of low-income families. The over-professionalisation of early childhood workers and an “unnecessarily” high level of regulation would needlessly drive up costs.

According to the Treasury the kindergarten service was not responsive to the needs of the time and that provider capture had resulted in the service receiving a higher hourly rate of funding at the tax-payers’ expense. The sessional basis, they argued, meant that the service did not cater for a significant number of children or families.

In a more general New Right interpretation, the close involvement of the state in the kindergarten movement is seen to have resulted in a disruption to the early childhood market and allowed the service to operate inefficiently. Government withdrawal from the kindergarten service, combined with the encouragements of alternative providers in the early childhood sector would, according to New Right ideology, result in an independent, privatised sector which would support economic goals and require little

state involvement. Competition would ensure that it responded to the needs of parents.

The early childhood sector was ripe for the imposition of this ideology. As a non-compulsory sector which already had a significant number of private and alternative providers, state withdrawal was perceived by New Right advocates to be considerably less problematic than it would have been in other sectors.

Kindergartens, “the flagship of Government support for the sector” (Wylie, 1992), were an obvious target for state withdrawal.

The survival of the kindergarten movement to date bears witness to the tenacity of the kindergarten community. There has been no evidence, in recent years, that Government supports the kindergarten movement’s aims or philosophy. The situation remains one in which New Right advocates in positions of influence continue to lobby for neutral funding policies amongst early childhood services, with the aim of providing minimal state input and, eventually, privatising the sector.

POSTSCRIPT

In the period following the writing of this paper a further chapter has been opened in the story of kindergartens in Aotearoa – New Zealand. On 29 April 1997 the Government moved under urgency a bill to amend the State Sector Act which removed kindergarten teachers from the State Sector. The passing of the amendment has removed responsibility from Government to negotiate and fund kindergarten teachers’ salaries; it also removes kindergarten teachers from the protection of the requirements of the State Sector Act such as those relating to being a good employer.

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