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**Addressing Quality, Access and Equity in the
School Direct Subsidy Scheme in Hong Kong:
A Study of Government Strategies and Tools**

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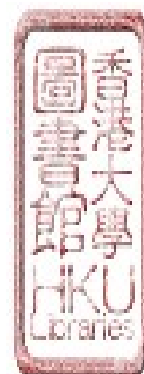
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Capstone project report submitted in partial fulfillment of the
requirements of the Master of Public Administration

Department of Politics and Public Administration

The University of Hong Kong

August 2015



DECLARATION

We declare that this Capstone Project report, entitled “Addressing Quality, Access and Equity in the School Direct Subsidy Scheme in Hong Kong: A Study of Government Strategies and Tools”, represents our own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or any other institution for a degree, diploma or other qualification.

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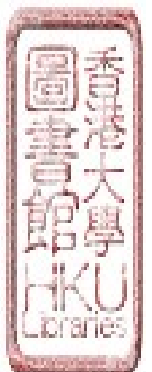
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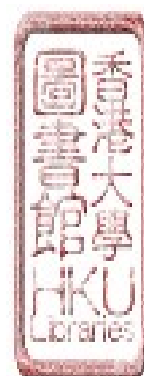
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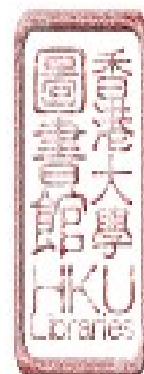
ABSTRACT

Similar to other countries under the new governance, the Hong Kong government adopts the Direct Subsidy Scheme (DSS) as a tool for provision of education services. Conforming to the features of indirect, third-party tools with regulated self- and collaborative governance, the DSS is flexible and effective in meeting the government's objective of promoting quality education and diversifying the education market since the new millennium. Despite expensive school fees, the top-notch DSS schools are still welcomed by parents and students. Although the DSS is not without its drawbacks on management, quality, accessibility and equity issues, given the current social and political context in Hong Kong, it is highly likely that the DSS will continue to exist and serve the public in the foreseeable future. With improvements in quality, access and equity, as well as the synergy and collaborative dynamics among the government, schools and other stakeholders, it is expected that the DSS can adapt and sustain itself in providing quality education whilst addressing accessibility and equity and hence achieving quality governance.

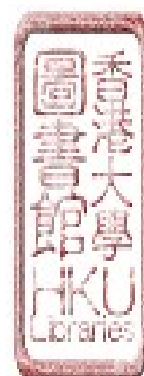


LIST OF ABBREVIATIONS

AC	Audit Commission
CGR	Collaborative governance regime
CR	Comprehensive Review
DBS	Diocesan Boys' School
DGS	Diocesan Girls' School
DSS	Direct Subsidy Scheme
DSSSC	Direct Subsidy Scheme Schools Council
EDB	Education Bureau
EC	Education Commission
HKMA DLMPC	HKMA David Li Kwok Po College
HKALE	Hong Kong Advanced Level Examination
HKCEE	Hong Kong Certificate of Education Examination
HKDSE	Hong Kong Diploma of Secondary Education
HKSAR	Hong Kong Special Administrative Region
IMC	Incorporated Management Committee
LC	Legislative Council
NAPA	National Academy of Public Administration
NCS	Non-Chinese speaking
OECD	Organization for Economic Co-operation and Development
PTA	Parent-Teacher Associations
POA	Primary One Admission
SDA	School Development and Accountability
SMC	School Management Committee



SPAS	School Places Allocation Systems
SSB	School-sponsoring body
STAS	School Textbook Assistance Scheme
SSPA	Secondary School Places Allocation
SPCC	St Paul's Co-Educational College
SFAA	Student Financial Assistance Agency
UK	United Kingdom
US	United States



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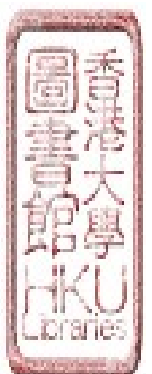
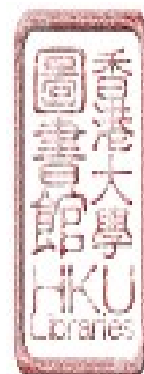
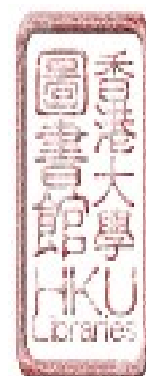


TABLE OF CONTENTS

	Page
DECLARATION	2
ABSTRACT	3
LIST OF ABBREVIATIONS	4
ACKNOWLEDGEMENTS	6
TABLE OF CONTENTS	7
Chapter 1 Introduction	9
- Focus, Objectives and Background	9
- Research Questions and Related Propositions: Theory and Practice	12
- Overview of the Analytical Framework	13
- Research Methodology	14
- Chapter Outline	14
Chapter 2 Analytical Framework	16
- Introduction	16
- Governance Involving Strategies and Tools of Public Action	16
- Governance: an Emphasis on Quality, Access and Equity	20
- Quality, Access and Equity in Relation to Education	28
- Concluding Comments	30



Chapters 3 Direct Subsidy Scheme as a Policy Tool	31
- Direct Subsidy Scheme (DSS)	31
- Operating mechanism of the DSS	33
- Evaluating the DSS as a Policy Strategy and Tool	36
- Concluding Comments	44
Chapter 4 Assessing Quality, Access and Equity of the DSS	45
- Introduction	45
- Significant Features of the DSS	46
- Quality Assurance in DSS Schools	47
- Improving Quality by Accountability to Market	49
- Why are DSS Schools Attractive?	53
- The Accessibility to DSS School under Regulated Self-Governance	56
- Equity of DSS Schools	63
- Concluding Comments	70
Chapter 5 Conclusions and Recommendations	72
- Introduction	72
- Conclusions	72
- Recommendations	74
- Final Observations	78
REFERENCES	80



Chapter 1 Introduction

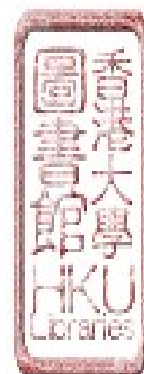
Focus, Objectives and Background

This project examines how governments apply strategies and tools for public action and their impact on governance. In recent years, governments have been increasingly employing indirect, third-party tools for the provision of goods and services.¹ Unlike the traditional government agents/programs, these tools have their distinctive features, which pose challenges to governments' control and management.² In addition, the adoption of a tool for a specific good or service will have direct impact on quality governance with desirable outcomes including quality, access and equity. In this project, the DSS education of the Hong Kong Special Administrative Region (HKSAR) is selected as the object of study because it shares the many features of a tool of public action under the new governance as defined by Salamon (2002), Knill and Tosun (2012) and Emerson, Nabatchi and Balogh (2011). The reasons why the government adopts the DSS, its operating mechanism and issues on quality, access and equity are addressed in the subsequent chapters.

Before 1997, Hong Kong was colonized by the United Kingdom (UK) and hence the education system in Hong Kong was closely modeled from that of the UK. The Hong Kong education system was compulsory and free from primary one to secondary three since 1978. Public funding plays a dominant role in the provision of educational

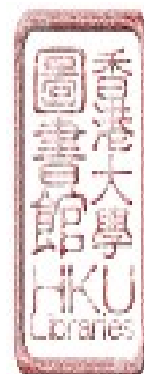
¹ Salamon, L. (2002). *The tools of government: A guide to the new governance*. Oxford: Oxford University Press, pp.1-18

² Ditto



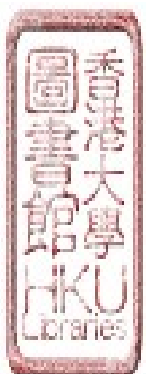
services in government and aided schools, although the former enjoy less financial freedom and flexibility than the latter. Since the new millennium, the Hong Kong education system has undergone a series of major reforms, such as the replacement of the Hong Kong Certificate of Education Examination (HKCEE) and the Hong Kong Advanced Level Examination (HKALE) by the Hong Kong Diploma of Secondary Education (HKDSE), an all-encompassing curriculum reform, the readjustment of school years from primary to tertiary (3-3-4) to make it more align with the Mainland China and the United States (US) systems, the extension of free education in public sector schools from nine to twelve years and the voucher system in kindergartens that make education more accessible to most students, and last but not least, the extension of DSS, which promotes diversified learning and provides more school choices to the public.

The traditional education system in Hong Kong is highly centralized and controlled. To improve the situation, the government has encouraged private school sector to inject diversity and innovation into Hong Kong's school system. It brought the benefits of giving parents with greater choices in finding better schools for their children. Schools provided under the Education Bureau (EDB) can be divided into government schools, aided schools and private local schools. Government schools are aided and operated by government, in which tuition fee is not required. Aided schools are mostly run by charitable and religious organizations with government funding. Only local children could enroll in these schools and no tuition fee is required. Private local schools are run by private organizations, and most of the students enrolled are local children. These schools do not receive subsidy from the government, and they are free to decide the school fees as well as curriculum. In addition, there are private



international schools providing education for non-local children temporarily resided in Hong Kong. These schools adopt non-local curriculum but local children can also join these schools. International school students do not need to take local public examinations, i.e. HKDSE. As an equal opportunity society, the government provides special schools for children with special educational needs, such as visual impairment, hearing impairment, physical disability or intellectual disability, etc. Students with severe special education needs or multiple disabilities are referred to special schools for intensive support services subject to the assessment and recommendation of specialists and parents' consent.

The mainstream education system in Hong Kong has been gradually changing overtime from traditional public administration to the new governance. It means that the government has changed its role from directly providing goods and services through hierarchically administering its agents and/or programs to extensively collaborating with the private and non-profit sectors as its tools for the provision of good and services. Aided schools, private local schools, private international schools are DSS schools are all examples of tools, and the DSS is a highly flexible tool that carried different aims in different stages. The DSS was established first for the government's management and control of the left-wing schools; under the education reform, its mission was changed to provide quality education and more school choices in the education market. The focus of our project, however, is primarily on the DSS at its present stage.

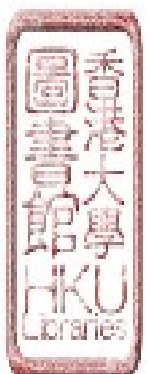


Research Questions and Related Propositions: Theory and Practice

This project explores the features of government strategies and tools and their adoption in relation to quality, access and equity in education, specifically the DSS education in Hong Kong. The research questions of the project are:

1. What strategies and tools can governments adopt in the provision of goods and services of prime public significance?
2. How do such strategies and tools impact on governance arrangements in terms of quality, access and equity?
3. How relevant are the strategies and tools in the provision of education services?
4. What is the significance of the strategies and tools in relation to the structure and operation of DSS schools in Hong Kong?
5. What issues of quality, access and equity are raised by the adoption of such strategies and tools?

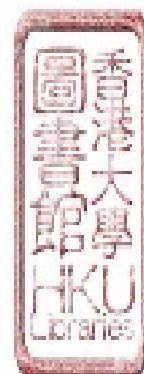
Under the new governance, governments have been increasingly employing indirect, third-party tools for public action. The Hong Kong government has long been employing tools in the provision of good and services including education. Sharing common features like indirectness and collaboration, tools can be classified into



different types with different levels of legal obligation and cooperation between public and private sectors. With different policy objectives in mind, the Hong Kong government adopts different policy tools for different types of education. Attainment of quality governance, including aspects, among other things, like quality, access and equity, relies upon (a) the correct matching of a policy tool with the specific goods and services it intends to serve; and (b) the correct design of the tool's inherent operating mechanism. It is difficult for a tool to improve all aspects of quality governance. In the DSS case, the improvement in school quality is at the cost of reduction of accessibility and equity. Suggestions and recommendations to improve the DSS are made at the end of this report.

Overview of the Analytical Framework

Governments can draw upon different strategies and tools for public action including the provision of goods and services. To better understand the characteristics of policy strategies and tools and their impact on education, Chapter Two first defines what strategies and tool are, and then explores their features by referring to Salamon's (2002) new governance paradigm, Knill and Tosun's (2012) four ideal types of governance, and Emerson, Nabatchi and Balogh's (2011) collaborative governance regime, followed by a discussion of the idea of quality governance involving desirable outcomes, with specific focus on quality, access and equity. These latter matters concern the nature of goods and services as addressed significantly by Ostrom and Ostrom (1977).

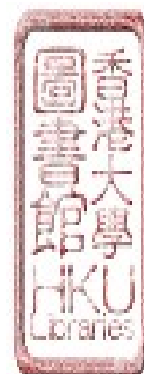


Research Methodology

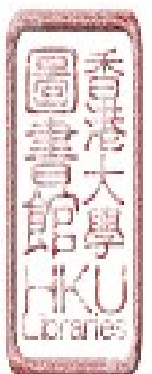
In this project, literature review serves as the foundation of understanding and developing the integrated analytical framework that involves the features of policy strategies and tools, quality governance and the nature of goods and services. Given limited time, manpower, networking and resources, the empirical study is primarily a desktop approach that studies the government policies and actions in DSS education. The materials studied comprise a wide array of first-hand and second hand DSS-related documents, including government policy documents, most notably data and information available to the public from EDB, Legislative Council (LC) papers, statistics, demographic information, academic studies and journals. Newspapers and magazines related to the topic are also reviewed and considered. Where necessary, policy analysis is employed to provide statistics to support arguments.

Chapter Outline

This project comprises five chapters, including this introductory chapter. Chapter Two establishes the integrated analytical framework by defining what strategies and tool are and exploring their features by referring to the new governance paradigm, four ideal types of governance and collaborative governance regime. It is followed by a discussion of the idea of quality governance involving desirable outcomes, with specific focus on quality, access and equity. These latter matters concern the nature of goods and services as addressed significantly in relation to education, and the above forms the integrated analytical framework for the examination and assessment of the



DSS education in Hong Kong in the subsequent chapters. Chapter Three describes the DSS background, operating mechanism and an evaluation of the tool as guided and informed by the analytical framework. Chapter Four provides a thorough analysis of the issue of quality, access and equity of DSS education by applying the analytical framework especially on quality governance, goods and accessibility. In Chapter Five, the findings of the project are concluded and recommendations for improvement of the DSS are made in order that it can adapt and sustain itself in providing quality education whilst addressing accessibility and equity and hence achieving quality governance.



Chapter 2 Analytical Framework

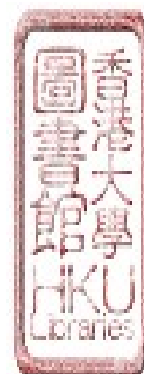
Introduction

Governments can draw upon different strategies and tools for public action including the provision of goods and services. To better understand the characteristics of such strategies and tools and their impact on education, this chapter first defines what strategies and tool are, and then explores their features by referring to Salamon's (2002) new governance paradigm, Knill and Tosun's (2012) four ideal types of governance, and Emerson, Nabatchi and Balogh's (2011) collaborative governance regime, followed by a discussion of the idea of quality governance involving desirable outcomes, with specific focus on quality, access and equity. These latter matters concern the nature of goods and services as addressed significantly by Ostrom and Ostrom (1977).

Governance Involving Strategies and Tools of Public Action

Governments employ different strategies and tools for public action in different times. The mainstream governance paradigm has been changed overtime from traditional public administration to the new governance with the proliferation of tools as the basic form *of* public action.³ Tools are highly indirect, third-party actors in the private or non-profit sectors that share the basic governmental function of exercising

³ Salamon, L. (2002). The tools of government: A guide to the new governance. Oxford: Oxford University Press, pp.1-18



discretion of public authority and spending of public funds.⁴ Unlike government agents or programs, tools have their own operating procedures, skills requirements and delivery mechanisms, so they involve complex organizational networks and/or collaborative systems for the government's management and control.⁵ Negotiation, persuasion and enablement skills, including activation, orchestration and modulation, are required to engage tools arrayed horizontally in networks and to bring multiple stakeholders together for a common end in a situation of interdependence.⁶

With different levels of government management and control (legal obligation), different strategies and tools involve different levels of public and private actions that blends the public and private sectors together, bringing complementarities and synergies to both sectors in solving public problems. Given the different cooperative degree of public and private action and degree of legal obligation, tools can be classified into four ideal types of governance (Knill and Tosun, 2012):⁷

⁴ Ditto

⁵ Ditto

⁶ Ditto

⁷ Knill, C., & Tosun, J. (2012). Public policy: A new introduction. New York: Palgrave Macmillan, pp.199-221

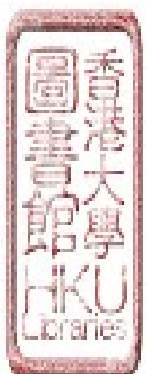


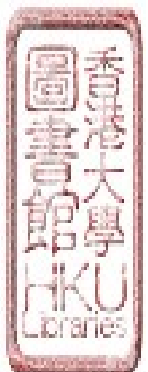
Table 1 – Four ideal types of governance

		Cooperative degree of public and private action	
		High	Low
Degree of legal obligation	High	Regulated self governance	Interventionist governance (government)
	Low	Cooperative governance	Private self governance

Source: Knill and Tosun 2012, 210.

Interventionist governance is the classical type of policy-making in managing public goods and services. The government plays the dominant role and tries to minimize the private sector’s involvement. To achieve this, clear and legally binding provisions are the basis for regulating all the stakeholders.⁸ In regulated self-governance, the cooperative degree of public and private action is comparatively high but the governmental intervention through legally binding provisions is still existed. Compared with interventionist governance, although the government is still playing the dominant role, private sector’s involvement is higher when implementing public policies. During the implementation, both the public actors and private actors have to obey the existing rules. Also, the private actor may contribute to the policy design process in accordance with the institutionalized frameworks.⁹ Cooperative governance has two critical characteristics: voluntary basis and private-dominant mode. Government’s involvement could still be high but the cooperative mode is under

⁸ Ditto
⁹ Ditto



mutual agreement instead of legally binding requirements. The rules under this governance mode are jointly set by both the public and private actors on a reciprocal basis.¹⁰ Private self-governance is also characterized with voluntary basis and private-dominant mode. The key difference between private self-governance and cooperative governance is the low involvement of government. In other words, the cooperative degree of public and private action is comparatively low. The private actors play the dominant roles including setting and implementing the rules. However, the government still has the ultimate responsibility to formulate the basic regulatory framework.¹¹

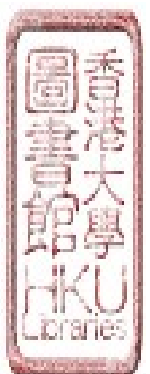
Collaborative governance is of paramount importance for governments' managing the tools of public action because of the tools' indirect, third-party nature. The principal-agent theory explains the diverging goals between principals and agents and hence the extra cost incurred in monitoring the agents' performance; the network theory suggests that no one can exert complete control over the other because of pluriformity, self-referentiality, asymmetric interdependencies and dynamism.¹² A collaborative governance regime (CGR) requires the drivers of leadership, consequential incentives, interdependence and/or uncertainty to begin.¹³ With the interactive processes of discovery, definition, deliberation and determination through repeated, quality interactions (negotiation, persuasion and enablement), principled engagement and share motivation of mutual trust, understanding, internal legitimacy and shared commitment will be generated and sustained with each other and hence the capacity

¹⁰ Ditto

¹¹ Ditto

¹² Salamon, L. (2002). *The tools of government: A guide to the new governance*. Oxford: Oxford University Press, pp.1-18

¹³ Emerson, K., Nabatchi, T., & Balogh, S. (2011). An Integrative Framework for Collaborative Governance. *Journal of Public Administration Research and Theory*, pp.1-29



for joint action.¹⁴ The interactions among principled engagement, shared motivation and the capacity for joint action are productive and self-reinforcing, and they generates collaborative actions, which are more likely to be implemented if the participants have explicitly identified a shared theory of action and the collaborative dynamics function to generate the needed capacity for joint action.¹⁵ The impacts of collaborative action will be closer to the targeted outcomes with fewer unintended negative consequences when they are specified and derived from a shared theory of action during collaborative dynamics.¹⁶ The divergence between impacts and the target outcomes provides rooms for adaptation in order to make the CGR more sustainable over time.¹⁷

Governance: an Emphasis on Quality, Access and Equity

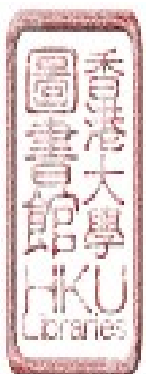
Quality governance is highly associated with applying the right governance types to a specific good or service. Among the four ideal types of governance, there is no rigid absolute for the ‘best’ governance type. Applying different type of governance would lead to different outputs and outcomes. Obviously, wrongly applying a governance type for a specific type of goods and services would lead to undesirable consequences. To assess the appropriateness of governance, we should focus on whether the governance type could lead to the desirable outputs and outcomes for different types of goods and services.

¹⁴ Ditto

¹⁵ Ditto

¹⁶ Ditto

¹⁷ Ditto



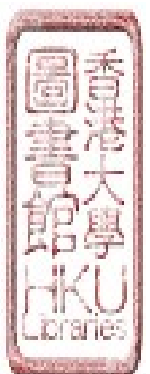
Consider it in practical situations, if the government imposes excessive interventions (e.g. law abiding rules) to regulate the private goods and services, it might restrict the healthy provisions of these goods and services¹⁸. Applying governmental bureaucracy to manage the market-driven private goods, it would bound to be a bad idea since the ‘top-down’ bureaucratic system could not effectively response to the dynamic market. For an example, the saleable shirts should be classified as private goods. Its provisions should be solely depended on consumer preferences. If the public body imposes different rules or conditions to stipulate the provisions (e.g. quantity, colour, style etc.), the shirts would probably be weeded out by the consumers due to the ‘insensibility’ of bureaucracy to the market.

In contrast, if the government hands off and insufficiently regulate the delivery of public goods and services, it might suffer the public interests. For an example, if the public security is provided by private sector, the services may not be able to cover all citizen and it would definitely lead to disaster.

Although there is no single definition to ‘quality governance’, it should consist of several key elements. Cited from the experiences of National Health Service in England¹⁹, quality governance should include achieving the required standards of goods and services, ensuring the delivery of best-practice and managing the risks to quality of goods and services. Extended from this concept, quality governance to public goods and services should ensure the quality, access and equity in the delivery.

¹⁸ Kettl, Donald F. (1993). Sharing power: public governance and private markets. The Brookings Institution.

¹⁹ Monitor, Quality Governance Framework, Jul 2010, Retrieved from: <http://www.sth.nhs.uk/clientfiles/File/Enclosure%20Q2%20-%20Monitor%20QGF.pdf>



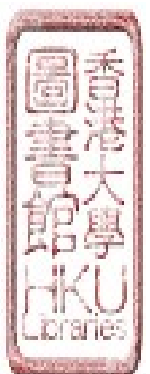
Quality is the users' satisfaction to the outputs or outcomes of the suppliers, in other words, it is the fitness for purpose²⁰. It could be varied under different perceptions, conditions and subjective parameters. Quality in commercial activities would be equivalent to “superiority” of the goods and services. In manufacturing, quality would mean zero defects. Cited from ISO 8402-1986 standard²¹, quality is ‘the totality of features and characteristics of a product or service that bears its ability to satisfy stated or implied needs.’ However, to serve a human being, quality could mean the satisfaction to the customized needs. Different people would have different perception on quality.

Quality is not only referring to the “products”, but also the “initial attributes”, “producing process” and the “after-sales quality control”. Applying it to public goods and services, initial attributes could be perceived as the core values of providing such goods and services. If defects existed in the initial attributes, it would affect the whole producing process and the final products. In order to introduce quality policy, the government has to set a clear goal with good balancing on the public interests at the initial stage.

Producing process could be understood as the delivery of goods and services. Although the government may have a brilliant goal at the beginning, improper delivery would lead to undesirable goods and services which is completely different to initial ideas. In Hong Kong context, we could find out many such kinds of examples exposed by the Audit Commission (AC).

²⁰ Kureemun, Baboo, and Robert Fantina. (2011). Your customers' perception of quality: what it means to your bottom line and how to control it. Productivity Press.

²¹ Code of practice for additional quality vocabulary, supplementary to SABS 0158-1987, ISO 8402-1986. (1988). Council of the South African Bureau of Standards.



For after-sales quality control, as the “producers”, the government needs to measure the degree of satisfaction of customers (e.g. citizen) in order to provide quality goods and services. As mentioned above, quality could be varied under different perceptions, conditions and subjective parameters from time to time, the government should get to know the updated standard of quality well recognized by the recipients.

‘Accessibility’ is relatively a narrow concept. It means whether the users can obtain the goods or services when it is needed. Different types of goods would have different characteristics. By Ostrom and Ostrom, there are four types of goods (see Table 2) which could be classified with two independent attributes – exclusion and jointness of use or consumption. And obviously, excludability is highly related to accessibility. Excludable means it is theoretically feasible to prevent someone to access the goods or services if they do not pay for it. A simple example is that we have to buy a ticket for watching movie in cinema. Without the ticket, we could not enjoy the movie unless we violate the law.

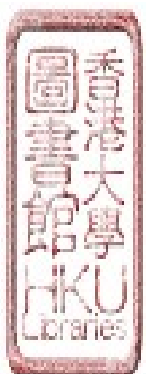


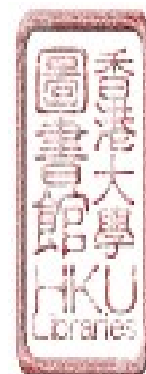
Table 2 – Four types of goods

		Jointness of use or consumption	
		Joint use	Alternative use
Exclusion	Non-excludable	Public goods (e.g. air pollution control)	Common pool resources (fish taken from an ocean)
	Excludable	Toll goods (e.g. libraries)	Private goods (e.g. books)

Source: Ostrom and Ostrom 1977, 168.

Excludability is essential to the goods and services with high quality given that there are limited resources. Excluding someone to enjoy the goods and services is one of the effective means to maintain the quality of goods and services. However, when excludability exists, it would become a matter of resources allocation and thus related to equitability. And very likely, the allocation system would be market mechanism.

By Ostrom and Ostrom, both toll goods and private goods have relatively high degree of excludability. In the presence of market mechanism, more private actor's involvement would enhance the market orientation of the goods. Especially for private goods, with the economic incentives, the goods supply could meet the market demand in the shortest time. In other words, popular wisdom is always more responsive than governmental bureaucracy. Under this circumstance, people with more resources (e.g. rich people) would have more opportunities to enjoy this types of



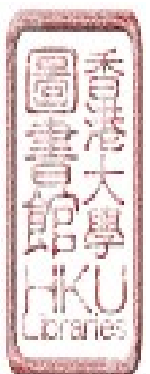
goods and services.

Similar to private goods, toll goods are only accessible for the consumers who are willing to pay for it. If the goods are not identified as strategic goods and services, the government could allow high degree of private involvement or even let the private actors to dominate the provisions. Under this circumstance, cooperative governance would be more preferable while the government is still responsible for setting the basic rules. However, if the toll goods are related to public interests, the government should have a higher degree of intervention to ensure the equitable accessibility by setting the legally binding regulations. So, the degree of governmental intervention (regulated self-governance or cooperative governance) would be varied by the context of particular situation.

Even goods and service is available to the target consumers, it could become inaccessible due the existence of various barriers²² including physical barrier, information or cognition barrier, psychological barrier and crowding out.

‘Physical barrier’ refers to unreasonable geographical distance between the services providers and the receivers. This especially obstructs the financial underprivileged (e.g. poor students) to access the goods and services (e.g. going to class) they needed. For ‘information or cognition barrier’, without related knowledge, people sometimes are difficult to acknowledge the goods and services which they need. Nowadays, many information is available on the Internet. However, for those people who could not access the Internet by whatever reasons (e.g. no computer, can’t afford the

²² Mayhew, Leslie, and Giorgio Leonardi. (1982). Equity, efficiency, and accessibility in urban and regional health-care systems. International Institute for Applied Systems Analysis.

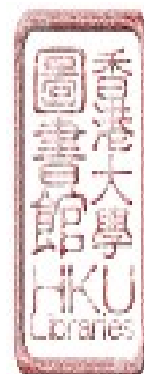


connection fees), they have no means to receive such information. To this, their cognition to the society would be very limited. One example is some poor students basically have insufficient information to know the background of each school.

‘Psychological barrier’ is caused by the negative image tied up with the goods and services. Although there may be some assistance for the people in need, some of them would feel embarrassing if they access such assistance. For an example, there is financial assistance existed in DSS schools, since some people might be afraid of being classified as “enjoying free lunch”, they would refuse to accept such assistance and not consider to study in the DSS schools. ‘Crowding out’ refers to insufficient supply to existing demand. For public goods and services, limited resources would lead to different obstacles of accessibility. In this circumstance, people could not obtain the goods and services or have a long wait of resource allocation. In education, some underprivileged would refuse to involve in any educational activities which needed certain amount of financial supports.

For ‘equity’, by Demeuse (2003), it is a different concept to ‘equality’²³ which is a relatively simple concept. Equality aims to give every individual the same treatment without considering the characteristics of each person. It is fair enough that the rich people could access more goods and services given they are willing to pay for it. Equity is referring to the concept of redistribution. It would allow ‘inequalities’ happening in principle. To justify the ‘inequalities’, equity is a sense to distribute resources to those in needed most.

²³ Demeuse, M. (2003). A Set of Equity Indicators of the European Education Systems - A synthesis, INTERNATIONAL WORKSHOP. Educational policies in Europe - Implications for equity/ equality, Örebro, October 9-11, 2003. Retrieved from: http://orbi.ulg.ac.be/jspui/bitstream/2268/144124/1/demeuse_orebro_vf_angl_1_.pdf



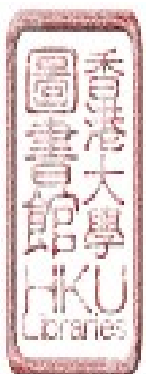
No matter the types of goods and governance, one of the key roles of the government is to ensure the equitable accessibility of public goods and services²⁴. As mentioned, equity is a sense to justify the ‘inequalities’ with considering the characteristics of each individual. Thus, the government has the responsibility to distribute resources to those in needed most.

By the National Academy of Public Administration (NAPA) of the US, equity is one of the four pillars (including economy, efficiency and effectiveness) of public administration. According to the United Nations²⁵, equity is one of the key elements of social justice. Equity is a key sense to improve the well-being of all citizens and to narrow the gaps between the opportunities that the privileged and the disadvantaged enjoy. Although there is no single definition of equity in the context of public policy, it is generally agreed that equity should be a sense that every citizen has the equal opportunity to obtain the public goods and services without any personal attributes (e.g. wealth, belief, political stance, social status etc.).

By the NAPA, social equity is ‘the fair, just and equitable management of all institutions serving the public directly or by contract; the fair, just and equitable distribution of public services and implementation of public policy; and the commitment to promote fairness, justice, and equity in the formation of public policy.’ Applying to governance, the government should apply the appropriate governance type to manage different goods and services. This would ensure the achievement of

²⁴ Smedley, Brian D. (2008). Identifying and evaluating equity provisions in state health care reform. Commonwealth Fund.

²⁵ United Nation. (2007). The United Nations Development Agenda: Development for All. Retrieved from: <http://www.un.org/esa/devagenda/UNDA1.pdf>

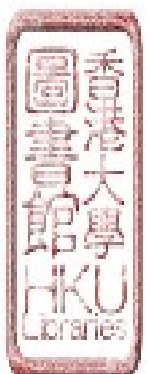


equitable accessibility of public goods and services. In reverse, achieving equity would help to contribute the good governance.

Quality, Access and Equity in Relation to Education

To deliver quality education, the government is not only responsible to deal with the quality issue itself, but also need to ensure the accessibility and equity towards the goal of its education policy. As mentioned above, there is no single standard to quality, access and equity. Different goal of education policy would lead to different meaning of quality, access and equity. For an example, if the government perceive elitism as policy goal, quality education might be defined by the number of international awards won the local students. And this will directly affect access and equity. With the limited resources, elitism would weaken the accessibility of quality education. And under this circumstance, equitable would mean the best students to obtain most of the education resources.

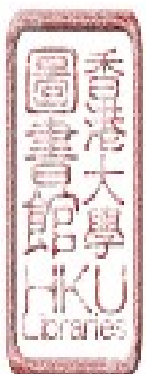
Institutionalised education is in general toll goods because of its jointness of use or consumption and excludability. In a school, students are grouped and taught together in class and share the use of the school campus facilities (jointness of use or consumption). Since a school has limited seats, potential students have to get enrolled in a school through competition, e.g. examination, which differentiate those who can pass it and those who cannot (excludability). Given the wide range of education arrangements from nursery to the elderly, it may be too simple to relate education, as toll goods, with only regulated self-governance and cooperative governance as its ideal governance types. On the contrary, Davis and Ostrom (1991) suggest the US



experience that there are wide arrays of governance types that have been applied to different type of education, ranging from the purely public to the mostly private.

Similarly, different types of governance for education can be found in Hong Kong. An example of the purely public is the government schools, which is part of the government hierarchy under EDB with their staff mostly being civil servants (interventionist governance); while an example of the mostly private is the tuition centers being run under commercial principles with self-determined tuition fees, tight competitions with robust advertising campaigns among themselves (private self-governance). Interestingly speaking, though, they are all officially registered as schools under the EDB for being loosely regulated and for observing the same legal requirements as with entities of other walks of life. Given there are so subcategories in education, it is thus safe to suggest that the governance types for education are more likely to be a spectrum of arrangements based not only on the types of good or service but also various unique system contexts.

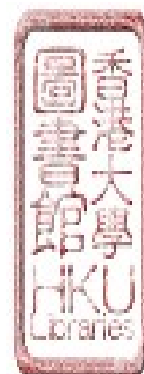
Acknowledging there are wide arrays of arrangements for education, ranging from the purely public and the mostly private, regulated self-governance and cooperative governance, which involves collaboration between the public and private sectors in the provision of goods, are the two most common types of governance for education in Hong Kong. Generally speaking, the privately-run kindergartens are sponsored by the government vouchers; the primary and secondary schools are mostly subsidized with recurrent government funding and run by school-sponsoring bodies; the universities were established with the enactment of specific ordinances, self-run and subsidized with recurrent government funding. The private and international schools



are more loosely regulated, though the latter receives government subsidies and the former does not. In terms of governance types, there is no sharp distinction between regulated self-governance and cooperative governance – it is rather a matter of level and degree. Of the above institutional arrangements, it is save to argue that the subsidized primary and secondary schools are more inclined towards regulated self-governance and the others more towards cooperative governance.

Concluding Comments

Governments can draw upon different strategies and tools for public action including the provision of goods and services. To better understand the characteristics of such strategies and tools and their impact on education, this chapter first defines what strategies and tool are, and then explores their features by referring to Salamon's (2002) new governance paradigm, Knill and Tosun's (2012) four ideal types of governance, and Emerson, Nabatchi and Balogh's (2011) collaborative governance regime, followed by a discussion of the idea of quality governance involving desirable outcomes, with specific focus on quality, access and equity. These latter matters concern the nature of goods and services as addressed significantly by Ostrom and Ostrom (1977). The above forms the integrated analytical framework that structured and guided the description and evaluation of the DSS education in Hong Kong and the relating issues on quality, access and equity in the subsequent chapters.



Chapters 3 Direct Subsidy Scheme as a Policy Tool

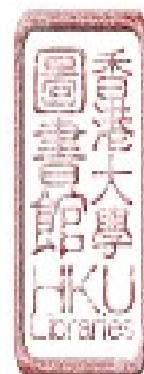
In the preceding Chapter we have mentioned the integrated analytical framework by defining and describing the types and features of government strategies and tools. The relationship with quality governance in terms of quality, access and equity in relation to education was discussed.

In the following Chapter, we will elaborate the details of Direct Subsidy Scheme (DSS), the operating mechanism of the DSS and an evaluation of the policy strategy and tool as guided and directed by the analytical framework.

Direct Subsidy Scheme

History

In response to the recommendations made in the Report No. 3 by the Education Commission (EC) which was approved by the Executive Council in 1991, DSS was launched in the same year. Schools joining the scheme have greater flexibility in resources deployment, curriculum design and student admission, etc. DSS schools may collect school fees and receive government subsidies to support the operation of school and enhance the quality of school. In this regard, there existed the situation that a remarkable variation in the level of school fees collected among various DSS schools would be noted, given the different circumstances.



Apart from regulating, monitoring and evaluating the performance and standard of all government schools, the government played the same role on DSS schools and has taken measures to enhance their service quality subsequent to the setup of DSS in 1991.

In 1998, EC proposed the “Reform Proposal for the Education System in Hong Kong. The scope of the reform covered the capital and recurrent assistance, curricula, the assessment mechanisms as well as the admission systems for different stages of education. Support measures for schools and teachers were put in place to ensure that the reform could be implemented smoothly and effectively²⁶.

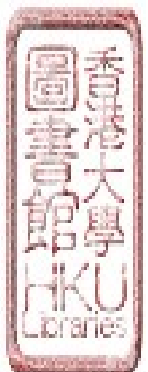
The DSS schools are entitled to get full recurrent government subsidy as a block grant till its fee level has reached two and one-third of the average unit cost of an aided school place.²⁷

Governance Involving Strategies and Tools of Public Action

To assess the quality governance in education, we should focus on whether the governance type could lead to the desirable outcomes for different types of goods and services. In considering whether education is a public, toll or private goods, we need to focus on the mode of education offered beforehand. The reason for supporting the claim of public good is based on the social benefits education can bring. Such

²⁶ Education Bureau (n.d.). Retrieved from <http://www.edb.gov.hk/en/about-edb/policy/edu-reform/>

²⁷ Direct Subsidy Scheme - Wikipedia, the free encyclopedia. (n.d.). Retrieved from http://en.wikipedia.org/wiki/Direct_Subsidy_Scheme



benefits comprise among other things development of good citizens and enhancement of civil societies.²⁸

In a nutshell, DSS could be defined as a toll good / service because of its jointness of use and excludability. In a DSS school, students share and use the school campus and facilities together (jointness of use). DSS schools have a higher degree of freedom in student admission, candidates have to get enrolled in a school through interview or examination due to the limitation of school seats, which differentiate those who can pass it and those who cannot (excludability).

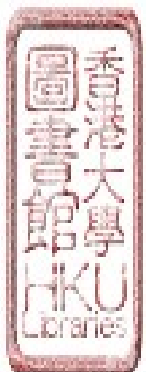
Operating mechanism of the DSS

Overview

Unlike other government subsidized schools under the School Places Allocation Systems (SPAS), DSS schools enjoy a higher flexibility in resources deployment, curriculum design, staff employment, financial management and administration, medium of instruction and admission policies, etc. According to the Direct Subsidy Scheme Schools Council (DSSSC), government enhances quality by providing subsidies to enrich the private school education²⁹. From the school perspective, given the competitive edge of running a DSS school and the inflexible subsidized school system, the DSS school system serves as an alternative for some quality aided schools to turn into DSS schools. Some may argue that if an aided school is facilitated to

²⁸ Grace, G. (1994) Education is a public good: On the need to resist the domination of economic science. In D. Bridges and T. McLaughlin (eds), *Education in the Market Place*. London: Falmer Press, pp.126- 137

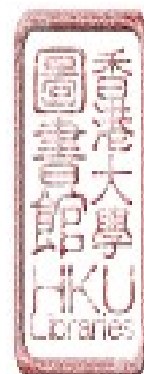
²⁹ DSSC website. (n.d.) Retrieved from <http://www.dsssc.org.hk/main2/index.htm>



become a DSS school, it will have a great impact on the accessibility and equity of the grassroots families who are barred from the relatively higher school fees and perceived high student entrance requirements. As such, it is important for each aided school after turning into a DSS school, to adapt to more facilitating measures to increase the accessibility in student admission especially to those from disadvantaged backgrounds. Although each DSS school, to a certain extent, is being contracted out to the management under a principle-agent relationship, all the stakeholders are still the important network partners to cooperate to contribute to the success of the DSS School system under the steering by EDB. With improved capacity for joint action of the stakeholders from a variety of experiences, it can enhance the overall quality governance through better accessibility to the DSS schools.

From the parent perspective, some may consider that the DSS school system only favours the ones who can afford the DSS toll goods. The quality aided school turning into DSS schools would therefore be easy to attract criticisms from the parents, students and the alumni³⁰. As mentioned earlier, a certain extent of marketization in education could help to bring with quality, variety and choice and other factors such as access and equity issue should also be balanced in order not to hinder the fairness, equal opportunity and the harmony of the society. As more stakeholders with powers and interests are involved, continuous consultation with third party actors such as parents, School Management Committee (SMC) / Incorporated Management Committee (IMC) and Parent-Teacher Associations (PTAs) should always be emphasized with their expertise and experiences fully utilized to seek for more joint efforts and buy-in during the collaboration process.

³⁰ http://www.thestandard.com.hk/news_detail.asp?art_id=134399&con_type=1



School administration

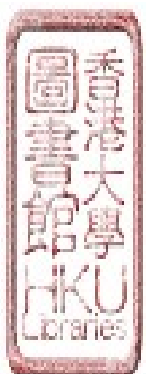
There are pros and cons for the introduction of DSS in Hong Kong, some criticized the issues of equity issues, mismanagement of funds and raising school fees despite economic downturns. However, they have the advantages of greater flexibility in curriculum design, resources deployment, staff appointment and relative administrative independence from EDB.³¹ In addition, it should be noted that DSS offered another mode of education, which is somewhat between the public and private sector schools, to the market for students and parents to consider.

Some would doubt DSS schools are free to spend their grants for educational purposes without any supervision mechanism. Actually, their audited accounts are subject to inspection since they have uploaded their financial records onto their websites for public scrutiny. It would enhance the transparency and give parents' or students' trust and faith to the internal management and governance of the DSS schools.

Student selection

Many famous subsidized schools or grant schools would join the DSS to strengthen their autonomy in school management. They do not like to adhere to government's centralized policies on fees, school finance, students' allocation, entrance requirement, and curriculum design.

³¹ Education Bureau (n.d.). Retrieved from <http://www.edb.gov.hk>



Funding

DSS schools receive full recurrent government subsidy until its fee level reaches two and one-third of the DSS unit subsidy rate. Beyond that level, no recurrent subsidy will be provided³².

Fee remission/scholarship Schemes

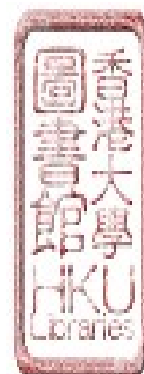
In the 2010/11 and 2011/12 school years, the audited accounts revealed that only about half and two-thirds of the DSS schools had utilized 100% of the fee remission and scholarship reserve. Before soliciting more funding, DSS schools are encouraged by EDB with policy measures to fully use the available reserve on the students. As a result, the overall amount of fee remission and scholarship used by the DSS schools in the 2010/11 school year was about \$150 million and it had further risen to \$190 million in the 2011/12 school year.³³

Evaluating the DSS as a Policy Strategy and Tool

Over the past few decades, a new form of governance (collaborative governance) has emerged to replace the traditional mode of policy making and implementation. Collaborative governance brings public and private sectors together with public agencies to engage in consensus-oriented decision making. Good governance in

³² Education Bureau (n.d.). Retrieved from <http://www.edb.gov.hk/en/about-edb/policy/edu-reform/>

³³ LC Paper No. CB(4)284/13-14(04). (n.d.). Retrieved from <http://www.legco.gov.hk/yr13-14/english/panels/ed/papers/ed0113cb4-284-4-e.pdf>



education systems could promote effective delivery of education services. Earlier government activities were mostly confined to the direct delivery of services / goods by government departments, but it now tends to operate in a public-sector mechanism by contracting out the delivery of services / goods.

The governance mode of DSS in Hong Kong could be classified as regulated self-governance as its ideal governance type. To maintain the predominant position of the government but ensuring the market mechanism is applicable, the governmental intervention through legally binding regulations is still existed. To ensure the accessibility (non-excludable), the government, instead of private actors, should play the leading role for providing the goods. The best way to achieve that is to allow various degree of public and private cooperation meanwhile the government has to maintain the predominant position for setting the game rules.

Government can draw upon different strategies and tools for public action including the provision of goods and services. To better understand the characteristics of policy strategies and tools and their impact on education, we have defined what strategies and tool are in Chapter Two, and we will explore their features by referring to Salamon's new governance paradigm. Salamon has broadly sketched the shift of 'traditional public administration' to 'new governance' with the features specified in the new governance paradigm. To examine whether the policy tools adopted by the government could foster equitable access to DSS schools by all eligible students, we will study and compare the new governance paradigm as mentioned in Salamon amongst the traditional government / aided schools and DSS schools in the following paragraphs.

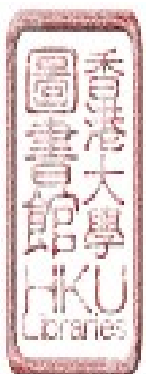
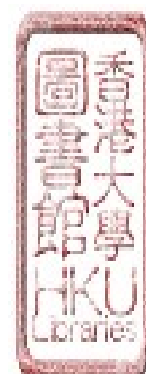
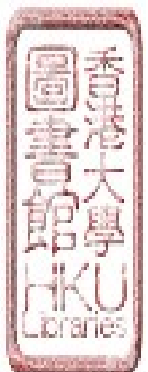


Table 3 – The New Governance Paradigm for Policy Analysis of Government / Aided schools and DSS schools

Theories	Government / Aided schools	DSS schools
From Program / Agency to Tool	- Aided and run by government	- Run by various non-government organizations - Hong Kong Government has provided subsidies
From Hierarchy to Network	- Centralized policies on school fees and administration, students' admission and allocation, entrance requirement, and curriculum design, etc.	- Improve internal agency management - Focus on organizational networks - No single actor could fully enforce its will - Attract many well-established subsidized or famous grant schools to join DSS as a means to strengthen their autonomy in school management
From Public vs. private to Public + private	- Competition - Mostly aided and run by government, without participation of private organizations	- Collaboration - Include all key stakeholders as members of the SMC / IMC to have sound financial planning and good

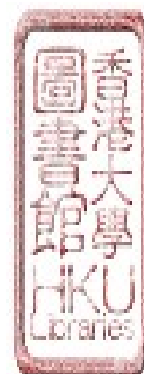


		<p>budgeting</p> <ul style="list-style-type: none"> - Enhance transparency and put in place a proper internal control and reporting mechanism with rigorous checks and balances in order to ensure that the fundings are used in a prudent, cost-effective, timely and value-for-money manner - Enhance the transparency and accountability of school governance as well as the neutrality and fairness of administrative management
<p>From</p> <p>Command and control to</p> <p>Negotiation and persuasion</p>	<ul style="list-style-type: none"> - Hierarchical intervention - Public action is carried out by hierarchically organized agencies whose core value is the chain of command - Centralized control is vital to the preservation of democratic accountability 	<ul style="list-style-type: none"> - More third parties are involved in the provision of goods and services - More interdependency and neither can exert complete control over the other - Negotiation is necessary over the goals that public action is to serve since part of the reason that third



		<p>parties are often cut into the operation of public programs is that such clarity cannot be achieved at the point of enactment³⁴</p> <ul style="list-style-type: none"> - Enhance transparency and access to information on fee remission
<p>From Management skills to Enablement skills</p>	<ul style="list-style-type: none"> - Manipulate large numbers of people arrayed hierarchically in bureaucratic organizations 	<ul style="list-style-type: none"> - Engage partners arrayed horizontally in networks, to bring multiple stakeholders together for a common end in a situation of interdependence - Activation skills (to activate the networks of actors increasingly required to address public problems) - Orchestration skills (to mobilize subcontractors to produce the components of the system) - Modulation skills (to elicit

³⁴ Salamon, L. (2002). *The Tools of Government: A guide to the new governance*. Oxford: Oxford University Press, pp.1-18



		the cooperative behavior required from the interdependent players in a complex tool network) ³⁵
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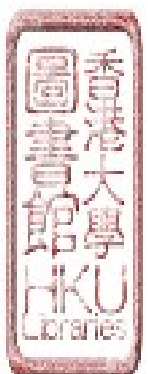
From Agency / Program to Tool

The ‘unit of analysis’ in policy analysis and public administration has been shifted from the public agency and/or program in ‘traditional public administration’ to the distinctive tools and/or instruments the good/service they intend to serve in ‘new governance’.

From Hierarchy to Network

While ‘traditional public administration’ emphasizes the running of hierarchic agencies, ‘privatization’ on the contrary supports the reduction of the public sector and establishing the private-sector alternative, whilst ‘new public management (reinventing government)’ uses contracting out as a means to improve internal agency management. The ‘new governance’ school focuses on organizational networks, with its indirect character and interdependencies between public agencies and a host of third-party actors. The government is less able to exert complete control over and exchanges become more complex with the actors on which it increasingly depend.

³⁵ Ditto



From Public vs. Private to Public + Private

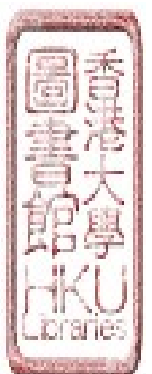
While the ‘traditional public administration’ and ‘privatization’ theories sharply divide the public and private sectors, the ‘new governance’ tools blends the two together, with collaboration instead of competition as the major characteristic of sectoral relationships. Such collaborative governance brings complementarities and synergies, for instance sharing of resources and to both sectors in solving public problems.

From Command and Control to Negotiation and Persuasion

While ‘traditional public administration’ emphasizes command and control of public agencies/programs through hierarchical intervention, the ‘privatization school’ believes in market competition and rejects public decision-making and administrative control altogether. Government still plays an active role, the ‘new governance’ paradigm suggests that command and control should give way to negotiation and persuasion because more third-party actors are involved in the provision of good/service; they are more interdependent and, by the network theory, no one can exert complete control over the other.

From Management Skills to Enablement Skills

The focus has been shifted from management skills required to manipulate large numbers of people arrayed hierarchically in bureaucratic organizations in ‘traditional public administration’ to enablement skills in ‘new governance’, the skills required to



engage partners arrayed horizontally in networks, to bring multiple stakeholders together for a common end in a situation of interdependence. Enablement skills include activation, orchestration and modulation skills³⁶.

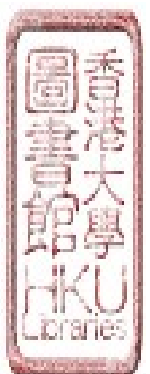
Salamon has provided a clear and authoritative description on the evaluation of policy tools. He also reassured the causal relationship between the uses of policy tools and instruments in addressing public problems. It is through policy tools and instruments of governance that public action (collective action) was shaped, which is used to address “public problems”. From the correlations between tools, programmes and policies, it was understood that one policy tool can be used in various programmes in different areas.

Salamon suggested that policy tools serving any of the following purposes can be considered as equitable:

1. to facilitate the distribution of programme benefits fairly; or
2. to facilitate the distribution of channeling benefits disproportionately to those who lack them, which is termed as “redistribution”.

It was manifest that the use of policy tools would affect society in general and structure public action. The selection of an appropriate policy tool could promote “fairness” or “redistribution” in the society and allow the government to correct any inequality spotted in the past and ensure equal opportunities and accesses when focusing on social problems.

³⁶ Ditto



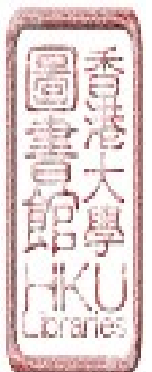
The findings indicated that the DSS in Hong Kong was in line with the global trends of collaborative governance. It would enhance the transparency and accountability of school governance as well as the neutrality and fairness of administrative management. But negotiation is necessary over the goals that public action is to serve since part of the reason that third parties are often cut into the operation of public programs is that such clarity cannot be achieved at the point of enactment. Collaborative governance would also engage partners arrayed horizontally in networks, to bring multiple stakeholders together for a common end in a situation of interdependence.

Under the mechanism of DSS, the benefits of more choices on schools selection are often achieved at the expense of fewer choices for others.

Concluding Comments

In short, we have discussed the DSS background, operating mechanism and an evaluation of the policy strategy and tool as guided and directed by the analytical framework in Chapter Two.

In the following Chapter, it will provide a thorough analysis of the issue of quality, access and equity of DSS education by applying the analytical framework especially on quality governance, goods and accessibility.

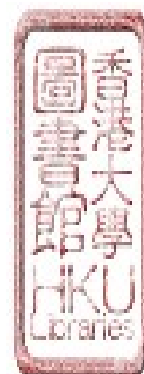


Chapter 4 Assessing Quality, Access and Equity of the DSS

Introduction

In this Chapter, the focus is put on the assessing the quality, access and equity of the DSS. As mentioned in the previous Chapter, the DSS is a tool for the government to enhance the quality and competition in the education system of Hong Kong. By introducing the DSS, it is expected to inject diversity and choice in the education system.

The DSS schools have significant development in past 20 years especially after the refinement in 1999. After the revamp, many high-performing and elite aided schools were attracted to join the DSS. These schools with strong academic results and reputation are becoming popular among parents. Students come from good financial background families can enter the good quality DSS schools. Underprivileged students are excluded from the quality of education as many traditional elite schools, e.g. Diocesan Boys' School (DBS) and Diocesan Girls' School (DGS) were joined the DSS and charged relatively high school fees. In 2013, St Stephen's Girls' College submitted the application for joining the DSS but caused over 200 alumni protest against the school's plan. The education inequality of the DSS becomes a concern of the public.



Significant Features of the DSS

Under the DSS, schools are allowed to have maximum freedom on managing the curricular, fees and entrance requirements. In addition, schools can obtain subsidies from EDB and collect school fees from parents. Therefore, schools of DSS are supposed to have more resources in providing quality education to students as well as choices for parents.

Because of the government's directive, many school-sponsoring bodies were encouraged to join the DSS when applying for establishing new schools. Many new schools were established under the DSS after 2000 e.g. HKMA David Li Kwok Po College (HKMA DLMPC), HKUGA College, Pui Kiu College and PLK Ngan Po Ling College, etc. After 15-year development, these new schools under DSS can compete with the traditional elite schools. In 2015, two students from HKUGA College were among the 11 elite students who achieved perfect scores in the DSE examination.

Although the DSS has been established for over 20 years, are objectives really achieved which were set out by the government? In this section, the quality of the DSS schools will be examined. There are 73 DSS schools which included 61 secondary schools and 21 primary schools in 2014/2015 school year.

In the 2014/2015 school year, there are 61 DSS secondary schools. The percentage of DSS schools is incrementally increased from 11% to 13% in the past five years. It may imply that the demand for DSS schools with quality education is increasing.

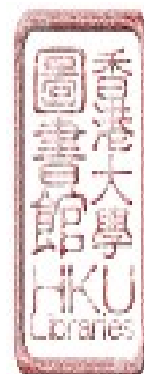


Table 4 – Number of enrolments in aided schools, government schools and DSS schools³⁷

Type of Schools	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Aided School	344 552 [77%]	359 310 [77%]	318 624 [76%]	297 177 [75%]	277 105 [74%]
Government School	28 659 [6%]	29 798 [6%]	26 313 [6%]	24 937 [6%]	23 540 [6%]
DSS School	49 982 [11%]	52 319 [11%]	48 985 [12%]	49 103 [12%]	48 268 [13%]

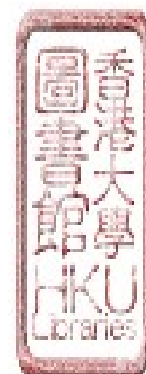
Quality Assurance in DSS Schools

The quality of education services provided by the DSS schools should be accountable to the public as they receive subsidies from the government. EDB should ensure the proper use of the government fund and school fund. A set of quality assurance is therefore required, which is applied to DSS schools.³⁸

According to the guiding principles, the DSS schools are closely be monitored on its operations by EDB. For example the DSS schools should (a) comply education laws and regulations; (b) put the interest of students as the first priority; (c) operate the school in a fair, just and open manner; (d) maintain transparency in school

³⁷ Report on Enrolment Statistics (Report on Enrolment Statistics)
http://www.edb.gov.hk/en/about-edb/publications-stat/figures/index_1.html

³⁸ Quality Assurance of Direct Subsidy Scheme (DSS) Schools (Quality Assurance of Direct Subsidy Scheme (DSS) Schools)
<http://www.edb.gov.hk/en/sch-admin/sch-quality-assurance/quality-assurance-framework/cr/index.html>



management; (e) take key stakeholder's concerns into consideration in the decision making process; (f) deploy resources properly and effectively; and make reflections and improvement through continuous evaluation.

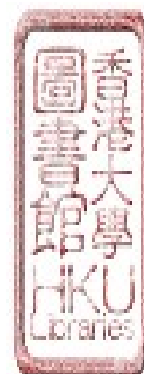
In order to ensure that the quality of DSS schools, EDB has implemented a control and monitoring mechanism including compliance vetting and quality assurance assessment. The quality assurance is relying on the School Development and Accountability (SDA)³⁹ framework and Comprehensive Review (CR). Those schools, which joined the DSS in 2000/2001, are required to sign a service agreement with the EDB. The said schools should conduct a CR to review their performance within period of the first service agreement. For renewal of the service contract, it is necessary to reach a satisfactory performance in CR. The SDA and CR are regarded as a comprehensive monitor mechanism.

Based on the SDA, DSS schools are required to (a) compile a strategic plan in their school development plans to cover a period of three years; (b) devise corresponding actions in the annual plans to set out the implementation details; (c) describe the progress made and effectiveness of the annual plans in school reports; and (d) release information on ESR findings to school governing bodies and key stakeholders, for example parents and teachers.⁴⁰ However, AC⁴¹ conducted a review on the governance and administration of DSS schools and found that the above mechanism may not function well enough.

³⁹ School Development and Accountability (SDA) (School Development and Accountability (SDA))
<http://www.edb.gov.hk/en/sch-admin/sch-quality-assurance/sda/index.html>

⁴⁰ Audit Report 2010 "Governance and administration of Direct Subsidy Scheme schools"-
http://www.aud.gov.hk/pdf_e/e55ch02.pdf

⁴¹ Audit Report 2010 "Governance and administration of Direct Subsidy Scheme schools"-
http://www.aud.gov.hk/pdf_e/e55ch02.pdf



According to the Audit Report 2010, 20 DSS schools were revised. It was unsatisfactory that only 25% of these schools had followed the requirements to publish their school development plans, annual school plans and school reports through their websites. To upload the school reports is to ensure that the DSS schools are accountable to the public on their quality assurance. Based on the Audit Review, most of the DSS schools did not fulfil the requirements. EDB is recommended to closely monitor the DSS schools to comply with the aforesaid requirements. It is believed that the problems identified by the Audit Report is not because of the failure of the monitoring SDA framework, it is the problem aroused from the monitoring and supervision by EDB.

Improving Quality by Accountability to Market

Nowadays, there are only 7 DSS schools among the top 50 secondary schools and these DSS schools are regarded as traditional Elite Secondary Schools. Most of them joined DSS regime after 2000 e.g. St Paul's Co-Educational College (SPCC) in 2002 and DGS in 2005.

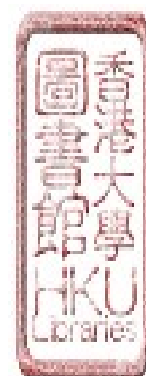
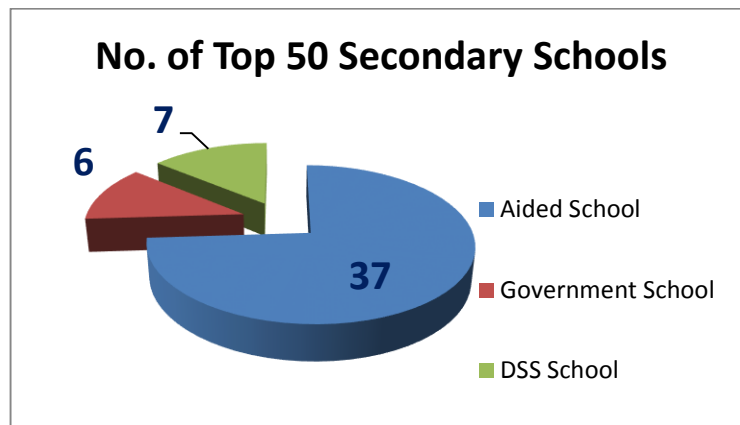


Table 5 – Distribution of top 50 secondary schools



When comparing with government and aided schools, DSS secondary schools can charge tuition fees on one hand. Some of them even charge a high school fee, says DGS charges \$38,000 annually. On the other hand, they receive subsidies from the government enjoying double benefits. In addition, they can enjoy relatively high autonomy in designing customizable courses and entry requirements. Hence, some elite schools were willing to turn into DSS in recent years.

According to the well-known school ranking website⁴², 4 among the top 5 schools in Hong Kong are DSS schools, namely DGS, DBS, Good Hope School and Heep Yunn School. The ranges of school fees charged by DSS schools are very wide. From the highest school fee of \$65,500 charged by the Creative Secondary School to \$700 charged by Chan Shu Kui Memorial School. Please refer to the following table for the top 10 school fees charged by DSS schools:

⁴²全港中學排名(TOP 100)

<http://www.bookofschool.com/school/controller/schoolSearch?reporttype=secondaryranking&schoolcategory=2>

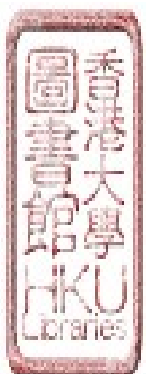
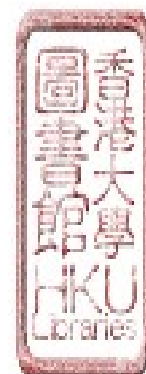


Table 6 – School fees of the top 20 DSS schools⁴³.

S/N	Name of DSS School	School Fee
1	Creative Secondary School	\$65,500
2	St. Stephen's College	\$56,500
3	ELCHK Lutheran Academy	\$53,490
4	St Paul's Co-Educational College	\$52,000
5	Diocesan Boys' School	\$40,300
6	St Paul's College	\$38,000
7	Diocesan Girls' School	\$38,000
8	HKUGA College	\$35,000
9	Good Hope School	\$35,000
10	HKBU Affiliated School Wong Kam Fai Secondary and Primary School	\$35,000
11	St Margaret's Co-Educational English Secondary and Primary School	\$34,280
12	YMCA Of Hong Kong Christian College	\$33,000
13	G.T. (Ellen Yeung) College	\$32,780
14	Heep Yunn School	\$30,000
15	Tsung Tsin Christian Academy	\$29,500
16	HKMA David Li Kwok Po College	\$29,240
17	PLK Ngan Po Ling College	\$28,000
18	HKCCCU Logos Academy	\$27,800

⁴³中學 (直資)

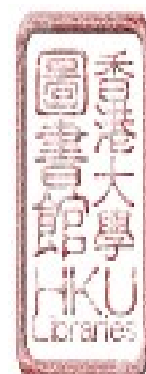
<http://www.schooland.hk/ss/direct-subsidy>



19	United Christian College (Kowloon East)	\$26,000
20	HKICC Lee Shau Kee School Of Creativity	\$26,000

The educational services provided the government can regard schools and aided school as monopoly state provision. Both of the school types lack of incentive to provide high quality services to attach their clients i.e. parents. After launching of DSS, the monopoly of the education services was broken. The market mechanism is injected into the management of DSS schools. Parents become the major clients and have choices for selecting the most suitable education services for their children. It is unarguable that the competition between providers (competition among the DSS schools) can improve the quality of service and use the resources more effectively. It has positive impacts on promoting individual well-being.⁴⁴ The quality of DSS schools is driven by the expectation of parents. Parents as users are free to choose the DSS schools on condition that they can afford the charges. The DSS schools as service providers are eager to attract students with good academic background. Hence, users' choices and providers' competitions lead to improvement of the quality of services. In market driven environment, the money follows the choices, the providers with strong incentive to provide higher quality services to meet their clients' expectation. Although school fees for many elite DSS Schools are comparatively high, the competitions for being admitted in these schools are extremely high. It implies that the educational services market has been already established. According to the table 1, the admission rate for the Secondary DSS schools incrementally raised from 11% to 13% in the past 5 years. It could be assumed that the DSS schools became welcomed by parents.

⁴⁴ Julian Le Grand, Quasi-Market versus State Provision of Public Services: Some Ethical Considerations, 2011



Why are DSS Schools Attractive?

Parents' involvement in school management

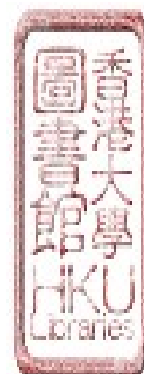
The government had conducted a review on the policy and arrangements for the DSS in 1999. A time-limited service agreement was introduced to enhance the accountability of DSS schools when delivering quality education and facilitating the improvement of performance-based school management. When school-sponsoring body (SSB) wants to join the DSS, it must enter an SSB Service Agreement with EDB. To establish a PTA by SMC/IMC within three years after commencement of school operation is one of the requirements under the service agreement.

The committee members of PTA in DSS schools have more influence than in government or aided schools. Sometimes they are invited to give opinions by principals during the school policy formulation process. Any initiatives are also adopted by the DSS schools. Users can directly expressed their opinions and influence policy makers.

Curriculum and teaching quality⁴⁵

Under the existing education system, aided school curriculum is strictly controlled by the EDB. To meet the policy objectives of catering students' needs and coping with the fast-changing demand of society, DSS schools are allowed to have greater

⁴⁵ http://hkier.fed.cuhk.edu.hk/journal/wp-content/uploads/2011/03/erj_v25n2_187-209.pdf

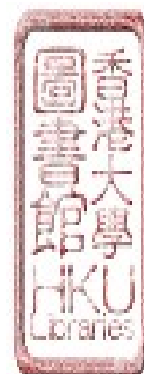


flexibility in curriculum design than government and aided schools⁴⁶ do. Although the DSS schools are required to offer students with local curriculum under the guidelines of EDB, they are allowed to introduce new policies for the curriculum design and implement new methods of teaching and learning. Most of the DSS schools promote smaller class size. One of the examples is HKMA DLKPC which enrolls non-Chinese speaking (NCS) students and provides local curriculum for students to set in HKDSE. In order to cater for the different cultural backgrounds of students, English is the medium of instruction for most of the subjects at all secondary levels. In line with the school vision which is to provide effective schooling for educating and equipping students with the life skills to become responsible, caring, self-disciplined and adaptable young people in a changing society and eventually to be employable and productive members of the community and citizens of an increasingly globalized world⁴⁷. The School provides Putonghua as the medium of instruction for Chinese subjects at junior forms. In order to facilitate the NCS students, French and Chinese as second language are offered to junior secondary levels. Senior secondary NCS students are provided with an opportunity for studying French as other language course.

Due to the freedom of managing school resources, HKMA DLKPC can recruit additional teaching staff to cater for the needs of students especially on the language proficiency at junior secondary levels. When enrolling in the school, students will not be classified by their academic results for class distribution. The student will be distributed in small classes namely set 1, set 2 and set 3 for different level of their

⁴⁶ General Information on DSS (General Information on DSS)
<http://www.edb.gov.hk/en/edu-system/primary-secondary/applicable-to-primary-secondary/direct-subsidy-scheme/index/info-sch.html>

⁴⁷ Our College | DAVID LI KWOK PO COLLEGE (Our College | DAVID LI KWOK PO COLLEGE)
http://www.hkmadavidli.edu.hk/our_college_mission



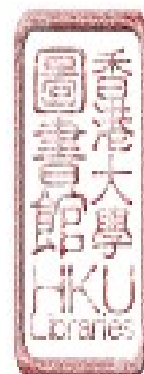
English and Chinese language abilities. Focusing on different level of language abilities, teachers will apply suitable textbooks and teaching skills to help the student to catch up and improve their language proficiency. Without the labeling effect, students have more incentive to study other subjects.

In fact, many DSS schools offer the International Baccalaureate Diploma as an alternative to the HKDSE. In view of the current development of DSS schools, it is believed that the diversity of high quality education can be achieved under existing education system in Hong Kong.

Staffing qualifications

The pressure for DSS schools to compete the enrolment of students is extremely high. School principals need to maintain a good reputation of school in terms of good academic results of public examinations. They must have a very strong professional in educating students. The DSS schools have greatest flexibility in allocating financial resources and structuring the teaching staff as well as general supporting staff. Many DSS schools provide teachers with 13 month's salary, medical benefits, education allowance and other fringe benefits. Teachers who receive an excellent appraisal will obtain an increment in salary. Some DSS schools also provide extra remuneration to teachers for assuming special duties and year-end bonus to teaching and general admin support staff for outstanding performance⁴⁸.

⁴⁸ Yung, A. (n.d.). The Policy of direct subsidy scheme schools in Hong Kong: Finance and administration.



In the past, job security for teachers especially for those government and aided schools are comparatively higher than other professions. The work pressures for teachers especially for secondary schools are relatively low before the Education Reform in 1999. The reform touched on different aspects of education including academic structure and examination system, admission system and school banding, DSS schools, ‘Through-train schools and curriculum assessment.’⁴⁹ Teachers have been facing great challenges in the past 15 years.

With such strong financial support, the DSS schools have more bargaining power to retain good quality teaching staff. In other words, through the marketization, the efficiency and effectiveness of teaching can be achieved.

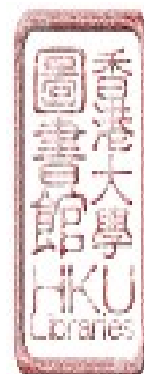
The Accessibility to DSS School under Regulated Self-Governance

The Organization for Economic Co-operation and Development (OECD)’s review provides some relevant policy directions and recommendations that may serve as a good reference for studying the HKSAR government’s strategies and tools in addressing access and equity in the DSS school system.

Role of DSS School System

Similar to other OECD countries (OECD, 1983), primary and secondary education in Hong Kong are first included as a public good in the 9 years compulsory education enforced by the government through legislation in 1978 and provided in the public

⁴⁹ Poon, A., & Wong, Y. (n.d.). Policy Changes and Impact of the Education Reform in Hong Kong. *Journal of Education Policy*.



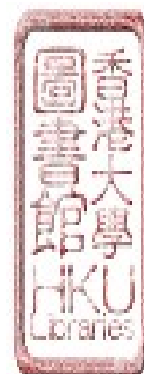
sector schools. With the society continues to develop coupled with the demand for better education quality, the government had selected DSS school system to provide an effective and efficient mean to inject diversity into the existing education system to enhance parental choice⁵⁰. The government improved the terms of the DSS to make it a toll good subsidized by the government and encourage more non-government local schools with sufficiently high educational standard to join DSS since year 1999. As such, a number of existing aided schools have joined the DSS from year 2000 onwards. In the 2014/15 school year, there are 571 primary schools and 509 secondary schools. Amongst those, there are 73 schools under DSS including 12 primary, 52 secondary and 9 secondary-cum-primary, representing about 9% of publicly funded schools. With the limited school places offered by the 73 DSS schools, the DSS is operated as a quality toll good with both self-determined school fee and subsidy from the government. The Secretary for Education had once explained the role of DSS schools in the LC that diversification in provision of education is considered to be a development process in school education. As such, it is the government policy to foster the development of a lively DSS school sector to provide variety to diversify the education system and satisfy the growing needs of the quality education⁵¹.

Student Admission

The DSS schools have its own student admission system and operate out of and supplement the existing SPAS, which composed of the Primary One Admission System for primary school students (aged 6-11) and Secondary School Places

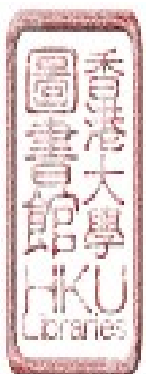
⁵⁰ Website of EDB. Accessed on 18 May 2015, from <http://www.edb.gov.hk/en/index.html>

⁵¹ Government Press Release on reply to legislative council question. Accessed on 18 May 2015 from <http://www.info.gov.hk/gia/general/201306/05/P201306050387.htm>



Allocation System for secondary school students (aged 12-17). In other words, the DSS schools are made to provide more access to variety of education and a different option of school style to the interested parents and their children. For the DSS schools, they are designed to enjoy flexibility and autonomy in student admission to facilitate matching of DSS schools' diversified educational services with students' various educational needs. At the moment, the DSS schools can admit students without bounded by the school net throughout the year and DSS schools can set their own policies, criteria and schedules of student admission for their interested parents and students in regardless to where they live. As a result, some DSS schools can receive numerous applications and will still increase the school fee to march with the rising needs of their customers for better school teaching and facilities.

From the parent perspective, interested parents are encouraged to apply for the DSS schools direct as DSS schools are made not available in the relatively random SPAS. Parents are to look for the individual DSS school's mission and vision, ethos, environment, culture and development etc. to see whether it matches with their children's preference, interest and character. In reality, the less privileged families are faced with the existence of various barriers. They may not have the resources to access to the information of the DSS schools timely and extensively. Sometimes, if the DSS schools are charging school fees or located far away from their home, they may be hesitated to apply the quality one even if they are informed that they can be subsidized. Simply speaking, the perceived high entrance requirements and other related cost factors will be the psychological barrier for them to apply DSS school at the very beginning. As such, there are views to make choice of quality DSS schools more accessible to grassroots families as the DSS school places are not within the

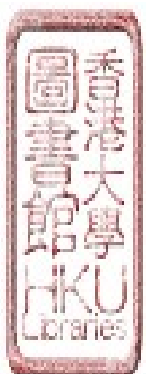


central allocation of school places under the purview of EDB. Since there is limited DSS school places especially for the quality DSS schools, there are always intense competition during the student admission process. That means, to compete with the DSS toll goods, the parents and their children will have to increase their competitiveness in the DSS school's student admission application for the limited DSS school places.

As illustrated in the previous chapter, education could range from a mixture of goods from public, toll and to private goods depending on the context of particular situation. DSS school is set from the beginning to diversify the education system through public-private collaboration under regulated self-governance. Indeed, DSS is arranged to supplement the existing school system to cater for the various needs for the parents as well as for the future society. As such, DSS is to a certain extent market driven and tailor-made to the needs of the consumers in an effective and efficient way. To enhance the quality governance of the DSS toll good, there seems to be a need for the EDB as well as the DSS partners and stakeholders to make student admission more transparent and so accessible to all to ensure equitable access.

Access of aided schools after they turned DSS

As discussed earlier, some aided school have turned DSS school because of more autonomy and flexibility for diversity and quality of education to fit with the parents and students and society needs. There is indeed a market for the increasing demand for DSS schools with quality education. After 'Quality' of DSS education improved, there is also a need for 'Access' and 'Equity' to be improved to achieve quality



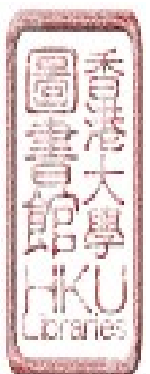
governance. DSS school is indeed not a private school providing private good and should not therefore operate as such. Over the past 20 years, 21 aided schools have joined the DSS, which accounts for about 2.5% in the aided school sector. With the expected public interest involved, the aided school turning into DSS should always come under spotlight. It is therefore important that the aided school after turning into DSS should be well justified and more than that make sure the increase in financial assistance support to the grassroots applicants to enhance equitable access at the same time.

'Ability to pay' principle

Quality education is important to the continuous development of a diversified and developed Hong Kong society. DSS system introduces competition through marketization and third party partners to provide better quality education with the participation and joint input from the stakeholders. With its school fee being largely set by the DSS schools themselves, some would criticize the DSS schools for adopting the 'ability to pay' principle with no equal access to all eligible students and more inclined to some students from wealthy families. As the DSS schools are under the government subsidy, it is under criticism and close scrutiny by the general public in its operation.

Self-determined School Fee

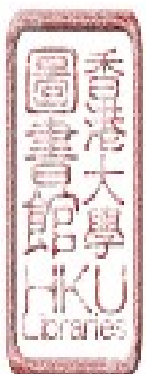
DSS schools are under the management by their own IMCs or SMCs. They can charge school fees on one hand and on the other hand receive government subsidy



based on the number of eligible students in the school. At present, all government and aided schools are provided free of charge under the SPAS. From year 2000 onwards, some traditional quality aided schools choose to turn to DSS schools and charge relatively high school fees for improving education quality. For example, a student will have to pay up to 1 million in school fee for studying in SPCC. When the quality DSS school increases school fee further to improve its own quality of education, its accessibility to the students with less favourable social-economic background is in question unless the equitable access to DSS school system is facilitated and also seen to be facilitated.

Transparency

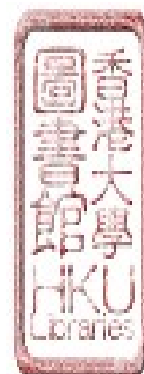
DSS schools can select their applicant children by conducting tests or interviews on the applicant children. Their selection criteria are made to under the sole control of the school rather than the government. In view of the widening of wealth gap, some community members are concerned that the opportunities for students with poor social-economic background will be hindered by the high and self-determined entrance requirements to study in the more resourceful DSS schools. As DSS schools are involved with lots of different stakeholders, it could be sometimes hard for the government and the public to monitor given the autonomy and ownership of the DSS schools.



Marketization

DSS schools are designed to instill market competition to diversify the education system to improve quality. For each DSS school, it can involve market calculations to prosper and survive rather than just for education. For instance, amongst the 73 DSS schools, some are traditional quality aided secondary-cum-primary schools such as SPCC and DBS while some schools like Good Hope School and DGS are with private primary schools and DSS secondary schools and Heep Yunn School is with aided primary school and DSS secondary school. The change to DSS school can be market-driven to a certain extent with school mission and vision, location and other school factors etc. taken into account to improve their quality of education to compete with other schools.

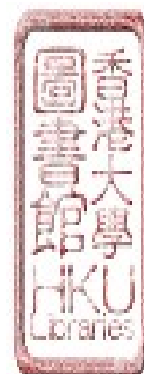
Unlike subsidized schools under the SPAS, the DSS schools need to look for their own students to make it sustainable in its operation. As such, location can be one of the important factors that whether the DSS school is located at a middle or upper class area, whether there are targeted customers around which is well established for a possible successful DSS school and whether there is other competitors around targeting on those customers in the market. There should be many calculations of the market factors involved in order to make a successful DSS school in upgrading its competitiveness and quality in order to fight in the school market. It in turn affects equitable access to DSS schools as marketization can lead to commodification and make school targeting on customers who can afford instead of public as a whole if without the overall monitoring by the EDB.



Some may view that to add on the access and equity of the DSS schools, DSS schools can operate under the SPAS. Having said that, it contradicts with the original design of the DSS school to enjoy autonomy and flexibility. After critically assessed the ‘access’ factor of the DSS schools, one should note that DSS system also provides access to quality education and diversity that supplements the current school system. DSS system can be better viewed as an improved system, which is built on access to tailor-made needs to provide more choice to bridge the gap between public-funded school and self-financing private school. It provides another choice of a DSS toll good subsidized by the government to fulfill its role to provide a quality education to match with the needs of the growing number of middle class parents as well as the rising needs of the future society. Overall, DSS school system, as a public-private collaboration process, will continue to need more third party participation and stakeholder ownership to contribute their resources and expertise in achieving equitable access and so quality governance. Only if the public is better informed about the quality education, diversity and choice offered by the DSS schools, more support can then be drawn on the quality and variety brought by the DSS system and at the same time to improve its transparency and accessibility.

Equity of DSS Schools

Over the years, the DSS has been criticized for bringing negative impacts to ‘Equity’ in education as outlined by the above ‘Access’ issue. According to OECD (2001, 2007, 2011), it considers that equity is measured by the access by people to resources and to distribute resources to those in needed most. As recent as the LC Panel on Education meeting on 13 January 2014, legislators and parent pressure groups were



still concerned about the equity aspects of the DSS.⁵² On the one hand, it is important providing a better quality education to cater for the growing expectations for the parents and for the continuous development of the society. On the other hand, the equity in education is equally important to facilitate students of any backgrounds to have equitable access to education for the good development of a society (Levin, 2003; Wilson, 2003; Norman-Major, 2011).

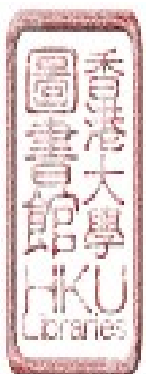
In the following paragraphs, the equity of the DSS schools will be examined after the earlier discussion on the accessibility part as some may view that DSS schools has brought about negative impacts to equity in education because both various schools and students from different background are not perceived to be treated fairly and equally that are:

- (a) DSS schools are offered different policies than other types of schools; and
- (b) Needy students should be facilitated to have easier access to fee remission and scholarship scheme of the DSS schools.

DSS schools are offered different policies than other types of schools

One of the most striking features of DSS schools that bring about inequity is their financing mode. In order to attract more schools to join the DSS, the government allows DSS schools to both receive public funding and collect school fees to meet the expenditures on improving school facilities and services correlating with the schools' mission and educational objectives. When the scheme was first launched in 1991, the

⁵² LC Paper No. CB(4)284/13-14(04). (n.d.). Retrieved from <http://www.legco.gov.hk/yr13-14/english/panels/ed/papers/ed0113cb4-284-4-e.pdf>



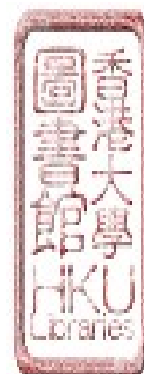
DSS schools were entitled for a block grant of full recurrent government subsidy till reaching two third of the average unit cost of an aided school place in the fee level. In order to attract more different schools to join the DSS to offer more varieties to parents in the school market, the terms in subsidy in government subsidy has been improved significantly in 2001, e.g. the DSS school will receive the DSS unit subsidy rate as long as their fee level does not exceed two and one third of the average unit cost of aided school place etc.⁵³

Despite some of the schools charging high school fees that often became news headlines, there can be marked variation in terms of the level of school fees among various DSS schools, given different circumstances. Under DSS, there are some DSS schools charging relatively high school fees, there are still many DSS schools charging low or even no school fees. For instance, in the 2013/14 school year, about 30% of the DSS schools charge less than \$500 per month for the schools fees of junior secondary levels, and five of them do not charge any school fee in commensurate with their mission and educational objectives and to address their students' educational needs.⁵⁴ As such, it seems that DSS school can also operate well by making use of government subsidies effectively and efficiently.

Nevertheless, compared with the other types of schools, the DSS schools are allowed of receiving funding like the government and aided schools and charging self-determined school fee at the same time. While the private schools do charge high school fees, they do not receive government funding, and hence the DSS schools are

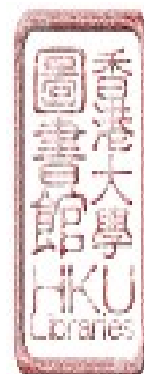
⁵³ Direct Subsidy Scheme - Wikipedia, the free encyclopedia. (n.d.). Retrieved from https://en.wikipedia.org/wiki/Direct_Subsidy_Scheme

⁵⁴ LC Paper No. CB(4)284/13-14(04). (n.d.). Retrieved from <http://www.legco.gov.hk/yr13-14/english/panels/ed/papers/ed0113cb4-284-4-e.pdf>



indeed treated differently by the government in terms of their financing mode. Having said that, the diverse range of school fee charged reflects the requirement of improving teaching facilities and school environment for more diversifying curriculum and student enrichment programmes of DSS different schools in addressing their parents' expectation and students' educational needs and to provide additional support services for them.

Another aspect of inequity for schools is that, by policy design, the DSS schools enjoy more autonomy and flexibility in determining curriculum, school fees as well as student recruitment. The government itself has sometimes created this type of unintended consequences and so inequity by allowing the flexibility of DSS. An example is the school language policy in 1997, which divided schools into using English or Chinese as the medium of instruction. In general, schools could not continue to teach in English if the English proficiency of their students failed to meet the standard. However, the DSS schools were exempted from such treatment; they were allowed to choose their language of instruction without proving their students' language ability and join the central allocation mechanism. As the DSS schools had great flexibility in selecting the teaching language, some English secondary schools whose students had failed to meet the language standard were converted to the DSS schools in order to continue using English as the medium of instruction. Not only schools were treated unfairly and unequally, students and parents were also adversely affected. This resulted in a substantial reduction in the number of English secondary schools available to the public and parents who insisted on their children being taught in English to enroll in DSS schools.



*Needy students receives inadequate fee remission and scholarship*⁵⁵

Some may go further saying that not only schools but also students are inequitably treated under the DSS fee remission and scholarship arrangement because of underutilization and insufficiency. It is the EDB's policy to require the DSS Schools to establish a fee remission and scholarship scheme to ensure that students will not be deprived of the opportunity for attending the DSS schools due to financial difficulty. The scheme should set no less favorable than those of the Government's student financial assistance schemes eligibility criteria.⁵⁶ Under the fee remission and scholarship scheme, DSS schools are required to reserve no less than 10% of their total income of school fee to support eligible students. The reserve of remission and scholarship are not allowed to be used by the DSS schools for other purposes.⁵⁷ When the DSS schools charge a fee between two-third and two and one-third of the DSS subsidy rate, they should allocate 50% of those to fee remission and scholarship scheme. The DSS schools should consider the parents' financial situation and allocate the fee remissions to the needy.⁵⁸

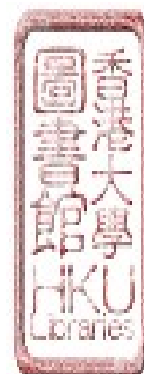
Though the fee remission and scholarship scheme are required in the DSS school, there is the situation of underutilization due to under-promotion and the DSS fee remission and scholarship is inadequately accessed to meet students' need. According to the Audit Report, only about half and two-thirds of the DSS schools had utilized

⁵⁵ The analysis and projected calculations in this part were made by team members Howard HO, Anson KO and Nelson LAI in their POLI8009 Policy Design and Analysis project: *Improving the Fee Remission and Scholarship Schemes of the Direct Subsidy Scheme Schools* submitted to the University of Hong Kong in December 2014. For more information, please refer to the project.

⁵⁶ LC Paper No. CB(4)284/13-14(04). (n.d.). Retrieved from <http://www.legco.gov.hk/yr13-14/english/panels/ed/papers/ed0113cb4-284-4-e.pdf>

⁵⁷ LC Paper No. CB(4)284/13-14(04). (n.d.). Retrieved from <http://www.legco.gov.hk/yr13-14/english/panels/ed/papers/ed0113cb4-284-4-e.pdf>

⁵⁸ LC Paper No. CB(4)284/13-14(04). (n.d.). Retrieved from <http://www.legco.gov.hk/yr13-14/english/panels/ed/papers/ed0113cb4-284-4-e.pdf>



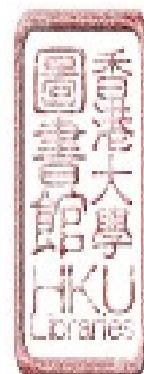
100% of the fee remission and scholarship reserve in the 2010/11 and 2011/12 school years. Before acquiring more funding, EDB encouraged the DSS schools to fully explore ways to utilize the available reserve on the students. As a result, the overall amount of fee remission and scholarship used by the DSS schools in the 2010/11 school year was about \$150 million. The reserve had further risen to \$190 million in the 2011/12 school year.⁵⁹

Secondly, even if all the current pool of DSS fee remission and scholarship is used, it is still inadequate to cover the percentage of total student enrolment receiving the government's student financial assistance. In the following section, the total amount of fee remission and scholarship required for supporting all the eligible DSS students will be projected in consideration of the two factors: (a) the total amount of fee remission and scholarship for 10% eligible students in 2011/12; (b) the percentage of total student enrolment receiving the government's other student financial assistance.

Fee Remission and Scholarship in 2011/12

As mentioned above, assuming that two-thirds of the DSS schools had utilized 100% and the remaining one third 50% of their fee remission and scholarship reserves in the 2011/12 school year, the total amount of fee remission and scholarship for 10% eligible students at the same period will be \$228 million ($\$190 \text{ million} \div (2 + 0.5)/3$).

⁵⁹ LC Paper No. CB(4)284/13-14(04). (n.d.). Retrieved from <http://www.legco.gov.hk/yr13-14/english/panels/ed/papers/ed0113cb4-284-4-e.pdf>



Percentage of Total Student Enrolment Receiving the Government's Other Student Financial Assistance

By comparing the EDB total student enrolment statistics in the 2013/14 school year⁶⁰ and comparing the Student Financial Assistance Agency (SFAA) School Textbook Assistance Scheme (STAS)⁶¹ as below, the percentage of total student enrolment receiving the government's other student financial assistance (STAS) can be estimated at around 33%.

Table 7 – Percentage of Total Student Enrolment Receiving the Government's Other Student Financial Assistance (STAS) in 2013/14

SFAA STAS successful applications ⁶²		EDB total student enrolment	Percentage of total student enrolment successfully receiving STAS (%)
Primary	103 562	320 918	32.27
Secondary	133 408	395 345	33.74
Total	236 970	716 263	33.08

Other assumptions for an easier projection in this project include:

⁶⁰ The 2013/14 school year is selected as the benchmark for this policy analysis because the 2014/15 school year is still ongoing, so the figures may not be accurate. Sources:

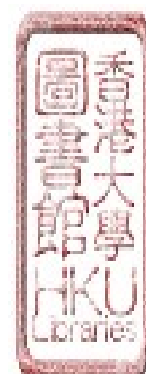
<http://www.edb.gov.hk/en/about-edb/publications-stat/figures/pri.html> and

<http://www.edb.gov.hk/en/about-edb/publications-stat/figures/sec.html>

⁶¹ The SFAA offers various financial assistance schemes for primary and secondary students (School Textbook Assistance / Student Travel Subsidy Schemes / Subsidy Scheme for Internet Access Charges), and the STAS is selected for comparison because its coverage (needy Primary 1 to Senior Secondary 3 / Secondary 6 students in government, aided, per caput grant schools and local private schools under the DSS) is the most relevant for this policy analysis. Source:

<http://www.sfaa.gov.hk/eng/schemes/fts.htm#1>

⁶² Although the STAS offers half grant and full grant for students with different financial backgrounds, only full grant is considered in this policy analysis to ensure that all the eligible DSS students can pay for different school fees. Source: <http://www.sfaa.gov.hk/eng/statistics/texts.htm>

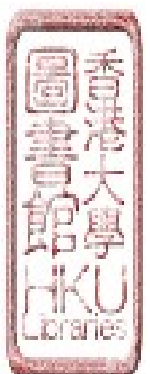


1. The total no. of eligible DSS students is not affected by the population projection because the no. of school places in the DSS schools is fixed
2. The no. of DSS schools is fixed and the no. of school places is fixed
3. All the eligible DSS students receive a full grant of school fee
4. All DSS schools reserve 10% of the school fees for their fee remission and scholarship scheme

In short, the percentage of 10% of DSS school fees currently set for fee remission and scholarship of their students, even if fully utilized, is about 23% fall short of the percentage of total student enrolment receiving the government's other student financial assistance. Without a comprehensive coverage, families who are not financially viable must carefully consider whether they can pay the school fees for their children before they enroll for the more expensive, prestigious DSS schools. The high school fees set by some DSS schools thus serve as a mechanism, on one hand, effective in improving the quality of education, on the other hand inequitable to exclude those who cannot or hesitate to pay, not to mention the other non-financial aspects of inequity to students including the obscure entrance mechanisms, e.g. the effects of donations etc.

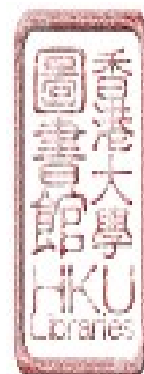
Concluding Comments

As mentioned earlier, one of the major focuses of this paper is on quality governance, which, in our context, is about how public institutions effectively and efficiently conduct public administration and manage public resources for the provision of quality goods and services in DSS schools in an easily accessible and equitable way.



To promote equitable access to education, children from all backgrounds should have an equal education opportunity. For eliminating the inequalities of students due to family financial positions, education can redistribute by reducing the gap. Furthermore, different socio-economic background should not be a consideration for children's access to education. To provide equal opportunity for better or suitable student to study in DSS schools of their choice, DSS schools should also take the initiatives to recruit needy talented students as one of the major objectives of the education should be for the benefit of all. In order to achieve the justice and fairness of education, it is essential to ensure that it is accessible to all children. EDB as well as DSS schools, being a part of the whole school system, should continue to engage other school stakeholders etc. to strength the collaboration to work jointly for this shared goal in achieving quality governance of the DSS School System as well as of the education system.

Addressing 'Access' and 'Equity' effectively and efficiently would ensure the achievement of equitable access of quality goods and services provided in DSS schools. By achieving equitable access, it would also help to improve the overall education quality and quality governance. In the next chapter, recommendations based on the above evaluation to further improve equitable access of DSS schools with a summary of the project will be provided.



Chapter 5 Conclusions and Recommendations

Introduction

In the previous Chapters, the nature of the DSS education as a policy tool is addressed as informed and guided by the analytical framework with empirical support. It is safe to conclude that the DSS education matches the features of tools of public action as described by Salamon under the new governance by its indirect, third-party nature; SSBs being mostly in the non-profit sector; it sharing the basic governmental function of exercising discretion of public authority and spending of public funds.⁶³ In addition, the DSS operating mechanism allows flexibility for each school to exercise their own operating procedures, skills requirements and delivery mechanisms.⁶⁴ Taking into consideration of the four types of governance, DSS belongs to regulated self-governance as it has high levels of legal obligations and cooperation between the public and private sectors.⁶⁵

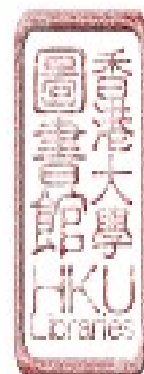
Conclusions

Has the government been right in adopting the DSS? The answer seems to be yes because empirical study suggests that the government has succeeded in diversifying the education market by providing one more type of schools for parents' choice, especially those who are more affordable the high school fees of DSS. The quality of

⁶³ Salamon, L. (2002). *The tools of government: A guide to the new governance*. Oxford: Oxford University Press, pp.1-18

⁶⁴ Ditto

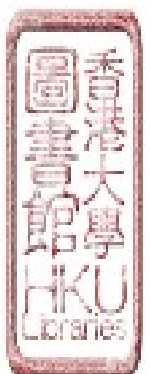
⁶⁵ Knill, C., & Tosun, J. (2012). *Public policy: A new introduction*. New York: Palgrave Macmillan, pp.199-221



some of the DSS schools have been extremely well, being the top-notch of all the schools in Hong Kong. Schools that have potential to change from aided schools to DSS schools are also enthusiastic to join the scheme for more flexibility and income. However, the success of DSS is not without cost. Quality governance in education should not only be viewed from academic achievements (outcome) but also the control and management (output). By adopting a more flexible approach in the DSS school management, the government risked relaxing the control of DSS schools and some mismanagement cases did occur as revealed in 2010.⁶⁶ The DSS also raises issues on access by adding monetary factor as a prerequisite of student selection. Unlike the central allocation system, the selection criteria of each school is obscure and unknown to the public. Last but not least, that the DSS schools receive both public funding and school fees and that the fee remission/scholarship scheme for DSS students with financial need are highly inadequate raise issues on equity. The aforementioned quality, access and equity issues of DSS are what the government should take into consideration for improving the scheme.

One of the limitations of this project, however, is that given limited time, manpower, networking and resources, our team could only adopt a desktop approach by studying the relevant documents on DSS but without the opportunity of approaching key personnel for insiders' perspective on operating the DSS, especially on interacting with the government/schools and other stakeholders like teachers, students and parents, when collaborative governance and negotiation, persuasion and enablement skills are such prominent features of tools of public action in engaging tools arrayed

⁶⁶ *Director of Audit's Report No.55*. (2010). Hong Kong: Audit Commission.



horizontally in networks and bringing multiple stakeholders together for a common end in a situation of interdependence under the new governance.⁶⁷

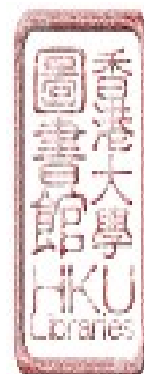
Recommendations

The social and political reality in Hong Kong nowadays does not allow the government to adopt a drastic change in education policy by dropping the DSS altogether because it is likely to raise oppositions from schools and the public that are benefitted from the scheme. Besides, DSS does fill the gap between the government/aided schools and the private/international schools in the local education market. As explored in Chapter Three, the DSS is a highly flexible tool that carried different aim in different stages. In 1989, it was for management and control of left-wing schools; in 2000, it was for quality education and for diversification of the education market under the education reform. By addressing the issues of quality, access and equity, the following policy recommendations also aims to achieve better social engineering and reallocation of resources through the DSS.

Quality governance in education implies both academic achievements and control and management. After the Audit Report of 2010,⁶⁸ EDB subsequently raised the level of legal obligations, e.g. compliance and administrative standards, of DSS schools through administrative measures like internal circulars, so the effect was immediate and the DSS mismanagement issues as stated in the Report were basically addressed. While respecting the DSS schools' autonomy, the government may more regularly monitor and review the performance and service contracts with DSS schools. Given

⁶⁷ Salamon, L. (2002). *The tools of government: A guide to the new governance*. Oxford: Oxford University Press, pp.1-18

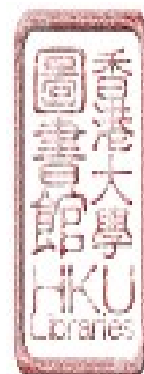
⁶⁸ *Director of Audit's Report No.55*. (2010). Hong Kong: Audit Commission.



the indirectness and difficulty in managing tools, the current quality assurance cycle of five years can be reduced to three in order to ensure that the schools are more in line with the government's objectives. Also, the collaborative governance regime among the DSS schools and with the government should be strengthened in order to generate collaborative dynamics by the virtuous cycle of principled engagement, shared motivation and capacity for joint action.

In quality aspect, to ensure that customers are willing to pay for better education, the DSS schools need to improve their goods to match with the market and customers' needs. They introduced enhanced policies and more customized ways of teaching and learning, such as improved infrastructure, smaller class size, additional native-speaking English and Putonghua teachers to raise marketability. Indeed, they do have more resources and expertise to produce their own curriculum designs for nurturing creativity and critical thinking and to develop the talents for the knowledge-based society in the 21st Century (OECD, 2001; 2004). As such, it can be a gain for the overall improved quality in education after variety bought by DSS school. EDB, in this regard, should make good use of public resources to support the operation of various types of DSS and subsidized schools and to ensure that the choice of DSS as a toll good being accessible to students from different background, balancing the issue of fairness and equity while improving quality of the DSS and the whole education system.

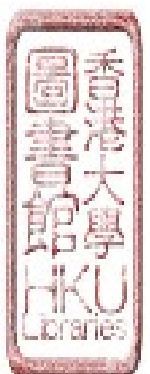
To address accessibility in DSS, the government should collaborate with the DSS schools for more open and transparent student selection mechanisms and school fee setting criteria. Although the DSS schools as a tool share the basic governmental



function of exercising discretion of public authority and spending of public funds,⁶⁹ the government as the principal should have the ultimate responsibility of monitoring and controlling the DSS as agents. The government and the DSS schools may also need to conduct expectation management of the public by promoting and justifying why the DSS is more suitable than the traditional aided-school arrangements for some of the schools because although they are both tools of regulated self-governance, the general public impression is that the latter is more easily accessible, and hence the DSS has reduced the school seats available in the central allocation system. Genuine and sincere collaboration through negotiation, persuasion and enablement not only applies between the government and the DSS schools, but it also applies to stakeholders like parents, students, the media and the public alike because they too are important drivers in the collaborative governance regime for the successful execution of the DSS.

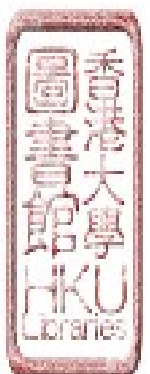
For equity, the DSS education has the issues of double funding to the DSS schools and inadequate fee remission and scholarship for the students. For double funding to the DSS schools, the government may either justify extra funding for DSS than aided schools as they are different tools in the provision of education. Of course, it is reasonable for the government to set higher aims for the DSS schools in the service contracts to justify the extra funding, or the government may restrict the ratio of public funding to school fee and/or the school fee setting criteria as the DSS as a tool provides rooms for the government to adjust this sort of level of legal obligation. For inadequate fee remission and scholarship, the government may through administrative arrangements (legal obligations) request the DSS schools to increase the level of

⁶⁹ Salamon, L. (2002). *The tools of government: A guide to the new governance*. Oxford: Oxford University Press, pp.1-18



school fees reserved for fee remission and scholarship so that all the DSS students with financial need can be covered. Nevertheless, such change may bring about the decline in the quality of the DSS education because schools will have less usable for improving their service quality and they may increase their school fees to cover the cost. To increase the fee remission and scholarship utilization rate, the government may require the DSS schools to hand-in their fee remission and scholarship reserves for central allocation to the DSS students with financial needs.

By boosting individual involvement, changing the method of how institutions provide education and improving socio-economic situations that encourage participation and contribution, the government can implement a series of strategies to increase equity of the DSS. Specific measures to boost individual involvement include the provision of financial incentives is considered to be a direct and effective way adopted by overseas governments. Besides, it is important to improve access and the use of media and promotion targeting on the less privileged group. By providing easier access to the necessary financial assistance information and assistance, it can encourage the targeted group as well as the public to see the commitment the DSS schools on quality governance in nurturing the talents as well as serving the community. Other than the actions for boosting individual involvement and achievement, there should be measures for refining institutional provisions to improve equity. The government can set the rules to provide an environment for social and cultural change as well as to encourage others to follow through to facilitate the less-privileged, talented student to utilize the financial assistance and remove the barriers (OECD, 2003). In short, EDB, as the overall coordinator and policy holder, should continue to engage with individual DSS school as well as other key stakeholders such as the DSSSC to lead to

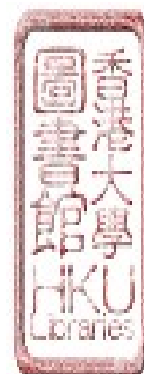


provide fair chances of access to quality DSS education for talented students from all background whilst maintaining the prudent use of public fund at the same time to ensure the continuous support from the stakeholders and the general public.

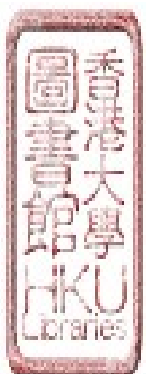
Last but not least, the DSS schools can also built up their own synergy and dynamics for collaborative governance. For instance, they can better promote themselves DSS school websites can be utilized for easier access; school visits coupled with face-to-face communication with teachers, students and parents can be arranged for more in-depth understanding of what the DSS and individual DSS school offers. In the Overview of the Hong Kong Direct Subsidy Scheme Schools (Secondary) held in the Hong Kong Polytechnic University this year, there were 37 schools attended, providing the above information though there should be DSS primary schools and more traditional quality DSS schools to participate. It will be also beneficial if there is more press coverage of the DSS schools to solicit more support from the general public. Given the autonomy of the DSS schools, it can be better if the DSS schools can be more engaged, motivated and facilitated to build up joint capacity and seize every opportunity to improve transparency and to be more proactive altogether in involving more potential customers or supporters to seek for buy-in to the advantages to the DSS School System.

Final Observations

Similar to other countries under the new governance, the Hong Kong government adopts the DSS as a tool for provision of education services. Conforming to the features of indirect, third-party tools with regulated self- and collaborative governance,



the DSS is flexible and effective in meeting the government's objective of promoting quality education and diversifying the education market since the new millennium. Despite expensive school fees, the top-notch DSS schools are still welcomed by parents and students. Although the DSS is not without its drawbacks on management, quality, accessibility and equity issues, given the current social and political context in Hong Kong, it is highly likely that the DSS will continue to exist and serve the public in the foreseeable future. With improvements in quality, access and equity, as well as the synergy and collaborative dynamics among the government, schools and other stakeholders, it is expected that the DSS can adapt and sustain itself in providing quality education whilst addressing accessibility and equity and hence achieving quality governance.



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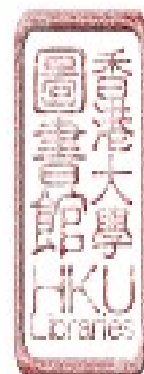
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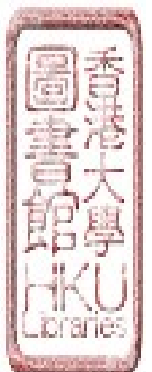
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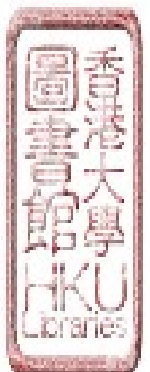
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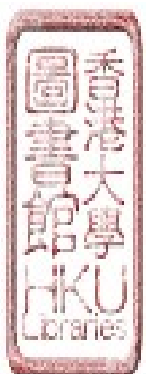
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