

The policy of direct subsidy scheme schools in Hong Kong: finance and administration

香港直接資助學校的政策：財務安排與教育行政

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Abstract

The paper attempts to explore the origin of Direct Subsidy Scheme Schools (DSS) policy in Hong Kong and its development in the past fifteen years. It focuses on the different aspects of financial and administrative arrangement of DSS schools. Finally, several experiences are illustrated to demonstrate how DSS schools instill a new round of competition among schools in basic education section.

Keywords

Direct Subsidy Scheme School, education policy, school finance, educational administration, basic education

摘要

本文旨在探討「直接資助學校」政策在過去十五年來的源流與發展，討論內容主要是集中於直資學校的財務安排與教育行政上的優劣之處，最後，以不同的直資學校經驗來反映出「直接資助學校」如何在香港的基礎教育體制中帶來新一輪的競爭。

關鍵詞

直接資助學校，教育政策，學校財務，教育行政，基礎教育

The Direct Subsidy Scheme (DSS) was launched in 1991 by the Hong Kong government with the intention of giving public grants to schools according to a sliding scale while allowing them autonomy in making curricular choices, changing tuition fees and employing entrance requirements. By September, 2006, there are 67 DSS schools. They constitute 2.3% and 9.5% of the total number of primary and secondary schools respectively (EMB, 2006). The unique features of DSS schools not only create flexibility in finance and administration, but also provide a new choice to parents.

The aim of this paper attempts to review the two crucial areas where DSS schools offer flexibility, namely finance and administration. The paper consists of three parts. The first introduces the background of the policy of formation of DSS schools and its development. The second examines some issues of financial management and administrative practices in DSS schools respectively. The last critically reflects whether or not DSS schools enhance competition in the education system in Hong Kong.

Background of the policy of formation of Direct Subsidy Schools

The formal education system of Hong Kong

Modeled after the educational system of the United Kingdom in the 1970s, schooling in Hong Kong is compulsory and free for all children from primary one up to the age of fifteen. The formal primary and secondary education features a universal elementary education (six years of primary and three years of junior secondary education), and an increasingly competitive intermediate level education (two years of senior secondary and two years of sixth form education). Public funding plays a dominant role in the supply of formal education at both levels, in government schools

and aided schools. The private education sector is relatively small. It mainly includes about 10 percent of primary and 17 percent of secondary schools.

The governance and financing of public education

In the public education sector, the major difference between government schools and aided schools is financial autonomy, which in many ways also affects decision making and policy outcomes of individual school. Government schools, which are directly funded from the accounts of the Education and Manpower Bureau (EMB) and teachers of which are employees of the public service, enjoy relatively smaller degree of freedom in the aspect of how money is spent. EMB and the general public regard government schools as "defacto pioneers" or "pilots" in trying out or testing government education policies at school level. In contrast, aided schools, mainly operated by independent school sponsoring bodies, enjoy more financial freedom and flexibility, though they also receive funding from the government. This is especially so for those schools which have joined the School Based Management Scheme, a decentralization policy for improving administrative efficiencies, in recent years.

In addition, aided schools are allowed to appoint their own staff. For instance, they can employ principals and teachers and administrators according to the sponsoring body's own preferences, such as, academic and religious orientation and community needs (admission of new immigrant children or other disadvantaged groups), as long as they abide to the requirements of the government regulations. Obviously, the wealthier the school sponsoring body, the greater degree of autonomy their schools intend to assert.

The governance and financing of private education

Private schools of elementary and intermediate levels in Hong Kong are funded and operated in two main ways. First, individual providers/investors or education trust foundations solely finance one type of private independent (primary and secondary) schools. They do not receive any subsidy from the government. International schools which depend largely on parent/student contributions in the form of tuition fees and/or debentures belong to this type. The English Schools Foundation schools are distinctive examples. They enjoy independent school decision making over matters such as the curricula, student admission policy, language policy, etc., based on the pattern of the host countries (Education Department, 2000). They are mainly private schools catering the needs of children of expatriate families and a growing number of local children whose parents have either a preference for an education system or curricular of a particular country or a dislike for the local education system (Yamato & Bray, 2002). Second, there are private schools which are financed by their individual providers/investors or education trust foundations but at the same time subsidized or assisted by the government, in the form of capital grants and bought places. They are such as the Bought Place Scheme (BPS)¹ before 2000 or the Direct Subsidy Scheme (DSS) since 1991. However, the government has decided to phase out the BPS scheme by 2000 and replace it with Direct Subsidy Scheme (Tan, 1995).

Introduction of Direct Subsidy Scheme (DSS) and its development

The basic education system and service in Hong Kong have been highly centralized and controlled. The former Education Department (ED) and, at present, the

Education and Manpower Bureau (EMB) heavily regulates both government and aided schools. As a result, the services provided by most schools are remarkably homogeneous and cannot meet the increasingly diversified needs of parents and their children. To improve the situation, the government encourages private educational bodies to inject vitality and innovation into Hong Kong's education system, while providing choice and quality service to the public (Tung, 1999; EMB, 2004). The Direct Subsidy Scheme (DSS) is introduced as a means to maintain a strong, independent private education sector for Hong Kong's pluralistic society, while allowing schools the maximum freedom with regard to curricular, fees and entrance requirements that is consistent with basic educational standard (Education Commission 1988:55). The appearance of DSS schools shed important implications to basic education in Hong Kong. Some of these schools are considered as "light house school" erected as beacons for others to follow (Bascia and Hargreaves, 2000). The government encourages school-sponsoring bodies to join DSS when they apply for new schools; priority for new school allocation is greatly depended on compliance. Second, the government plans to transform the mode of operation of one of the government schools by joining DSS. This intends to test the viability of a full-scale transformation of all government schools into DSS in the future. Third, it attracts many well-established subsidized or grant schools, those so-called "the elite schools" to join the DSS as a means to strengthen their autonomy in school management, rather than adhering to government's centralized policies on fees, school finance, students' allocation, entrance requirement, and curriculum design. It is indeed most of the newly established DSS schools highlight their school aims with the Government's policy

objectives (EMB, 2004). To some academics, it is an education reform by means of marketisation and privatization, with emphasis on diversity and choice in education (Whitty, 1997:299-302; Whitty, Power and Halpin, 1998; Gillborn and Youdell, 2000; Power, 2002). To a large extent, this policy shift is a replication of education reform in the United Kingdom in the 1980s by the Conservative Government in breaking the Local Education Authority (LEA) monopoly of state schooling (Gillborn and Youdell, 2000:18-22; Power, 2002:47-48).

The Direct Subsidy Scheme intends to provide public grants to schools according to a sliding scale while allowing them autonomy in making curricula choice, tuition fees and entrance requirements. The

grant to a given school equals the difference between the school's income from fees and the notional cost to the government of an aided school with a similar number of pupils. Other sources of income through charity or donations are excluded from the calculation. Schools with low fees receive full grant for each pupil, while schools with the highest income receive a minimum proportion of the full grant. Tables 1 to 5 compare aided schools, DSS schools and private independent schools (PIS) in terms of finance administration, facilities, teaching and learning, operation and management, class size and student intake. The comparison shows that DSS schools enjoy more flexibility in finance and administration than government aided schools.

Table 1: A comparison of Aided, Direct Subsidy Scheme and Private Independent Schools

	Aided Schools	Direct Subsidy Scheme Schools (DSS)	Private Independent Schools (PIS)
Description	Fully aided by the Government and managed by non-profit-making sponsoring bodies under the Code of Aid.	Receive government financial assistance under the Direct Subsidy Scheme (DSS).	Non-profit-making (NPM) schools which do not receive any government recurrent subsidies, except reimbursement of rates.

Source: Diocesan Boys School Old Boys Association (2002)

Table 2: A comparison of Aided, Direct Subsidy Scheme and Private Independent Schools: finance and school facilities

(a) School site/ Buildings	Sponsoring bodies may apply for the Government-built standard design school buildings leased under tenancy agreement of 5-year term (renewable on expiry subject to satisfactory evaluation of performance) for operating aided schools.	Sponsoring bodies may apply for the Government-built standard design school buildings leased under tenancy agreement of 10-year term (renewable on expiry subject to satisfactory evaluation of performance).	Allocation of land by private treaty of 10 year term at nominal premium (renewable on expiry subject to satisfactory evaluation of performance) for the construction of the school building.
(b) Non-recurrent subsidies	Non-recurrent and capital grants as governed by the Code of Aid.	Non-recurrent assistance in the form of a grant to carry out slope and major repairs exceeding \$2 million. Capital grants for constructing the school since 1999 school allocation exercise.	Loan for slope repair. Capital grants for constructing the school since 1999 school allocation exercise.

(c) Recurrent subsidies	Recurrent grants as governed in the Codes of Aid.	Government subsidy is based on the average unit cost of an aided school place (X). A DSS school will continue to receive full recurrent subsidy from the Government until its fee level reaches $2\frac{1}{3}$ of X. Beyond this level, the Government will not provide any recurrent subsidy. If a school charges a fee between $\frac{2}{3}$ of X and $2\frac{1}{3}$ of X, then for every additional dollar charged over and above $\frac{2}{3}$ of X, the school should set aside 50 cents for scholarship/ financial assistance schemes.	Nil.
(d) Upgrading	Subject to availability of funds, upgrading facilities are provided under the School Improvement Programme.	A one-off grant would be given to schools to upgrade their facilities to the latest prevailing standard of aided schools, subject to availability of funds.	At their own expenses.
(e) School facilities	Aided schools are provided with standard school facilities and are given flexibility for acquiring school facilities with the resources provided. They may also acquire above-standard facilities at their own expenses.	Free to deploy resources or acquire school facilities of their choices at their own expenses.	Free to acquire school facilities of their choices at their own expenses.

Source: Diocesan Boys School Old Boys Association (2002)

Table 3: A comparison of Aided, Direct Subsidy Scheme and Private Independent Schools: teaching and learning

(a) Curriculum	Aided schools should develop a school-based curriculum on basis of the local curriculum prescribed by EMB.	Mainly follow local curriculum but free to design their own curriculum.	Free to design their own curriculum.
(b) Medium of Instruction (MOI)	Should follow the "Medium of Instruction Guidance for Secondary School" for selecting a suitable MOI.	Should choose a suitable MOI according to the ability of the students.	Choice of MOI is at the discretion of the schools.
(c) Public examination	Mainly local examinations, e.g. HKCEE and HKALE.	Local and non-local examinations.	Local and non-local examinations.

Source: Diocesan Boys School Old Boys Association (2002)

Table 4: A comparison of Aided, Direct Subsidy Scheme and Private Independent Schools: operation and management

(a) Administration and Governance	Administered in accordance with the Code of Aid. Have to observe the conditions laid down in the service agreement signed with EMB.	Need to observe the conditions laid down for admission to the DSS scheme and in the service agreement signed with EMB. In connection with the renewal of the service agreement signed between DSS schools and the Government, DSS schools are allowed to engage outside experts to work with the Education and Manpower Bureau (EMB) in performance evaluation as long as certain conditions are met.	In addition to the Education Ordinance and Regulations, PIS have to observe the conditions laid down in the service agreement signed with EMB.
(b) Admission of students	Except for a certain percentage of discretionary places, students of aided schools are allocated through the Primary One admission (POA) system at P1 level, the Secondary School Places Allocation (SSPA) system at S1 level and the Junior Secondary Education Assessment (JSEA) system at S4 level.	Schools have full discretion to admit students. Students of DSS secondary schools can continue their education in the same school beyond S3 level without having to participate in the JSEA.	Schools have full discretion to admit students.
(c) Fee remission	Fee remission is provided for the eligible students by the Government.	Schools administer their own fee remission/scholarship schemes.	Schools administer their own fee remission/scholarship schemes.
(d) School fee	Standard fees for S4-S7 only; small amount of Tong Fai and other collections are allowed on a pre-approved basis.	Schools can charge their students any approved school fees but government subsidy will be adjusted in accordance with a banding system.	Schools can charge their students any approved school fees.
(e) Appointment of Native English Speaking Teachers (NETs)	The appointment of NETs is governed by the Code of Aid and EMB's regulations on the NET Scheme.	DSS schools have freedom in the appointment of NETs.	PIS have freedom in the appointment of NETs.
(f) Salary and fringe benefits of teachers	The salary and MISS of aided school teachers are governed by the Code of Aid and relevant subsidy legislation.	The salary scale and fringe benefits of DSS schools need not follow those of aided schools.	Free to have their own salary scale and fringe benefits for their teachers.
(g) Provident fund arrangement	The provident fund arrangement for teachers of aided schools are governed by the Grant/Subsidized Schools Provident Fund Rules. Non-teaching staff may participate in the non-statutory provident fund scheme.	DSS schools administer their own provident funds for their teaching and non-teaching staff. Teachers of an ex-grant/ex-subsidized school turning DSS can have the option of staying in the Grant Schools Provident Fund or the Subsidized Schools Provident Fund for a maximum period of 5 years as applicable.	PIS administer their own provident funds for their teaching and non-teaching staff.

Source: Diocesan Boys School Old Boys Association (2002)

Table 5: A comparison of Aided, Direct Subsidy Scheme and Private Independent Schools: student matters

(a) Class size	P1-P6: 32-37 S1-S5: 40 S6-S7: 30	P1-P6: 32-37 S1-S5: 40 S6-S7: 30	Free to determine the class size but within the limit as laid down in the Education Ordinance and Regulations.
(b) Student intake	Local children.	Mainly local children.	At least 70% of student intake must be local children.

Source: Diocesan Boys School Old Boys Association (2002)

The Direct Subsidy Scheme was launched in 1991. At the beginning, it was targeted at four groups of schools in Hong Kong: Bought Place Scheme (BPS) private schools, non-BPS private schools, international schools and aided schools. As it turned out, nine schools joined the Scheme that year (Table 6). Five of them

were non-BPS private schools and four were private international schools. Quite obviously, these schools felt interested in the offer of government financial subsidy while knowing that they continued to enjoy autonomy in key aspects of school operation.

Table 6: Direct Subsidy Schools in September, 1991

Hon Wah Secondary School	Non-BPS private school
Heung Tao Secondary School	Non-BPS private school
Pu Kui Secondary School	Non-BPS private school
Fukien Secondary School	Non-BPS private school
Mong Kok Labour Children Secondary School	Non-BPS private school
Chinese (Hon Kee) International School	Private international school
French International School	Private international school
Swiss and German International School	Private international school
Hong Kong International School	Private international school

The progress moved rather slowly in the early stage. By 1995, there was still no response from any aided school to join the Scheme. According to Chan (1995), there are three factors behind the lack of interest on the part of aided schools. First, the lack of resources and external support for the participation; second, the lack of motivation to change on the part of the leaders of the school sponsoring bodies; third, the time factor - no aided schools were willing to make any drastic move in those years prior to the return of Hong Kong's sovereignty. In September, 2004, there are only seven former aided schools in the DSS. The declaration of Father Deignan (2001) on why Wah Yan College did

not join the DSS reinforces the clues to the reluctance of many aided schools. The concerns are over "a very heavy financial responsibility on the sponsoring body and school management all the salaries, major repairs, equipment, etc.". It is not until very careful weighing of the costs and benefits, merits and demerits and after heated debates among all stakeholders before some aided schools decided to venture into the Scheme. They are mostly the traditional elitist aided schools, such as St. Paul's Co-educational College which joined in September, 2001 and St. Paul's Convent School which joined in September, 2004.

By September, 2006, there are sixty seven DSS secondary and primary schools in operation. Out of the forty-seven secondary schools, seven are former aided schools, twenty-three are former private independent schools (both BPS and non-BPS) and

seventeen newly established ones (Table 7). In the following two parts, some issues related to finance management and administrative practices will be studied.

Table 7: Profile of DSS primary and secondary schools as of September, 2006

	Year of establishment	Category before joining DSS	Medium of Instruction (i)	Number of extra-curricular activities	Received number of QEF projects	Annual school fees Primary S1 - 3 (HK\$)	Annual school fees S4-5 (HK\$)	Annual school fees S6-7 (HK\$)	Amount of fees above aided and government schools (iv)
Caritas Charles Vath College	2003	New	C	N.A.	N.A.	N.A.	5350	N.A.	0
CCC Kung Lee College	1967	Aided	N.A.	N.A.	0	N.A.	5500	N.A.	150
Chan Shu Kui Memorial School	1973	PIS	C	>50	5	200	5700	9400	300
China Holiness College	1976	PIS	C	>30	6	2500	5480	9040	877
Creative Secondary School	2006	PIS	C	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Delia Memorial School (Broadway)	1972	PIS	M	30	3	0	5340	9040	0
Delia Memorial School (Glee Path)	1971	PIS	C	>30	0	0	5340	9040	0
Delia Memorial School (Hip Wo)	1980	PIS	M	N.A.	2	0	5340	9040	0
Delia Memorial School (Yuet Wah)	1975	PIS	C	N.A.	3	0	5340	9040	0
Delia (Man Kiu) English Primary School	2005	PIS	E	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Diocesan Boys' School	1869	Aided	E	35	2	28000	5650	9350	9533
Diocesan Boys' School Primary Division	2005	PIS	E	N.A.	N.A.	38000	N.A.	N.A.	N.A.
ECF Saint Too Canaan College	2003	New	M	N.A.	N.A.	1000	5050	N.A.	500
Evangel College	2005	New	C	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Fanling Lutheran Secondary School	1964	PIS	E	33	0	2500	5340	9040	833
Fukien Secondary School	1951	PIS	M	>70	5	2800	6300	12000	2233
Good Hope School	1957	Aided	E	56	0	35000	5400	9100	11700

	Year of establish- ment	Category before joining DSS	Medium of Instruction (i)	Number of extra- curricular activities	Received number of QEF projects	Annual school fees Primary S1 - 3 (HK\$)	Annual school fees S4-5 (HK\$)	Annual school fees S6-7 (HK\$)	Amount of fees above aided and government schools (iv)
GT (Ellen Yeung) College	2006	New	E	N.A.	N.A.	28600	N.A.	N.A.	N.A.
Hang Seng School of Commerce	1980	PIS	N.A.	35	0	N.A.	N.A.	10800	1750
Heung To Middle School	1946	PIS	C	50	5	3000	6600	11000	2067
Heung To Middle School (Tin Shui Wai)	2001	New	B	46	0	1000	5320	9170	373
Heung To Secondary School (Tseung Kwan O)	2003	New	B	N.A.	N.A.	4000	8000	N.A.	3325
HKCCCU Logos Academy	2003	New	B	N.A.	N.A.	23000	N.A.	N.A.	23000
HKMA David Li Kwok Po College	2000	New	E	40	1	9000	13300	23500	10467
HKICC Lee Shau Kee School of Creativity	2006	New	C	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
HKUGA College	2006	New	E	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
HKUGA Primary School	2003	New	E	N.A.	N.A.	15000			
Hon Wah Middle School	1945	PIS	C	>30	10	2400	6400	8750	1150
Hon Wah College	2006	PIS	C	>30	10	2400	6400	8750	1150
Hong Kong Baptist University Affiliated School Wong Kam Fai Secondary and Primary School	2006	New	E/M	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Kiangsu-Chekiang College	1958	PIS	M	46	8	2450	5800	9300	1050
Li Po Chun United World College of Hong Kong	1992	PIS	E	N.A.	0	N.A.	N.A.	102000	92950
Lingnan University (Hong Kong) Alumni DSS Primary School	2005	New	C	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Matteo Ricci College (Kowloon)	1984	PIS	C	>20	1	0	5340	9040	0
Workers' Children Secondary School	1946	PIS	C	>40	5	2000	5200	8800	667
New Method College	1949	PIS	E	>30	2	16590	19570	34670	18810
Pak Kau College	1954	PIS	M	>30	6	0	5600	9300	167

	Year of establish- ment	Category before joining DSS	Medium of Instruction (i)	Number of extra- curricular activities	Received number of QEF projects	Annual school fees Primary S1 - 3 (HK\$)	Annual school fees S4-5 (HK\$)	Annual school fees S6-7 (HK\$)	Amount of fees above aided and government schools (iv)
PLK Ngan Po Ling College	2003	New	M	N.A.	N.A.	10000	10000	N.A.	7325
PLK Camoes Tan Siu Lin primary School	2000	New	E	N.A.	N.A.	12000	N.A.	N.A.	N.A.
PLK Luk Hing Too Primary School	2005	Aided	C	N.A.	N.A.	9800	N.A.	N.A.	N.A.
PLK HKTA Yuen Yuen Primary School	2005	Aided	C	N.A.	N.A.	8000	N.A.	N.A.	N.A.
Pui Kiu Middle School	1946	PIS	C	>20	5	2800	6300	10000	1567
Qualied College	2003	New	C	N.A.	N.A.	0	5050	8750	0
St Margaret's Co-Ed Eng Sec & Pri School	1965	Aided	B	>30	0	9000	12000	18000	8200
St Margaret's Girls' College (Hong Kong)	1965	PIS	M	26	1	2500	8000	12000	2700
St Paul's Co-Educational College	1915	Aided	E	64	2	48000	5930	9630	16387
St Paul's Co-Educational (Kennedy Road) Primary School	N.A.	Aided	E	N.A.	N.A.	48000	N.A.	N.A.	N.A.
St Paul's Co-Educational (MacDonnell Road) Primary School	N.A.	Aided	E	N.A.	N.A.	48000	N.A.	N.A.	N.A.
St Paul's College	1851	Aided	E	50	2	38000	7300	11000	13967
St Paul's College Primary School	N.A.	PIS	E	N.A.	N.A.	30000	N.A.	N.A.	N.A.
St Paul's Convent School	1854	Aided	E	>50	17	25000	5480	9180	8420
Tai Po Sam Yuk Secondary School	2005	Aided	C	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Tak Sun Secondary School	2000	New	E	42	0	4500	8500	16500	5033
Tak Yan School	1952	PIS	C	>20	2	0	5840	N.A.	245
The Chinese Foundation Secondary School	2000	New	E	23	0	9050	13300	20000	9317
The HKFYG Lee Shau Kee College	2006	New	C	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
United Christian College (Kowloon East)	2003	New	B	53	N.A.	12000	6050	N.A.	6350

	Year of establishment	Category before joining DSS	Medium of Instruction (i)	Number of extra-curricular activities	Received number of QEF projects	Annual school fees Primary S1 - 3 (HK\$)	Annual school fees S4-5 (HK\$)	Annual school fees S6-7 (HK\$)	Amount of fees above aided and government schools (iv)
Wai Kiu College	1950	PIS	B	>30	5	3000	5050	11750	1900
WF Joseph Lee Primary School	2001	New	C	N.A.	N.A.	12000	N.A.	N.A.	N.A.
YMCA of Hong Kong Christian College	2003	New	E	N.A.	N.A.	11000	15000	23500	11700
Lam Tai Fai College	2004	New	E	N.A.	N.A.	10000	13000	N.A.	8825
Pegasus Philip WKH Christian PS CUM JS	2001	New	N.A.	N.A.	N.A.	18000	N.A.	N.A.	18000
Po Leung Kuk Laws Foundation College	2004	New	E	N.A.	N.A.	12000	N.A.	N.A.	12000
Stewards Pooi Kei College	2004	New	N.A.	N.A.	N.A.	10000	N.A.	N.A.	10000
Tak Yan School	2005	Aided	N.A.	N.A.	N.A.	Free	6230	N.A.	N.A.
Tsung Tsin Christian Academy	2005	New	N.A.	N.A.	N.A.	18000	22000	N.A.	N.A.
Vocational Training Council Yeo Chei Man Senior Secondary School	2004	New	N.A.	N.A.	N.A.	N.A.	7000	N.A.	1650

Notes:

- (i) C = Chinese; E = English; B = Part of the classes or forms adopted either Chinese or English as medium of instruction
 - (ii) Amounts of funding for installation of air-conditioners are excluded.
 - (iii) The maximum "Tong Fai" (Class fees) of government and aided schools is HK\$300, fees for S4 and S5 is HK\$5050, fees for S6 and S7 is \$8750.
 - (iv) Amount of fees above government and aided school is calculated by subtracting the school fees of S4 and S5 (\$5350), S6 and S7 (\$9050) respectively, then add the portion of fees of S1-S3 to get an average amount of fees.
- N.A. - data not available

Financial management in DSS schools

According to the direct subsidy scheme, the income of the DSS schools is generated from two major sources: school fees and government subsidy. DSS schools can fix the amount of school fees to be collected. But if they are to receive the same amount of subsidy (average

unit cost) that aided and government schools are currently receiving, their school fees should not exceed 2.33 times of the average unit cost. The crucial consideration for most schools is how to weigh the balance between the school fees and government subsidy: should they charge high school fees and obtain

smaller amount of government subsidy or charge minimal school fees in order to get the maximum subsidy from the government. Their choice helps to explain why the school fees charged by different DSS schools vary so much (Table 7). The variation can indeed be taken as a good indicator of the availability of income source other than the two major ones mentioned above. The schools which charge high fees are probably the more resourceful ones, such as those with wealthy graduates who are willing to make donations to the school to support its ambitious development plans or those which have made already profit since the commencement of its operation.

Since the introduction of Direct Subsidy Scheme, critics repeatedly accuse that DSS schools only cater for the needs of the affluent elitists' families by charging expensive school fees. However, if we compare the annual school fees of 47 DSS secondary schools (Table 7) with annual fees charged by aided or government schools (Table 8). The result shows that around 15% DSS secondary schools charge a similar amount of fee currently charged by the aided and government schools and more than half of the DSS schools charge a fee

which is about 1.5 times or twice the fee of aided and government schools. Only a few DSS secondary schools charge very expensive fees. Again, it is interesting to note that most of these "expensive" DSS schools are transforming from traditional elitist aided schools, such as Diocesan Boys' School, St Paul's Co-Educational College, or Li Po Chun United World College of Hong Kong. They are the proto-type that creates the image that DSS schools charge high school fees. Apart from the reason mentioned in the previous paragraph, another obvious reason behind this phenomenon is that these elitist schools have to maintain the staff structure, high standard school facilities (such as swimming pools, dance room) and the multifarious extra-curricular activities that have long been their key "selling points" in the pre-DSS stage. The salary points of the teaching staff in these schools stand high in the Master Pay Scale. The high school fee is necessarily charged to support the high staff cost. As a matter of fact, most of the newly established DSS secondary schools charge an affordable school fee to the public. They provide more diversity and choices to parents and students of different social-economic stratum.

Table 8: Annual school fees of government secondary school and subsidized school

Form	School fees (per academic year)
Secondary 1	Free
Secondary 2	Free
Secondary 3	Free
Secondary 4	\$5,050
Secondary 5	\$5,050
Secondary 6	\$8,750
Secondary 7	\$8,750
Average annual school fees (Government schools)	\$3,942.86

Source: EMB (2004)

To ensure that no qualified students will be deprived of the opportunity to gain admission for financial reasons, DSS schools must reserve one tenth of their total income for scholarships or assistantships for needy students. According to Dr. Chan Wai Kai, Chairman of the DSS School Council, many schools spent 18.9% of the school fees on scholarships or assistantship while one school spent 41% in 2003-04. As a result, some schools have to revise their plan on staff structure in the new academic year.

DSS schools enjoy flexibility in deploying financial resources and structuring their own staff force and salary scale. For example, some schools choose to provide teachers with 13 months salary, medical benefits, education allowance and other fringe benefits. (This point will be examined in more detail in the next part.) Most of the school fees are spent on improving school facilities and extra-curricular activities of the students. One distinctive example is the first DSS Primary School, Po Leung Kuk Tan Siu Lin Primary School. The school joined the DSS in 2000/2001. Within a short period of time, the school made 9 million dollars net profit in the first three years of operation. It enabled the school to organize two musical bands (an orchestra and a drum band) and invested another 5 million dollars on an indoor swimming pool and a new building specially designed for music education. The school expects to make a profit of 10 million in 2006. Some DSS schools reinvest the profit on employment of more teachers for tutorial classes, subsidizing teachers in lifelong learning, promoting extra-curricular activities, such as distance learning by web conferencing, exchange programs, summer schools, overseas visits, and others. Table 7 shows that most DSS schools offer a large number of extra-curricular activities to students.

Administrative practices of DSS schools: pros and cons

Greater freedom and flexibility in administrative practices attract many schools to join the DSS. DSS schools enjoy a much bigger autonomy in curricular design, admission conditions, medium of instructions, and human resources management (Tables 1 to 5). In other words, they enjoy plenty of room in decision-makings (Brundrett and Terrell, 2004) and resources allocation (Fong, 1997) in terms of the features of the school and developmental needs, for example, small class teaching and more remedial class. Although DSS schools enjoy a much bigger autonomy in administration; they would also receive a lot of pressure from their clients (parents) and the subsidizer (The Government). As such, they must maintain a high standard of management efficiency, accountability and cost consciousness (Fong, 1997:124) in order to maintain competitive edge in the education market and, for the traditional elitist turned DSS schools, the good tradition and prestige.

Curriculum design

To boost marketability, DSS schools introduce new policies and implement new ways of teaching and learning, such as smaller class size, adequate information and technology equipments, employing a larger number of native speaking English teachers and Putonghua teachers. They produce their own curriculum designs that highlight the objectives of fostering critical thinking and creativity, to match with the needs of teaching in the knowledge society (Hargreaves, 2003; OECD, 2001; 2004). The followings are a few distinctive examples:

1. Hong Kong Management Association David Lee Kwok Bo College

The school adopts an International ISO9002 Standard Education Management System as a quality assurance measure. This guarantees that the school is well managed in terms of effectiveness and efficiency. With their own school based curriculum design, the school integrated formal curriculum and extra-curricular activities into programs such as, "Teachers and Students Read Together", "One Student One Musical Instrument", "One Student One Kind of Sport", "Drop Everything and Read Project", and "One student One Community Service".

2. Pu Kui Middle School

It has designed its own school-based curriculum in language education. Apart from the basic needs in language proficiency in English and Putonghua, the school introduces other languages, such as French, Spanish, and Japanese in their curriculum.

3. Christian Jun Mei Wong Kin Hang Primary School

The school declares to have the best-equipped computers and digital facilities among Hong Kong schools. Through project learning, students learn by collecting information from the internet, libraries, and available sources.

Class size

DSS schools decide their own class size. They offer small-group learning for major subjects. As such, teaching and learning can be greatly improved because of the interaction between teacher and students. At the same time, teachers will also benefit with a lighter workload as a result of a lower teacher-student ratio.

Student admission

The survival of DSS schools is greatly depended on student recruitment as they are a major source of income

and at the same time, they must formulate strategy in tapping parents' resources (Fong, 1997). In student recruitment or student admission policies and criteria, DSS schools can either select its own students or participate in the Secondary Schools Places Allocation (SSPA or central allocation) of primary school graduates. With this freedom, they have a better control over the standard of the incoming students. DSS schools can admit students without district or regional constraints. They can set up their own admission examination.

The demand for places in the traditional elitist turned DSS schools and those with special curriculum is always high. This is evident in the over subscription of applications for admission. It is not surprising to find over 1,000 applications competing for around a hundred places in these schools. However, for some DSS schools in remote districts, the school administrations have to make extra publicity effort in promoting their schools. In order to obtain government's subsidy, some schools may recruit students indiscriminately in the founding stage when enrollment rate is unstable.

Staff and teachers

DSS schools allocate a greater portion of its financial resources to employ the best qualified teachers with attractive remuneration and fringe benefits and thus leading to organization change within school (Ip, 1994). St. Paul's Boys College offers gratuity to teachers who successfully complete one year of contract. This measure helps to prevent drop-out of staff in the middle of the academic year. China Holiness College links the salary scale with internal performance appraisal system. Those who receive an excellent appraisal will receive an increment in salary. This school also provides extra remuneration to teachers who assume special duties and

year end bonus to outstanding teaching and non-teaching staff. These are incentives to motivate teachers to attain higher performance and accept responsibilities. This will boost the morale of the staff that is ready to support and achieve organization goals of the school.

On the other hand, teachers of DSS schools do have their worries. There are worries of wage cut or being laid off when financial situation of a school turns bad, possibly due to the poor enrolment rate of students. The sense of job insecurity, if not managed properly, might create tension among staff, which in turn might adversely affect the quality of teaching and learning on one hand, and staff management relation on the other.

Do DSS schools really enhance competition?

Given the short history of fifteen years, it may still be early to judge the extent to which the DSS schools have enhanced competitions among schools across sectors, in terms of input, process and output of educational investment. What is certain is that competitions do exist. In this era when the economy is recovering and the total birth rates are declining, the competition in student's recruitment at primary level is particularly keen. One interesting example of competition between the aided school sector and DSS sector happened when the Hong Kong Baptist University (HKBU) announced the establishment of an affiliated through-train DSS school at Shatin in early 2004. The issue initiated fierce debates in both the Shatin District Council and the Legislative Council. Opponents criticized the new school for its strong university background and complained that it could draw away the best students from the district. The demand for the District Council to limit its students' recruitment within the Shatin district to 15% of its total student population as a condition for approving financial

subsidy of the construction costs was raised. Eventually, HKBU has to compromise with the condition before gaining approval of grant from the Financial Committee of the Legislative Council.

Competitions exist and will become intensified when some schools become more competitive. Wong (1993) investigated, from teachers' perspectives, the changes in the five pilot (private non-BPS) schools (Table 6) in the first two years after joining DSS. The study showed that not only teachers' quality, facilities and equipments of these schools have improved. The schools also tried to make effort on promoting their images and reputation in the community. Ip (1994) studied the organizational change of one of the five schools and discovered the school was driven by the political change of 1997 and the economic crisis to adopt a pragmatic approach to join the DSS. The study showed that there was a rise in the salaries of teachers, thereby enhancing their morale, job satisfaction and positive attitude towards teaching. This has certain impact on improvements on student intake. Recent report shows that all those five schools have achieved great progress on results, extra-curricular activities, school administration, and facilities. Four out of five schools have expanded a number of branch schools. For example, Heung To Middle School has opened two branch schools in Tin Shui Wai and Tseung Kwan O respectively. Fukien Secondary School has opened two branch schools in Kwun Tong and Siu Sai Wan respectively. The other two schools also have operated or planned new branch schools in different parts of Hong Kong. This reflects that DSS schools are basically welcomed by the public. The students of Heung To Middle School and Fukien Secondary School achieved above average results in HKCEE in recent years, with a few students achieving 9A. The university entrance

rate is also climbing in the past decade. Many students won prizes in the Hong Kong Schools Music Festival and other extra-curricular activities. These marked improvements enhance the reputation of these schools and their competitiveness. For the latest development in 2006, one of the reputed government secondary schools, King's College is planning to join DSS as a means to recruit students with better academic ability and to improve the quality of the school as a whole. The response of the EMB seems quite positive. This signifies that the government would promote the transformation of government schools to DSS schools as a means to preserve the traditional role of government schools as role models of or "light house school" for quality education.

Although the traditional or elitist aided turned DSS schools encounter a lot of difficulties and challenges during the transitional period, most of them are able to chart a new course in finance and management. Chung (2002) identified 12 management strategies of a traditional aided turned DSS school and discovered that the school has successfully incorporated school-based management concept with the market-driven mechanism of DSS. These strategies helped the school overcome her difficulties during the transition and at the same time benefited from impressive student results. By and large, most of the traditional or elitist aided turned DSS schools continue to gain popularity from the public. The competition on pursuing for places among these schools remains keen. Apart from receiving income from school fees and government subsidy, these traditional elitist DSS schools have

excellent connections with generous donors and past students for collecting donations, which enables them to set up endowment for further development.

It is still early to judge whether the newly established DSS schools can achieve successful outcome. Yet, most of the newly established DSS schools are supported by school sponsoring bodies of strong financial background. As such, they can easily do promotion and publicity regarding their vision, reputation, facilities, curriculum, teaching force, and strategies on teaching and learning. As most of them match well with the policy highlight of the government on current education reform, again, inevitably, they pose a direct challenge to those aided schools which produce less pleasing performance.

While the public education sector in Hong Kong plays the role of the mainstream education provider, the private sector helps to maintain the diversity, open opportunities and offer choices. It is envisaged that the private sector also provides quality education as in the public sector, to facilitate the long term social and economic development of Hong Kong. Bray (1996) reminds us that the private sector should not be regarded as a competitor of the mainstream public sector, but its essential supplement. Yet, healthy competitions of suitable amount do hasten improvement. DSS schools improvement inevitably help to push public funded schools to move forward to achieve quality education. Together, the public and private education sectors will contribute to each individual participant's enhancement of his/her quality and ability, and in aggregate, to society's progress and prosperity.

Endnote

- ¹ The BPS was considered to be a temporary measure of the Education Department in the 1980s. It was adopted after the enactment of "nine years compulsory education policy", which created an upsurge of demand for school places. In order to cope with the acute demand, the Education Department bought school places from the private school sector. In 1987, the number of places bought for S1 - S3 constituted 21.4% of the total of government and aided schools' places in 1987. While implementing the policy, the Education Department discovered that most private schools in Hong Kong were substandard in terms of school building, facilities, or qualification of teachers. Consequently, they could only attract students with poorer academic standard and who were normally not admitted to government and aided schools.

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