

## Cabinet Paper material

### Proactive release

Minister & portfolio Hon Chris Hipkins, Minister of Education  
Name of package Replacing Education Deciles with the Equity Index  
Date considered 16 September 2019  
Date of release 24 September 2019

#### These documents have been proactively released:

**Cabinet paper - Replacing Education Deciles with the Equity Index**

Date considered: 11 September 2019, Social Wellbeing Committee

Author: Ministry of Education

**Social Wellbeing Committee minute – SWC-19-MIN-0122**

Date considered: 11 September 2019, Social Wellbeing Committee

Author: Cabinet Office

**Cabinet minute – CAB-19-MIN-0472**

Date considered: 16 September 2019

Author: Cabinet Office

#### Material redacted

Some deletions have been made from the documents in line with withholding grounds under the Official Information Act 1982. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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In Confidence

Office of the Minister of Education

Chair, Cabinet Social Wellbeing Committee

## **REPLACING EDUCATION DECILES WITH THE EQUITY INDEX**

### **Proposal**

1. This paper seeks in principle agreement to replace the decile system with an Equity Index to allocate resourcing for schools and early learning services (early childhood education services and ngā kōhanga reo).

### **Executive Summary**

2. The negative effects of socio-economic disadvantage on educational achievement are well documented. Addressing the impacts of socio-economic disadvantage on learners' outcomes is critical to ensuring all New Zealanders are supported to achieve their full potential. This is aligned with the Government's Child and Youth Wellbeing Strategy.
3. In May 2018 [CAB-18-MIN-0208] Cabinet agreed to rescind the previous Government's decision to replace the decile system (used to target funding to schools and services) with the predictive Risk Index, instead redeveloping it as an Equity Index. The Risk Index had been developed to estimate the number of children in each school and service at greater risk of educational underachievement due to being amongst the 25% most disadvantaged learners in the country. I instructed the Ministry of Education to proceed with recalculating deciles for the 2020 calendar year.
4. Over the past year, the Ministry of Education has been redeveloping and refining the Equity Index to better identify the equity challenge faced by schools and services. I am confident that the Equity Index better reflects the actual level of socio-economic disadvantage faced by children than the decile system. Replacing deciles with the Equity Index will enable better targeting of resourcing to mitigate the impacts of disadvantage. Furthermore, due to delays in Census 2018 data becoming available, it is no longer possible to recalculate deciles for the 2020 calendar year.
5. I am seeking in principle agreement from Cabinet to replace deciles with the Equity Index. The Ministry of Education has advised that the Index will be technically ready to implement in schools in the 2021 school year, however significant engagement with the sector will be needed before confirming when to shift. I am seeking this in principle decision now to be able to provide certainty around the future of the decile system to the education sector and the New Zealand public.
6. My intention is that an appropriate version of the Equity Index will also be used for early learning, although potentially introduced over a somewhat longer term. Exploratory work has commenced but is in the early stages of development. Most

equity funding for early learning is allocated based on the same type of census data as school deciles.

7. The significance of the shift from deciles to the Equity Index should not be underestimated and I would like to direct the Ministry of Education to engage widely. There are two key phases to the engagement. Phase One involves the design of the operational use of the Equity Index, including decisions on which supports it should be used to allocate. If Cabinet agrees to the decision in principle to move to the Equity Index, Phase One will commence immediately in order to shape a package for Budget 2020 or subsequent budgets. Phase Two will cover the practicalities of the implementation, once the package of supports has been designed and agreed. This will include the financial impacts on individual schools and services and the transition plans. I will do this in conjunction with changes to the isolation index, which provides a measure of the relative isolation of schools and early learning services. The isolation index is used to determine eligibility for, and level of, additional resourcing to mitigate the additional challenges of isolation.
8. In order to implement in the 2021 school year, significant engagement to build support and trust in the model is needed. I also consider that additional investment in equity is required, which I will seek through Budget 2020. As New Zealand's investment in equity is low compared to other OECD countries, this should take the form of both additional funding to lessen distributional impacts as well as other supports that will help children from socio-economically disadvantaged backgrounds achieve in education.
9. Phase One engagement will include discussing the Equity Index in detail, initially with principals, then with teachers, service leaders, parents, whānau and the wider public. While there is currently high level support for the replacement of the decile system within the education sector, the change to the Equity Index is likely to be disruptive for many schools and services. There will be distributional impacts, with some schools and services becoming better off and others worse off. This is due to the blunt and imprecise nature of decile. To ensure that widespread strong support is built for the concept, the sector and the public need to understand more about how the Index will work, different ways it could be implemented and how the transitions will be managed. The sector and public will be able to feed into the design process for the supports provided to schools and services. This engagement needs to start soon to enable it to be thorough and to contribute to the design of the package of supports for schools and services. No matter what the design is there will be redistribution effects.

10. s 9(2)(f)(iv)
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## Background

11. One of the key themes emerging from the Education Conversation | Kōrero Mātauranga is the need for our education system to better support equity. Too many children face greater barriers to educational achievement because of their socio-economic circumstances and are not being adequately supported to reach their full potential. The Equity Index is a key tool that could be used in the education sector to help mitigate socio-economic disadvantage and improve equity of education outcomes, thereby helping to implement the Child and Youth Wellbeing Strategy.
12. On 14 May 2018, Cabinet rescinded the previous government's decision to replace the decile system with a predictive Risk Index and agreed that this index be refocused and further developed as an Equity Index.
13. The previous Government had announced a “no losers” transition policy from decile to the Risk Index. This was an unfunded promise. Decisions on funding were to be made through the Budget 2018 process. To enable it to work would have required two parallel funding systems running indefinitely: the old decile system for schools that lost funding and the Risk Index related one for schools that gained additional funding. The “no losers” scenario would have required a substantial quantum of funding to be injected without necessarily achieving the desired system improvements.

## Differences between educational deciles and the Equity Index

14. The decile system (and its early learning equivalent EQI) uses information about the neighbourhoods (census meshblocks) that children live in, and considers five indicators to determine socio-economic status. These are:
  - percentage of households with income in the lowest 20% nationally;
  - percentage of employed parents in the lowest skill level occupational groups;
  - household crowding;
  - percentage of parents with no educational qualifications;
  - percentage of parents receiving income support benefits.
15. The decile system is a blunt tool with several limitations:
  - deciles can only be updated after each census;
  - schools are divided into ten equal groups with ten percent of schools in each decile. The allocation does not take into account whether all the schools in each decile band face the same challenges or the number of students at each school. This also means students are not equally distributed across the deciles;
  - more students attend higher decile schools due to the stigmatising effect of the low decile label;
  - deciles do not reflect the wide range of income levels within schools.
16. Similar limitations apply to early learning.

- 17.** The Equity Index provides a way to better target equity funding and other resourcing to schools and services than the current decile system. Its main advantages are that:
- it is based on the circumstances of individual children and young people, rather than of the neighbourhoods they live in;
  - it uses a larger number of indicators correlated with socio-economic disadvantage, weighted based on their statistical relationship to educational achievement;
  - the data it uses is updated more regularly than the five-yearly census; the output from the index itself can be updated yearly, ending disruptive post-census recalculation shifts in decile funding.
- 18.** While originally presented as a “Risk Index” in 2017, the index has since been refocussed as an “Equity Index” and is more closely aligned with child poverty reduction and wellbeing aims. While both the Risk Index and the Equity Index draw on government administrative data held in Statistics New Zealand’s Integrated Data Infrastructure (IDI), this change in terminology reflects the fact that the index is not intended to “predict” the chance that a child will not achieve in education. The aim of the Equity Index is to highlight whether there are socio-economic factors present in the lives of groups of children that require the education system to be structured and resourced in a way that gives all children an equitable chance of success.
- 19.** Another key change to the methodology has been to shift away from identifying the proportion of students in each school most at risk of educational underachievement. Previously, the Risk Index used a risk-focused method of identifying the proportion of students at each school who were among the 25% most disadvantaged children in New Zealand. The revised Equity Index considers the whole school population when assessing the level of disadvantage of a school, meaning that it takes into account the circumstances of all students, not just those who are most “at risk”. This change is more reflective of the school’s disadvantage profile as a whole and is consistent with the finding that concentration of disadvantage in a school matters for educational progress and achievement.
- 20.** How the index will be communicated with the schools and public has also changed. Instead of assessing school level equity resourcing as a band (decile) or a percentage, the Ministry of Education will transpose Index outputs on a different numeric scale. For example schools could be allocated an output on a scale with a median of 400 and a standard deviation of 50<sup>1</sup>. Similar approaches are used in other international education resourcing systems for Australian central government and New South Wales. This supports greater accuracy and flexibility in resourcing allocation, while also reducing the likelihood for a longstanding label and the associated stigmatising impacts.
- 21.** Changes to the Equity Index methodology for schools also respond to concerns raised by the education sector that the measure of educational success used in the Risk Index was too blunt. In order to identify the socioeconomic factors that affect a child’s ability to achieve in education, the Index looks at how students fared against a specific measure of educational success. Previously, the Risk Index measured a

<sup>1</sup> Discussed in more detail in Annex 1

simple pass/fail at NCEA level 2. This measure has now been broadened to consider the spectrum of actual achievement across both NCEA levels 1 and 2, giving a more nuanced view of the equity challenge at each school.

22. As mentioned above, the Equity Index for schools is created using a basket of variables that are statistically linked with socio-economic disadvantage and educational achievement. The 2019 version of the index uses 26 variables and further variables are being considered. These variables are anonymised government administrative data in the IDI and are used as a “basket” rather than being individually ordered, i.e. two identical scores could be arrived at via two different baskets of variables. Within the IDI, school enrolments are matched against the variables, weighted and then combined at a school level.
23. The Equity Index value per school is then extracted from the IDI, subject to Statistics New Zealand privacy rules which have also been confirmed with the Office of the Privacy Commissioner. Individual variables are never extracted, nor is student-level data.
24. The variables used in the 2019 Equity Index IDI output are listed alphabetically in Table 1 below.

**Table 1: Variables used in the Equity Index**

<b>Variables used in the Equity Index analysis</b>
Care and protection family group conference of the child, ever
Care and protection investigation of the child, ever
Care and protection notification of the child, ever
Care and protection placement of the child, ever
Community service of the father/mother after 5 years before birth of child of interest <sup>2</sup>
Father/mother in prison custody after 5 years before birth of child of interest
Fathers/mothers education level
Mothers age at her first child
Mothers/Fathers age at birth of child of interest
Number of children mother had at birth of child of interest
Number of home changes, lifetime
Number of non-structural <sup>3</sup> school changes, lifetime
Number of school & home changes, lifetime
Number of school changes, lifetime
Number of structural school changes, lifetime
NZ-born/not
Proportion of life on the benefit (child)
Proportion of life overseas (child)
Proven charges of the father/mother after 5 years before birth
The cumulative mean <sup>4</sup> first-tier-expenditure benefit income of the father/mother

<sup>2</sup> Child of interest: i.e. this child, not his/her siblings

<sup>3</sup> A structural school change is one that is caused by the first school not offering the next year level. E.g. from primary to intermediate or secondary school. Structural moves are usually at the start of year 7 and or year 9. A non-structural change is a movement between schools at any other point in a child's schooling.

<b>Variables used in the Equity Index analysis</b>
The cumulative mean salary income of father/mother
The cumulative mean second-tier-expenditure benefit income of the father/mother
The cumulative mean self-employed income of father/mother
Youth justice family group conference, ever
Youth justice notification, ever
Youth justice placement, ever

25. I consider that the Equity Index offers valuable insights into the distribution of socio-economic disadvantage across the education system, and its impact on learner outcomes. The Equity Index also allows us to more accurately aggregate data across the education system to better understand the impacts of disadvantage at sub-population levels.

### **Mitigating the impact of stigma**

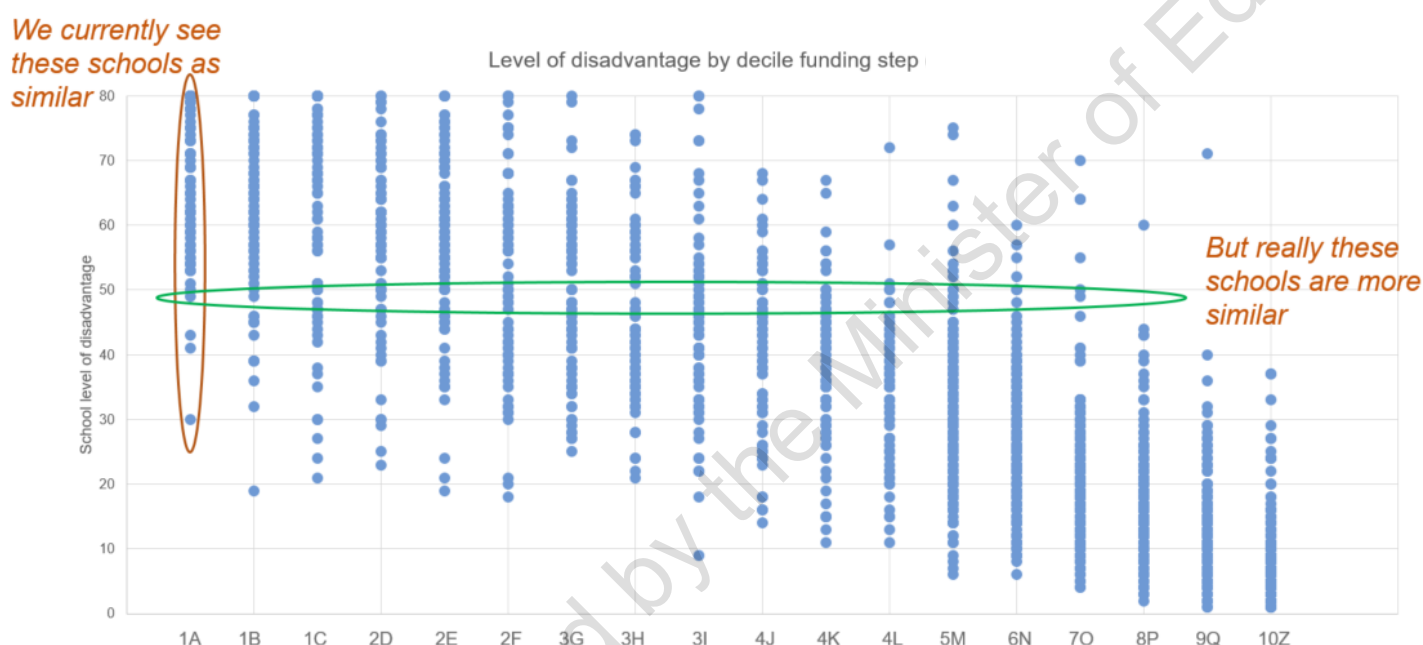
26. Particularly in the schooling sector, the decile rating system is commonly misunderstood as a measure of school quality, as opposed to its true purpose as a measure to target funding to address socio-economic disadvantage. This has had major impacts on how schools are viewed, enrolment patterns, property costs, staffing of schools and how students view their educational opportunities.
27. Transitioning to the Equity Index presents an opportunity to mitigate against the stigmatising impact of targeted equity resourcing. Both Phase One and Phase Two engagement are an opportunity to build a clearer understanding with schools and services, parents, whānau and wider communities about what the Index is, what it does, and that it is not a proxy for school quality.
28. Addressing or mitigating potential stigma associated with the Index requires a broad range of actions to influence change. In addition to transposing the scale of the Index, discussed in paragraph 20, the Ministry of Education is investigating key levers including:
- investigating what other actions the Ministry can undertake to support mitigating stigma associated with equity resourcing. This could include additional communications and resources, transition support for schools, leadership support and more. The Ministry of Education will look to gain insights from the sector and wider communities during the Phase One engagement process to inform what these supporting actions may look like, and;
  - publishing other measures of school success such as the percentage of former students in employment, education or training a certain number of years after leaving school.
29. The strengthened focus on wellbeing and the wider range of supports provided to schools should also help mitigate stigma.

### **Analysis of Equity Index findings for the schooling sector**

4 Cumulative mean: this means that we take the lifetime average at that age, from the birth of the child.

30. The analysis completed to date and presented in this paper is based on the 2018 Equity Index output which uses 2017 school enrolments. The August 2019 Equity Index output (using 2018 enrolments) is currently being analysed by the Ministry of Education. Initial indications are that the insights from the earlier analysis appear to be broadly consistent with the newer data.
31. The different picture of disadvantage presented by the Equity Index at a school level is illustrated by the graph in Figure 1. This graph uses the 2018 Equity Index output with 2017 enrolment data.

Figure 1: Level of disadvantage as measured by the Equity Index by decile funding step



32. As shown above, the move from deciles to the Equity Index will be disruptive. There are schools whose current decile does not accurately reflect the level of disadvantage in their school population. While some of these schools will gain funding, some will lose funding.
33. The Equity Index shows that disadvantage matters for educational progress and achievement. The analysis completed using the 2018 iteration of the Index shows the following:
- most students go to schools with low levels of disadvantage; however, most disadvantaged students go to schools with very high levels of disadvantage (above 45%). Often these schools are small, and many in this category are Māori medium
  - an increasing number of schools have either high or very low levels of disadvantage with fewer schools having moderate levels ('moderate' being defined as 10-45% of the students coming from socio-economically disadvantaged circumstances)



- once schools get beyond 30% of their students from disadvantaged circumstances they struggle to achieve (e.g. secondary schools are unlikely to achieve high NCEA Level 2 achievement rates at these levels of disadvantage)
  - a high concentration of disadvantage in a school impacts on all students in the school, not just those from disadvantaged circumstances.
34. The Equity Index enables a more nuanced analysis of schools. Despite the fact that most schools struggle to achieve at higher levels of disadvantage, some schools show quite different patterns. We are able to compare schools' NCEA achievement both with schools with similar levels of disadvantage and after adjusting for their relative levels of disadvantage. This enables us to see which schools perform well for students from disadvantaged backgrounds over time. For example, most Māori medium schools have considerably higher levels of achievement than English medium schools with the same levels of disadvantage. Some schools with low levels of disadvantage are not performing as well as would be expected compared with similar schools.
35. This nuanced view of achievement also enables more accurate comparisons of secondary schools based on how well they achieve equity for particular groups, such as Pacific learners. These education system wide views will enable us to learn from the schools that are doing well and to provide additional support to schools that are not doing well.

### **The Equity Index should replace the decile system as soon as practicable**

36. The Ministry of Education is continuing technical work, such as reviewing the technical validity and evidence base of all the socio-economic variables. This will improve the Equity Index's performance in identifying students facing socio-economic barriers.
37. A revised version of the Index will be ready, from a technical standpoint, to replace the decile system as a mechanism for allocating resourcing to schools from the 2021 school year. If the shift to the Index were to occur in 2021, technical deployment would need to begin in June 2020.
38. I am confident, based on the work to date on the current model, to take the decision now to change to the Equity Index.
39. Work to date on the Equity Index has focussed on the compulsory schooling sector. My intention is that an appropriate version of the Equity Index will be used to allocate funding for equity in early learning, although likely over a somewhat longer term.
40. The Ministry of Education has commenced initial exploratory work on an appropriate Equity Index model for early learning, and will report back by the end of 2019 on the feasibility and a possible implementation timeframe.
41. On 14 May 2018, I advised Cabinet that I had instructed the Ministry of Education to proceed with planning to recalculate deciles based on Census 2018, to take effect in 2020 [CAB-18-MIN-0208]. This standard five-yearly recalculation has now been delayed as the Census 2018 data will not be released in time for implementation in 2020. The earliest a decile recalculation could be completed is 2021, but there is still

uncertainty around this. Decile recalculation causes significant disruption to schools and services that change decile. Hence, even when the 2018 data becomes available it does not make sense to put some schools and services through the double disruption of both a decile change and the switch to the Equity Index if we are moving to the Equity Index in the next few years.

42. I therefore propose to maintain schools and services' current decile or EQI ratings until they can be replaced with the Equity Index. Schools and services would still have the right to seek a review of their decile rating during this time, if the characteristics of their learner population has shifted since the last decile recalibration. This review would be assessed using Census 2013 data for schools and Census 2006 data for early learning services (as EQIs have not been updated for early learning services since 2006).
43. In their draft report *Our Schooling Futures: Stronger Together* | *Whiria Ngā Kura Tūātitini*, the Independent Taskforce on the Review of Tomorrow's Schools (the Taskforce) recommended implementing the Equity Index as a resource allocation tool, including as a replacement for decile, as soon as possible<sup>5</sup>. This recommendation is echoed in the Taskforce's final report and, while I am still considering the response to that report, I am keen to progress this element quickly.

### Early engagement with stakeholders

44. I am committed to engaging meaningfully with key stakeholders and interest groups who are likely to be affected by a shift from decile based funding to the Equity Index. I want to ensure learners, whānau, families, teachers and wider communities understand the changes being proposed and can provide feedback on how to implement the new model. I also want to ensure these groups help inform decisions on what additional supports and accountabilities are the most suitable for equity-based resourcing in the future.
45. Following an in-principle decision, the Ministry of Education will commence Phase One engagement with the public and key stakeholders to achieve five key aims:
- gathering feedback from principals and other key stakeholders on the use of the Equity Index, and the supports that schools and services need;
  - informing people about the need for equity-targeted resourcing in New Zealand's education system;
  - generating understanding and trust in the Equity Index as a tool to allocate resources;
  - reducing and mitigating potential stigma related to the Equity Index;
  - generating understanding of the most effective ways to use the resourcing to mitigate disadvantage.
46. The Ministry of Education will first undertake a series of engagements with principals and other key stakeholders followed by public information sessions (one in each Ministry region, with three in Auckland). A smaller number of regional workshops with students and other key sector stakeholders including teacher and principal unions,

Māori-medium bodies, iwi, Pacific communities, other ethnic communities and the School Trustees Association will also take place.

47. Insights gained from the Phase One engagement process will inform the design of the package of supports s 9(2)(f)(iv)
48. Phase Two engagement with key stakeholders will also be needed once the package of supports has been designed and prior to implementation to ensure support for, and trust in, the Index as a tool for targeting resources and a smooth transition.

### **Implementing the Equity Index for schooling**

49. Funding for equity is currently allocated as part of the operational grant. The two main components are Targeted Funding for Educational Achievement (decile funding) and the Targeted At Risk Grant (eligibility is based on benefit dependency).
50. I recommend that we replace the operational grant components Targeted Funding for Educational Achievement and the Targeted At Risk Grant with funding based on the Equity Index.
51. Decile is also used to weight two other operational grant components including the Special Education Grant (see paragraph 84). The Ministry of Education will report to me later in 2019 with details around how the Index will be applied to calculate school operational funding, the proposed timeframe for the transition in the context of the wider Education Work Programme, and transition arrangements.
52. Decile is also used as a factor in the allocation of other Ministry of Education resourcing, including:
  - workforce related incentives in low decile schools, such as eligibility for voluntary bonding and additional payments to principals;
  - Ministry of Education provided learning support, such as Resource Teachers: Learning and Behaviour.
53. Decile is also used as a proxy for socio-economic status in a number of Ministry of Education statistics and reports. Other government agencies also use this proxy as do some NGOs and research organisations.
54. The Ministry of Education has informed me that all of these uses can be replaced with the Equity Index. Some will require phasing. The Ministry of Education will report to me later in 2019 with the transition plan for the replacement of other uses of decile with the Equity Index.
55. Because of its more accurate targeting, the Ministry of Education is already using the current version of the Equity Index instead of decile to allocate Reading Recovery and 50% of Professional Learning and Development funding to Ministry of Education regions. Local offices then make allocation decisions informed by their local knowledge. Many other education supports and programmes will also be able to be better targeted via the Equity Index than at present. Equity weightings may be able to be added to universal supports.
56. Other Government agencies also use decile for targeting programmes (for example Social Workers in Schools and School Based Health Services) as do non-

Government organisations (for example KidsCan). The Ministry of Education has commenced discussion on the possible use of the Equity Index with other Government agencies. Discussion with NGOs will only be possible once Cabinet has agreed in principle to replace deciles with the Equity Index.

### **Implementing the Equity Index for early learning**

57. Current funding for equity purposes in early learning comprises a range of components. Equity Funding Component A and Targeted Funding for Disadvantage specifically target socio-economic disadvantage. The former uses EQI (equivalent to deciles 1 to 4) for allocation and the latter uses benefit dependency. When implemented, an appropriate version of the Equity Index would allocate these funding streams.

### **Equity Package for schools and services**

58. The current level of equity resourcing across the schooling system is 2.9% (\$150 million per annum) of operational resourcing. It is allocated through four operational grant components: Targeted Funding for Education Achievement, Targeted At-Risk Grant and the additional decile weighting on two other components. This quantum is not providing sufficient additional resourcing to those schools that need it most. The proportion of funding is similar in early learning.
59. While it is difficult to compare school funding systems internationally, we know that comparable international jurisdictions allocate approximately 6% per annum, and in some cases significantly more than this. Victoria, Australia allocates 5.8%, England 6%, Northern Ireland 6.9%, The Netherlands 7% (for primary schools), Massachusetts, USA 12.8%, and Chile 16%. If equity funding in New Zealand was 6% of total operational resourcing it would be \$340 million per annum.
60. The introduction of the Equity Index should be accompanied by an increase in the overall level of equity resourcing to ensure that all schools and services are adequately equipped to mitigate the socio-economic barriers faced by their learners. As part of the shift to the Equity Index, the Ministry of Education is exploring the allocation of school resourcing for equity and the provision of other supports through a number of other mechanisms. These include teaching staffing entitlement, other school staffing, Professional Learning and Development, property funding and social services in schools. An option the Ministry of Education is exploring further is including some or all of these forms of resourcing in wraparound packages of support to eligible schools.
61. I have instructed the Ministry of Education to work towards developing an equity package that takes a system wide approach to improving equity in the education system using engagement to help shape the package.
62. I intend to seek funding for this package of supports through Budget 2020 or subsequent budgets. This would result in an increase to the overall quantum of resourcing that is targeted towards mitigating socio-economic disadvantage so that New Zealand's investment in equity is more in line with comparable jurisdictions. It would also provide short term transition funding for managing the distributional

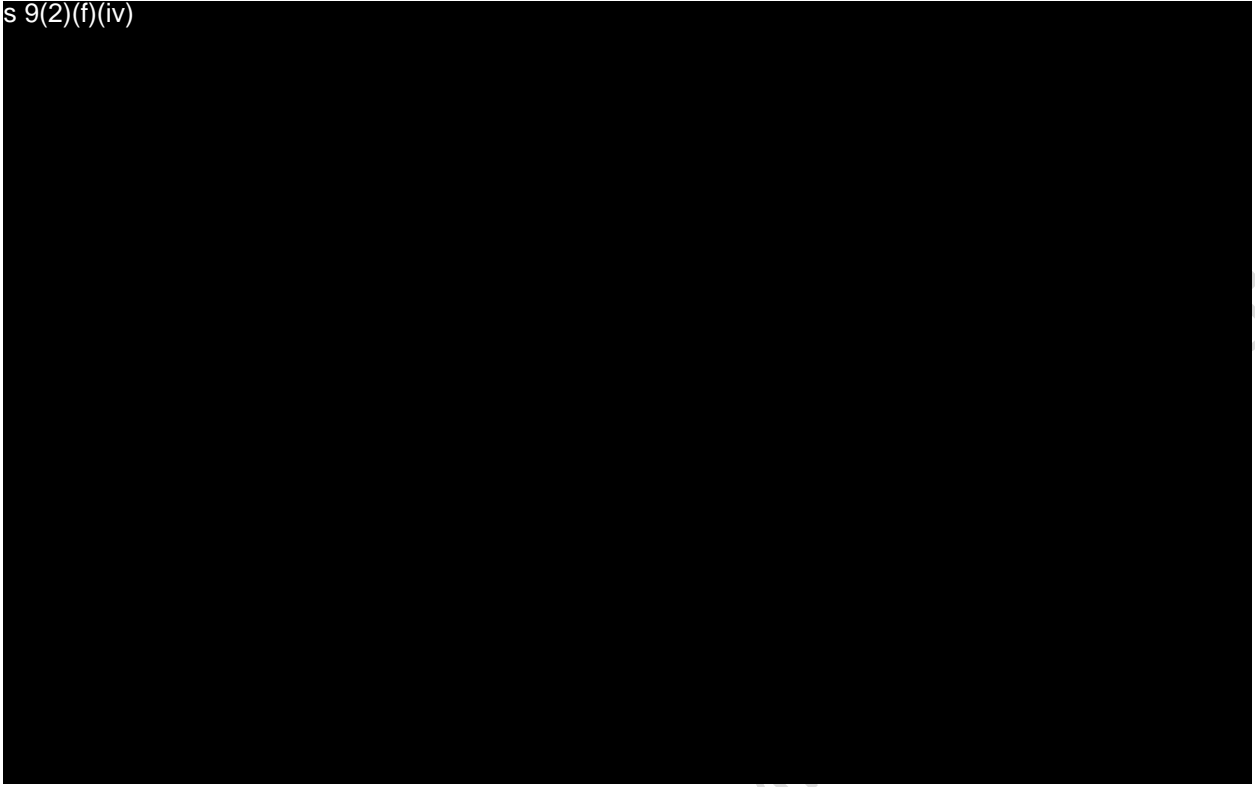
impacts of moving to the Equity Index. The funding increase is consistent with the broader social system commitments to child and youth wellbeing and equity of outcomes outlined in the Child and Youth Wellbeing Strategy.

63. There is a significant economic and social cost associated with learners from disadvantaged circumstances not achieving because their schools and services are not adequately equipped to meet their needs. To be successful in the future as a country we need better educational outcomes for all our learners. Good educational outcomes are correlated with positive health and employment outcomes and lessened interaction with the justice system. To achieve these aims we need the education system to work harder for children from disadvantaged backgrounds. Adequate resourcing is a key enabler for this occur.
64. It is necessary to signal these changes to the education sector early and to be able to provide certainty about what the shift will mean for schools and services. This change is significant for the sector and will affect all schools and services in some way.
65. Once the package is agreed, Phase 2 engagement will begin. This will involve working through implementation details and transition plans for schools and services as these can only be confirmed once the package is agreed to. There may be significant resistance from those schools and services that lose funding so a greater lead in time is preferable.
66. The effectiveness of the Equity Index changes will need to be assessed over time. An approach to evaluation will be developed as part of the Budget bid.


s 9(2)(f)(iv)

67. s 9(2)(f)(iv)

s 9(2)(f)(iv)



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68. s 9(2)(f)(iv)



### **Wider Education Work Programme**

69. The proposal to replace deciles with the Equity Index is part of a wider Education Work Programme that addresses inequity in the education system. This work programme is organised around five main objectives, one of these being barrier-free access to education, including those barriers caused by socioeconomic disadvantage. The Equity Index supports the aims of the Education Work Programme by better identifying those schools and services that need the most additional support to help learners facing these barriers to thrive and succeed.
70. Other work across the Education Work Programme also supports this objective. The Tomorrow's Schools review focusses on structural change to promote equity and excellence and ensure every learner achieves educational success. As noted in paragraph 43, the Taskforce sees a move from deciles to the Equity Index as integral to that programme of change.
71. The proposal to replace deciles with the Equity Index, by targeting financial support more effectively, also complements the Budget 2019 Donations Scheme, which was designed to particularly benefit schools with high levels of socio-economic disadvantage. The scheme is currently targeted to decile 1-7 schools. The removal of deciles is an opportunity to reconsider the targeting of this policy.

72. Another key initiative within the Education Work Programme is the NCEA review, which seeks to strengthen NCEA for all young people through a package of changes. This includes changes to simplify and strengthen qualifications, as well as measures to make NCEA more accessible for all students so that everyone has an equal opportunity to achieve. An important step towards this is the removal of NCEA fees, which was announced through Budget 2019, meaning that there is no cost barrier to students receiving their NCEA qualifications.

### **Child and Youth Wellbeing Strategy**

73. As discussed previously, a shift to the Equity Index is aligned with the aims of the Child and Youth Wellbeing Strategy as it will enable better targeting of resourcing to address the impacts of socioeconomic disadvantage on learner's outcomes. Providing more equitable resourcing to schools through a shift to the Equity Index is included in the current programme of action, as this will support children and young people to learn and develop. Additionally, those schools able to participate in the free and healthy lunches in schools programme all have high levels of disadvantage, according to the Equity Index.

### **Isolation Index**

74. I also intend to update the isolation index which was created in 2001 and has not subsequently been updated. The isolation index determines the relative isolation level of each school and early learning service, and affects a range of isolation-based resourcing. This includes Targeted Funding for Isolation, which is an operational grant component. Changes in the isolation index will also have distributional impacts for schools, so I intend to update this index at the same time as introducing the Equity Index in order to jointly manage the transitions for both indexes.

### **Consultation**

75. The Treasury, Inland Revenue, Ministry of Social Development, Ministry of Health, The Education Review Office, Ministry for Women, Statistics New Zealand, Ministry for Pacific Peoples, Oranga Tamariki-Ministry for Children, Ministry of Justice, State Services Commission, Te Puni Kōkiri and the Department of the Prime Minister and Cabinet were consulted on this paper.
76. Statistics New Zealand has set up a Data Ethics Group. The Ministry of Education will engage with this group on the Equity Index.

### **Financial Implications**

77. The introduction of resourcing based on the Equity Index should be accompanied by an increase in the overall level of equity resourcing to ensure that all schools and services are adequately resourced to address the socio-economic barriers their learners face. I intend to seek funding for this through Budget 2020 or subsequent budgets, as well as transition funding for managing the distributional impacts of moving to the Equity Index.

78. s 9(2)(f)(iv)

79. s 9(2)(f)(iv)

### **Legislative Implications**

80. There are no legislative implications.

### **Human Rights**

81. The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. This proposal supports equity in educational achievement, which is correlated with positive health and employment outcomes and lessened interaction with the justice system.

### **Gender Implications**

82. Sole parent households are overrepresented amongst households with high levels of material deprivation. Eighty-four percent of sole parent households are led by women. The use of the Equity Index is likely to result in an increase in funding for some of the schools and services children from these families attend. The Equity Index may also be used for allocation of other wraparound supports that benefit children in sole parent households led by women.

### **Disability Perspective**

83. New Zealand is a signatory to the UN Convention on the Rights of People with Disabilities. The Equity Index does not include variables related to disability. The proposed move to the Equity Index is at a school level and will not affect individual eligibility for the Ongoing Resourcing Scheme (ORS).

84. Research in both New Zealand and overseas indicates that there is a higher incidence of learning support needs in schools with high levels of socio-economic disadvantage. Education deciles are currently used to weight or allocate a few components of the wide range of learning support provided by the Ministry of Education. The Special Education Grant is a roll based component of all schools' operational grants and is currently weighted by education decile. It supports schools to provide inclusive learning environments for children with disabilities and other learning support needs. Equity Funding Component B has a similar role in early learning.

85. School deciles are also one of a range of factors in the allocation of other resources such as Resource Teacher Learning and Behaviour (RTLb) funding, RTLb year 11+ funding, intensive wraparound service, severe behaviour service and positive behaviour for learning (PB4L). Appropriate adjustments to these allocation mechanisms will be included in the transition plan.



## Publicity

86. I propose to announce the replacement of deciles with the Equity Index and that the Ministry of Education will not be recalculating deciles using Census 2018 data, following Cabinet agreement in principle.

## Proactive Release

87. I propose to proactively release this Cabinet paper on the Ministry of Education website, subject to redactions as appropriate under the Official Information Act 1982.

## Recommendations

The Minister of Education recommends that the Committee:

1. **note** that the Census 2018 data will not be available in time to recalculate deciles for the 2020 calendar year;
2. **agree** that deciles not be recalculated using Census 2018 data;
3. **note** that this would mean that current deciles would remain in place until the decile system is replaced, other than for schools and services that successfully apply for a decile review using Census 2013 data;
4. **note** that the Ministry of Education is further developing the Equity Index with the intention that it is able to be used for allocating resourcing to schools from the 2021 school year;
5. **note** that the Ministry of Education has commenced initial exploratory work on an appropriate Equity Index model for early learning;
6. **agree in principle**, subject to the further development noted in recommendation 4 and 5 above, to replace the decile system with the Equity Index;
7. **note** that this would replace all use of deciles by the Ministry of Education;
8. **invite** the Minister of Education to announce the in principle decision to replace deciles with the Equity Index;
9. **note** that current equity resourcing to schools and services does not provide a sufficient level of additional resourcing to mitigate socio-economic disadvantage, and that the introduction of the Equity Index should be accompanied by an increase in the overall quantum of equity resourcing to schools and services;
10. **note** that funding for an equity package will be sought through Budget 2020 or subsequent budgets, including additional operational grant funding;
11. **note** that the Ministry of Education will be undertaking a two phase public engagement and that the first phase will commence immediately following the in principle agreement to shift to the Equity Index.

Authorised for lodgement

Hon Chris Hipkins

Minister of Education

Proactively Released by the Minister of Education

## Annex 1 Mitigating stigma

1. The decile rating system is commonly misinterpreted as a measure of schooling quality, as opposed to its true purpose as a measure to target funding to address socio-economic disadvantage. This has had major impacts on social stigma and how schools are viewed, enrolment patterns, staffing of schools and how students view their educational opportunities. Transitioning to the Index presents an opportunity to prevent, or at least mitigate against, the stigmatising impact of targeted equity resourcing.
2. One of the ways this can be done is by assessing how the Index is presented to the public (e.g. how it is presented on school funding notices). The Ministry of Education will present the Index on a different numeric scale. For example, instead of assessing school outputs as a percentage of a school roll or a set band, schools would be allocated an output on a scale with a median of 400 and a standard deviation of 50. Similar approaches are used in other jurisdictions (Australian central government and New South Wales), and this allows for greater accuracy and flexibility in resourcing allocation, while also reducing the likelihood for stigmatising effects. It is also feasible to implement, and supports better utility for targeting services and research.
3. This would provide schools with detailed information about equity resourcing, while also enabling a layer of protection for schools due to the technical nature of this presentation method.
4. There are a number of practical benefits:
  - It does not provide an easily comparable 1 to 10 rating system like decile, which equally distributes schools into 10 bands.
  - It is a relative measure. For example, if a school's Index output was released as a percentage of disadvantaged learners this could be compared to a school's roll to estimate the number of disadvantaged learners. A relative measure limits the potential for misuse as it is a less granular level of detail and cannot be directly multiplied by a school's roll information.
  - Individual school Index outputs and funding amounts would change on a yearly basis. This lowers potential for a long-standing 'label'.
5. Transposing Index outputs to a scale also supports use of the Index for more than just school resourcing, specifically for detailed research. Ministry of Education analysis using the Index to date shows the relationship between socio-economic status and educational achievement is complex. Utilising a detailed Index measure for research can build a more in-depth understanding of socio-economic disadvantage and what works in supporting students who face greater barriers to educational achievement.
6. This approach has been supported by other agencies including Statistics New Zealand, the Ministry of Health and Oranga Tamariki-Ministry for Children, as it still provides a granular mechanism for which other services and supports can be targeted, such as social workers, youth workers, nurses and potentially more.

### *Risks and mitigation*

7. A lack of understanding regarding this technical Index presentation method could create confusion around how the outputs work. This might result in negative public perception and acceptance of the Index.
8. Conversely there is an added risk that, despite actions to mitigate stigma, the Index may still be misused as a proxy for school quality as is currently the case with decile. This could result in similar outcomes as under the decile system, including “white flight”, concentration of socio-economically disadvantaged Māori and Pacific learners, and negative perceptions of schools and kura that are not based on quality of teaching and learning.
9. Potential actions to mitigate these risks include robust engagement and communications to be undertaken by the Ministry of Education. This can build trust and understanding around the concept of the Index, and how it will better target resources to schools who face greater socio-economic barriers.
10. One of the key objectives for the Phase One engagement is to build public trust and understanding in the model. One of the key messages for future engagement is to ensure parents, schools, and wider communities understand that the Index is not a proxy for schooling quality.
11. The Ministry of Education will also be engaging specifically on what other actions it can undertake to support mitigating stigma associated with equity resourcing. This could include additional communications and resources, transition support for schools, leadership support and more. Insights gained from the sector and wider communities during the engagement process to inform what actions we may undertake.
12. The Ministry of Education will continue to work with the sector representatives to understand how best to engage and communicate with schools on the transition to the Index.



# Cabinet Social Wellbeing Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Replacing Education Deciles with the Equity Index

**Portfolio**                      **Education**

On 11 September 2019, the Cabinet Social Wellbeing Committee:

- 1        **noted** that the Census 2018 data will not be available in time to recalculate deciles for the 2020 calendar year;
- 2        **agreed** that deciles not be recalculated using Census 2018 data;
- 3        **noted** that this would mean that current deciles would remain in place until the decile system is replaced, other than for schools and services that successfully apply for a decile review using Census 2013 data;
- 4        **noted** that the Ministry of Education is further developing the Equity Index with the intention that it is able to be used for allocating resourcing to schools from the 2021 school year;
- 5        **noted** that the Ministry of Education has commenced initial exploratory work on an appropriate Equity Index model for early learning;
- 6        **agreed in principle**, subject to the further development noted in paragraphs 4 and 5 above, to replace the decile system with the Equity Index;
- 7        **noted** that the replacement of the decile system with the Equity Index would replace all use of deciles by the Ministry of Education;
- 8        **invited** the Minister of Education to announce the in principle decision to replace deciles with the Equity Index;
- 9        **noted** that current equity resourcing to schools and services does not provide a sufficient level of additional resourcing to mitigate socio-economic disadvantage, and that the introduction of the Equity Index should be accompanied by an increase in the overall quantum of equity resourcing to schools and services;
- 10       **noted** that funding for an equity package will be sought through Budget 2020 or subsequent budgets, including additional operational grant funding;

- 11 **noted** that the Ministry of Education will be undertaking a two-phase public engagement and that the first phase will commence immediately following the in principle agreement to shift to the Equity Index.

Vivien Meek  
Committee Secretary

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**Present:**

Hon Kelvin Davis  
Hon Dr Megan Woods  
Hon Chris Hipkins  
Hon Andrew Little  
Hon Carmel Sepuloni (Chair)  
Hon Dr David Clark  
Hon Nanaia Mahuta  
Hon Stuart Nash  
Hon Jenny Salesa  
Hon Kris Faafoi  
Hon Tracey Martin  
Hon Aupito William Sio  
Hon Poto Williams  
Jan Logie, MP

**Officials present from:**

Office of the Prime Minister  
Officials Committee for SWC  
Office of the Chair of SWC

**Hard-copy distribution:**

Minister of Education



# Cabinet

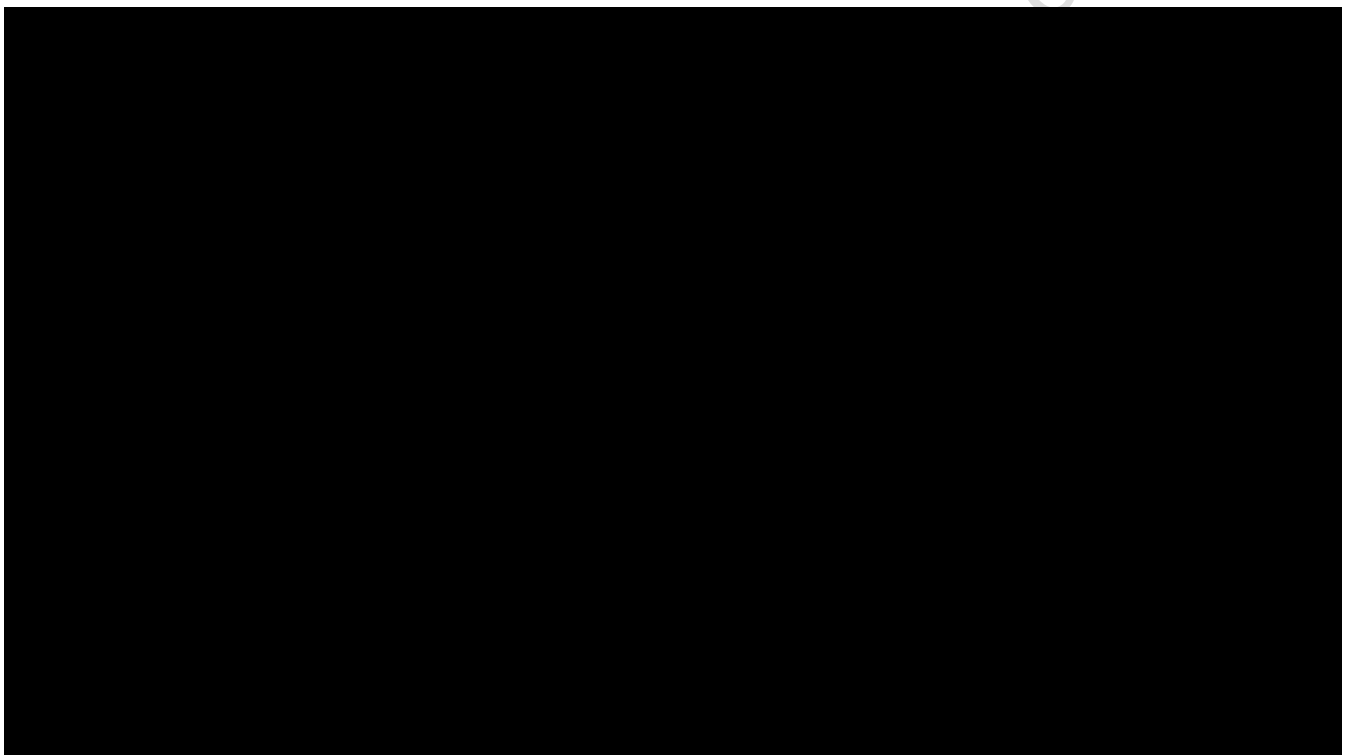
## Minute of Decision

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**Redactions made as content outside scope of Minister's portfolio responsibility**

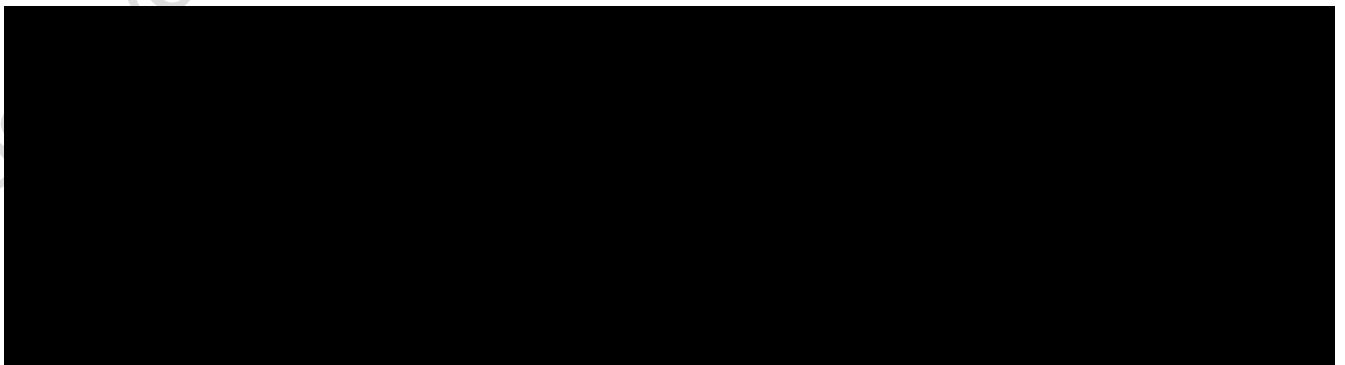
### **Report of the Cabinet Social Wellbeing Committee: Period Ended 13 September 2019**

On 16 September 2019, Cabinet made the following decisions on the work of the Cabinet Social Wellbeing Committee for the period ended 13 September 2019:



SWC-19-MIN-0122 **Replacing Education Deciles with the Equity Index**  
Portfolio: Education

CONFIRMED





Redactions made as content outside scope of Minister's portfolio responsibility

Michael Webster  
Secretary of the Cabinet

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**Hard-copy distribution:**  
Cabinet Social Wellbeing Committee

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