6 June 2023

Consultation on the Pay Parity Funding Review

We are pleased to provide comment to the Ministry of Education on the Pay Parity Funding Review

About Te Rito Maioha Early Childhood New Zealand

Te Rito Maioha Early Childhood New Zealand (ECNZ) is an Incorporated Society of members committed to high quality early childhood education for every child. Established in 1963, the organisation is an influential leader in shaping today's early childhood sector through advocacy, policy, tertiary education qualifications and professional development programmes.

We advocate for early childhood education services and the teachers|kaiako who provide education to thousands of infants, toddlers, and children|tamariki. Our members are drawn from a diverse range of community-based, privately-owned, kindergarten and homebased early childhood education services.

Te Rito Maioha is also a registered Private Training Establishment (PTE) with the highest Category One rating for a tertiary provider. We are accredited and approved by New Zealand Qualifications Authority (NZQA) to deliver a range of undergraduate, graduate, and postgraduate qualifications (levels 4-9), including specialist teacher|kaiako education, both nationally and internationally.

We are committed to achieving high-quality teaching and learning by:

- increasing teachers'|kaiako knowledge of Te Tiriti o Waitangi and Aotearoa New Zealand's dual cultural heritage;
- providing access to online blended delivery of undergraduate, graduate, and postgraduate tertiary education programmes leading to recognised and approved qualifications;
- promoting quality teaching and leadership through ongoing professional learning and development programmes;
- providing a range of unique resources and services to our members.

Introductory Comments

Early Childhood Education (ECE) in Aotearoa New Zealand delivers public value and is a public good. As of June 2022, there were 4,597 early childhood licenses that made up the ECE Network[i]. The diversity within our sector enables us to deliver significant public value and public good, individually, and collectively, for the citizens of our country.

The evidence is indisputable that what happens in ECE makes a difference for a lifetime. In 2015, the Organisation for Economic Cooperation and Development (OECD) published a report that represented a synthesis of the policy and practice statements of participating jurisdictions, establishing shared views of children's early learning and development. These views hold true today.

The report states: "Children's experiences early in life have a profound and long-lasting impact on their future. Helping all children receive positive and nurturing support in their early childhood is highly valued by members of the OECD ECEC Network. The more positive the early childhood experiences, the greater the benefit to caring and responsible societies.

The early years (from birth through the transition to elementary school to approximately eight years of age) are a period of intense learning and development, when tremendous changes occur in the brain over a short period of time. In the first year of life, the architecture of the brain takes shape at an astounding rate – approximately 700 new neural connections are being built per second. Studies have shown that that this process is not entirely genetically predetermined, but rather is significantly influenced by children's early experiences with people and their surroundings and their access to relevant/meaningful stimulation.

This influential period (0-8 years) is also characterised by the unprecedented physical, social, emotional, and cognitive growth (e.g., language and other communication) abilities. One way to significantly decrease gaps in achievement later in life is to provide enriching learning experiences to children well before they enter school.

High quality ECE settings can have profoundly positive impacts during the most sensitive early phase of children's development and learning. Access to high quality ECE settings can play a part in reducing social inequities. High quality, accessible ECE settings can enhance women's opportunities for employment, improve gender equity and reduce social risk and family poverty. It is important, when ECE policies and programs are being developed, that concepts of affordability and access be prime considerations.

The ability to derive social, long-term health and economic benefits, as well as the ability to contribute constructively to the community, hinges on the early years. Studies show that positive early experiences lead to improved determinants of health, resulting in fewer instances of depression and better health outcomes, throughout the life cycle. For this reason, the economic benefits of investments in the early years are well-documented".

Despite the factual basis on which the ECE sector is predicated, the Government appears deaf and blind to the significant value and good that the sector delivers. Given this, it is insulting to be "invited" to provide feedback on a Consultation document about a Pay Parity Funding Review that simply seeks to shift already-constrained funding within a system that is already significantly underfunded.

The lack of rigour and foresight in relation to the questions posed, and indeed the context in which the narrative is presented, demonstrates a lack of understanding and interest in the significant challenges being experienced across the sector, and the genuine goodwill of providers looking towards a sustainable future including valuing their qualified teachers who provide quality teaching and learning to our youngest tamariki.

The fact that there is a section within the consultation document focused on viability and transition support clearly demonstrates that Government is fully aware that some providers will be unable to operate within a compulsory Pay Parity environment. Further, the proposals outlined will erode the very essence of Home-Based Services and, within a short period of time, this service will not be part of the rich fabric of our ECE sector, thereby diminishing choice for parents and whānau.

We, together with sector colleagues, were excited about the commitment and investment from the Government in the Early Learning Action Plan (ELAP) 2019-2029. We saw the Action Plan as a mechanism to deliver a coherent, equitable and sustainable approach to quality ECE provision.

“Shaping a Stronger Education System with New Zealanders” stipulates a goal of “Barrier-free access –great education opportunities and outcomes are within reach for every learner”. How does this Pay Parity proposal do that?

Since the publication of the ELAP, other significant complementary work programmes have evolved across the sector - in particular, Pay Parity, Pay Equity, and soon to be Fair Pay Agreements. These three work programmes are intrinsically linked to the funding model for ECE. The Pay Parity work relates directly to the established ECE Funding Model and the ability to value our teachers and for employers to do so in a viable way through meaningful systemic funding.

The current ECE Funding Model is fundamentally flawed and outdated. It is based on a rationing system that does not reflect the contemporary environments in which we are delivering public good or public value. The experience of Kindergarten is a clear example of how applying the current model across the sector will further fragment, undermine and significantly compromise services and the sector as a whole. We are no longer a leader in ECE as we once were.

The new Kindergarten Teachers Collective Agreement (KTCA), 2022 to 2025, will see average salary increases across the term of the agreement range from 11.1% to 13.9%. This is solely based on salary and does not take into account the generous conditions provided.

While we appreciate, but do not necessarily agree, that ECE within Aotearoa is a shared cost between Government and whānau, there needs to be recognition and accommodation of the actual costs relating to teacher salaries, as well as provision for the increasing costs of maintaining quality services. In particular, a focus on regulation and compliance, recruitment, education/development of the workforce, provision and maintenance of safe and appropriate environments, provision of services within remote and low socio-economic communities, and the growing need for provision of social wellbeing services is required. All these costs need to be factored into a contemporary funding model.

While we are being asked to provide feedback about Pay Parity, and we do so because of the importance of this mahi, we urge the Government to look at this slice of the work programme within the much broader context of providing fit-for-purpose, sustainable, quality early childhood education for generations to come. The first step in advancing this broader mahi is to undertake a full review of the funding model.

We, together with ECE Sector colleagues, are willing and committed to working with the Government to do the work required to present a robust and equitable funding model that meets the needs of the Government, our tamariki and whānau, our teachers, employers and the sector as a whole. Our time is best spent doing this together, rather than launching a public campaign.

However, without a commitment to engage with us, in the interests of tamariki, whānau and community, we will be left with no option other than to seek public support for the challenges that we are facing.

General Comments

While we agree that there is a benefit of pay parity in the ECE sector we disagree with the approach that the Ministry is proposing.

We are extremely disappointed that the Ministry is creating yet another band-aid rather than undertaking a first principles review of early learning funding that we (and others in the sector) have been requesting for several years.

The model proposed provides no incentive for services to operate above minimum teacher:child ratios, operate for more than 6 hours per day or cater to children aged under 2 years of age, creating barriers of choice for whānau and tamariki in accessing ECE

We note that the funding under review does not include Equity Funding or Targeted Funding for Disadvantage. We ask if this will lead to both complication in how this funding is claimed and additional work for services in making multiple funding claims under different systems. Has the Ministry considered impacts on ELI systems, and the potential costs that may flow to providers from this.

Underlying settings

The approach taken by the Ministry has used the current funding model and assumptions as a starting point. We disagree with this approach as some of these may alter as Tranche 3 of the ELAP is implemented - in particular ratios, space/child, and group size.

This proposal means that if parents want a quality, well-staffed centre they will have to pay for it through significant additional fees. There are many community based services providing public good and value that do not charge fees or charge minimal fees as they are fully aware their communities cannot afford high fees. But financial viability is going to force them to ask parents to pay more.

We disagree with retaining the weekly and daily hour limit on funding entitlement. The 30-hour cap (including 6 hours per day) is outdated from the 1990’s and not fit for purpose. It does not meet the contemporary needs of today’s workforce, and in effect provides barriers to workforce participation.

We do agree with linking the funding to the hours children are enrolled to attend an ECE service. It is important that funding continues to follow the child.

Teacher Salary Subsidy

We agree that services with more experienced teachers should gain higher funding to be able to afford the corresponding additional salary cost under pay parity.

The removal of funding bands is a welcome reduction in complexity and ensures services are not working to a target percentage that results in services being overly stretched to reach a funding band, or unsustainably over-supplying to ensure the target is reached. This will also reduce pressure on an extremely tight, expensive and competitive reliever market.

Element 1 - FTTE Entitlement – Forecast FCH (p12)

We agree with using forecast FCH for each funding period as is done now.

Element 1 - FTTE Entitlement – Entitlement ratio (pp12-13)

Option A.

The statutory minimum ratio of 1.232 is too low. It is unclear how the Ministry calculated this number. It goes towards meeting only some of the statutory requirements of teacher salaries. It does not account for other legislative requirements, including Kiwisaver, public holidays, bereavement leave, or family violence leave.

Non-contact time is not accounted for and is a requirement to meet quality practices enshrined in Te Whāriki and expected by ERO and the Ministry.

Where legislation requires services to provide employment rights for employees, and the Ministry regulates the salaries, the Ministry should contribute their full proportion of the actual cost of certificated teachers without impacting the operating subsidy.

A more realistic ratio, taking all these factors into consideration would be a minimum of 1:464.

Many services have opted into the current extended pay parity funding bands without taking these additional costs into account. When the true costs become apparent a good proportion of services are finding themselves in the difficult position of needing to pull out of extended pay parity to stay financially viable.

Option B.

All option B means is that a higher proportion of service's funding will go towards teacher salaries. As the baseline funding wouldn't increase, there will be less remaining for operational and educational resources costs, provision of kai, excursions, etc will all be impacted which will mean that parent fees will remain high or increase even more.

This means there is no true choice in this Element.

Element 2 - Management Component (p15)

We support funding towards the cost of a management position as it reflects the reality of current leadership in ECE.

Option A – K2, K3, K4

We strongly disagree with this option. As the consultation document notes "only multi-service providers would be eligible to management entitlement for K3 and K4 positions". This is inequitable and frankly the smaller providers and community providers probably need this more.

Option B – K2 and management funding

We **agree with option B** as it acknowledges centre leadership in place, both above and below the K2 equivalent position which most closely matches the role of centre manager across majority of the centre-based sector.

We also agree with the K2 ratio of 1:50.

Having additional funding that can be spread across leaders within each service at its discretion provides flexibility that would better suit the variety of structures operating across the sector.

This option ensures services of any license size will receive funding for their management role, which will help towards the viability of smaller centres and their sustainable inclusion as a service type within the network.

For the management component to work, the funding needs to be sufficient to create a differential between the pay to a centre manager and the pay of an experienced (Step 11) teacher. Currently, this differential isn't there so career pathways are not supported - there is no motivation for a teacher to step "up" into management, especially if they do further post graduate study to support this career progression.

We note this funding is only for certificated teachers undertaking management roles –this will not work for larger centres that employ non-teachers such as accountants or 'professional' managers in these roles.

Element 3 – Determining the funding

We **strongly disagree with the Ministry using a weighted average pay**. This disincentivises services from employing additional inexperienced teachers and teachers-in-training because it will reduce the services weighted average and resulting TSS. Much like the current system disincentivises hiring experienced teachers, a weighted average will result in the opposite end of the experience scale being disincetivised, again creating inequity.

Step 1 - How should the weighted average pay be determined?

If a weighted average pay is to be used, we favour **method ii** – allowing each service to select which of its teachers FTTEs are funded in the TSS entitlement. However, we note that this will mean a lower Operating Subsidy rate, which will mean instead of parent fees being used to cover the gap in teacher salaries, they will be used to cover operating costs.

Step 2 - How the teacher FTTE is matched against the entitlement FTTE

We prefer **option i** – using the total teacher FTTE employed across the funding period rather than using staff hour count (used in option ii). This will help smooth out hourly variations across the funding period and allow more flexibility with staffing.

Step 3 – Adjusting the actual FTTE to account for part-funded hours

Option A – a set government proportion towards the part-funded TSS cost

We prefer **option A**. Having a set government proportion towards part-funded hour TSS cost is appropriate and best understood by the sector.

We note that a percentage will mean that each service will need to charge differing amounts of parent fees depending on their costs of teachers salaries.

We agree with an **80% government contribution** due to Ministry modelling showing it had the least overall impact on service viability.

Option B – a consistent absolute private contribution

We disagree with this option, especially as it "would re-allocate even more government funding away from services with lower average teacher pay towards those with higher average teacher pay". Also, that services with low or no fees "are likely to be comparatively underfunded".

Element 4 – Operating Subsidy

We are concerned that the operating subsidy rate is only being split into fully funded and part funded. The default Ministry choice of removing the current age distinction would skew provision offered across the sector and change the profile of ECE across New Zealand.

We do not understand the rationale of the consultation document proposing the removal of age group distinction for Education and Care services while also proposing the retention of the same distinction for Home-based services.

We **strongly disagree with removing the 'Under 2' and '2 and over' distinction**. Removing this distinction negatively impacts a priority learner group (Under 2's).

Services with only Under 2s would face significantly less in total funding (*10%-30%, p25*) regardless of the pay parity step of their teachers. Often these service types rely heavily, if not entirely, on government funding and providing sound ratios for quality ECE, so any of these outcomes would likely make these services unviable. Or as the consultation document puts it these services will “require significant adjustment”. Describing a significant decrease in funding in this way is profoundly unhelpful and patronising.

Services that only have provision for Over 2s (excluding 20 Hours ECE) would receive significantly more funding regardless of the pay parity step of their teachers (*10%-30%, p25*).

The scale of this movement is incongruent with a pay parity funding review.

Cost differences between Under 2’s and Over 2’s (such as space requirements, resourcing, non-salary employee costs) should be recognised.

As the baseline funding isn’t changing and the operating subsidy is what is in effect “left over”, the model removes any incentive for services to employ over the minimum regulated ratios. This is detrimental to quality provision and safety of tamariki. This incentive can be mitigated if services are able to select which teachers are assigned against their FTTE (Element 3dii).

Viability and transition support

Viability

We are extremely concerned that the government is even considering a model that will make some services “worse off, becoming less viable or unviable”. How is that palatable or equitable? It is not putting the child at the centre. This smacks in the face of public value, social good and social capital!

If this is the intent, it’s going to significantly impact provision across Aotearoa. This model doesn’t address “bad” quality going out of business, it will cause sound quality services to close, and not only in low socio-economic communities but is already happening across diverse communities.

The options for services who currently operate at over the regulated ratios are; to drop their teaching staff to the regulated ratio, or to charge (higher) parent fees. Both options will have an impact on parents and for some of these services, charging fees is not an option as the community served cannot afford them.

Another implication may be that services may cut their operating hours or days. This will lead to lower employment as parents may not be able to return to work or will need to change to part-time work as their current level of education and care for the hours they need may not be available equals barriers to access.

As there has been no detail provided on what the funding rates may be, services can’t even model the options to work out if they will be viable or not under the proposals. This may put additional stress on already stressed owners and lead to services prematurely exiting the market due to increasing complexity, compliance administration and funding pressures.

Transition support

The consultation document provides no information on the amount of transition funding that may be available, or for how long.

We recommend that more work is undertaken on robust data collection and modelling before serious consideration of a final model or transition process.

Our preliminary recommendation on transition is:

- providing preliminary funding rates at least 12 months in advance so services can begin to plan for any amendments to their operating model and restructure their staff and operations, if required and or possible.
- "protected" funding for the first year for those who will be negatively impacted under the new model to allow services to transition to the new revenue structure.

Home-based services

We are pleased that home-based coordinators are included in the proposed funding model.

What pay step should coordinators be paid?

While we agree that the co-ordinator duties are "higher" than those of a teacher in education and care centres, they do not meet the current definition of a K2 or centre manager.

Of the three options provided, **we prefer option ii, a set rate lower than K2 but higher than Step 11** of the KTCA (noting that there is currently just over $2,000 per annum difference between the two).

Treatment of on call hours

Home-based services already require coordinators to be on-call for license operating hours as a part of their role requirements. We do not see the need for on-call hours to be treated any differently.

Approach for home-based pay parity

Option A – creating a Coordinator Salary Subsidy

We are again disappointed that this is merely redistributing home-based funding from the service to the coordinator. The total funding amount isn't increasing meaning that as for centres, parents will be required to cover the unfunded costs of providing the home-based service.

Coordinator ratio for option A

The consultation document states that coordinators need to cover 75,000 hours or 50 "full time" (30 hours /week) children.

We **strongly disagree with a ratio of 1:50**. Most coordinators average between 30-40 children to ensure quality of provision and demand and, if this will only be part-funded, the home-based organisations will have no direct funding to meet this gap.

Services would have to levy parents an additional service fee to cover these fluctuations given all parent fees are currently on-paid directly to educators. Families paying an additional service fee would likely be financially unsustainable for them.

Option B – Increase home-based subsidy rates

This is our preferred option as a uniform subsidy increase would allow home-based providers flexibility in how they meet parity requirements.

Including managers of coordinators

We believe that the Coordinator FTE entitlement should include managers of coordinators. The Education and Care model acknowledges such leadership is required and vital for oversight of teaching staff. The same should be applied to Home-based care as this leadership layer contributes to Government goals around lifting quality in home-based and includes management of reporting and compliance requirements.

In summary

We recommend that additional time is taken for robust data collection and modelling to better determine sector impact of the proposed changes. The consultation process is high level and does not provide services sufficient detail for them to reasonably assess the impact on their individual service and to make informed decisions. This necessitates an increased reliance on the robustness of Ministry modelling.

The proposed model redistributes current funding for pay parity purposes. A sizeable funding gap exists that cannot be remedied simply by redistribution – "rob Peter to pay Paul".

If the Pay Parity funding shortfall is not addressed by the government, services will have to increase parent fees, or change operational structures, such as reducing opening hours and provision for Under 2s. This will exacerbate an ECE network that currently has considerable waiting lists and substantially impact parents of early learners being able to participate in study and/or the workforce.

Budget 2023

Whilst not part of this Pay Parity Review Proposal, the extension of 20-free hours to 2-year-olds, while significant in investment, is another tinkering of the ECE Funding Model. A model that is not-fit-for purpose, does not recognise the diversity or complexity of the ECE Sector, nor delivers sustainability for quality provision for generations to come.

The announcements made in the 2023 Budget not to allow services who opt into 20 hours to then charge fees for additional hours means that the proposal's underlying assumption of unfunded child hours that are funded by parent fee and other revenue and part-funded child hours is no longer valid.

We ask that the proposed pay parity funding model is put on hold so the government and the sector can work together to progress a full independent funding review including how the over 20-free hour (ages 2-6) policy will work.

Make submission to the Ministry of Education by 6 June 2023 to ECE.PayParity@education.govt.nz

Key contact for Te Rito Maioha Early Childhood New Zealand:

Kathy Wolfe, Chief Executive

---

[i] Education Counts