



## Briefing Note: Meeting with the Early Childhood Council on pay parity

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	9 August 2021	<b>Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1267848
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<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	No

### Purpose of Report

This paper provides you with background information to assist you for your meeting with Peter Reynolds and members of the Early Childhood Council's Executive on Tuesday, 10 August.

**Agree** that this briefing will be proactively released when the pay parity initiative parameters are confirmed, likely in early September 2021, with any information which may need to be withheld being done so in line with the provisions of the Official Information Act 1982.

**Agree / Disagree**



John Brooker  
**Group Manager**  
**Education System Policy**

09/08/2021

Hon Chris Hipkins  
**Minister of Education**

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## Background

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1. You have agreed to meet with Peter Reynolds and members of the Early Childhood Council (ECC) Executive on 10 August. Peter Reynolds is the outgoing Chief Executive Officer of the ECC. The ECC represents just over 1000 service providers, the majority of which are for-profit providers. Ministry officials (John Brooker and Siobhan Murray) will also attend this meeting.
2. The ECC representatives would like the meeting to cover discussion of options for the pay parity initiative. They are concerned many centres will find the initiative unaffordable and choose not to opt-in to the higher rates available at 1 January 2022. They wish to discuss what could be done to enable more centres to opt in and therefore enable more teachers to experience pay parity.

### **Constraints associated with the Budget 2021 initiative**

3. As you are aware, enabling pay parity within the current framework announced in Budget 2021 is not straightforward. In particular, the following challenges exist:
  - The current funding system is unable to pay each service the exact increase in salary costs brought about by having teachers move to higher KTCA pay steps. This would require many separate funding rates per child hour. The existing funding system can currently only pay a single set of rates to a group of services. This means some services will receive enough funding in the initiative and others will not.
  - The amount calculated for the Budget initiative is an estimate of the total cost of moving every eligible teacher to their appropriate pay step. Incomplete data may have resulted in an underestimation of the total cost. However, the funding mechanism poses the biggest challenge to delivering the new funding accurately.
4. Since the Budget announcement, some providers have raised the following barriers to opting in.
  - The single funding rate does not meet their particular additional salary costs. This is likely because of the challenges identified above, but in some cases this may be because of assumptions about the costing that differ to the Ministry's, such as maintaining existing salary relativities.
  - The requirement for the sixth pay step, particularly, begins to compress the pay of moderately experienced teachers with that of staff in lower management and leadership roles. Services believe this is unfair and may lead to difficulty recruiting for these roles.
  - Concern about the impact of not opting in, especially with respect to making such services less attractive for teachers to work in.
  - The need to cut costs or raise fees. For example, some services have been able to staff at better than regulated adult:child ratios and may move closer to the regulated ratios despite this being a marker of reduced quality.
5. The Ministry has been in communication with a number of providers since the Budget announcement. Providers have a view that increasing the funding rates would address the problems above. Ensuring that every service received enough funding would mean paying every service the funding rate required by the service with the highest additional

salary cost per child hour. This would involve a significant amount of deadweight, with the majority of services receiving much more than is required to meet the additional salary cost.

### ***Variation to initiative design before Cabinet***

6. You currently have a proposal before Cabinet that would lower the number of pay steps required from six to five for the same, higher funding rates. This gives each service more money per funding step. Services would need to pay the sixth step from 1 January 2023. This means more providers will be fully funded and should opt-in. This will increase the numbers of teachers eligible for pay parity.

### **Key points for the meeting**

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7. In light of the preceding commentary, we suggest the following points may be useful in the discussion.
  - You have heard from services who are wanting to opt in but are finding issues with doing that.
  - You are interested in hearing the ECC's ideas to increase uptake, noting that there are time and funding constraints that severely limit the range of possible changes.
  - You are testing a variation on what was announced in May with Cabinet at the moment. This should be helpful for services, although it won't be the solution for all issues raised. You'll confirm this later in early September at the latest.
  - You want to see the initiative start on 1 January 2022 – delaying the initiative is not fair on teachers. Because of this, there is very little time to make system changes that would enable providers to opt in and be paid in time for 1 January 2022.
  - Obtaining additional funding between Budgets is very difficult – usually this is only granted for emergencies or for unexpected legal obligations.
  - It was expected that the rates would not be sufficient in every case. This is mainly because the ECE funding system delivers average funding rates, not rates that adjust to meet salary costs that vary according to each service's salary costs.
  - The preference is to get a system that allows funding to better respond to salary costs. Once we have got the parameters of the Budget 21 initiative clearly in place, we can work more on this workstream.
  - Pay parity for teachers is not the same as funding rate parity with kindergartens. Kindergarten funding rates accommodate a wider set of employment conditions than just the salary scale.
  - Sector input will be required to rework the funding system to achieve pay parity. It's likely the expertise of ECC members will be called upon. The process for sector input has not been confirmed.
  - You have already mentioned publicly that pay parity is a multi-Budget endeavour. This means that increasing funding and pay requirements for Budget 2022 is on the cards.

- However, the funding system won't be reworked by then. Nonetheless, the Budget 21 feedback will be taken into account as much as possible when considering the shape of any pay parity initiative in next year's Budget. This may involve testing with key stakeholders. This wasn't really feasible with Covid-19, elections and Budget timeframes last year.

## Proactive Release

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8. We recommend that this Briefing is proactively released with any information which may need to be withheld done so in line with the provisions of the Official Information Act 1982. This will be done when confirmation of the final shape of the Budget 2021 pay parity initiative occurs, likely to be early September 2021.