

## Cabinet Paper material

### Proactive release

Minister & portfolio Hon Chris Hipkins, Minister of Education  
Name of package Pay Parity in Education and Care Services  
Date considered 16 August 2021  
Date of release 2 December 2021

#### These documents have been proactively released:

**Cabinet Paper: Pay Parity in Education and Care Services**

Date considered: 16 August 2021  
Minister of Education

**Cabinet Minute: CAB-21-MIN-0314**

Date considered: 16 August 2021  
Cabinet Office

**Cabinet Minute: SWC-21-MIN-0121**

Date considered: 11 August 2021  
Cabinet Office

**1267385 Education Report: Draft Cabinet paper - Pay parity in education and care services**

28 July 2021  
Ministry of Education

#### 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.

The applicable withholding grounds under the Act are as follows:

Section 9(2)(a) to protect the privacy of natural persons

Some deletions have been made from the documents as the information withheld does not fall within scope of the Minister's portfolio responsibilities, and is not relevant to the proactive release of this material.

You can read the Official Information Act 1982 here:

<http://legislation.govt.nz/act/public/1982/0156/latest/DLM64785.html>

In confidence

Office of the Minister of Education

Cabinet Social Wellbeing Committee

## Pay parity in education and care services

### Proposal

1. I am seeking approval to amend the implementation of the Budget 2021 initiative *Moving towards pay parity for teachers in education and care services* so that from January 2022, services opting into the new higher funding rates would be required to pay their qualified teachers at or above pay steps 1-5 of the collective agreement kindergarten teachers belong to. The requirement to pay step six as well would be deferred until January 2023.
2. This change is designed to encourage more services to opt into the initiative, increasing the number of teachers who will receive a pay rise. It would also limit the possibility of moderately experienced teachers being paid at the same level as some management positions receive.

### Relation to government priorities

3. This Cabinet paper relates to the wider government work programme to improve the wellbeing of New Zealanders and their families. Specifically, the proposal in this paper supports the government's priority to make New Zealand the best place in the world to be a child by supporting better quality of education and care.

### Background

4. The majority (69%) of children in early learning services attend an education and care service. Education and care services are centres staffed predominantly by registered teachers. The qualified teachers in these services on average earn significantly less than their counterparts in kindergartens. A recent salary survey indicated the average salary for a qualified teacher in an education and care service is \$56,000, whereas in kindergartens it was \$73,000.
5. Kindergartens are also centres staffed predominantly by registered teachers. The key difference is that teachers within kindergartens are public service employees, and the Secretary for Education negotiates the terms and conditions of their collective agreement in place of the employer. Kindergarten teachers are covered by the Kindergarten Teachers, Head Teachers and Senior Teachers Collective Agreement (KTCA).
6. As part of Budget 2021, Cabinet agreed to the initiative *Moving towards pay parity for teachers in education and care services* [CAB-21-MIN-0116.10 refers, initiative 13363]. The initiative provided \$170 million to improve the salaries of certificated teachers in education and care services. It had two main components:

- 6.1. **An increase to the minimum salary 'attestation' for education and care services.** All education and care service funding rates would increase for services that attested to paying certificated teachers an increased minimum salary. Education and care services that do not

attest are paid at the lowest of six funding bands, which are based on levels of certificated teachers. This came into effect on 1 July 2021, and means the minimum salary keeps pace with that for kindergarten teachers.

- 6.2. **Opt-in funding rates in exchange for paying certificated teachers the first six pay steps of the KTCA.** An extra set of higher rates would be available for education and care services to opt into, if they agree to pay certificated teachers with the requisite experience six of the eleven pay steps set out in the KTCA. The rates would be available from 1 January 2022.

### Sector feedback

7. I have received feedback since the initiative was announced via a mix of Select Committee submissions on the Education and Training (Grants – Budget Measures) Amendment Bill<sup>1</sup> and communications from service providers.
8. Some service providers, including several of the largest providers, have indicated that the new higher funding rates will not necessarily cover all of the costs of opting in. They have indicated a range of impacts are being considered, such as moving their adult-to-child ratios closer to the minimum regulated ratios, raising parent fees, or closing marginal centres, in order to be able to afford to opt in.
9. There is also particular interest in the increase required for step six. The increase from step 5 to step 6 is relatively significant (from \$61,794 to \$65,776) and feedback suggests this step introduces pay relativity concerns. This means they would have to increase pay for lower management positions such as team leaders. If not, these staff would otherwise receive about the same as teachers on step 6. Steps 1-5 are considered relatively more affordable and below management level pay.
10. I would note that the initiative was always expected to meet additional costs for only a portion of all education and care services. The actual proportion was uncertain because the Ministry of Education does not hold detailed information on each service's costs and revenue. And because the amount of new salary funding required will differ between almost every service.
11. Education and care services are bulk funded on average rates for children attending. They do not adjust to an individual service's precise costs, in particular staffing costs. As such, a service with a higher portion of more experienced teachers would face higher costs to opt into the pay parity funding rates. Services that pay lower salaries would also face higher costs to opt in than services that are already paying their teachers close to the first six steps of the KTCA.
12. To fully cover increased costs for all services under the current funding system would require much higher funding rates than has been proposed in the initiative. I have therefore asked the Ministry of Education to scope up a review of the ECE funding system to allow it to effectively enable teacher pay parity. I expect to inform Cabinet further about this review later in the year.

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<sup>1</sup> The Bill confirmed the powers of the Minister of Education to set conditions on service funding, such as required pay steps, for employment-related aims.

13. Despite this, I still wish to be as sure as I can that a reasonable proportion of providers opt in, so that more teachers receive pay parity while not incurring undue additional fiscal cost to the Government.

#### **Proposed change to the implementation of the pay parity initiative**

14. In light of the feedback from the sector, I propose that a key parameter of the Budget initiative be altered. In particular, I propose that services would only be required to attest they are paying staff at steps 1-5 of the kindergarten collective agreement from January 2022 to receive the higher funding rates. Step six would then be required from January 2023 to continue receiving higher rates.
15. This change responds to feedback from the sector that it is not financially viable to immediately increase pay rates for all teachers on steps 1-6 within the current funding provided. It also temporarily helps address the internal pay relativity issue I outlined earlier.
16. This change is designed to encourage more centres to opt in, meaning more teachers experience a payrise than without this change. However, it does mean deferring for a year a payrise for a number of teachers who are relatively lowly paid in spite of many years of experience.
17. From January 2023, all teachers in services that have opted in would be eligible for the same six pay steps as in the original implementation plan.

#### ***Risk to opting in***

18. I note the main risk with this proposal is that services are likely to factor in the cost of meeting pay step 6 before deciding to opt into the five steps required for 1 January 2022. In other words, the ongoing funding under this proposal is not materially different to that of the original proposal, it would simply delay some of the cost. Service feedback to date has emphasised that adequate funding to sustain longer-term viability is a significant factor in a decision to opt in.
19. We have always been clear with the sector that resolving the pay parity challenge is something that will require investment over a number of Budget cycles.
20. The extra time before services must pay teachers at step 6 will allow the Ministry of Education to gather better information about the take up of higher funding rates by services from 1 January 2022.

#### **Financial implications**

21. The proposal has no immediate financial implications, as it does not change the level of funding that was agreed to as part of the Budget 2021 initiative *Moving towards pay parity for teachers in education and care services* [CAB-21-MIN-0116.10 refers, initiative 13363].
22. Further funding will be required in future Budget rounds to ensure the smooth implementation of pay parity for education and care services. This matches the information outlined in our fiscal plan.

## Population Implications

23. The proposed change in this paper is designed to benefit the teaching workforce in education and care services, who are predominantly women (97%). This change is intended to increase the number of teachers receiving higher minimum pay rates overall.

## Human rights

24. There are no human rights implications arising from the proposal outlined in this Cabinet paper.

## Consultation

25. The Treasury has been consulted on this paper and the Department of the Prime Minister and Cabinet has been informed.

## Communication

26. Should Cabinet agree to the changes proposed in this paper, I intend advising the changes and my prioritisation of additional financial support for more pay steps, including step 6, to the Early Childhood Advisory Committee, a representative sector group convened by the Ministry of Education, at their next meeting on 2 September. Following that, information related to these funding conditions will be published in the ECE Funding Handbook and publicised via the Early Learning Bulletin.
27. I will continue to reiterate to the sector that pay parity is an education priority to our government. As indicated in our fiscal plan, we are committed to ensuring sufficient funding is available over a multi-Budget period to enable the smooth transition to fair pay for teachers working in education and care services.

## Recommendations

28. The Minister of Education recommends that Cabinet:
1. **note** that as part of Budget 2021, Cabinet agreed to the initiative *Moving towards pay parity for teachers in education and care services*, which reflects this Government's commitment to improving teacher pay in the early learning sector [CAB-21-MIN-0116.10 refers, initiative 13363];
  2. **note** that this initiative provides a set of higher funding rates that education and care services may opt into if they agree to pay certificated teachers at or above salary steps 1-6 from the Kindergarten Teachers, Head Teachers and Senior Teachers Collective Agreement (KTCA);
  3. **note** that feedback from service providers has raised issues with opting in for some services and the potential for pay relativity difficulties to develop in the interim between teachers and lower level management staff;
  4. **agree** that education and care services opting into higher funding rates must pay their certificated teachers at least at steps 1-5 of the KTCA from 1

January 2022, with the sixth step required to be paid to eligible certificated teachers from 1 January 2023;

5. **note** the Ministry of Education is scoping a review of early childhood education funding to enable more accurate implementation of pay parity.

Authorised for lodgement

Hon Chris Hipkins

Minister of Education

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# Cabinet

## 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.*

### Report of the Cabinet Social Wellbeing Committee: Period Ended 13 August 2021

On 16 August 2021, Cabinet made the following decisions on the work of the Cabinet Social Wellbeing Committee for the period ended 13 August 2021:

Out of scope

SWC-21-MIN-0121

**Pay Parity in Education and Care Services**  
Portfolio: Education

CONFIRMED

Out of scope

# Out of scope

Michael Webster  
Secretary of the Cabinet

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# Cabinet Social Wellbeing Committee

## Minute of Decision

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### Pay Parity in Education and Care Services

**Portfolio**                      **Education**

On 11 August 2021, the Cabinet Social Wellbeing Committee:

- 1        **noted** that as part of Budget 2021, Cabinet agreed to the initiative *Moving towards pay parity for teachers in education and care services* which provides a set of higher funding rates that education and care services may opt into if they agree to pay certificated teachers at or above salary steps 1-6 from the Kindergarten Teachers, Head Teachers and Senior Teachers Collective Agreement (KTCA) [CAB-21-MIN-0116.10, Initiative 13363];
- 2        **noted** that feedback from service providers has raised issues with opting in for some services and the potential for pay relativity difficulties to develop in the interim between teachers and lower level management staff;
- 3        **agreed** that education and care services opting into higher funding rates must pay their certificated teachers at least at steps 1-5 of the KTCA from 1 January 2022, with the sixth step required to be paid to eligible certificated teachers from 1 January 2023;
- 4        **noted** the Ministry of Education is scoping a review of early childhood education funding to enable more accurate implementation of pay parity;
- 5        **invited** the Minister of Education to provide further information on the estimated costs of implementing the sixth step described in paragraph 3 to Cabinet on 16 August 2021.

Rachel Clarke  
Committee Secretary

**Present:**

Rt Hon Jacinda Ardern  
Hon Grant Robertson  
Hon Kelvin Davis  
Hon Chris Hipkins  
Hon Carmel Sepuloni (Chair)  
Hon Andrew Little  
Hon Poto Williams  
Hon Kris Faafoi  
Hon Peeni Henare  
Hon Jan Tinetti  
Hon Dr Ayesha Verrall  
Hon Aupito William Sio  
Hon Meka Whaitiri  
Hon Priyanca Radhakrishnan

**Officials present from:**

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