



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

To:	Hon Chris Hipkins, Minister of Education		
Date:	28 July 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1267385
Drafter:	Graham Bussell	DDI:	463 2835
Key Contact:	John Brooker	DDI:	9(2)(a)
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

Attached to this briefing is a draft Cabinet paper: *Pay parity in education and care services*. This Cabinet paper seeks:

- a. agreement to alter the number of pay steps required at 1 January 2022 from six to five for education and care services opting into higher pay parity funding rates, with the sixth step required at 1 January 2023.

The briefing also seeks confirmation of your approach to providing services assurance, if any, that new Budget funding will likely be found to adjust pay parity rates for when the sixth step is required in January 2023.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** the attached draft Cabinet paper *Pay parity in education and care services* includes content indicating to Cabinet your intention to prioritise new funding in Budget 2022 to support pay step 6 (the option outlined in recommendation c below)

EITHER

- b. **agree** to retain in the paper the requirement for pay step 6 to be paid from 1 January 2023 without any change to the pay parity funding rates available for education and care services

Agree / Disagree

OR

- c. **agree** to note to Cabinet your intention to prioritise new operating allowance for Vote: Education in Budget 2022 towards ensuring the pay step 6 requirement is supported by additional rate funding

Agree / Disagree

OR

- d. **agree** to note to Cabinet your intention to prioritise new operating allowance for Vote: Education in Budget 2022 towards ensuring more of the kindergarten teacher collective agreement pay steps, including step 6, are required and supported by additional rate funding

Agree / Disagree

- e. **note** that the paper will be considered by the Social Wellbeing Committee on 11 August and Cabinet on 16 August, following confirmation of the draft paper and consultation

- f. **proactively release** this briefing and the final Cabinet paper once associated Cabinet decisions and any announcements have been made, with any redactions in line with the provisions of the Official Information Act 1982.

Release / Not release



John Brooker
Group Manager
Education System Policy

___/___/___

Hon Chris Hipkins
Minister of Education

___/___/___

Background

- 1 The Ministry recently provided advice to you about either retaining the six pay steps for higher funding rates component of the pay parity initiative announced at Budget 2021 or, alternatively, requiring only five pay steps [METIS 1266125 refers]. The funding rates provided would remain the same. This follows discussion of the early learning pay parity initiative at the early learning strategy session on 6 July 2021. The latter option would also require the sixth pay step a year later in January 2023.
- 2 The five step option is intended to:
 - provide a period of cost relief for services that find six steps an unviable proposition, therefore increasing the possibility that more services will opt in and more teachers will receive a payrise
 - reduce the prospect of moderately experienced teachers (around step 6 level) being paid at least as much as team leaders, supervisors and other management positions, as services have indicated this bunching of teachers and management staff pay is likely to be problematic.
- 3 You confirmed your preference for the five step approach and directed officials to draft a paper for Cabinet so it could agree to this substantive change to the Budget initiative. The draft Cabinet paper is attached as Annex One.

Decision on approach to requirement of the sixth pay step

- 4 The draft Cabinet paper proposes the requirement of a sixth step on 1 January 2023, with the deferral of this requirement being intended to provide cost relief for a year. As it stands, services would be expected to provide for the cost of the sixth pay step from the same funding rate.
- 5 The Ministry concern with this approach is the risk that services will not opt in even if the reduction in pay steps required makes it appear more affordable for one year. This is because services will need to consider if additional step 6 costs in the second year (ie, from 1 January 2023 onwards) would still be affordable within the same funding rate.
- 6 The proposed approach does not really change the funding available to services. Services cannot spend more of the funding rate on steps 1-5 because to do so would lock up funding that may be needed to help cover step 6 costs. The risk is that the option will potentially not improve opt in. Service providers may not see the option as better than the status quo.
- 7 The Ministry therefore seeks your decision about adding to the proposal to mitigate this risk. We propose two variations of a related approach (in addition to continuing with the option as originally described). These are:
 - a. noting to Cabinet that you intend prioritising some of the new operating allowance for Vote: Education in Budget 2022 towards ensuring the Step 6 requirement is supported by additional rate funding. The level of increase would not be confirmed until closer to Budget 2022. Based on the original budget costing, we think between \$20-40 million over four years would be the approximate amount needed.¹

¹ In the costing of the Budget 2021 initiative, the marginal cost of adding step 6 was \$10.3 million in the first year.

- b. noting to Cabinet that you intend prioritising some of the new operating allowance for Vote: Education in Budget 2022 towards ensuring more of the kindergarten collective steps are to be required and supported by additional rate funding. This would include additional funding for step 6. Again, the level of increase would not be confirmed until closer to Budget 2022, along with the number of additional pay steps.
- 8 There will need to be clear messaging of your planned prioritisation to education and care services when announcing the initiative conditions. Greater certainty than this is not possible without a Budget 2022 pre-commitment being agreed to by Cabinet.
- 9 Either approach would give services reasonable confidence that they would not be left with having to meet all of the costs of step 6 from the initial pay parity rates. This approach is consistent with your undertakings not to add non-pay related conditions and also to secure extra funding for future kindergarten collective pay rate changes in order to maintain parity gains. It is also in keeping with your public statements that achieving pay parity is a multi-Budget undertaking.
- 10 The main advantage of limiting messaging to additional funding for step 6 is that it provides you with more scope and time to consider what your future approach is to funding pay parity wider than step 6. This is important in light of other pressures on new funding that are likely to eventuate during the Budget cycle. We have included this approach in the draft paper pending your decision on what approach to use.

Next steps for the Cabinet paper

- 11 We will amend the attached paper once we have received your direction on approach to the sixth pay step requirement. The paper will then be circulated for agency and ministerial consultation in time for lodging for Social Wellbeing Committee, which meets on 11 August 2021. It would then be considered at Cabinet on 16 August 2021.
- 12 The paper indicates communicating the change to ECAC at their meeting on 2 September, and the rest of the sector after that. The change could also be communicated earlier.

Proactive Release

- 13 We recommend this this briefing and the final Cabinet paper once associated Cabinet decisions and any announcements relating to the pay parity funding conditions have been made, with any redactions made in line with the provisions of the Official Information Act 1982.

Proactively Released