



## Education Report: Options to strengthen support for home-based early learning services

<b>To:</b>	Hon Jo Luxton, Associate Minister of Education		
<b>Date:</b>	26 July 2023	<b>Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1313837
<b>Drafter:</b>	Mark Howard	<b>DDI:</b>	044 637 625
<b>Key contact and number:</b>	Paul Scholey	<b>DDI:</b>	9(2)(a)

### Purpose of report

This paper provides information for supporting home based early learning services in response to concerns raised by some sector representatives.

### Summary

1. The number of home-based early learning licences has declined by 25% from 2016 to 2022. In the same period, the number of home-based educators has declined by 48% and the number of children participating in home-based has decreased by 40%.
2. This is more significant than the decline experienced by the overall early childhood education sector. This is likely being primarily driven by decreasing home-based educator numbers. Reasons for these decreasing numbers likely include increasing qualification requirements and the impact of COVID-19.
3. On Tuesday 13<sup>th</sup> June, you received a letter from a group of home-based sector representatives whom you met with earlier in the month. This letter outlined five concerns these representatives perceive as driving challenges in the home-based sector:
  - Emergency COVID-19 closures
  - 20 Hours ECE
  - Pay parity
  - Cost of inflation and inadequate funding
  - Qualification requirements
4. The concerns around emergency COVID-19 closures have already been addressed by the Ministry. Other concerns are largely captured in existing work streams: concerns associated with 20 Hours ECE, pay parity and the levels of funding rates would fall within scope of the broader funding review currently being considered. We do not recommend any new workstreams are undertaken in these areas.
5. There are other opportunities to explore options that could further support home-based services. We could test these options with sector representatives when appropriate.

These would involve identifying ways to ease the administrative burden associated with funding and regulatory requirements, for example by:

- Bringing forward planned removals of home-based quality-rate person responsible / coordinator requirements.
  - Reviewing processes for how the sector reports on compliance with the new educator qualification requirements.
6. Further work would be required to assess the viability of these options and the specific details of how they may be implemented. We seek your agreement to progress this work, including by discussing these potential options with sector representatives.

### Recommended Actions

The Ministry of Education recommends you:

- a. **agree** that the Ministry of Education may discuss options for further supporting home-based early learning with home-based sector representatives.

Agree / Disagree

- b. **agree** to proactively release this education report after it has been considered.

Agree / Disagree

  
Siobhan Murray  
Senior Policy Manager  
Te Pou Kaupapahere

26/07/2023

  
Hon Jo Luxton  
Associate Minister of Education

31/7/23

## Background

---

1. On Tuesday 6 June 2023 you met with a group of representatives from the home-based early childhood education (ECE) sector. Sector representatives requested the meeting to discuss the challenges facing the home-based sector, including the sector's decline in size since 2016. The meeting concluded with you inviting these representatives to write to you about their concerns and suggestions to improve the sector.
2. On Tuesday 13 June 2023 these sector representatives sent you a letter outlining five areas they considered to be causing challenges to home-based ECE:

- Emergency COVID-19 closures
- 20 Hours ECE
- Pay parity
- Cost of inflation and inadequate funding
- Qualification requirements

The letter sets out their view of challenges facing home-based ECE in these areas and proposes possible solutions to them.

3. You have asked the Ministry of Education to provide you with background information and advice on the challenges being faced by the home-based sector and any options to further support the sector.

### Background to the home-based sector

4. Licensed home-based ECE services are made up of three key actors:
  - **The service provider.** The Ministry licenses and funds home-based service providers. The service provider is responsible for ensuring that education and care is compliant with the Education (Early Childhood) Regulations 2008 (the Regulations), licensing criteria for home-based ECE services, and the ECE Funding Handbook. Licensed home-based service providers oversee networks of educators.
  - **Coordinators** (also known as 'persons responsible') are employed by service providers. They supervise and provide professional development and support to educators. Coordinators are also responsible for overseeing the education, care, health and safety of participating children. Coordinators must be a registered and certificated ECE teacher. The Regulations require that there must be one coordinator for every 50 children in attendance. However, due to the nature of home-based ECE, coordinators are not typically present while educators run their sessions.
  - **Educators** are the people who provide education and care to children. Most educators are self-employed and set their own hourly rates, charging parents directly. An educator can care for a maximum of four children at any one time, generally with a maximum of two under two-years old. Home-based educators are not required to be certificated ECE teachers.
5. The primary point of difference of home-based ECE is that it is offered by educators in private homes rather than in ECE centres. The low adult:child ratio and small group size (a maximum of four children) in home-based services can facilitate close educator-child relationships. It also carries a lower risk of infectious diseases. Home-based can also

provide diverse language immersion because minority language speakers can become educators without needing to meet English language requirements.

6. There are two types of funding bands for home-based services: standard rates and quality rates. Standard funding rates are available to all services that comply with baseline funding and regulatory requirements. Services that meet additional educator qualification and coordinator requirements can receive higher quality rates.

## The 2018 Review of Home-based ECE

7. In 2018, the Ministry undertook a Review of Home-based Early Childhood Education (the Review). The aim of the review was to ensure home-based ECE could deliver quality education and care for children. The context behind the Review included low levels of qualified educators, the Ministry's limited oversight of home-based ECE, and the sector's significant growth in the preceding decade [CAB-19-MIN-0212 refers].
8. The Review led to the government identifying key changes to improve the quality of home-based education and care:
  - **Moving towards a qualified educator workforce.** From 1 June 2022, all home-based services had to have at least 10% qualified educators. This rises each year, until 1 January 2025 when all home-based services must have 80% qualified educators and the only funding rate for services is the quality funding rate. In the context of home-based educators, qualified is defined as an ECE qualification at Level 4 or above, or other recognised qualification.<sup>1</sup>
  - **Using funding to incentivise the shift towards qualified educators.** As the qualification requirement baseline is raised, the "quality" home-based funding rate has been increased. Budget 2020 increased the quality funding rate by 5.4%. This increase came into effect in January 2021, with the first tranche of increased qualification requirements for quality rate services. The "standard" home-based funding rate will be removed altogether from 1 January 2025.
  - **Strengthening the person responsible / coordinator role.** In December 2022, Cabinet agreed to amend the Regulations to require that persons responsible / coordinators must:
    - hold a Full (Category One or Two) practising certificate;
    - only work across up to two licences within each calendar month, and only one licence at any one time;
    - take all reasonable steps to observe, support, and provide guidance on curriculum delivery in the home during their visits and to keep records of these activities; and
    - provide professional development to educators on a regular basis and keep records of any such discussions [CAB-22-MIN-0581 refers]

Subject to approval, these new requirements will come into force on 26 February 2024 [METIS 1314263 refers].

---

<sup>1</sup> Other recognised qualifications include Level 3 ECE qualifications completed before 1 June 2022, a primary teaching qualification, Te Ara Tuarua (the level 5 kōhanga reo qualification) or higher (Tohu Whakapakari), or any international qualifications approved by NZQA.

9. Cabinet also agreed to increase the maximum licence size for licensed home-based ECE services from 80 to 100 children from 26 February 2024. Cabinet further agreed to delay the requirement for persons responsible to hold a Full (Category One or Two) practising certificate by six months [CAB-22-MIN-0581 refers].
10. As part of the December 2022 decisions, Cabinet also agreed to require the person responsible in licensed home-based services to be locally based [CAB-22-MIN-0581 refers]. However, concerns were raised by the sector about the potential impact of this requirement in an already challenging environment. Therefore, as outlined in our recent advice to you [METIS 1314263 refers], this requirement will be revisited at a more manageable time for the sector, alongside the definition of "locally-based".

### Home-based ECE has been declining since 2016

11. Between the early 2000s and 2015 the home-based sector experienced significant growth. The number of home-based licences grew by 115% from 194 licences in 2002 to 417 in 2015. The number of children participating in home-based ECE grew from 8,591 to 20,505 in the same period, an increase of 139%.
12. From 2016 onwards, however, the home-based sector has been decreasing in size. This is one of the points raised by the letter from home-based representatives.

*Table 1: Key metrics of home-based ECE from 2016 to 2022.*

Number of home-based:	2016	2017	2018	2019	2020	2021	2022	Change 2016 – 2022	
								Number	%
<b>Licences</b>	472	476	437	453	424	392	353	- 119	- 25%
<b>Children participating</b>	18,818	18,440	18,267	17,196	15,022	13,879	11,326	- 7,492	- 40%
<b>Educators</b>	9326	7512	7700	7418	6246	5521	4510	- 4,816	- 48%

13. By comparison, the wider ECE sector has experienced less of a decline. From 2016 to 2022:
  - The number of children participating in ECE overall decreased by 12% as opposed to 40% in home-based.
  - The number of ECE services has decreased by 4% in comparison to 25% for home-based licences.
  - The number of ECE teachers has increased by 11% in comparison to home-based educators decreasing by 48%.


### **Possible reasons behind the decline of home-based early learning**

14. Some of the home-based sector's decline may be associated with a decline of the overall ECE sector.
15. Table 1 demonstrates that the number of educators has decreased more than the number of licences. We hypothesise that this may be the main reason behind the home-based sector's decline. Fewer educators will impact the number of services that can operate and the number of children who can attend. There may be several reasons behind the decline in educators:
  - The drive for educators to become qualified. Not all educators want to undertake study. 762 (32%) of the 5,521 home-based educators active in 2021 held ECE qualifications. A further 488 (9%) held credits towards a recognised qualification.

3,271 (59%) held no qualifications nor credits towards any. These qualification requirements also impact the viability of au-pair home-based providers.

- COVID 19 dynamics. Educators may be less attracted to the home-based model because it involves people regularly coming in and out of their homes. This could be seen as putting their household at a higher risk of infection. Educators cannot use their home to offer education and care if they or any of their household contacts are isolating with COVID-19. As such, the educator role may have become less attractive post-pandemic.
  - Work-from-home flexibility has also increased following the pandemic. As a result, the educator role may be less attractive due to more alternative opportunities for stay-at-home parents looking to work and care for their children.
16. Although qualification requirements are likely contributing to decreasing educators, we consider this part and parcel of moving towards higher quality of home-based service provision. Sector representatives, including those behind the letter, are largely supportive of this change. We do not recommend any changes to this approach at this time.

17. 9(2)(b)(ii)



#### Issues raised by home-based representatives

18. The five issues outlined to you by home-based sector representatives in their letter of Tuesday 13 June are as follows:
- **Emergency COVID-19 closures:** representatives requested that home-based services be included in the emergency closure funding settings. This enables funding to be claimed for educators who have to close due to COVID-19.
  - **20 Hours ECE:** representatives do not believe the current 20 Hours ECE policy works for home-based services because it limits educators' ability to set their own rates as self-employed contractors. They further do not see current funding rates as adequate to provide "free" 20 Hours ECE.
  - **Pay parity:** representatives are concerned that home-based services have been excluded from annual pay parity funding initiatives. They are further concerned that the proposed pay parity funding model will not suit the needs of home-based services.
  - **Cost of inflation and inadequate funding.** Representatives believe that funding increases do not meet the fixed costs of home-based services nor adequately scale with inflation. In their view, this stems partly from the differences between home-based costs from the wider ECE sector.
  - **Qualification requirements:** representatives are seeking an alternative approach to the monthly reporting requirements on educator qualification status. They believe the current approaches puts too much administrative workload on service providers. They are also seeking an increase to the planned 20%

threshold of educators permitted to be “in training” once the 80% qualified educator requirements come into place in 2025.

**Some concerns raised by sector representatives are already being addressed or will be captured by further work**

19. Some of these concerns are already being addressed or are captured within upcoming workstreams. As a result, we do not advise taking further action at this time.

*Emergency COVID-19 closures*

20. We note that the letter from the sector was sent after the approach for winter and COVID-19 closures was communicated to the ECE sector.
21. An amendment to that approach was released that allowed home-based services to claim emergency funding if an educator is unavailable to provide education and care due to COVID-19 or respiratory syncytial virus (RSV). We believe this addresses the concerns outlined in the letter and do not consider that that any further work is required.

*20-Hours ECE*

22. The Ministry recently provided advice on options for 20 Hours ECE funding conditions for home-based services [METIS 1312485 refers]. We are working on a Cabinet paper to seek Cabinet's agreement to Ministers' preferred option.

*The possibility of a wider funding review*

23. A wider ECE funding review is currently being explored by the Ministry in consultation with the sector. Should such a review eventuate, we anticipate that the home-based sector would be included within the scope of this review. Any issues relating to funding would therefore need to be considered within this scope of that work. We are not proposing a separate funding review for the home-based sector at this time.
24. Some solutions proposed in the letter could be explored as part of a wider funding review. For example, the proposal to increase the percentage threshold for educators allowed to be 'in training' would be best assessed in the context of a wider review.
25. Another example is the letter's proposal to raise the funding rates for children aged 2-and-over to match the higher funding rates for children aged under-2. Aside from requiring a potentially significant funding increase, this would also bring the 2-and-over rates very close to the home-based rate for 20 Hours ECE. This would likely require a subsequent increase to the 20 Hours rates to keep services incentivised to offer 20 Hours ECE, generating further costs.
26. One potentially fiscally neutral approach could be to increase home-based 2-and-over rates and offset this cost by decreasing under-2 rates. However, we do not yet understand how such an approach may impact services primarily caring for under-2-year-olds. Further, this idea was discussed with the Home-based Sector Reform Implementation Group, whose role was to work with the Ministry on the operational detail of the home-based review's reforms. This group preferred retaining the funding distinction between the age groups. A wider funding review could represent an opportunity to further explore this option in a way that better suits the needs of the sector.
27. Similarly, the concerns relating to pay parity would be within scope of a wider funding review.

## Issues we can explore further with your approval

28. There may be other opportunities to work with the home-based sector on developing options to help support the service type. We are seeking your agreement to further explore the options below, including by talking them through with sector representatives.

### *Identifying ways to reduce burden relating to funding requirements*

29. In their letter, sector representatives expressed concerns about the administrative burden associated with specific funding and regulatory requirements. One way of minimising this burden could involve reviewing the ECE Funding Handbook in respect of the quality rate requirements relating to home-based coordinators.
30. For example, current funding conditions for quality licences require the coordinator / person responsible to be on duty from 8.30am to 4.30pm. Such specific timing prescriptions may not be well suited for all services.
31. This timing prescription is set to be removed on 1 January 2025. 9(2)(f)(iv)

32. There may be other opportunities to streamline requirements. We would need to carry out further work and talk with sector representatives before making any specific recommendations.

### *Reviewing processes for how the sector reports on qualification compliance*

33. As part of the move towards the 80% qualification requirements, home-based service providers have been required to complete month-by-month educator closure registers. This is to identify the proportion of qualified educators in each licence, to help measure compliance with the requirements' staged implementation.
34. There is some perception among the sector that this reporting contributes to the administrative burden on service providers. This was an area that sector representatives encouraged the Ministry to explore in their letter to you.
35. With your approval, the Ministry could begin talking with sector representatives to understand how reporting processes could be simplified. We are not yet certain whether effective alternatives exist. 9(2)(f)(iv)

## Next steps

36. The Ministry will continue to progress ongoing workstreams relevant to the issues raised by sector representatives in their letter, including our work on 20 Hours ECE and the potential wider funding review. We will keep Ministers informed on opportunities to support home-based ECE through these workstreams.
37. With your agreement, the Ministry will begin further exploring the additional opportunities to support home-based ECE identified above. This would involve further analysis and talking with sector representatives about:
- Identifying ways to reduce the burden of funding requirements. This could include bringing forward the planned removal of the quality rate coordinator requirements.



- Reviewing processes for how the home-based sector reports on compliance qualification requirements, with a view to simplifying these.
38. If you agree to such further work taking place, the Ministry will also carry out more in-depth analyse the home-based sector's decline. This will help deepen our understanding of potential issues facing the sector.
39. Following any such further work, we will report back to Ministers on our findings. This will include a more detailed overview of any specific options that we identify moving forward.

Proactively Released