

Education Report: Review of the ECE funding system for pay parity

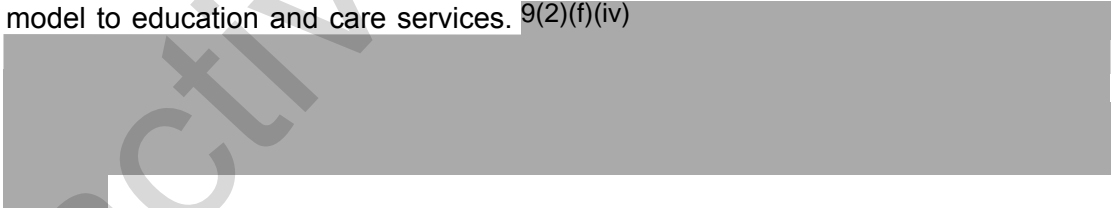
To:	Hon Chris Hipkins, Minister of Education		
Date:	19 November 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1276870
Drafter:	Graham Bussell	DDI:	9(2)(a)
Key Contact:	John Brooker	DDI:	
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This paper seeks your agreement to the scope and purpose of a funding review to effectively implement the Government's commitment to pay parity for certificated teachers working in education and care services. It also informs you of high-level timing and milestones for the review. The upcoming Budget 2022 pay parity initiative is outlined, with direction sought from you on several aspects of its design.

Summary

- 1 We have advised you that the ECE funding system is not well suited to delivering pay parity funding for education and care service teachers with their counterparts in kindergartens. This is because the average cost subsidies paid to these services cannot deliver funding that matches the variable teacher salary costs of each service [METIS 1250399, 1255414 refer].
- 2 You have indicated that work be undertaken to review the funding system because of this problem. We propose a review be aimed at identifying and implementing a preferred approach to better align funding for education and care services to their certificated teacher salary costs.
- 3 We also propose a related scope that focuses on identification of possible funding mechanisms to deliver pay parity, estimation of the financial cost of pay parity, collection of relevant data and investigation of sustainability impacts and need for re-allocation of existing ECE subsidy funding. A decision around the inclusion of home-based coordinators is also sought as they also work as certificated teachers.
- 4 While the mechanism of funding is a key part of this work, questions of who pays and what they pay for, are likely to be the most challenging part of the review. The review will need to directly address questions such as the share of private (parental) funding for teacher salaries, the extent to which government contributes to better than regulated adult-to-child ratios, and how much existing government funding is set aside for non-teacher salary costs.

- 5 Some early learning stakeholders are likely to want a review to encompass a wider set of funding-related issues. We seek discussion and direction from you on including such issues. A broader scope and purpose risks delay and demand for funding beyond that needed for pay parity. There will be complexities as it is with developing a pay parity-focused funding system.
- 6 A key challenge with having a focussed scope for the review is to ensure that the equity impacts of any solution are taken into account. We propose assessing the funding options in terms of their effect on access to early learning for low income parents. Alongside this work, the ongoing reviews of equity and targeted funding and the Childcare Assistance Review (led by MSD) provide opportunities to address the issue of access to early learning.
- 7 Once you have confirmed agreement to the purpose and scope of the review, we recommend Cabinet be informed of the review. At the same time, we will begin standing up an expert advisory group to assist with developing advice and assessing the implications of different approaches.
- 8 A preferred funding approach could be consulted on with the sector in May and June next year, enabling Cabinet agreement by September 2022. Cabinet agreements would inform a Budget 23 request for remaining pay parity funding needs. Final implementation, primarily consisting of IT changes, would most likely be completed in time for the July 2024 funding round.
- 9 In the meantime, the Ministry is drawing up the Budget 2022 pay parity initiative based on more recent staff data. This will largely extend the approach taken in Budget 2021 to more pay steps. As with Budget 2021, this will underfund some services. We will provide more advice on this closer to bid submission date. At this stage we seek your direction on inclusion of home-based coordinators in the initiative, as well as application of kindergarten management-based pay steps to management staff in education and care services.
- 10 A separate process is underway with Te Kōhanga Reo National Trust. Kōhanga are generally not staffed by certificated teachers, and kōhanga have a different funding model to education and care services. 9(2)(f)(iv)
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Recommended Actions

The Ministry of Education recommends you:

- a. **agree** that the purpose of a funding review be to identify and implement a preferred approach to match funding for education and care services to their certificated teacher salary costs
- b. **agree** to the scope of a funding review as set out in paragraph 15

Agree / Disagree

Agree / Disagree

- c. **agree** to include how to fund pay parity for home-based coordinators within the scope of a funding review

Agree / Disagree

- d. **agree** to the proposed two-pronged sector engagement approach set out in paras 30 to 34 that involves the use of an expert advisory group to assist the Ministry with development and analysis of options with further broad sector engagement to follow

Agree / Disagree

- e. **direct** the Ministry to prepare a submission alerting Cabinet to the funding review for consideration either in late 2021 or early 2022 ✓

Agree / Disagree

- f. **discuss** with officials the scope and timing of the review, particularly any preference you have to extend a funding review beyond a pay parity focus

Budget 2022

- g. **note** that we will provide you with further advice in December 2022, based on the results of sector data collection, on the cost and estimated uptake for additional pay steps as part of the Budget 2022 initiative

- h. **agree** that funding in Budget 2022 be allocated for education and care service management staff to be placed on a relevant KTCA pay scale

Agree / Disagree

- i. 9(2)(f)(iv)

Agree / Disagree

- j. 9(2)(f)(iv)

- k. **proactively release** this education report with any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

Release / Not release



John Brooker
Group Manager
Te Puna Kaupapahere

19/11/2021



Hon Chris Hipkins
Minister of Education

22 / 11 / 21

Background

- 1 The Government allocated \$321 million across each of the last two Budgets to help move certificated teachers working in education and care services towards pay parity with equivalent teachers in kindergartens. The costing behind the 2020 Election Manifesto pay parity commitment allocated \$600 million to implement pay parity over the current term of this Government (\$240 million per year when fully allocated).
- 2 We have previously advised you [METIS 1250399, 1255414 refer] that the current ECE funding system cannot deliver pay parity funding to match the extra salary costs incurred by a service as teachers move onto pay steps in the Kindergarten Teachers, Head Teachers and Senior Teachers Collective Agreement (the KTCA). As a result of our advice, you publicly signalled the need for a review of the ECE funding system when making the Budget 2021 pay parity funding announcement.
- 3 This briefing proposes a scope and purpose for a review. We note that members of the Early Childhood Advisory Committee (ECAC) have expressed interest in the scope and purpose of a funding review at its last two meetings with you. We expect the review will be raised with you when ECAC next meets on 1 December 2021.

The need for a review to improve the existing funding system

- 4 The core problem we consider needs to be examined by a review is the inability of the current bulk grant funding mechanism to deliver funding accurately for pay parity. Bulk funding was first introduced in for early learning in 1990 and provides flexibility for providers to determine how funding is spent to provide early learning services for children.
- 5 The current ECE funding system sets up funding rates according to several broad cost drivers – levels of certificated teachers, adults required to deliver ECE to different aged children and service type. It does not vary for all costs eg, utility and rent/mortgage costs. Funding is paid at an average rate - all providers in a funding type are paid the same amount per hour.

The current funding system is not well-suited to implementing pay parity

- 6 Requiring specific salaries (pay steps) to be paid:
 - ties a significant part of the bulk grant to a specific cost (pay), which goes against the original intention of the ECE funding system
 - is problematic when actual pay parity salary costs are not factored into the funding rate, meaning rates do not necessarily correlate to each service's salary costs.
- 7 We understand the latter issue was behind the Before Five, Bulk Grants, Discretionary Grants and Loans Working Group observation in 1989 that:

“...all members found the [bulk grant] formula raised difficulties when attempting to ensure that certain aspects of funding reached intended destinations”.¹
- 8 Attempting to use the current bulk funding system to enable pay parity means choosing one of two unsatisfactory paths (or potentially a mix of both).

¹ *Report of the Before Five: Bulk Grants, Discretionary Grants and Loans Working Group*. 1989. Bulk Grants, Discretionary Grants and Loans Working Group. Wellington. Page 30 when considering payments for teacher costs.

- a. Providing a (higher) average funding rate per hour that covers the cost of pay parity for education and care services as a group (as per Budget 21). This means some services will receive enough funding to meet the additional salary costs but others do not, even if overall cost is estimated correctly. This is the main reason why services were given the choice to opt in to the parity rates. Some services may feel they must opt in, even where there is a shortfall. This likely means increasing parent fees or reducing teacher: child ratios. Furthermore, salary expenses can change over time due to changes in teacher experience, even if funding rates do not.
- b. Setting a funding rate that meets the salary costs of the service with the highest salary cost per unit hour (high experience/most generous adult:child ratios). The same funding rate is then paid to all services. This results in overfunding all other services and crowding out funding for other Budget initiatives.

Reviewing the ECE funding system – proposed purpose and scope

- 9 The problems with the two paths outlined above underpin the Ministry's view that reviewing and changing the ECE funding system is necessary to deliver effective pay parity funding to services and then to teachers. Our view is that this is likely to be complex and disruptive. It is likely to be a time-consuming change due to the combination of analysis, data collection, consultation and implementation required.
- 10 Despite this, we think that altering the funding system to better deliver pay parity will eventually help implement pay equity claims now lodged for ECE teachers and, potentially, fair pay agreements, if these agreements eventuate. These settlements will put more pressure on government funding to support employers to pay specific remuneration levels.

Purpose

- 11 Given that the core problem hinges on the effectiveness of the current funding mechanism, we seek your agreement that the purpose of a funding review should be to:

"identify and implement a preferred approach to better align funding for education and care services to their certificated teacher salary costs".
- 12 The purpose of a funding review could be set wider. It could be aimed at one or more of the following purposes:
 - improving the viability of providers
 - changing the mix or ownership of provision within the sector
 - improving access to quality ECE for children, especially those from lower socio-economic backgrounds
 - reducing the administrative burden on providers required as part of funding conditions.
- 13 ECAC members and other sector stakeholders have indicated a preference for a funding review focused on more than just implementing pay parity. This would likely include prioritising funding for better adult to child ratios (ECAC members and other stakeholders see ratios as an urgent priority, although we note that increasing ratios does not necessarily require a review, per se, just more funding) and potentially higher

Let's keep it realistic and deliverable!

subsidising of parent fees. A quality element is already likely to be reflected in the review because many services operate at better than regulated minimum ratios already and they will expect parity funding to cover these existing 'quality' ratios.

- 14 Incorporating other purposes into the review would, however, add even more complexity and likely delay completion of the review and pay parity implementation at a time when teachers are seeking pay parity now. Such a review would also put further pressure on tight Budget allocations. Nonetheless, we seek discussion and direction from you on whether additional elements ought to be included in scope.

Scope

- 15 We recommend that the following components make up the scope of a review.
- a. **Identification of possible changes to the ECE funding system that could better match** funding to education and care services' certificated teacher salary costs (including hospital-based services), and the impacts of those changes, including in relation to existing ECE funding system principles, such as the sharing of costs between parents and government. The consideration of direct funding (payrolling) of teachers' salaries should be included as one of the possible changes. ✓
 - b. **Estimation of the cost of moving all certificated teachers onto appropriate kindergarten teacher pay scales** based on teachers' eligibility against the salary requirements set out in the kindergarten teacher collective agreement. ✓
 - c. **Gathering of data** on relevant teacher characteristics (pay, experience, qualifications) and service financials, including parent fee data, to support the review. ✓
 - d. Consideration, as needed, of the **level of funding that ought to be separated out of existing main ECE subsidies** and allocated to payment of certificated teacher salaries. ✓
 - e. **Consideration and mitigation approaches for sustainability consequences** that may arise from funding subsidy changes to help deliver pay parity eg, differential impacts on groupings of education and care services such as smaller services, or the maintenance of internal pay relativity between positions in services given the diversity of leadership and management roles in education and care services.² ✓
 - f. Consideration of **including certificated teachers in home-based services** who work as visiting teachers (coordinators) in the pay parity initiative. ✓
- 16 We seek confirmation of the inclusion of coordinators, noting that coordinators do not work in education and care services and only education and care services are specified in the Manifesto pay parity commitment. We have included this group because they are employed for their certificated status (they must be certificated by regulation). Leaving them out may also create issues downstream as government-backed higher centre-based wages makes coordinator recruitment difficult for home-based services.
- 17 The scope reflects the relatively tight proposed purpose. Even with such a scope, we foresee that the question of adequate funding for service sustainability will still very likely arise. This is mainly because some funding already invested in the bulk grant is spent on salaries for certificated teachers already, and this will need to be separated from any remaining grant funding.

² This diversity of management positions is mainly because of the larger size of some education and care services and their networks compared to kindergartens.

- 18 There is no formal benchmark for what this proportion is, nor is there likely to be unanimous agreement on it. It has never been mandated how much of the grant services should be spent on certificated teacher salaries.
- 19 As mentioned in 15a above, a principle of the current system is cost sharing between government and parents. Low income parents are less able to contribute to the cost, and therefore government provides additional funding to enable access – through both the Ministry of Education (Equity A and B funding, Targeted Funding for Disadvantage) and the Ministry of Social Development (Childcare Assistance). The Ministry is currently undertaking a review of equity and targeted funding, and MSD is undertaking a review of Childcare Assistance. These reviews have a focus on better targeting of resources and improving access.
- 20 Pay parity will increase the cost of early learning, and this has potential to impact on access to early learning for low income parents. We will take that into account through the options assessment process.

Design of a future funding system for pay parity

Calculation of pay parity funding

- 21 The most complicated and critical part of a funding review will be how pay parity funding should be calculated. There are a set of underlying considerations and principles that need to be worked through in order to determine what the 'formula' for payment and its conditions should be. These considerations are fundamental and challenging and include:
- Whether parents should be expected to contribute to pay parity funding and, if so, what that contribution should be.³
 - Whether pay parity should, or even could, be funded differently for teachers providing 20 Hours ECE compared to provision of other child hours.
 - Whether government funding for pay parity should be capped so there is a limit on the ratio of certificated teachers to children that funding is provided for. Many services have better than the regulated adult to child ratios already and these may be all certificated teachers in some cases, whereas other services are staffed at the regulated ratios. The better staffed services are likely to expect parity funding to cover all eligible teachers, not just the teachers required for regulated ratios.
 - Whether a service is funded up to the highest pay step on the KTCA scale that a teacher is eligible for or whether limits are placed on this. The former situation would work like school entitlement funding where the Ministry funds teachers up to the highest step on the collective if the teacher's qualification and experience requires it. In theory it could be possible to cap funding so a service is only compensated up to a set average pay step.
 - What existing funding ought to be allocated to an operational funding component versus transferred to a funding component specifically for pay.
 - How closely aligned funding should be to actual salary expenses.
 - How a payroll approach could work if it is only partially funded by government

³ It is worth noting that while Budget 2021 assumed government was funding the full pay gap, this assumption sits uneasily with the agreed principles of ECE funding up to that point, namely, that parents share the costs of ECE with government. At the least, providing full pay parity funding shifts this share.

- The appropriateness of using funded child hours as a basis for funding pay parity for home-based coordinators, given the small numbers of coordinators and variation in child hours across a home-based network.

Delivery of pay parity funding

- 22 There is a small number of high-level funding designs that can be used to deliver funding for pay once it is determined how it is to be calculated. These have been set out within a continuum in a previous report [METIS 1255414 refers]. We briefly outline the relevant designs overleaf.

Design approach	Description
1. Modified bulk grant	<ul style="list-style-type: none"> • Payment of a single grant with rates reflecting the following (existing) categories: <ul style="list-style-type: none"> ○ Appropriate certificated teacher band eg, 80-99% certificated teachers ○ For under 2s ○ For 2 and overs ○ For child hours classified as 20 Hours ECE • The funding rates would include a salary component comprising different levels depending on the mix of pay steps teachers in a service fit into. Levels could be broadly or closely linked to the pay step mix. A service would be paid the subsidy rate with the component that best matches its teachers' mix of pay steps, as well as its proportion of certificated teachers/age bands.
2. Broadly targeted wage grant + operational/base grant	<ul style="list-style-type: none"> • Pays funding as two distinct grants. <ul style="list-style-type: none"> ○ Wage grant, which reflects the cost of the experience/qualification mix of teachers – using only a few bands so the match to the salary cost is not exact ○ Operational grant – for non-certificated teacher costs – still likely to be allocated across funded child hours
3. Closely targeted wage grant + operational/base grant	<ul style="list-style-type: none"> • Wage grant – as above but there are many bands covering, or even direct correspondence to, a service's potential salary cost profile • Operational grant – as above in 2.
4. Payroll + operational/base grant	<ul style="list-style-type: none"> • Certificated teachers are paid directly by the Ministry via Education Payroll Ltd • Operational grant – as above in 2.

- 23 A key decision here is whether the delivery mechanism should be set up on the assumption that every service will need to pay teachers at parity ie, it is not opt in. Other, more operational, decisions would need to be made within whichever design is chosen, for example, whether the Ministry ascertains which level of grant a service needs or the service decides and then informs the Ministry.
- 24 Our preferred approach is to discuss these approaches and questions with sector experts before we provide fuller advice to you over the next few months. All of the options have complexities. For example, the payroll option is favoured by some parts of the sector and is how kindergarten teachers were paid prior to 1990. It would guarantee that all certificated teachers are paid at parity, but one complexity is that the Ministry (or contracted third party provider) would need to understand annual leave requirements in every individual employment contract.

Process for a review

Cabinet agreement to a review

- 25 The Education and Training Act 2020 empowers you to set funding arrangements for early learning services. Despite this, we consider it advisable that you inform Cabinet about the purpose and scope of a review and the broad process being undertaken the review. This is because pay parity will continue to have budgetary impacts, has attracted considerable public interest, and may result in significant policy change to a funding system already agreed to by Cabinet [CAB Min (04) 11/4A refers].

Ministry arrangements for a review

- 26 The Ministry has confirmed internal governance arrangements for overseeing a review and staff from relevant business groups have been assigned to work on the review. The work is being led by Te Puna Kaupapahere / Policy Group, although implementation will ultimately be led by Te Pae Aronui / Operations and Integration.

Data collection

- 27 Better data is a pre-requisite for designing a mechanism that takes the correct amount of funding and allocates it appropriately. We have sent a staffing data survey to education and care services and home-based services.
- 28 The initial focus of this data collection is to provide an improved basis for estimating the total funding required to match the pay gap for any additional pay steps agreed to for Budget 2022. The data should also help model distribution impacts at a service level for new funding approaches.
- 29 Further data collection is planned for early 2022 relating to services' fee and financial data. These should help understanding of the impact of any changes to funding subsidy arrangements by service level.

Sector engagement

- 30 There is high interest in the sector about pay parity. There seems to be a general understanding that delivering pay parity requires both more money and funding system change. There is also an expectation among many stakeholders, for example, teachers, that they should be involved in redesign of the system.
- 31 This sets up a tension between allowing a general and comprehensive consultation approach versus delivering on what are tight timeframes and expectations.
- 32 While the extent of sector engagement is dependent on how soon you want a solution to be in place, we believe this tension can be best managed by employing a two-pronged approach. In particular, we propose standing up an expert sector advisory group to provide in-depth input into the review. The group would be relatively small, perhaps around ten members, and include representatives from education and care services who have a deep understanding of day-to-day service operations. We would also include NZEI /Te Riu Roa as an interested party that represents teacher interests.
- 33 The advisory group would help with identifying and critiquing options and socialising of options with stakeholders across the sector. A full Terms of Reference will be set by the Ministry for the group.
- 34 Alongside the advisory group, we would look to consult with the sector once a preferred option or options have been determined from the Ministry's work and advisory group's

input. The consultation would be relatively short in order to complete work in time for Budget 2023. ECAC would also be kept informed at its regular meetings.

Implementation

- 35 There will be a significant operational design and implementation workstream arising out of the review. Scoping this out and defining an implementation pathway in any meaningful detail is not possible until a preferred option (or options) has been identified.
- 36 The draft timeline below reflects our best estimate at this stage. It is likely that any of the policy options will require at least two significant operational changes:
- ongoing collection of information on staff remuneration to enable better matching of salary costs to funding
 - a different funding calculation and funding delivery to the sector, whether through a more targeted approach to bulk grants or through some form of payroll system.
- 37 Following discussion with you to agree the purpose, scope and sector engagement approach, a key next step will be developing a more detailed programme plan for this piece of work. We will continue to work through implementation timelines and requirements as the policy detail emerges, to ensure that the operational implications of the options are captured as part of the decision making process.

Timing and deliverables

- 38 The table below outlines the indicative key review deliverables and timing identified to date. This table assumes agreement to the scope and purpose proposed in the paper.

Date	Deliverables
Nov-21	<ul style="list-style-type: none"> Minister's agreement to review Cabinet informed of review (between this point and early 2022) Expert advisory group stood up incl. terms of reference Staffing survey closes
Dec-21	<ul style="list-style-type: none"> ECAC informed of review scope Expert advisory group meeting
Feb-22	<ul style="list-style-type: none"> Expert advisory group meeting
Mar-22	<ul style="list-style-type: none"> Fees/financial data survey sent to services ECAC update Expert advisory group meeting
Apr-22	<ul style="list-style-type: none"> Expert advisory group meeting Service data analysis completed
May-22	<ul style="list-style-type: none"> Advice provided to Minister on funding settings and sector consultation approach
Jun-22	<ul style="list-style-type: none"> Cabinet agreement to consult on design approach Sector consultation
Aug-22	<ul style="list-style-type: none"> Advice to Minister on consultation outcomes
Sep-22	<ul style="list-style-type: none"> Submission to Cabinet on preferred funding system approach
Oct-22	<ul style="list-style-type: none"> Follow-up briefings on detailed requirements (incl. Budget 23 details)
Dec-22	<ul style="list-style-type: none"> Budget 23 template submitted for remainder of pay parity needs
Nov-23	<ul style="list-style-type: none"> Earliest possible date for IT payment system to provide funding under new arrangements
Jul-24	<ul style="list-style-type: none"> More feasible date for IT payment system to provide funding under new arrangements

- 39 We note that all components of a review will take some time, whether that be agreeing the policy approach, consultation, Budget process, data collection or IT changes. The timing of changes to IT systems (primarily ERS) to deliver funding is dependent on the

nature of policy approvals and calculations underpinning a new system. 9(2)(f)(iv)

. This target date is predicated on design work beginning in May next year.

Review risks

- 40 A review of funding faces several risks. The biggest risk is not being able to deliver a fully implemented solution within a time agreeable to teachers, as the main beneficiaries of the Government's pay parity policy. Teachers expect pay parity now and will not necessarily be understanding of a lengthy process.
- 41 As it is, we think it is very unlikely that policy changes and implementation can be reasonably completed within 12 months. As we outlined earlier, policy development, including public consultation, would take until at least the middle of 2022 followed by seeking of further Budget funding. IT changes for early learning funding under current settings are also not scheduled to come onstream until the last quarter of 2023.
- 42 There is also likely to be some comment on the limited discussion on the scope of the review with key representatives, such as ECAC. This can be answered by reference to the need to keep the scope narrow for financial and implementation timing reasons.
- 43 The Ministry is aware that its operational teams' ability to input into the review in the early stages of next year may be limited as those staff are also at the forefront of dealing with early learning impacts arising from the COVID-19 response.

Pay parity in kōhanga reo and other immersion centres

9(2)(f)(iv)

Treaty Analysis


Articles One and Three – Crown’s right to govern; Crown’s obligation to Māori as citizens

- 54 The proposed purpose and scope of the Funding Review is aimed at achieving pay parity for all certificated teachers, both Māori and non-Māori, in education and care services (and potentially also in home-based services).
- 55 Increasing teachers’ pay will increase the cost of early learning. A key question within the Review is how this additional cost should be shared between government and parents. This is particularly a question where services are operating well above minimum regulated ratios – the additional certificated teachers should be on the same salary scale as those required for minimum ratios, and the Review will need to work through which party (government or parents or a mix of both) should bear the cost of these teachers’ salaries.
- 56 Increasing the cost to parents affects access to early learning, particularly for low income parents. Māori parents are likely to be disproportionately affected if the cost of early learning increases, as they are overrepresented in low income households. We will take into account the impact on access and affordability through the options assessment process, including identifying mitigations.

Article Two – Māori rights to make decisions over taonga they wish to retain

- 57 Te reo Māori and mātauranga Māori are taonga. Early learning plays an important role in the revitalisation of te reo Māori and ensuring its continued existence for future generations.
- 58 As noted in paragraphs 44 to 50, the Ministry is working with Te Kōhanga Reo National Trust on improving pay for kaiako in kōhanga. The Trust is exercising rangatiratanga by determining the process, including the way kōhanga roles are assessed and the comparator for their staff.

59 9(2)(f)(iv)



Budget 2022 pay parity initiative

- 60 The Ministry is working on completing the description of the Budget 2022 pay parity initiative. This will move more qualified and certificated teachers towards pay parity.
- 61 We have indicated that the bid will cost a maximum of 9(2)(f)(iv) [Metis 1272623 refers]. This amount is intended to cover the actions below:
- a. an increase in the current pay parity funding rates from 1 January 2023 to reflect the cost of pay step 6 of the base salary scale (K1 scale) of the KTCA, which will be required from 1 January 2023; and
 - b. a higher set of funding rates, for services to opt in to if they attest to paying certificated teachers in line with pay steps at and above step 7 of the base salary scale; and
 - c. Depending on your decision below, potentially funding management staff on non-base (management) salary scales in the KTCA, pending the results of costings drawn from the 2021 Pay Parity Staffing Survey, which is currently being conducted.
 - d. 9(2)(f)(iv)
 - e. 9(2)(f)(iv)
 - f. Resourcing to assist with implementation requirements.
- 62 Implementation of the Budget 22 initiative will necessarily be similar to that of the Budget 21 initiative. This means using sector data to arrive at a new set of funding rates that reflect the cost of the sector level pay gap for additional KTCA pay steps. It also means a similar funding allocation approach must be used, given the time needed to rework the early learning funding system. This means some services may still not receive sufficient funding to meet their salary expense gap.

- 63 We expect the staffing survey should provide better information than last Budget on the pay gap for the remaining steps of the KTCA. This is dependent on the survey response rate. The Ministry anticipates, response rate permitting, that service-level data provided will enable an estimate of the number of services that would opt in based on the match between their expected additional income and extra salary costs.
- 64 The timing of the staffing survey means there is limited opportunity to advise you on the likely uptake and cost of additional pay steps prior to submission of Budget templates in December. 9(2)(f)(iv)
- 65 While we will endeavour to provide you with scenario costs prior to initiative submission to Treasury, it is possible these may not be fully confirmed until later in December, after templates are submitted. 9(2)(f)(iv)
- 66 To help complete the initiative description, we seek your direction on whether to include education and care management positions and home-based coordinators.

Including management positions

- 67 On balance, the Ministry's supports education and care management positions being paid at parity to equivalent kindergarten management steps (for Head Teachers and Senior Teachers)⁴. The main reason for this position is that it would support retention of these positions within services and ensure management roles are relatively well paid compared to base teaching roles.
- 68 This approach will place more pressure on the pay parity funding allocation. Furthermore, it may require a trade-off between the number of base pay steps being funded in the initiative versus management steps. We also note that there is scope for disagreement as to which education and care management roles fit into the two kindergarten management steps due to the variety of position descriptions. So some work is likely to be needed on how best to translate this across.


9(2)(f)(iv)

⁴ There are three kindergarten management steps. K2 is for Head Teachers (in charge of a single kindergarten). K3 is for Senior Teachers, who work across kindergartens and K4 is for Senior Teachers who manage other Senior Teachers. Unlike the base teacher scale, there is only one pay rate for each position – the teacher does not move up pay based on additional years of experience.

71 9(2)(f)(iv)



9(2)(f)(iv)



Next steps

- 73 Following discussion, and contingent on your decisions on this paper, we expect to provide a paper on the review for you to present to Cabinet in November 2021.
- 74 You may wish to signal the purpose and scope of a review to ECAC following Cabinet consideration of the review. Communication to ECAC would also enable us to formally stand up an expert Sector Advisory Group for the review.

Proactive Release

- 75 It is intended that this Education Report is proactively with any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.