Education Report: Implementation timing for pay parity

To:	Hon Chris Hipkins, Minister of Education		
Date:	9 September 2022	**Priority:**	High
Security Level:	Budget sensitive	**METIS No:**	1295793
Drafter:	Graham Bussell	**DDI:**	9(2)(a)
Key Contact:	John Brooker	**DDI:**	

Purpose of Report

This paper provides advice on options for the timing of fully implementing pay parity for teachers in education and care services.

Recommended Actions

The Ministry of Education recommends you:

EITHER

a. **agree** that pay parity be fully implemented through a two-step process involving:

- a final set of opt-in parity funding rates requiring all pay steps on the kindergarten collective to be paid from November 2023 to teachers in all services which opt-in
- a new funding approach starting in November 2024, which would require all services to pay all the steps on the kindergarten collective;

Agree / Disagree

OR

b. **agree** that pay parity be fully implemented through a new funding approach starting in July 2024, which would require all services to pay all the steps on the kindergarten collective;

c. **agree** that the Ministry of Education release this briefing once it has been considered by you, with information withheld in line with the provisions of the Official Information Act 1982.

Agree / Disagree.

John Brooker
Group Manager
Te Puna Kaupapahere

09/09/2022

Hon Chris Hipkins
Minister of Education

21/ 9/ 2022

Background

1. On 15 July, we provided you with advice on potential impacts of a proposed pay parity approach [METIS 1286391 refers]. This included advice on a public consultation approach and an approach to Budget 2023, which would see implementation of the new funding system in 2024.

2. You commented on the paper:

   I would like to discuss the following:
   - *Timeframes – this does not meet our commitment to pay parity this term of govt*
   - *Relationship with equity funding (services that look set to lose out could gain from a different equity funding system)*
   - *More information on the actual funding calculation that sits behind the model*

3. At the Agency meeting on 8 August, you spoke about delivering pay parity within this term of government. We indicated that we would come back to you with options and advice on the timing of pay parity implementation.

Approach and timing to deliver pay parity

4. We have previously set out implementation advice, including timing, for a new funding mechanism. This timing has always been tight. In November 2021 advice on setting up a Pay Parity Funding Review, we indicated that the earliest possible start date would be November 2023 [METIS 1276870 refers]. The advice also stated that a more feasible date was July 2024. The November date would have required no delays to the policy development, data collection and ICT infrastructure development phases.

5. The Ministry has already experienced delays that make the November date infeasible for delivering the full new pay parity funding model. For example, due to the extra time required to get even a relatively minimal set of financial data from services. As a result, our July briefing stated that 2024 was the earliest date the new funding system was expected to be implemented. This also aligns with when the funding module for all early learning service types is expected to be implemented through Pourato.

6. We consider that there are two possible implementation paths for your consideration, as follows.

Option 1: November 2023 – final extension of the opt-in system, with new funding system in place from November 2024

7. There is the option of extending the existing parity opt-in funding rate approach again in November 2023 and implementing a new funding approach by November 2024. We consider more opt-in rates is the only feasible approach within the existing EDUMIS payment system able to be implemented this term of government. This would close the pay gap for teachers whose services opt-in to the additional set of rates, new Budget funding permitting.

8. The additional opt-in funding rates would require all pay steps on the kindergarten collective, including management, to be paid.

9. This option has the following merits:

- Allows for all pay parity steps to be made available within this term of government.
- Locks the funding required for full parity into the early learning baseline in 2023.
- Allows for more time to engage with sector on a particularly significant funding change.
- Providing greater scope for seeking Budget 2024 funding to smooth impacts on viability.
- Services will be familiar with the opt-in parity funding rate approach.
- Allows more scope for sector consultation and time to implement new funding approach.
- Is more likely to enable new Equity Index (EI) data to be used to prioritise parity funding to different services (including any transitional funding). This assumes the EI is in place earlier in 2024. Implementing both at once is likely to be complex and confusing for the sector.
- EDUMIS can still be modified to include the new funding rates in 2023.

10. However, the option has the following drawbacks:
    - It is very unlikely all teachers would experience pay parity, due to average funding rates creating winner and loser services. This maintains a 'have and have not' split between teachers.
    - Despite this, some pressure for all services to opt in remains, even if unable to afford it, due to the possibility of losing teachers.
    - The short period between Budget announcement and availability of new rates provides relatively limited time for services to decide whether they should opt in.

Option 2: New funding system in place from July 2024

11. This approach is the approach we are currently working toward and assumes no further tranches of opt-in parity funding rates. The new funding mechanism would look to re-allocate existing funding into teacher salary and operating components with the offering of pay steps being mandatory for all services.

12. This option has the advantages of:
    - Still allowing for the final move to pay parity to be announced in this term of government assuming full funding from Budget 2023.
    - Focusing only on implementation of an option with proportionate and transparent distribution of funding to services.
    - No further use of a legacy funding system (EDUMIS).

13. Some of these advantages are shared with Option 1.

14. Option 2 has the following drawbacks:

    - Pay parity cannot be said to be fully implemented in any form until early in the next term of government.
    - It places considerable pressure on all components of the funding system redesign to keep to a strict timeline with minimal headroom for slippage in policy and ICT design and build phases.
    - It is more susceptible to any delay in Pourato development:
        - Any further delay in the Pourato development process means a July 2024 start date for early learning services in Pourato would no longer be viable.

- Any slippage in the policy process for the development of the new funding system to support pay parity would also make Pourato delivery by July 2024 unlikely. It depends on any funding system redesign not departing considerably from the assumptions of the possible time and effort that might be required to design and build Pourato for ECE and requires confirmation of the policy decision and calculations to be used for pay parity by December 2022.

Next Steps

15. We seek a decision on your preferred option to implementation to determine timeframes for remaining work. This decision will also assist with understanding phasing of timing for Budget 2023 pay parity funding requirements.