

Cabinet Paper material

Proactive release

Minister & portfolio Hon Jan Tinetti, Minister of Education

Name of package Pay parity for certificated teachers in education and care services: deferring full pass-on of recent kindergarten salary increases

Date considered 4 September 2023

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These documents have been proactively released:

Cabinet Paper: Pay parity for certificated teachers in education and care services: deferring full pass-on of recent kindergarten salary increases

Date considered: 4 September 2023

Author: Ministry of Education

Cabinet Minute: CAB-23-MIN-0421

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Author: Secretary of the Cabinet

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Author: Secretary of the Cabinet

Cabinet Social Wellbeing Committee Minute: SWC-23-MIN-0128

Date considered: 4 September 2023

Author: Committee Secretary

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)(f)(iv) to protect the confidentiality of advice tendered by Ministers of the Crown and officials

Some deletions have also 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>

Explanatory Note:

Please note that the recommendations agreed to by Cabinet (as recorded in the SWC Minute) differ from the recommendations outlined in the body of this Cabinet paper.

To provide a balance between the Government's commitment to pay parity and the current fiscal environment, Cabinet agreed to pass on KTCA salary increases up to December 2023 for certificated teachers in education and care services. This differs from the date of July 2023 outlined in the body of this Cabinet paper. The Government carefully considered this change and found it aligns with the Government's fiscal strategy, Labour's 2020 Election Manifesto commitment to pay parity, and action 3.4 of *He taonga te tamaiti – Every child a taonga: Early learning action plan 2019-2029*.

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Office of the Minister of Education

Cabinet Social Wellbeing Committee

Pay parity for certificated teachers in education and care services: deferring full pass-on of recent kindergarten salary increases

Proposal

- 1 I seek Cabinet agreement to:
 - 1.1 provide a partial increase to salary rates for education and care service teachers to reflect negotiated salary increases to July 2023. This will result in a payrise of at least \$4,000 for teachers on steps 1-6 whose services are opted into one of the parity bands. However, the Government will not pass on the full amount determined by the arbitration panel through the STCA settlement at this time as it is not affordable in the current fiscal environment;
 - 1.2 commit to a review of early childhood education funding;
 - 1.3 pause further commitment to passing on in full increases in the kindergarten pay scale arising from collective bargaining to certificated teachers in education and care services until after the funding review is complete.

Relation to government priorities


- 2 This supports the Government's fiscal strategy of returning the operating balance before gains and losses to surplus.
- 3 Increasing the pay scales for teachers in education and care services contributes to the commitment to move towards pay parity for certificated teachers in education and care services, as set out in Labour's 2020 Election Manifesto.
- 4 It aligns with action 3.4 of *He taonga te tamaiti – Every child a taonga: Early learning action plan 2019-2029* and its objective of improving teacher pay and conditions.

Executive Summary

- 5 As a Government, we have committed to pay parity for certificated teachers in education and care services with their counterparts in kindergartens. Over the last four Budgets we have invested \$909 million to bridge this pay gap.
- 6 We also set aside \$428 million in the teacher bargaining contingency to make sure salary increases negotiated through collective bargaining could also be passed on to teachers in education and care services. The intention to maintain the parity gains made in recent Budgets by passing on salary increases has been communicated to the sector on numerous occasions, by both Ministers and Ministry of Education officials.
- 7 However, since the commitment was made to pass on the salary increases, it has become clear that the scale of the cost is significantly higher than the funding set

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aside and is no longer affordable. The final settlements of the kindergarten, primary and secondary teacher collectives, and the change to offer funding rate parity for some education and care services with kindergartens, increases the cost of passing on salary improvements to education and care services. This is \$253 million above the funding set aside in the bargaining contingency to pass on the increases to the unified base salary scale (UBSS) from all three teacher collectives. Vote Education has no further capacity to absorb this additional cost.

- 8 Vote Education has no further capacity to absorb this additional cost, particularly in light of the \$664 million additional funding that needed to be found from within the Vote to meet the cost of the settlement after the recent determination by the arbitration panel following the PPTA industrial dispute. The pass on of the full range of salary increases may be considered in future. It is not currently affordable for the Government to continue to commit to pay parity and pass on the full settlement to education and care services.
- 9 Given we had put significant funding aside in the bargaining contingency, I have explored options to utilise a portion of this funding to minimise the negative impact on teachers in education and care services. I am therefore proposing that we utilise the funding we had set aside to pass on the salary increases up to July 2023. This increases each full step in the salary scale by at least \$4,000. This is estimated to cost \$242 million over four years, well within the \$392 million in funding that has already been appropriated for UBSS changes for teachers in education and care services.
- 10 I propose that the funding that has been drawn down into the Early Learning appropriation to support the flow-on costs associated with pay parity be held in that appropriation. This minimises the risk that the appropriation will be breached, given the uncertainty around opt in rates to the new Full Parity funding band.
- 11 Opt-in to the Full Parity funding band will be known in early October. 9(2)(f)(iv)

- 12 Parts of the early learning sector, including peak bodies representing education and care services, have been calling for a review into the funding model. The level of uncertainty and inaccuracy around calculating rates has further highlighted the complexities of the current funding model and strengthened the case for a review. Therefore, I am recommending that we commit to reviewing the funding model before continuing with pay parity. This will ensure we can have better costing, modelling, and accountability of public funds.

Background

- 13 Kindergarten teachers earn considerably more than equivalent teachers in education and care services, particularly those with considerable length of teaching experience. In 2021, kindergarten teachers were paid about \$22,000 a year more on average than education and care service teachers. This pay gap acts against the best interests of teachers and the children they teach.

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- 14 Education and care services are teacher-led early childhood centres. The majority of children attending early childhood education (ECE) attend an education and care service.¹ Education and care services are outside of the state sector.
- 15 Kindergartens are also teacher-led early childhood centres. Certificated teachers employed by kindergarten associations are part of the state sector. Because of this, the Secretary for Education negotiates the Kindergarten Teachers, Head Teachers, and Senior Teachers' Collective Agreement (KTCA) with NZEI Te Riu Roa. The KTCA has a Unified Base Salary Scale (UBSS) linked to the Primary Teachers Collective Agreement (PTCA). Changes to the UBSS in the PTCA and STCA are offered to kindergarten teachers via a variation to their collective agreement.
- 16 In the Labour Party's 2020 Election Manifesto, we committed to move towards pay parity between these two teacher groups. Pay parity in this area is ensuring that education and care service teachers receive the same pay that would be provided to them if they came under the KTCA.
- 17 The size of the pay gap and the number of teachers involved means achieving pay parity is an expensive undertaking. Nonetheless, the Government committed to reducing the pay gap to support early childhood education teachers, improve fairness and equity in the sector and provide assurance for New Zealand families that access to quality early childhood education is secure. This is demonstrated by the Government's strong financial commitment to date by allocating \$909 million to pay parity over the last four Budgets.
- 18 As part of communications on pay parity initiatives in Budget 2022 and 2023, we have publicly communicated our commitment to pass on changes to the UBSS to teachers in education and care services.
- 19 This message also featured in communications on the Budget 2023 cost adjustment initiative. Budget 2023 adjusts a notional operations component of kindergarten and education and care funding rates by 5.3%, resulting in lower overall cost adjustments for these service types. The rationale for the much lower partial adjustment was that funding rates for these service types would be adjusted for increased salaries post bargaining. This was also communicated to sector representatives.

An estimate of pay parity flow ons was included in the bargaining contingency

- 20 To reflect Government's commitment to pay parity in the early learning sector, the education bargaining contingency included an estimated cost of passing on collective bargaining salary increases to certificated teachers in education and care services and kaiako in kōhanga reo [SWC-22-MIN-0044 refers].
- 21 Throughout the bargaining process, the salaries negotiated to settle the various bargaining rounds increased - initially for the settlement of the KTCA, and subsequently for the settlement of the PTCA and STCA. The UBSS underpins all three collective agreements.
- 22 The estimated cost in the bargaining contingency for education and care services was initially set in 2021 when bargaining began. It was based on estimated full-time teacher equivalents (FTTE) and estimated rates of pay, and estimates of funded child hours, and a further estimated flow on cost for kōhanga reo. In total, \$474 million was

¹ In June 2022, just over 128,000 children were attending an education and care service. This equates to 71% of all children attending ECE.

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set aside in the provisions made by Cabinet for bargaining costs for flow ons for education and care services and kōhanga reo.

- 23 There is known uncertainty in costs for maintaining pay parity from the bargaining settlements. This is partly because of the quality of the information available to estimate costs, and partly because of shifts in the input variables since bargaining began. For example, the Ministry's estimate of pay rates is based on the staffing survey undertaken as part of a review of funding for pay parity. Less than half of education and care services provided information through this survey.

Budget 2023: Full Parity matches the kindergarten funding rates

- 24 The Budget 2023 pay parity initiative introduces a third set of funding rates called Full Parity. Services that opt into these funding rates attest to paying their teachers the full kindergarten pay scale as at July 2021. This funding band is available from 1 November 2023 and is the same as the kindergarten funding rates as at Budget Day 18 May 2023. As with other pay parity funding rates, services may opt into these because the blanket funding rates may not cover their additional teacher pay costs.
- 25 Ministry information on teacher pay in education and care services indicated that approximately 38% of services would be likely to opt into the previous kindergarten rates and associated July 2021 salary scale. Given the quality of this data, the Ministry assumed a higher opt in of 55% when costing the Budget 2023 pay parity initiative. There is considerable uncertainty in this estimate.
- 26 Table 1 below outlines the salary scales for the three opt in funding bands. All three salary scales are linked to the July 2021 KTCA salary scale. At present, only the parity and extended parity funding bands are accessible, and opt in rates shift at each funding payment. Currently 93% of services are opted into one of these two funding bands, improving the pay of teachers in these services.

Table 1: Salary scales for opt in funding bands that apply to education and care services

Step	Base	Parity	Difference Parity v Base	Extended Parity	Difference Extended Parity v Parity	Full Parity	Difference Full Parity v Extended Parity
	Step 1 only	Steps 1-6		Steps 1-6, partial steps 7- 11		Steps 1-11	
		Budget 21 Implemented 1 Jan 2022		Budget 22 Implemented 1 Jan 2023		Budget 23 Effective 1 Nov 2023	
1	\$51,358	\$51,358	\$0	\$51,358	\$0	\$51,358	\$0
2	\$51,358	\$53,544	\$2,186	\$53,544	\$0	\$53,544	\$0
3	\$51,358	\$55,948	\$4,590	\$55,948	\$0	\$55,948	\$0
4	\$51,358	\$58,133	\$6,775	\$58,133	\$0	\$58,133	\$0
5	\$51,358	\$61,794	\$10,436	\$61,794	\$0	\$61,794	\$0
6	\$51,358	\$65,776	\$14,418	\$65,776	\$0	\$65,776	\$0
7	\$51,358	\$65,776	\$14,418	\$68,103	\$2,327	\$70,040	\$1,937
8	\$51,358	\$65,776	\$14,418	\$70,431	\$4,655	\$75,190	\$4,759
9	\$51,358	\$65,776	\$14,418	\$72,758	\$6,982	\$79,413	\$6,655
10	\$51,358	\$65,776	\$14,418	\$75,230	\$9,454	\$85,490	\$10,260
11	\$51,358	\$65,776	\$14,418	\$79,413	\$13,637	\$90,000	\$10,587

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Table 2: Education and care services by opt in status, July 2023

Attestation	Salary scale	Number of services	%
No Step		8	0%
Base	Step 1	183	7%
Parity	Step 1-6	793	29%
Extended Parity	Steps 1-6, partial steps 7-11, management step	1,772	64%
Total		2,756	100%

Analysis

Shortfall in funding set aside for passing on salary increases

- 27 In June 2023, the Ministry of Education updated kindergarten funding rates to account for the KTCA settlement. As a result of setting these rates, it became clear that the funding set aside in the bargaining contingency for education and care service flow ons would not be sufficient to match the Full Parity funding rates with the new kindergarten funding rates.
- 28 The mismatch has arisen due to differences in the methodology for calculating flow on costs in the bargaining contingency and the calculation of the Full Parity funding costs. The former estimates the marginal pay gap for education and care service teacher FTE, while the latter assigns the kindergarten funding rate to an estimated level of opted in education and care services. In addition, the updated kindergarten funding rates include additional sick leave and head teacher release time as well as increases to the salary scale.
- 29 I have expressed my disappointment to officials for not identifying the problem sooner that has resulted in this funding shortfall. The Ministry is improving its processes for managing the cost implications of new policy initiatives and calculating bargaining contingencies. I have received assurance from the Ministry that I will be advised of risks such as these sooner in future. However, the error has further highlighted the complexities of the funding model for the ECE sector and the need to review the system so we can have better costing, modelling and accountability of public funds.
- 30 The estimated size of the discrepancy is \$252.767 million over four years, when flow on costs from the KTCA, PTCA and STCA are taken into account. This estimate uses the opt in assumptions for the various opt in funding rates that were used in the Budget 2023 pay parity initiative, which includes 55% opt in to Full Parity. The additional costs could be higher or lower depending on opt in to Full Parity.
- 31 The first opportunity I had to inform Cabinet of this shortfall was during the Cabinet process undertaken to resolve the secondary teacher bargaining. I was invited to report back on how the flow on impacts of pay parity will affect the Vote and options for how these impacts may be resolved [SWC-23-MIN-0107 refers].

Deferring pass on of full kindergarten salary increases to education & care teachers

- 32 Given this shortfall, I do not consider it possible to continue with the full pass on of salary increases to teachers in education and care services at this time. Cabinet recently considered reprioritisation options in Vote Education [SWC-23-MIN-0107

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refers], and therefore there are no feasible savings options within the Vote to fund this shortfall. The recently ratified Secondary Teachers' Collective Agreement (STCA) created a pre-commitment of \$306 million against Budget 2024 [SWC-23-MIN-0107 refers]. Continuing with the full pass on of salary increases to education and care teachers would create a further large pre-commitment for Budget 2024. This is not tenable in the current fiscal environment.

33 9(2)(f)(iv)

34 Table 3 below outlines the changes to the kindergarten salary scale from the recently agreed Kindergarten Teachers, Head Teachers, and Senior Teachers' Collective Agreement (KTCA). The table also outlines the likely changes to the salary scale resulting from the primary and secondary collectives, noting that the process for varying collectives is currently underway. The outcome of the arbitration panel, instigated through ongoing industrial disputes with the PPTA, was a 14.5% pay rise for teachers by December 2024, which is reflected in the salary scales below.

Utilising the funding set aside to minimise the impact of the deferral on teachers

35 I propose that funding already drawn down from the bargaining contingency for education and care service flow ons be used to pass on the initial salary increases outlined in the table below out to July 2023.

36 Adjusting the salary scale to July 2023 values, including matching the Full Parity rate with the applicable kindergarten rate, is estimated to cost \$242 million over four years. This is within the \$392 million that has already been drawn down for education and care service flow ons. This level of pass on increases every salary step and therefore all teachers should experience a pay rise. This will help manage the impact of the deferral on the future salaries of education and care teachers.

37 While the full UBSS increases for teachers in education and care services is not affordable for the Government in the current fiscal environment, the July 2023 rates will mean that teachers on steps 1-6 whose services are opted into one of the parity bands should experience a payrise of at least \$4,000.

38 As noted in paragraph 25, there is considerable uncertainty regarding the opt in rate for Full Parity. Taking a conservative approach to the level of salary adjustment ensures sufficient funding in the appropriation should opt in rates be higher than estimated.

39 9(2)(f)(iv)

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Table 3: Kindergarten base salary scale and likely changes as a result of the settlement of the primary and secondary teacher collective agreements

Step	B23 - Full Parity opt in scale	KTCA	PTCA	STCA	KTCA	STCA	PTCA	KTCA	PTCA	STCA
	KTCA salary scale as at July 2021	1 Dec 22	3 Jul 23	3 Jul 23	1 Dec 23	3 Apr 24	3 Jul 24	2 Dec 24	2 Dec 24	2 Dec 24
1	\$51,358	\$55,358		\$56,757	\$57,358	\$59,027		\$58,505	\$60,735	\$61,329
2	\$53,544	\$57,544			\$59,544			\$60,735		\$61,329
3	\$55,948	\$59,948			\$61,948			\$63,187		\$64,083
4	\$58,133	\$62,133			\$64,133	\$64,086 ¹		\$65,416		\$66,586
5	\$61,794	\$65,794			\$67,794	\$68,122		\$69,150		\$70,779
6	\$65,776	\$69,776			\$71,869	\$72,512		\$73,307		\$75,340
7	\$70,040	\$74,040	\$74,242		\$76,261	\$77,213		\$77,786		\$80,224
8	\$75,190	\$79,190	\$79,701		\$81,566	\$82,890		\$83,197		\$86,123
9	\$79,413	\$83,413	\$84,178		\$85,915	\$87,545		\$88,000		\$90,960
10	\$85,490	\$89,490	\$90,619		\$92,175	\$94,245		\$94,500		\$97,920
11	\$90,000	\$94,000	\$95,400		\$96,850	\$99,216		\$100,000		\$103,086

Post-script: the figure for Step 4 in the 3 April 2024 column was included in error. The KTCA step 4 from December 2023 would still apply

Kōhanga pay scheme will continue

- 40 UBSS improvements to kōhanga pay would continue, as there is sufficient funding for this set aside as part of the bargaining contingency. Kōhanga pay improvements are managed via a contract with Te Kōhanga Reo National Trust. Continuing with UBSS improvements for kōhanga reo is also consistent with our Treaty relationship and the Crown's obligations to protect te reo Māori as a taonga. The kōhanga pay scheme is a key component of the supportive funding system, which was a key recommendation of the Waitangi Tribunal in response to kōhanga's WAI 2336 claim.
- 41 Funding for the additional costs of staff pay as a result of the kaimahi pay scheme introduced earlier this year in kōhanga reo is managed via a contract between the Ministry of Education and Te Kōhanga Reo National Trust. Individual kōhanga reo may opt into the pay scheme. Their kaimahi are paid through a centralised payroll set up by the Trust's payroll provider. Participating kōhanga reo contribute 65% of their early learning subsidy funding to the cost of kaimahi pay, which is placed in a central payroll account. The Ministry meets the difference between the subsidy contribution and the salary cost for kōhanga reo kaimahi. The number of kaimahi covered by the scheme is defined by a ratio-driven funding formula linked to mokopuna enrolment and attendance.
- 42 The kōhanga pay scheme is able to individually match funding with the salary costs of individual kōhanga. This differs from the approach for kindergartens and education and care services, where funding rates are adjusted at a subsector level, and as such overfund some services for the additional salary cost and underfund others. The kōhanga reo pay scheme requires each kōhanga reo to closely adhere to employing kaimahi as per the ratios set out in the funding formula. Otherwise additional kaimahi must be funded in full by the kōhanga reo itself.

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Long-term review of early childhood education funding

- 43 Alongside the decision to defer passing on flow on impacts to education and care services, I propose that Cabinet commit to a longer-term review of ECE funding. Parts of the sector have been calling for a review of the funding model, in part prompted by consultation on the Pay Parity Funding review.
- 44 Earlier this year, the Ministry of Education consulted on a proposal to better align funding towards pay parity costs as part of a Pay Parity Funding Review. Much feedback from submitters on the consultation focused on funding issues that were wider than the proposed changes. Some of these reflected on longstanding ECE funding principles, for example, basing funding on minimum adult:child ratios and the fact that services are only funded 6 hours per day for a child place, yet many services are open for longer hours.
- 45 Sector representatives, including those representing education and care services, have also met recently with me and the Associate Minister of Education. They have conveyed a message that the current funding model is not fit for purpose.
- 46 The range of funding issues that are presenting for the sector points to a genuine need to relook at the funding model. The level of uncertainty and inaccuracy around calculating rates has further highlighted the complexities of the current funding model and strengthened the case for a review. Therefore, I am recommending to Cabinet that we commit to reviewing the funding model before continuing with pay parity. This will ensure we can have better costing, modelling, and accountability of public funds.
- 47 I propose that the review would start early in the next term of government, particularly as it is likely to be a multi-year endeavour. As a first step in this process, I seek agreement to report back to Cabinet by March 2024 on the scope and approach to the review. This will provide time to engage closely with sector representatives on the shape of the review.

Implementation

- 48 As noted above, pay parity has been implemented in education and care services through opt in funding bands with associated payscales. Services are funded on four-monthly blocks and indicate at each funding period what their parity opt in is. The opportunities for updating funding rates are therefore ahead of the March, July and November funding payments. Services submit their funding claims, and level of parity opt in, one month before the payment – in the first week of February, June and October respectively.
- 49 We need to give services as much time as possible to make a decision on their level of opt in. The partial adjustment to the July 2023 salary scale will be announced as soon as is practicable after Cabinet's decision. This will provide services with three weeks to decide their level of opt in. While this is less than ideal, I consider this preferable to making no salary adjustment for the November payment.

50 9(2)(f)(iv)



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51 9(2)(f)(iv)

Cost-of-living Implications

- 52 A partial pass on of increases to the UBSS to teachers in education and care services has a positive effect on the ability of these teachers to meet cost of living pressures. The July 2023 kindergarten salary scale is between \$4,000 and \$5,400 higher than the July 2021 kindergarten salary scale. Pay increases for individual teachers will vary according to which parity funding band their service is opted into and their level of experience:
- 52.1 Teachers on steps 1-6 whose services are opted into one of the parity bands should experience a payrise of at least \$4,000.
 - 52.2 The Extended Parity payscale includes partial steps where increases will be less than \$4,000. Teachers on these steps whose services are currently opted into Extended Parity and continue in this funding band will experience a lower level of pay increase.
 - 52.3 Teachers at steps 7-11 whose services shift from Extended Parity to Full Parity will experience a pay increase of between \$6,000 and \$16,000.
- 53 The opt in funding rates in education and care services are set at a subsector level and therefore do not meet the additional salary costs of every individual service – some services receive more funding than the additional salary cost and others receive less. Using opt in funding rates to deliver teacher salary improvements therefore can create upward pressure on fees to parents. This occurs where the funding rates do not cover the additional salary costs at a particular service, but nevertheless the service chooses to opt in. A lower increase to the opt in funding rates may mean there is less pressure on parent fees.

Financial Implications

- 54 A total of \$474.456 million was set aside in the bargaining contingency to ensure the UBSS increases are passed on to the wider ECE sector. Of this, \$427.272 million relates to certificated teachers in education and care services. The remainder relates to kōhanga reo.
- 55 The funding set aside for passing on UBSS increases from the settlement of the KTCA to early learning services has already been drawn down from the bargaining contingency [SWC-23-MIN-0067 refers]. The amount already drawn down is \$434.898 million, of which \$391.649 million relates to education and care service costs. There remains \$35.623 million in the bargaining contingency for UBSS increases from PTCA and STCA settlement relating to teachers in education and care services.
- 56 The pass on of the UBSS improvements to July 2023 is estimated to cost \$241.919 million over four years. This is using the same opt in assumptions as the Budget 2023 pay parity initiative, which included 55% opt in to Full Parity rates. As this level

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of opt in is uncertain, we have also costed lower and upper bounds, to indicate the range of costs possible:

56.1 A 38% opt in assumption to Full Parity is estimated to cost \$226 million over four years.

56.2 A 64% opt in assumption to Full Parity is estimated to cost \$287 million over four years.

57 There is a significant difference between the funding set aside to support pay parity flow ons and the proposal in this paper – between \$201 million and \$140 million using the lower and upper bounds above. 9(2)(f)(iv)

58 9(2)(f)(iv)

Legislative Implications

59 There are no legislative implications from this paper.

Impact Analysis**Regulatory Impact Statement**

60 There are no regulatory implications from this paper.

Climate Implications of Policy Assessment

61 This paper does not contain climate implications.

Population Implications

62 Certificated teachers in education and care services are predominantly women. The partial pass on increases to the UBSS to this group will disproportionately affect women.

63 As noted in the cost of living implications section, the opt in funding system creates upward pressure on ECE fees to parents. Services that serve low socioeconomic communities have less ability to raise parental fees, so are less likely to opt into a funding band that they cannot afford without raising additional revenue. Services in middle and high income areas are more likely to raise fees where the additional funding does not cover their additional salary costs.

Human Rights

64 There are no human rights implications arising from this paper.

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Use of external Resources

65 This paper did not use external resources.

Consultation

66 Treasury was consulted on this paper. The Department of the Prime Minister and Cabinet was informed.

Communications

67 New funding rates and associated salary scales will be published in the ECE Funding Handbook on the Ministry's website.

68 The changes to funding rates and salary scales will be communicated via a special Early Learning Bulletin. The Early Learning Bulletin is the Ministry's regular pānui to ECE services. It is published on the Ministry's website and sent to every ECE service.

Proactive Release

69 We intend to proactively release this paper subject to the provisions of the Official Information Act 1982.

Recommendations

The Minister of Education recommends that the Committee:

- 1 **note** that in Budgets 2022 and 2023, Government committed to:
 - 1.1 passing on the flow-on costs of KTCA negotiations to early learning services [SWC-22-MIN-0044 refers], and
 - 1.2 providing funding rate parity between kindergartens and education and care services that opt-in to 'Full Parity' and attest to paying their teachers at the full kindergarten payscale (Budget 23)
- 2 **note** this commitment was communicated to the early learning sector following Budgets 2022 and 2023, and there is sector expectation that the Full Parity funding rates will continue to match the kindergarten funding rates;
- 3 **note** that \$474.456 million was set aside in the bargaining contingency for passing on flow-on costs to early learning services, of which \$427.272 million relates to education and care services;
- 4 **note** that passing on the improvements to the UBSS to certificated teachers in education and care services arising from the settlement of the KTCA, PTCA and STCA, will cost more than the funding set aside for this purpose in the bargaining contingency, and the estimated additional cost is \$252.767 million over four years;
- 5 **note** that Cabinet directed the Minister of Education to report back on how flow on from impacts of pay parity will affect the Vote [SWC-23-MIN-0107];

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- 6 **agree**, given the shortfall in funding, to not pass on the full improvements to the UBSS to certificated teachers in education and care services at this time as it is not affordable within the current fiscal environment;
- 7 **note** that, of the \$474.456 million set aside, \$434.898 million has already been drawn down from the Teachers and Principals 2022 Collective Bargaining Strategy contingency [SWC-23-MIN-0067 refers], of which \$391.649 million relates to education and care service flow ons;
- 8 **note** that this funding is sufficient to enable us to pass on the initial salary uplift agreed in the KTCA settlement for December 2022, and the subsequent uplifts to the UBSS from the PTCA and STCA in July 2023;
- 9 **note** that this uplift is estimated to cost \$241.919 million over four years, assuming a 55% opt in to Full Parity funding rates, though there is considerable uncertainty about the level of opt in;
- 10 **agree** to utilise the \$391.649 million of funding already appropriated to pass on improvements to the UBSS agreed through the settlement process up to July 2023 to certificated teachers in education and care services, in order minimise the impact of the partial deferral decision in recommendation 6 above;
- 11 **note** that this increase will see at least a \$4000 pay rise from 1 November 2023 for teachers on steps 1-6 whose services are opted into one of the three parity opt in funding bands;
- 12 9(2)(f)(iv) [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- 13 **direct** the Minister of Education and the Minister of Finance to report back to Cabinet in December 2023 with any proposal to utilise the remaining funding in recommendation 12;
- 14 **agree** that a review of the funding system for early childhood education be undertaken, with a draft terms of reference, including the review's scope, provided to Cabinet by March 2024.

Authorised for lodgement

Hon Jan Tinetti

Minister of Education



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 1 September 2023

On 4 September 2023, Cabinet made the following decisions on the work of the Cabinet Social Wellbeing Committee for the period ended 1 September 2023:

out of scope

A large rectangular area of the document is completely redacted with a solid grey fill, covering the majority of the page content below the introductory paragraph.

SWC-23-MIN-0128 **Pay Parity for Certificated Teachers in
Education and Care Services: Deferring Full
Pass-on of Recent Kindergarten Salary
Increases**
Portfolio: Education

Separate minute:
CAB-23-MIN-0421.01

Rachel Hayward
Secretary of the Cabinet

Proactively Released



Cabinet

Minute of Decision

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Pay Parity for Certificated Teachers in Education and Care Services: Deferring Full Pass-on of Recent Kindergarten Salary Increases

Portfolio(s) **Education**

On 4 September 2023, following reference from the Cabinet Social Wellbeing Committee (SWC), Cabinet:

- 1 **noted** that as part of Budget 2022 and 2023 decisions, Cabinet agreed to:
 - 1.1 pass on the flow-on costs of Kindergarten Teachers, Head Teachers, and Senior Teachers' Collective Agreement (KTCA) negotiations to early learning services [CAB-22-MIN-0129];
 - 1.2 provide funding rate parity between kindergartens and education and care services that opt-in to 'Full Parity' and attest to paying their teachers at the full kindergarten payscale [CAB-23-MIN-0139];
- 2 **noted** that the above commitments were communicated to the early learning sector following Budgets 2022 and 2023, and there is sector expectation that the Full Parity funding rates will continue to match the kindergarten funding rates;
- 3 **noted** that passing on the improvements to the Unified Base Salary Scale (UBSS) to certificated teachers in education and care services arising from the settlement of the KTCA, Primary Teachers Collective Agreement (PTCA) and Secondary Teachers Collective Agreement (STCA) will cost more than the funding set aside for this purpose, and the estimated additional cost is \$252.767 million over four years;
- 4 **noted** that in August 2023, SWC:
 - 4.1 noted that the final settlements of the KTCA, PTCA, and STCA, and the change to offer funding pay parity for some education and care services with kindergartens, all increase the cost of passing on the flow-on costs;
 - 4.2 invited the Minister of Education to report back on how flow on from impacts of pay parity will affect the Vote and options for how the impacts may be resolved;

[SWC-23-MIN-0107]
- 5 **agreed** that, given the shortfall in funding, the full improvements to the UBSS will not be passed on to certificated teachers in education and care services at this time, as it is not affordable within the current fiscal environment;

- 6 **noted** that:
- 6.1 the Teachers and Principals 2022 Collective Bargaining Strategy contingency set aside \$427.272 million for education and care services flow ons, of which \$391.649 million has already drawn down [SWC-23-MIN-0067] and \$35.623 million remains in the contingency;
 - 6.2 the Minister of Education intends to report back to Cabinet shortly to seek agreement to draw down the remaining funding;
- 7 **noted** that the above funding enables the pass on of the initial salary uplift agreed in the KTCA, PTCA, and STCA settlements through to December 2023;
- 8 **noted** that the above uplift is estimated to cost \$462.212 million over four years, assuming a 55 percent opt-in to Full Parity funding rates, though there is considerable uncertainty about the level of opt in and final costs may be higher or lower;
- 9 **noted** that the final opt-in rate will not be known until October as part of the next early learning funding payment cycle;
- 10 **agreed** to utilise the \$427.272 million of funding set aside to pass on improvements to the UBSS agreed through the settlement process up to December 2023 to certificated teachers in education and care services, in order minimise the impact of the partial deferral decision in paragraph 5 above;
- 11 **agreed** that the additional estimated cost of up to \$34.94 million over and above the \$427.272 million set aside will be managed against the Budget 2023 between budget contingency;
- 12 **noted** that the Ministry of Education is finalising the funding rates for education and care services to implement the above changes;
- 13 **authorised** the Prime Minister, Minister of Finance, and Minister of Education jointly to approve any appropriation changes needed to allow the Minister of Education to approve the funding rates associated with the above changes, and to report back to Cabinet on the impact of these decisions and any financial impacts;
- 14 **noted** that the above increase will see at least a \$6,000 pay rise from 1 December 2023 for teachers on steps 1-6 whose services are opted into one of the three parity opt in funding bands;
- 15 **agreed** that a review of the funding system for early childhood education be undertaken, with a draft term of reference, including the review's scope, to be provided to Cabinet by 31 March 2024.

Rachel Hayward
Secretary of the Cabinet

Secretary's Note: This minute replaces SWC-23-MIN-0128. Cabinet agreed to amend paragraph 11.



Cabinet Social Wellbeing Committee

Minute of Decision

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Pay Parity for Certificated Teachers in Education and Care Services: Deferring Full Pass-on of Recent Kindergarten Salary Increases

Portfolio Education

On 30 August 2023, the Cabinet Social Wellbeing Committee (SWC), having been authorised by Cabinet to have Power to Act [CAB-23-MIN-0408]:

- 1 **noted** that as part of Budget 2022 and 2023 decisions, Cabinet agreed to:
 - 1.1 pass on the flow-on costs of Kindergarten Teachers, Head Teachers, and Senior Teachers' Collective Agreement (KTCA) negotiations to early learning services [CAB-22-MIN-0129];
 - 1.2 provide funding rate parity between kindergartens and education and care services that opt-in to 'Full Parity' and attest to paying their teachers at the full kindergarten payscale [CAB-23-MIN-0139];
- 2 **noted** that the above commitments were communicated to the early learning sector following Budgets 2022 and 2023, and there is sector expectation that the Full Parity funding rates will continue to match the kindergarten funding rates;
- 3 **noted** that passing on the improvements to the Unified Base Salary Scale (UBSS) to certificated teachers in education and care services arising from the settlement of the KTCA, Primary Teachers Collective Agreement (PTCA) and Secondary Teachers Collective Agreement (STCA) will cost more than the funding set aside for this purpose, and the estimated additional cost is \$252.767 million over four years;
- 4 **noted** that in August 2023, SWC:
 - 4.1 noted that the final settlements of the KTCA, PTCA, and STCA, and the change to offer funding pay parity for some education and care services with kindergartens, all increase the cost of passing on the flow-on costs;
 - 4.2 invited the Minister of Education to report back on how flow on from impacts of pay parity will affect the Vote and options for how the impacts may be resolved [SWC-23-MIN-0107];
- 5 **agreed** that, given the shortfall in funding, the full improvements to the UBSS will not be passed on to certificated teachers in education and care services at this time, as it is not affordable within the current fiscal environment;

- 6 **noted** that:
- 6.1 the Teachers and Principals 2022 Collective Bargaining Strategy contingency set aside \$427.272 million for education and care services flow ons, of which \$391.649 million has already drawn down [SWC-23-MIN-0067] and \$35.623 million remains in the contingency;
- 6.2 the Minister of Education intends to report back to Cabinet shortly to seek agreement to draw down the remaining funding;
- 7 **noted** that the above funding enables the pass on of the initial salary uplift agreed in the KTCA, PTCA, and STCA settlements through to December 2023;
- 8 **noted** that the above uplift is estimated to cost \$462.212 million over four years, assuming a 55 percent opt-in to Full Parity funding rates, though there is considerable uncertainty about the level of opt in and final costs may be higher or lower;
- 9 **noted** that the final opt-in rate will not be known until October as part of the next early learning funding payment cycle;
- 10 **agreed** to utilise the \$427.272 million of funding set aside to pass on improvements to the UBSS agreed through the settlement process up to December 2023 to certificated teachers in education and care services, in order minimise the impact of the partial deferral decision in paragraph 5 above;
- 11 **agreed** that any cost over and above the \$427.272 million set aside could be managed as either a forecast change, in the same way as the existing ECE pay parity funding rates are, or as a pre-commitment against Budget 2024;
- 12 **noted** that the Ministry of Education is finalising the funding rates for education and care services to implement the above changes;
- 13 **authorised** the Prime Minister, Minister of Finance, and Minister of Education jointly to approve any appropriation changes needed to allow the Minister of Education to approve the funding rates associated with the above changes, and to report back to Cabinet on the impact of these decisions and any financial impacts;
- 14 **noted** that the above increase will see at least a \$6,000 pay rise from 1 December 2023 for teachers on steps 1-6 whose services are opted into one of the three parity opt in funding bands;
- 15 **agreed** that a review of the funding system for early childhood education be undertaken, with a draft term of reference, including the review's scope, to be provided to Cabinet by 31 March 2024.

Rachel Clarke
Committee Secretary

Attendance (see over)

Present:

Hon Carmel Sepuloni (Chair)
Hon Grant Robertson
Hon Jan Tinetti
Hon Dr Ayesha Verrall
Hon Peeni Henare
Hon Priyanca Radhakrishnan
Hon Willow-Jean Prime
Hon Rino Tirikatene

Officials present from:

Office of the Prime Minister
Officials Committee for SWC

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