



## Education Report: Scope and timing of review of home-based ECE

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	15 December 2017	<b>Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1090372
<b>Drafter:</b>	[REDACTED] s 9(2)(a) OIA	<b>DDI:</b>	[REDACTED]
<b>Key contact and number:</b>	Damian Edwards [REDACTED] s 9(2)(a) OIA	<b>Round robin:</b>	No [REDACTED] s 9(2)(a) OIA
<b>Messaging seen by Communications team:</b>	N/A		

### Purpose of report

The purpose of this paper is for you to:

- **indicate** your preference for the sequencing the review of home-based ECE with the development of the 10 year strategic plan for ECE
- **indicate** your preference for the scope of the review of home-based ECE.

### Summary

1. The manifesto signals commitments to the development of a new 10 Year Strategic Plan for ECE and a review of home-based ECE. We understand you intend to progress the development of the 10 Year Strategic Plan in 2018 after the Education Summits. Depending on how you choose to develop the Strategic Plan, it is likely to take a year to 18 months to develop. We will provide you advice early in the new year on scope and development options.
2. We seek your direction on whether the review of home-based ECE should be progressed in parallel to the 10 Year Strategic Plan, or deferred until the Strategic Plan has been finalised. Developing in parallel means changes to the funding and regulatory regime for home-based ECE could be made within this term of government. However, it would risk being inconsistent with the overall strategic direction set through the Strategic Plan.
3. Should you decide to progress the review of home-based ECE in 2018, we have identified the following policy issues that could fall within scope of the review:
  - qualification requirements of home-based educators (identified in the manifesto)
  - pedagogical leadership and the role of qualified co-ordinators in ensuring quality home-based ECE

- employment conditions for home-based educators
  - curriculum implementation in home-based ECE
  - adult-to-child ratios allowing out of school care and home-based ECE to be provided in one home
  - limitations in regulatory accountability provisions for home-based ECE. These also apply across the wider early learning sector.
4. These areas all contribute to quality in home-based ECE. Research is not definitive on where to set requirements in these areas to ensure quality. The Ministry also lacks information on the costs to providers associated with making changes in these areas. Sector consultation will be important to gain a better understanding of operating models.
  5. However, most accountability provisions within the Education (Early Childhood Services) Regulations 2008 and the Education Act 1989 apply across all early learning services. We therefore recommend that any review of accountability settings be deferred until after the finalisation of the Strategic Plan. The Strategic Plan will shape the direction for accountability in ECE, and amendments to accountability provisions should be aligned with this.
  6. If you decide to progress with the review of home-based ECE in 2018, we suggest a two stage public consultation process involving the home-based sector and parents of children participating in home-based ECE. The first phase of consultation would cover the policy proposals, the second phase of consultation is an exposure draft on regulation changes. The proposed process is approximately two years from developing consultation options to implementation.

## Recommended Actions

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The Ministry of Education recommends you:

- a. **indicate** your preference for the timing of the review of home-based ECE:
  - i. **either** starting in 2018, in parallel with the development of the 10 year strategic plan for ECE  

Yes / No
  - ii. **or** starting in mid-to-late 2019, following the development of the 10 year strategic plan for ECE  

Yes / No
- b. **indicate**, if you decide to progress the review of home-based ECE in 2018, which of the following areas, in addition to qualification requirements for home-based educators, you wish to be included in the scope of the review:
  - i. pedagogical leadership and the role of the coordinator in home-based ECE  

Yes / No
  - ii. employment conditions for home-based educators  

Yes / No
  - iii. curriculum implementation in home-based early childhood education

Yes / No

- iv. child-to-adult ratios for home-based ECE and out of school care in one home

Yes / No

- c. **note** that the Ministry recommends reviewing accountability settings for both home-based ECE providers and for other ECE providers after the development of the 10 Year Strategic Plan
- d. **discuss** the proposed timeframe, scope and process for the review of home-based ECE with officials

Agree / Disagree



Damian Edwards  
Associate Deputy Secretary  
Education System Policy

15/11/17.



Hon Chris Hipkins  
Minister of Education

21/1/18

- v. funding arrangements for home-based ECE and transparency to parents of any govt subsidy
- vi. current quality criteria for additional funding and how these can be refined to drive-up quality.

## Background

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7. Home-based early childhood education (ECE) represents 7% of Government's total operational funding in early learning. However, little is known of the effectiveness of home-based ECE in delivering educational outcomes.
8. There were 20,505 enrolments in home-based ECE in 2015, representing approximately 10% of enrolments in early learning. A high proportion of children enrolled in home-based ECE are under two. In 2015, children under two accounted for 35% of home-based enrolments, compared to 16% in centre-based early learning.
9. Home-based ECE services can operate unlicensed.<sup>1</sup> To receive Government funding services must be licensed under the Education (Early Childhood Services) Regulations 2008 (the Regulations). Licensed services must meet regulated standards, including adult to child ratios, health and safety standards, and qualification requirements.
10. Government funds a number of education and care arrangements through home-based ECE. This includes educators caring for up to 4 children in the educator's home, nannies, and au pairs looking after children in the children's home. It also includes family members (e.g. grandparents), but not parents. Home-based educators are not required to hold qualifications<sup>2</sup>, but are overseen by co-ordinators who must be fully qualified and registered teachers.

### **Home-based ECE has grown substantially**

11. Home-based ECE has grown:
  - the number of licensed home-based ECE providers grew from 183 services in 2000 to 472 in 2016 (a 158% increase)
  - operational funding allocated to home-based ECE grew from \$25.76 million in the 2001/02 to \$119.06 million in the 2014/15
  - enrolments have more than doubled, from just under 9,000 children in 2000, to over 20,000 children in 2015.
12. Growth in home-based ECE can in part be attributed to the relative ease with which a provider can open a service. There are fewer infrastructure costs than for centre-based services because education and care is provided within existing homes.

### **Provision has shifted from community-based to privately-owned services**

13. The ownership of home-based ECE has shifted markedly over the last two decades from community-based to private ownership. In the year 2000, of 183 licensed home-based ECE services, 26% were privately owned and 74% were community-based. By 2016, of 472 home-based ECE services, 88% were privately owned and 12% were community-based.

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<sup>1</sup> Home-based services may apply for a licence. However, if three or more children aged 0-5 regularly attend a home for the purposes of education or care, then the home meets the legal definition of an education and care centre and must be licensed.

<sup>2</sup> Educators are required to have a first aid certificate.

### **The quality of home-based ECE is variable**

14. A 2009 Education Review Office (ERO) monograph on home-based ECE identified concerns with planning and assessment practice, the professional development of co-ordinators and educators, and health and safety.

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### **Few home-based services are on a quality funding band**

16. Quality funding rates are intended to incentivise providers to increase the proportion of qualified staff. To be eligible for quality funding rates, home-based educators must have completed a level 3 or higher early learning qualification or, depending on the service size, have a specified number of credits towards a level 4 or higher early learning qualification.
17. The proportion of home-based services on the quality funding rate has declined, from 37% in 2005 to 24% in 2016. By contrast, the proportion of teacher-led, centre-based services on the 80%+ registered teacher funding band has increased consistently, from 44% eligible services in 2005 to 97% in 2016. This suggests the quality rate for home-based ECE has been less effective at incentivising quality compared to the teacher-led, centre-based 80%+ funding band.

### **Supporting quality in home-based ECE**

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18. As you will be aware, the Labour Party's Manifesto includes a commitment to undertake a 'review of home-based early childhood education, including investigating the introduction of minimum qualification levels for all home-based educators'. The stated objective for the review is to 'ensure that all parents can be assured their children are receiving quality education and care'. We seek your feedback on the scope of the home-based review, as well as the timing and process.
19. The following policy issues may influence quality in home-based ECE and could be included in the scope of the review of home-based ECE:
- qualification requirements of home-based educators
  - the role of the registered teacher qualified co-ordinator in providing pedagogical leadership and oversight
  - variability in curriculum implementation
  - employment conditions for home-based educators
  - child-to-adult ratios where home-based ECE and out of school care are provided in one home
  - accountability provisions within the Regulations and the Education Act 1989 (the Act).

### **Qualification requirements for home-based educators**

20. There is limited research that specifically focuses on education and care delivered in a home-based setting. The available research, mostly from North America, shows a link

between educator qualifications and the quality of the home-based learning environment.<sup>3</sup>

21. In centre-based early learning settings, the research shows that many of the benefits of early learning are conditional on quality.<sup>4</sup> Some research suggests that if quality is low, it can have long-lasting detrimental effects on child development which can be difficult to remediate.<sup>5</sup>
22. Evidence shows the quality of interaction between the educator and child is particularly important for good outcomes.<sup>6</sup> Qualifications are recognised as a key determinant of an educator's ability to foster quality interactions.<sup>7</sup> Without qualifications, educators may not be well placed to support children's learning and to implement a curriculum.
23. Research suggests that qualifications do not need to meet teacher registration level to influence quality. Qualifications with a one to two year duration can offer quality benefits, more so than a brief 60 to 150 hour course.<sup>8</sup> In Australia, the equivalent of a home-based educator is required to have, or be actively working towards, an approved level 3 Early Childhood Education and Care Certificate (taking six months to complete). Educators are also expected to participate in professional development and training workshops.
24. We intend to do more work to understand the likely costs of introducing qualifications requirements. This includes costs to providers, Government, educators and parents. Should a requirement for qualifications be progressed, we would need to work with the sector to establish the level at which qualifications might be set.

#### **Pedagogical leadership and oversight in home-based ECE**

25. Pedagogical leadership and ongoing professional development have been linked with quality early learning.<sup>9</sup> Qualified teachers have also been shown to positively influence the practice of non-qualified educators.<sup>10</sup>
26. The Regulations require home-based educators to be overseen by co-ordinators, who must be qualified teachers. Co-ordinators are defined in the Regulations as overseeing the education and care, comfort, and health and safety of children, as well as providing professional leadership and support to educators.
27. The Regulations allow a co-ordinator to be responsible for up to 50 children. The Regulations specify that co-ordinators are required to contact educators once a fortnight and to visit in person once a month. They are also required to take all reasonable steps each month to observe each child receiving education and care.

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<sup>3</sup> Smith, A. (2015). Can Home-Based Care Offer High Quality Early Childhood Education? *New Zealand Journal of Educational Studies*, 50(1).

<sup>4</sup> Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., and Taggart, B. (2004) *The Effective Provision of Pre-School Education (EPPE) Project: Final Report*. University of London.

<sup>5</sup> Baker, M. et al (2015) *Non-Cognitive Deficits and Young Adult Outcomes: The Long-Run Impacts of a Universal Child Care Program*. University of British Columbia.

<sup>6</sup> Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., and Taggart, B. (2004) *The Effective Provision of Pre-School Education (EPPE) Project: Final Report*. University of London.

<sup>7</sup> OECD (2012) *Starting Strong III – A Quality Tool Box for Early Childhood Education and Care*.

<sup>8</sup> Smith, A. (2015). Can Home-Based Care Offer High Quality Early Childhood Education? *New Zealand Journal of Educational Studies*, 50(1).

<sup>9</sup> The Education Review Office. (2015). *Infants and Toddlers: competent and confident communicators and explorers*. Wellington.

<sup>10</sup> Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., and Taggart, B. (2004) *The Effective Provision of Pre-School Education (EPPE) Project: Final Report*. University of London.

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29. The Ministry's expectation is that co-ordinators provide the pedagogical leadership necessary to ensure educators implement the curriculum and provide quality learning. The current requirements for fortnightly contact and monthly visits may not be frequent enough to provide this level of professional support. The Regulations also do not set out the purpose of contact or define professional leadership, making it difficult for the Ministry to ensure this leadership is occurring.
30. Reviewing and tightening the regulatory requirements for co-ordinator oversight may help improve curriculum delivery and the quality of education delivered. However, it may also increase the cost of providing home-based ECE for service providers.

### **Employment conditions in home-based ECE**

31. Educator wages and working conditions are structural factors that influence quality.<sup>11</sup> Poor working conditions can increase stress and turnover, limiting an educator's ability to form quality relationships with children.
32. The Ministry has limited oversight of employment practices in home-based ECE. Gaining a better understanding of employment practices in the home-based sector and addressing barriers to adequate employment conditions may help support quality education and care.
33. Employment practices in home-based ECE often differ from those in centre-based early learning. Practices include the family employing the educator directly, facilitated by the home-based provider. Some providers pay the educator, but as an independent contractor. Under this model, educators may not always be receiving minimum employment entitlements, including the minimum wage and holiday pay. We do not know the extent of this problem. The Ministry also exited a small number of home-based providers from the market who have received government funding and not passed this through to educators' pay.
34. The definition of home based ECE in the Act can also act as a barrier to adequate employment conditions for educators. A 'home-based education and care service' is defined in section 309 of the Act as the provision of education or care for '**gain or reward**' in the home. The term 'gain and reward' is intended to reflect the commercial nature of home-based ECE and distinguish it from informal and familial caring arrangements. How this term is interpreted, however, may be contributing to educators receiving less than minimum employment entitlements. For example, some service providers appear to view vouchers, or a minimal financial compensation, as adequate 'gain and reward' for educators. We do not know the extent of this practice.
35. Reviewing the term 'gain and reward' for home-based ECE could lead to a change to the Act. We need to do more analysis to determine if a change to the Act is necessary and, if it is, what would be the best way to do this. This would include consideration of potential impacts and any risks of unintended consequences. We propose undertaking this analysis as part of the home-based review. An amendment to the Act could

<sup>11</sup> OECD (2012) *Starting Strong III – A Quality Tool Box for Early Childhood Education and Care*.

subsequently be progressed as part of the planned Education Legislation Re-write Bill, to be passed by 2020.

### **Curriculum implementation in home-based ECE**

36. To gain full benefit from participation in early learning, it is important that children experience a well-planned and balanced curriculum. The most effective early learning focuses on both cognitive (e.g. oral language and numeracy) and non-cognitive skills (e.g. self-regulation and sociability).<sup>12</sup> Early learning providers who cater to children's diversity and culture also promote better educational outcomes.<sup>13</sup>
37. With thousands of homes providing education and care, government oversight of face-to-face curriculum delivery in home-based is limited. Through license application assessments, the Ministry assesses a home-based provider's likelihood of complying with regulated standards, including curriculum requirements. As part of this process the Ministry visits two homes on each license.
38. ERO independently reviews curriculum delivery in all early learning services, including home-based ECE. Reviews focus on the service provider and qualified co-ordinators, as they have primary responsibility for the delivery of education and care. ERO assesses the service's management of curriculum implementation and the robustness of its internal evaluation processes. ERO may visit homes to verify or gather additional evidence to ensure evaluation findings are robust. ERO can only enter homes by arrangement with a home-based service provider
39. We consider it worthwhile looking at how we can increase our oversight of curriculum delivery in home-based ECE. One approach could be to increase monitoring of home-based providers, potentially by more intensive review of individual homes. Increasing monitoring would be resource intensive and costly. The relative costs and benefits of this approach would need to be more fully assessed
40. You may also wish to clarify Government's expectation that home-based service providers are responsible for overseeing curriculum delivery. This could potentially be achieved by reviewing the definition of a home-based service provider in the Act. Section 309 of the Act defines a home-based service provider as 'that who arranges, or offers to arrange, education and care.'
41. Emphasis on the function of arranging provides home-based service providers room to distance themselves from curriculum delivery and education and care on a day-to-day basis. Clarifying the role of the home-based service provider in the Act could better signal Government's expectation that service providers must ensure curriculum delivery and educational benefit for children.
42. We propose undertaking this analysis as part of the home-based review. An amendment to the Act could be progressed as part of the Education Legislation Re-write Bill, to be passed by 2020.

### **Home-based ECE and out of school care**

43. Child-to-educator ratios are recognised as key influencers of quality.<sup>14</sup> As there is typically only one adult present in home-based, ratios can be particularly important,

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<sup>12</sup> Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I., and Taggart, B. (2004) *The Effective Provision of Pre-School Education (EPPE) Project: Final Report*. University of London.

<sup>13</sup> Ibid.

<sup>14</sup> OECD (2012) *Starting Strong III – A Quality Tool Box for Early Childhood Education and Care*.



especially for safety. The ratio for home-based is 1 adult to 4 children, with a limit of 2 under the age of 2.

44. A recent amendment to the Act allows home-based educators to offer out of school care alongside early learning. The amendment was made to bring an existing practice within the Ministry's oversight and to set limits on the number of children allowed in one home. The amendment allows up to 6 children aged 13 or younger to be present in the home. An educator's child under the age of 6 is counted as part of the maximum number of children. An educator's child who is enrolled in school is not.
45. The review of home-based ECE provides a good opportunity to assess how well this amendment is supporting the provision of quality early learning and if any adjustments need to be made.

#### **Accountability provisions in the Regulations and the Act**

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47. You may also wish to consider reviewing the licensing period for early learning services. Licenses are currently granted in perpetuity, limiting the Ministry's ability to periodically monitor and detect non-compliance. Re-licensing would also provide a mechanism to exit poorly performing or non-compliant providers from the early learning market.
48. Most accountability provisions within the Regulations and the Act apply across all early learning services. We could amend accountability provisions just for home-based ECE, but this could create a complex and potentially unfair accountability framework. We do not recommend this.
49. Amendments to accountability provisions for all early learning services would require consultation with the wider sector. We propose progressing this work following the development of the 10 year strategic plan for ECE. The development of the 10 year strategic plan will help shape the direction for accountability in ECE, and amendments to accountability provisions should be aligned with this.

#### **Process and timing for a review of home-based ECE**

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50. We understand you intend to start development of the 10 Year Strategic Plan for ECE in 2018. Early in the new year, we will provide you with advice on scope and process options for developing the Strategic Plan. Developing the Strategic Plan with the sector and parents is likely to take a year to 18 months.
51. The Ministry seeks your direction on how you would like this sequenced with the review of home-based ECE. We understand you have also recently received advice from the ERO on a proposed in-depth national evaluation of home-based ECE.

52. There are two options for sequencing the home-based ECE review:
- progress in parallel with the development of the Strategic Plan for ECE in 2018
  - progress after the completion of the Strategic Plan for ECE, which would mean starting the review home-based ECE in mid to late 2019.
53. Progressing the home-based review alongside the Strategic Plan would allow time to implement changes to home-based ECE within the Government's first term. However, a parallel process could risk consultation fatigue for the early learning sector and the changes could be out of step with the overall strategic direction.
54. Undertaking the home-based review following the Strategic Plan would allow the home-based review to be informed by the strategic context set by the Strategic Plan. However, it will mean changes arising from the review could not be implemented until after the Government's first term.
55. Most accountability provisions within the Regulations and the Act apply across all early learning services. Changes to accountability provisions for all early learning services would require consultation with the wider ECE sector. We propose reviewing accountability provisions after the development of the Strategic Plan, regardless of the timing of the home-based ECE review. The development of the Strategic Plan will help shape the direction for accountability in ECE, and amendments to accountability provisions should be aligned with this.

#### **Process for progressing the home-based review of ECE**

56. The Ministry recognises the importance of engaging the sector and parents in shaping the education system. We therefore propose a two stage public consultation process involving the early learning sector, including home-based ECE providers and parents of children participating in home-based ECE.
57. Targeted consultation will also be undertaken with peak bodies. The avenues for consultation will be an online survey tool, public meetings and targeted face-to-face meetings.
58. The first stage of consultation will seek input on the key issues in home-based ECE and feedback on proposed options for lifting quality. The second stage of consultation will seek feedback on the details of proposals and an exposure draft of proposed amendments to the Regulations.

#### **Indicative timeframes for review of home-based ECE**

59. The table below provides indicative timeframes for sector consultation on the review of home-based ECE, should you wish to progress in 2018. These time-frames may be shifted to better fit with the consultation on the Strategic Plan in 2018, so as to avoid overloading the sector.
60. As you will be aware, there is a process progressing changes to the Act in 2018 and 2020. We will link into these processes as changes to the Act are required.

<b>Review of home-based ECE – draft timeframes for 2018 development</b>	
<b>Jan - Mar 2018</b>	Develop discussion document for consultation

<b>April 2018</b>	Seek Cabinet approval for consultation
<b>May - Aug 2018</b>	<b><i>Consultation period on key policy issues and options</i></b>
<b>Sept – Oct 2018</b>	Analyse consultation feedback and provide advice to Minister
<b>Nov 2018</b>	Seek Cabinet approval to begin drafting
<b>Jan - Mar 2019</b>	Drafting with PCO
<b>April 2019</b>	Seek Cabinet approval to consult on exposure draft
<b>May- July 2019</b>	<b><i>Consult on exposure draft of amendments to Regulations</i></b>
<b>July - Aug 2019</b>	Refine Regulations
<b>Sept 2019</b>	Submit Regulations to LEG and Cabinet
<b>Oct 2019</b>	Notification in the <i>Gazette</i>
<b>Nov 2019</b>	Implementation of some provisions. Others may be phased

## Risks

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61. Policy aimed at lifting quality in home-based ECE is likely to require significant changes to the way some home-based providers operate and will increase the cost of provision. There is likely to be resistance from some providers. Providers will likely shift these costs to parents.
62. Changes to qualification requirements could lead to workforce supply issues. Changes will need to be carefully introduced and phased to ensure access to early learning is not adversely effected.
63. Consultation will provide an opportunity to ensure final policy options consider the impacts for all affected parties and that changes are well phased to allow parties to adjust.

## Financial implications

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64. Outcomes of the review are likely to have financial and operational impacts on services. This can be managed by thorough consultation and by providing adequate lead-in times before regulatory changes take effect.
65. Some options, including changes to qualification requirements or licensing requirements, will have resource or funding implications for Government. The Ministry will ensure all options are costed and clearly canvassed.