

Pay Parity Funding Review

Consultation Hui – education & care focused



Nau mai, haere mai!

Tēnā koutou, tēnā koutou, tēnā koutou katoa. He mihi nui, he mihi mahana ki a koutou kua hono mai i te pō nei.

We look forward to speaking with you shortly.

Due to the large number of participants, we will be opening the chat function to take questions during tonight's presentation.

We'll also be making tonight's slides available on our website after we have completed all the consultation hui.

Ngā mihi nui 😊

Karakia tīmanga



Ka hikitia, ka hikitia! Hiki, hikitia!

Whakarewa ki runga rawa

Herea kia kore e hoki whakamuri mai

Poua atu te pūmanawa Māori

He mana tikanga me te uri o Māia

Poipoia ngā mokopuna, ngā rangatira mō āpōpō

Ka tihei! Tihei mauriora!

Purpose of this Hui

- Explain the Ministry's proposals in the Pay Parity Funding Review
- Answer questions to support you to make an informed submission
- You have until EOD **6 June 2023** to respond to the survey or provide a submission



How tonight will run



Background: Pay Parity and the need for a new approach to funding

Element 1: teacher entitlement in the Teacher Salary Subsidy

Element 2: management in the Teacher Salary Subsidy

Break for pātai / questions

Element 3: determining the funding through the Teacher Salary Subsidy

Step 1: teacher pay at a service

Step 2: matching teachers to entitlement

Step 3: accounting for part-funded hours

Break for pātai / questions

Element 4: the Operating Subsidy

Break for pātai / questions

What impacts might there be?

Break for pātai / questions

Recap and next steps

Background to pay parity



Pay parity is the idea that one group of workers who perform similar work and have the same qualifications and experience as another group should be paid equally



The Government committed in its **2020 Election Manifesto** to move towards pay parity for teachers working in education and care services with their counterparts in kindergartens.

Pay parity also relates to Action 3.4 in the **Early Learning Action Plan**, which seeks to improve levels and consistency of pay and conditions for teachers.

The Current Funding System



| Subsidy Funding | |
|---|--|
| Type | Function |
| ECE Subsidy (main grant – part funding/hour) | FCH ¹ = 6 hrs per child per day, up to 30 hrs per week, from birth to school age. |
| 20 Hours ECE Subsidy (main grant – full average funding/hour) | FCH = 6 hrs per child per day, up to 20 hrs per week, from ages 3 to 5. Replaces 20 of 30 ECE Subsidy hrs. |
| Equity / TFFD | Outside of main subsidies. |

¹ FCH = funded child hours



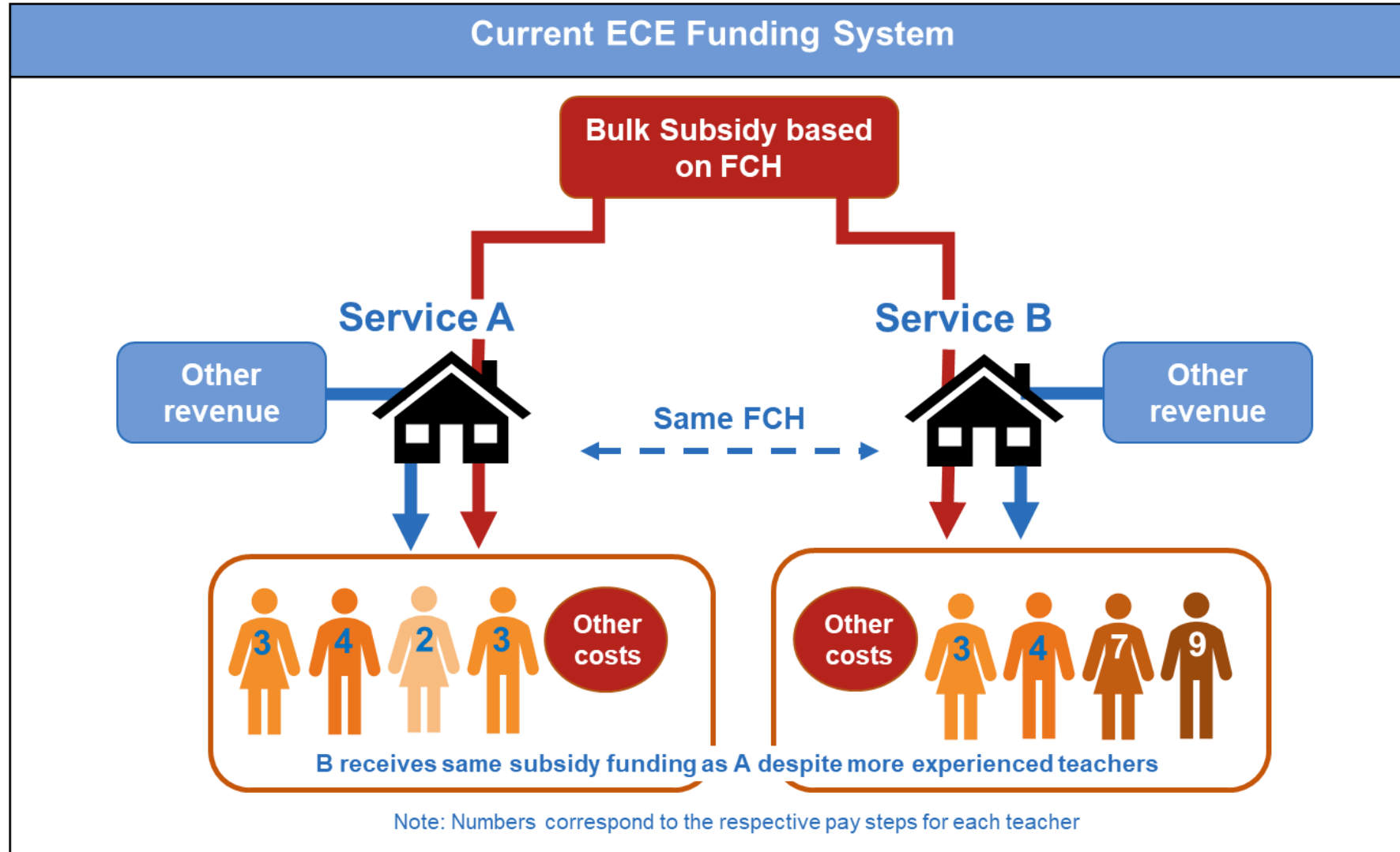
Different funding rates for different service type.

Funding is received as one sum to be spent at discretion of service (“bulk” funding)

| Service Types |
|--|
| Education & care services ² |
| Kindergartens |
| Home-based services |
| Kōhanga Reo |
| Playcentres |

² Includes hospital-based services

The need to realign funding



The Pay Parity Funding Review



To identify and implement a preferred approach to better align funding for education and care services to their certificated teacher salary costs.

Existing settings to be observed

- Costs remain shared between private and public sources
- Overall funding limited to existing funding plus any new pay 'gap' funding from future Budgets
- Funding remains linked to ratio assumptions
- Child attendance hours remain the base unit for funding
- Existing hour limits remain (6 hours/day, 30 hours/week)
- 20 Hours ECE is retained
- Funding increases with more certificated teachers

Overview of Proposal 1 (E&C services)

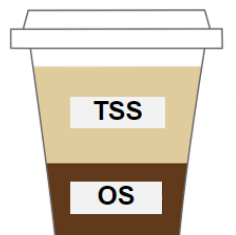


Proposed approach splits two main early learning subsidies (the ECE Funding Subsidy and 20 Hours ECE subsidy) across two new subsidies.

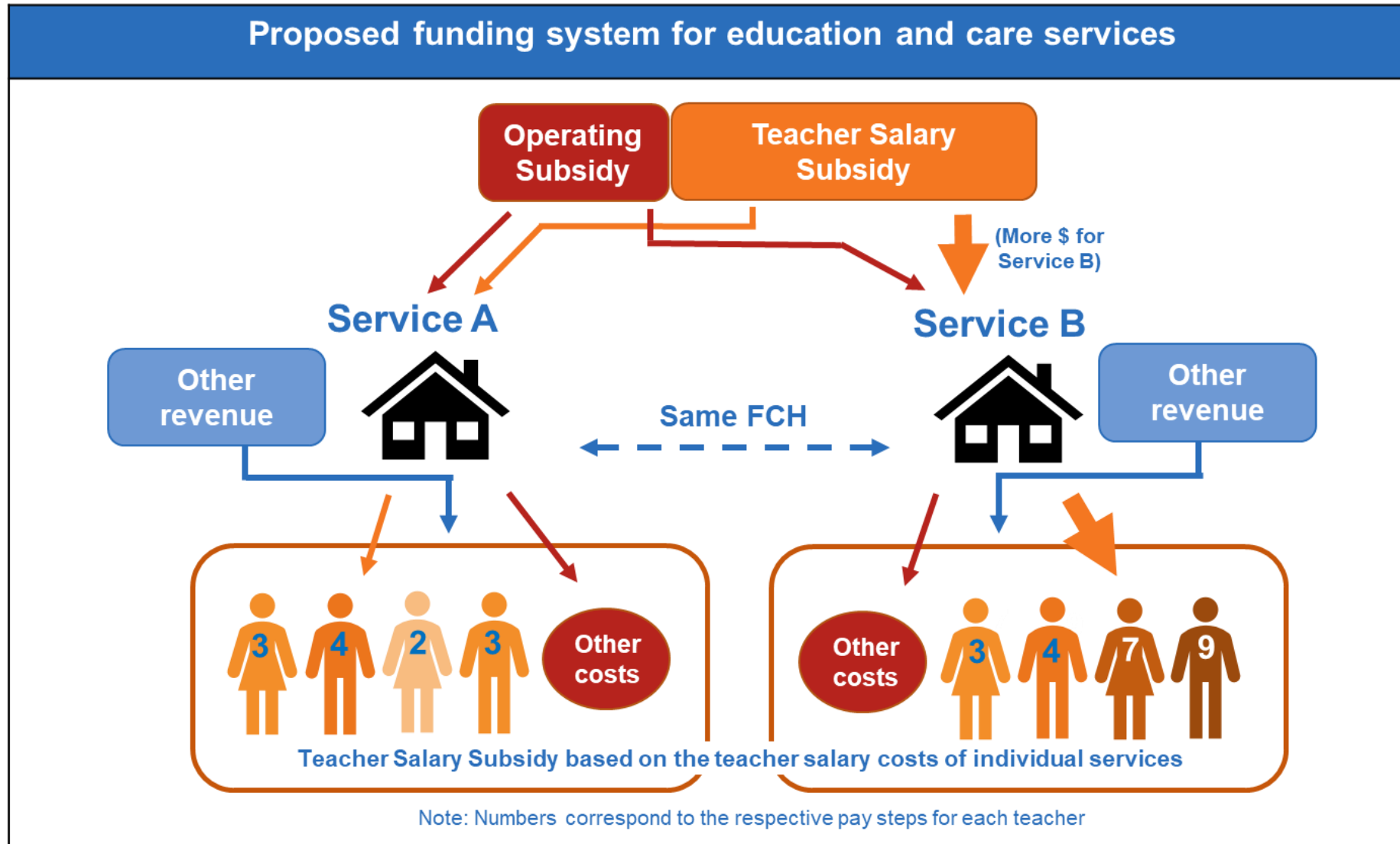
1. **A Teacher Salary Subsidy (TSS):** a subsidy that can go up or down depending on funded child hours, certificated teacher pay steps, and the proportion of certificated teachers at a service. Must be spent on certificated teacher salaries.
2. **An Operating Subsidy (OS):** a subsidy paid at fixed rates per child hour. Can be spent on any expense.

The TSS and OS are funded from existing education and care service funding, plus any additional funding from future Budgets before the approach goes live.

The design of the TSS determines how much funding is split across the two new subsidies.



Proposal 1: Education and care services



Element 1: Teacher entitlement – ratio options



The TSS would create an entitlement for each service for how many teachers can be funded. It would be based on:

1. **Funded child hours:** predicted number of FCHs over the four-month funding period and adjusted for actual FCHs.
2. **Entitlement ratio:** the ratio of teachers to children over a given period that are funded. Two ratio options being consulted on:
 - **Option A:** a 'statutory minimum' approach, which incorporates statutory leave and breaks needed for each FTTE. This produces a ratio of 1.232 teachers to either 5 or 10 children.
 - **Option B:** a better ratio of **more** than 1.232 teachers to the same number of children.

Element 2: Management in the Teacher Salary Subsidy



- Management is in scope of a new funding system. Existing extended parity funding rates already apply to K2-K4 management positions from the KTCA.
- TSS entitlement needs to account for how much management is provided per service.
- Two management options to consider:
 - A) **K2-K4 option.** This option aligns to positions in the KTCA.
 - B) **K2 and management funding.** Provides flexibility to recognise other management roles.

Element 2: Management options



- A) **K2-K4 option.** Covers certificated teachers in the K2-K4 KTCA management positions. Entitlement coverage limited for each role using following management ratios.

| Management pay step | Ratio |
|---------------------|--|
| “K2” | 1:50 (management FTTE to funded child places) |
| “K3” | 1:300 (management FTTE to funded child places) |
| “K4” | 1:6 (K4 to K3 ratio) |

Funded child place = 30 funded child hours (FCHs) x 50 weeks

B) **K2 and management funding.**

- Allocates one K2 position at an enhanced K2 pay rate per service
- Additional management funding at a set rate per FCH. Additional funding is applied by the service to certificated teachers in various management roles (not just K2-K4)



? He pātai / questions

Element 3: Determining the funding through the Teacher Salary Subsidy



This element looks at how the teacher and management entitlement in the Teacher Salary Subsidy are turned into funding at each service. It links the entitlement to actual staffing at a service.

It considers:

- **Step 1:** The average pay step of certificated teachers at the service
- **Step 2:** The extent to which the service has used certificated teachers (how much of the entitlement the service will use or has used)
- **Step 3:** Adjusting TSS funding to account for part-funded hours (ie FCH through the ECE Subsidy rather than 20 Hours ECE)

The consultation document discusses two options under each of these steps. The following slides discuss each of these steps and their options.

Element 3: Step 1 – teacher pay at a service



Average of all teachers employed in a service across 4-month period

VS

Allowing each service to select which of its teacher FTTEs are funded

This step is how the experience profile of certificated teachers at a particular service is taken into account.

Two options for working out the (weighted) average pay applied to the entitlement:

1. Averaging the pay of **all** certificated teachers in a service over the four-month period. This would be weighted based on the FTTE each teacher is employed for
2. Allowing each service to select which FTTEs are funded by the TSS entitlement

Element 3: Step 2 – matching teachers to entitlement



Staff Hour Count

VS

Total Teacher FTTE employed
across funding period

Two options for working out how much FTTE is to be matched to entitlement FTTE

1. Use the total FTTE employed across the four-month funding period required for regulated adult-to-child ratio across all child hours
2. Use existing 'staff hour count' rules to match teacher hours to child hours – counting teachers in ratio at much more frequent intervals than the first option.

Option 2 uses slightly more employed FTTE to match up to the entitlement FTTE.

No funding 'bands' needed – exact percentages would be used.

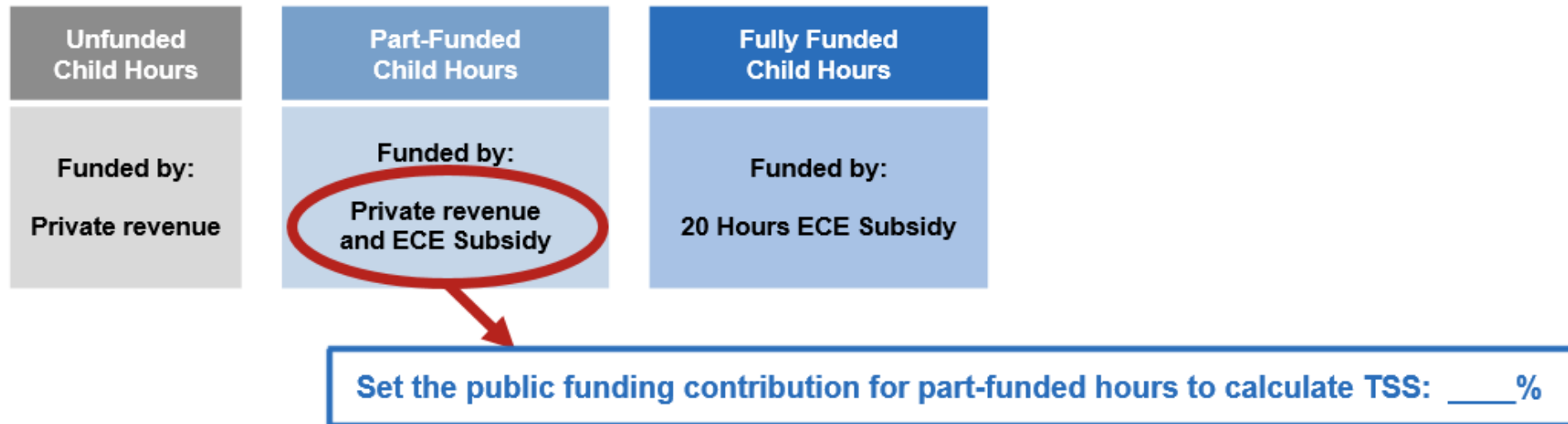
A higher ratio in the entitlement makes requires more effort to claim the full TSS entitlement – ie to reach 100% certificated teachers.

Element 3: Step 3 – accounting for part-funded hours in the TSS



The TSS portion connected to 20 Hours ECE would be fully funded – eg if 60% of your FCH are from 20 Hours ECE, the government would fully fund 60% of your TSS.

Final step requires adjusting funding by the government contribution to 'part-funded' child hours. Part-funded hours are existing ECE Subsidy hours.



Element 3: Step 3 – accounting for part-funded hours in the TSS



Two options for the government contribution to part-funded hours:

1. **A set government proportion.** The proposal suggests government funds 80% of the FTTE entitlement cost for these hours. Other percentages are also possible.
2. **A consistent absolute private contribution.** This fixes the dollar contribution required from services per child hour for entitlement cost, regardless of the average teacher pay in a service.

Option 2 effectively makes the government contribution a variable percentage compared to Option 1.

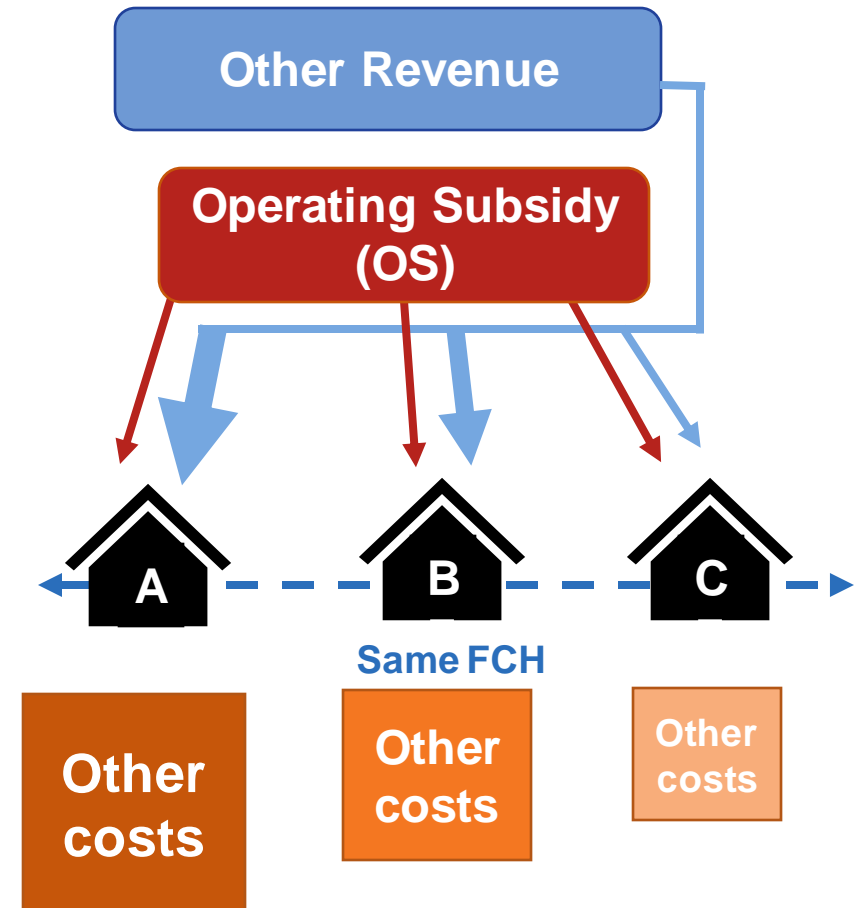
The absolute contribution option still allows a fixed government % contribution for the sector.



? He pātai / questions

Element 4: Operating Subsidy

- The OS provides government funding for other costs. These may include certificated teacher costs not funded by the TSS.
- Same fixed rates per FCH for all services – a fully funded rate (aka 20 Hours ECE) and a part-funded rate (aka ECE Subsidy).
- Settings that lead to a bigger TSS (ratios etc) lower the OS rates because less funding remains for the OS.





Element 4: Operating Subsidy

Removing the 'Under 2' and '2 and over' distinction

- The proposal seeks feedback on whether OS rates should have an 'under 2' and '2 and over' element.
- The existing age band funding rate difference only reflects differences in the numbers of certificated teachers needed for ratios for each age band.
- Some rate differential could be retained based on a view that under 2 costs are higher in other areas.



? He pātai / questions

What impacts might there be?



We cannot confirm final funding per service yet – we will need more up-to-date staff pay step data to determine total additional funding and how much is needed for the Teacher Salary Subsidy

We have used ed & care staffing and financial data to understand possible impacts. Data is not robust, so impact findings are not definitive.

- Funding clearly redistributes from relatively low average pay services to relatively high average pay services, in line with the Review's aim.
- Some services would get less total funding than now, others more. This depends on average pay when the system begins.
- Analysis (next slide) shows three TSS settings impact financially (besides average pay).
- Altering TSS settings changes available OS revenue for each service leading to different overall impacts.



Indicative impacts from available data

Findings across 920 E&C services

| | |
|------------------------------------|--|
| Improving teacher-child ratio | Sample viability decreased |
| Part-funded contribution increases | Sample viability improved up to 80%, then decreases |
| Counting of FTTE (using SHC) | SHC create slightly less viability (compared to employed for whole period) |

Note findings may not reflect the pattern across all 2700 education & care services.

Viability links to service characteristics

- Higher decreases in viability in sampled services with lower equity index (EQI) scores compared to higher EQI services, and
- Bigger decreases in viability for services with lowest average private revenue (fee revenue) compared to ones with the highest average private revenue.



Addressing sustainability impacts

- Some services will be less viable as a result of the redistribution of funding under the proposed approach.
- Some adaptation may be needed by services – eg, reworking of staffing ratios.
- Analysis suggests that viability impacts significantly reduce for many services if staffing is closer to the entitlement ratio.
- The likely impacts on services with low EQI or low EQI and low fee revenue presents a challenge. This is one area where additional funding may be warranted to avoid viability issues.
- We're particularly interested in your thoughts on how to mitigate impacts from redistributing funding, especially for services that have limited scope to deal with changes to their government revenue.



? He pātai / questions

Recap – key points about the TSS



The TSS would be a variable funding stream that must be spent on certificated teacher salaries. The key inputs into the TSS are:

- Funded Child Hours and age of children at a service
 - More FCH generates a higher TSS entitlement
 - A service with FCH from under 2s generates more TSS entitlement than services with same FCH but no under 2s
- Average certificated teacher pay step at a service
 - Services with high average pay step receive more funding than services with low average pay step (all other things being equal – eg FCH, under 2s etc)
- Proportion of certificated teachers against the entitlement at a service
 - Exact proportion rather than funding bands
 - A higher teacher:child ratio in the entitlement requires more effort from services to reach 100% certificated teachers and maximise their TSS
- Proportion of FCH generated by 20 Hours ECE vs ECE Subsidy
 - Portion generated by 20 Hours ECE is fully funded. Portion generated by the ECE Subsidy is partially funded



Recap – key points about the OS

The Operating Subsidy (OS) would be fixed rates per Funded Child Hour that apply to all services – similar to how funding currently works

The OS hourly rates would be set at the beginning of the new system, using any remaining funding available for all E&C services after the total TSS needed has been taken out.

The OS could be spent on any cost – including certificated teacher salaries.

The consultation proposes two funding rates for the OS:

- 20 Hours ECE funding rate (full funding)
- ECE Subsidy rate (part funding)

We are seeking feedback on whether a distinction between under 2s and 2 and overs should be maintained in the ECE Subsidy portion of the OS

Focus of Feedback



Focus of feedback is on the options outlined in the consultation material

Education and Care Services

- Calculating teacher FTTE approach for the TSS
- Calculating management funding for the TSS
- Determining the funding provided through the TSS
- Calculating the OS

Home-based Services

- Determining the minimum pay-step for coordinators
- Creating a CSS or increasing existing subsidies

Next Steps



Please see our consultation page <https://consultation.education.govt.nz/te-puna-kaupapahere-policy/early-learning-pay-parity-review/>,

Provide your feedback through:

- Online survey
<https://consultation.education.govt.nz/te-puna-kaupapahere-policy/early-learning-pay-parity-review/consultation/intro/>
- Written submissions can be emailed to ECE.PayParity@education.govt.nz

Consultation closes on **6 June 2023**

Following consultation, the Ministry will be analysing consultation feedback and providing advice to the Minister of Education.

A copy of the slides will be available on our website after the we have finished the hui series. We will also be updating our FAQs to reflect some of the pātai we have received throughout the hui.

Karakia mutunga



Kua hikitia te kaupapa, kua takoto te wero

Me hoe tahi i runga i te whakaaro kotahi

Tiaki tō tātou oranga

Kia kaha ai mō te tuku taonga

Kia tutuki ngā hiahia mō Ka Hikitia

Tihei mauriora!

Ki te whai ao, ki te whai oranga e!

Mauriora!