



Te Tāhuhu o
te Mātauranga
Ministry of Education

Review of the funding system for pay parity in licensed education and care and home-based early childhood services – Summary of consultation document

Introduction

The Ministry is consulting on a proposal to help fully implement pay parity for certificated teachers in education and care services (including hospital-based services and casual education and care services) with their counterparts in kindergartens. Part of the proposal also covers pay for coordinators in home-based services.

Under the current funding system, subsidies for education and care services vary with child attendance and the proportion of certificated teachers used to teach children. More recently, services have been able to opt-in to higher parity funding rates if they attest to paying teachers at designated pay rates based on those in the Kindergarten Teachers, Head Teachers, and Senior Teachers' Collective Agreement (KTCA).

The current system presents a barrier to rolling out full pay parity. This is because the common hourly 'bulk' funding rates do not respond to changes in average teacher pay at an individual service. This means some services receive more money from parity funding rates than their teacher salary cost warrants, while others will not receive enough.

The Review of Funding for Pay Parity

Purpose and scope of the Review

The previous Minister of Education directed the Ministry of Education to undertake a review of funding to *identify and implement a preferred approach to better align funding for education and care services to their certificated teacher salary costs*.

The scope of this Review covers both education and care and home-based services.

Underlying principles of the Review

The Review takes into account underlying principles and settings in the wider early learning funding system. Examples of these principles are: that the cost of early learning is shared between the government and parents, funding links to regulated ratios, funding is driven off hourly child attendance, and that existing weekly and daily funded hour limits are retained.

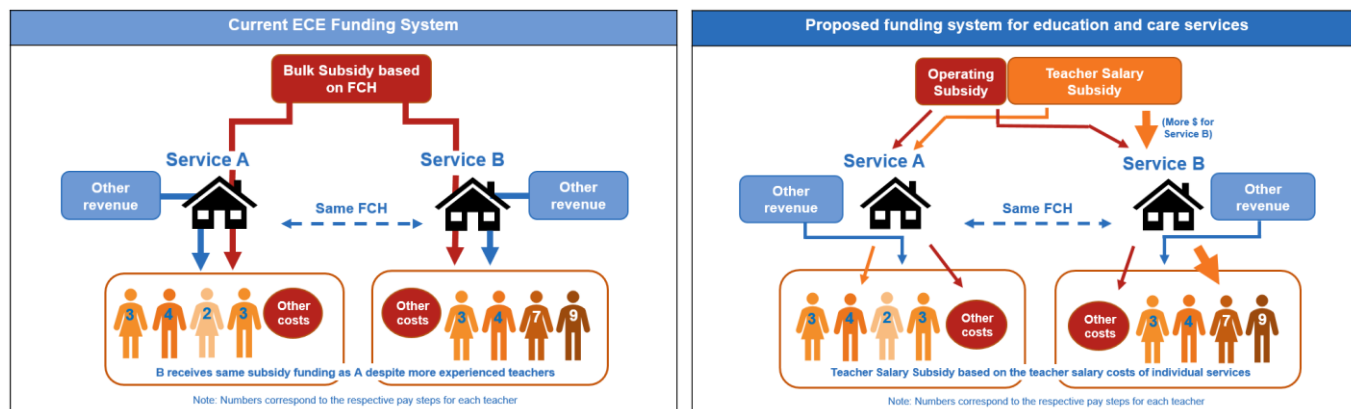
Specific pay parity settings have also influenced the proposal presented. These include that: re-allocation of funding covers existing main (ECE Subsidy and 20 Hours Subsidy) subsidy funding, plus any future funding that may be found to meet the pay parity funding gap, and that pay parity rates apply to all the hours teachers work, not just government funded hours.

More detail on these proposals is in the full consultation document.

The proposal – Education and care services

The proposal involves replacing the existing two main early learning subsidies for education and care services (the ECE Funding Subsidy and 20 Hours ECE subsidy) with two new subsidies.

1. A **Teacher Salary Subsidy** (TSS): a subsidy with the amount broadly based on an entitlement of full-time certificated teacher equivalents (FTTEs) allocated to each service and the average teacher pay in each service. This subsidy could only be spent on teacher salaries.
2. An **Operating Subsidy** (OS): a subsidy paid at fixed rates per child hour.



Element 1: Calculating the FTTE entitlement for the Teacher Salary Subsidy (or 'how many teachers will be included')

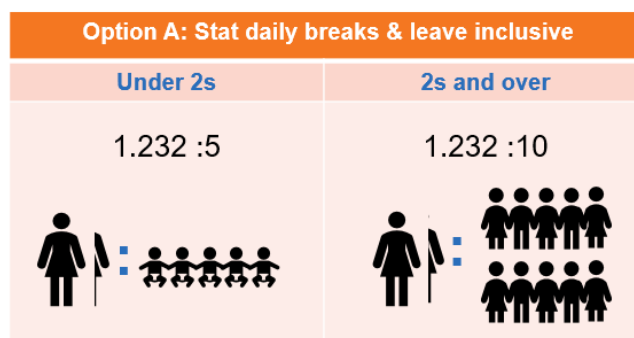
The first step in determining the TSS for each service would be to determine its certificated teacher FTTE entitlement. We propose this entitlement would be calculated for each service based on:

1. **Forecast FCH:** This is the predicted number of funded child hours (FCHs) over a four month funding period.
2. **Entitlement ratio:** This is a fixed number of children to each certificated teacher at a point in time. The better the ratio used, the more teachers would be included in the FTTE entitlement for the same number of FCHs. Setting a common ratio for the TSS means services would be treated equally.

Possible levels at which to set the Entitlement ratio

We think the ratio could be set through one of **two options**. These begin with the regulated adult-to-child ratio as a starting point but apply only to certificated teachers rather than adults.

Option A: a 'statutory minimum' approach, which incorporates statutory leave and breaks needed for each FTTE. This produces a ratio of 1.232 adults to either 5 or 10 children (depending on the age grouping of under 2 / over 2 year-olds).



Option B: a ratio of more than 1.232 adults to the same number of children. This option starts to account for the cost of discretionary choices (e.g., non-contact hours and rostering more than the minimum to meet regulated ratios).

Element 2: Calculating management funding for the Teacher Salary Subsidy

The following management positions are captured by the existing parity funding rates. These are based on the KTCA 'K2-K4' management roles.

- K2 - employed to be in charge of a service, and who is not a K3 or K4 employee (i.e., centre manager).
- K3 - employed to carry out professional support, guidance and administrative roles. Responsible for managing K2 employees.
- K4 - employed to be responsible for the management of K3 employees.

The proposal contains **two options** for funding management and leadership roles:

Option A: The K2-K4 option. In this option, education and care services would recognise certificated teachers in management positions at the designated K2, K3, and K4 pay steps in the KTCA. A management FTTE entitlement would be calculated to determine how many FTTE for each role are funded using a management ratio.

Setting the management ratio

The management entitlement ratio in Option A could be set as per the table below. A funded child place is a new funding measure to assist with this new ratio and is defined as 75,000 funded child hours per year. Only service providers with more than one service would be eligible for K3 and K4 funding.

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)

Option B: The K2 and management funding option. In this option, each education and care service would be allocated one K2 position paid at an enhanced K2 pay rate. In addition, management funding would be created that paid services a set rate per FCH and flexed based on FCH volumes each funding period. The funding would not be in fixed salary top ups, rather, it would be funding that could be applied variably across certificated teachers undertaking management roles.

Element 3: Determining the funding provided through the TSS

After Elements 1 and 2 are calculated for a given service, we propose that the government's funding of the TSS in each four-month period would be based on the following steps.

- Step 1. **Producing a weighted average pay (based on KTCA pay rates) for the teacher FTTE** in the service for the period.
- Step 2. **Matching** the entitlement FTTE to the actual FTTE at a service. This is how the percentage of certificated teachers at a service is calculated.
- Step 3. **Adjusting the number of FTTEs** to reflect any part-funded¹ child hours (as only part of the cost of provision is funded for ECE Subsidy hours currently). This would use a pre-set proportion to reflect the level of part-funding.
- Step 4. **Multiplying** the FTTE entitlement, including adjusted FTTEs, by the average teacher pay calculated in the above steps, to produce the non-management teacher part of the TSS.
- Step 5. **Determining management funding** (refer to Element 2). Management funding would also be scaled down to reflect part-funded child hours, in the same way as in Step 3.

The TSS funding would be 'washed up' at the end of the funding period to account for differences between the actual and predicted advance funding. This is the same technique used to adjust advance funded early learning subsidies currently.

¹ Part-funded hours are currently ECE Subsidy hours – these are assumed to part-fund the cost of ECE provision by government. Fully-funded child hours are those currently funded by the 20 Hours ECE Subsidy.

How should the weighted average pay used in a service’s TSS calculation be determined? (Step 1)

Step 1 above requires a weighted average pay (based on the KTCA pay rates) for each service. The proposal seeks feedback on two possible methods for deciding the weighted average:

- 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 of its teacher FTTEs are to be funded against the TSS entitlement. The service would have discretion as to how much of each teacher’s FTTE is included.

How is the teacher FTTE matched against the entitlement FTTE? (Step 2)

The proposal seeks feedback on two possible methods for determining how a service is filling its entitlement FTTE – this is the element that looks at the proportion of certificated teachers (similar to the certificated teacher bands in the current system):

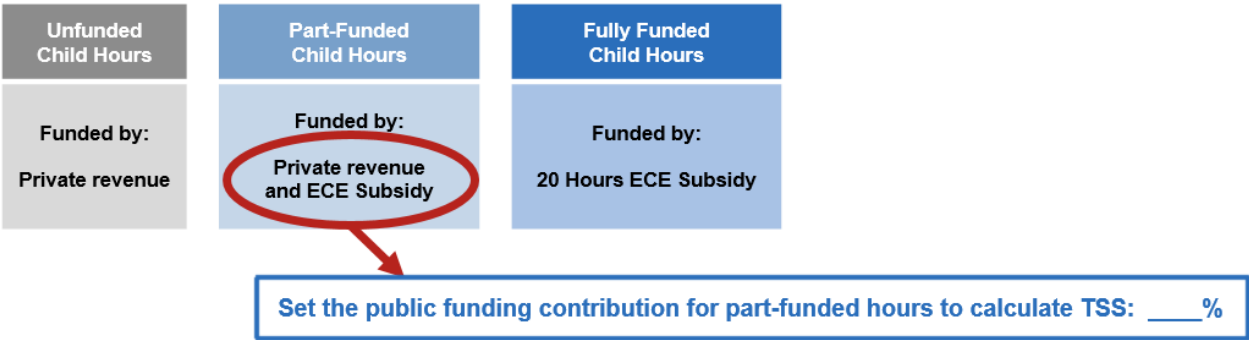
- 1. Use the total teacher FTTE employed across the funding period required for regulated ratio across all funded and unfunded child hours.
- 2. Use the existing ‘staff hour count’ rules to match teacher hours to child hours – this process counts the certificated teachers being used at more frequent intervals than the first option. This option uses slightly more employed FTTE to use up entitlement FTTE.

The public funding proportion for part-funded hours (Steps 3 and 5)

Step 3 in the TSS funding process scales down the FTTE entitlement by applying a proportion. This proportion would reflect the government or public contribution to part-funded hours. This proportion has always existed in principle, but an exact percentage has never been set. Where this proportion is set affects the split of all funding into the TSS and OS. The total funding applying to all services remains the same as this is a base assumption of the proposal. We are consulting on two approaches to applying a public contribution.

Option A: A set government proportion towards part funded hours. We propose setting this proportion at 80% with a 20% private contribution (e.g., from parent fees).

Option B: Maintaining a consistent absolute private contribution regardless of average teacher cost. This would involve fixing the absolute private contribution regardless of the average pay level in a service. This means that, for example, if the cost of teacher pay in a service was \$10 per hour, the government might contribute \$8 meaning the service would need to contribute \$2. If that service’s average teacher pay subsequently increased so it cost \$20 per hour even though its entitlement FTTE remained the same, the government would fund \$18 and the service would continue to contribute \$2.



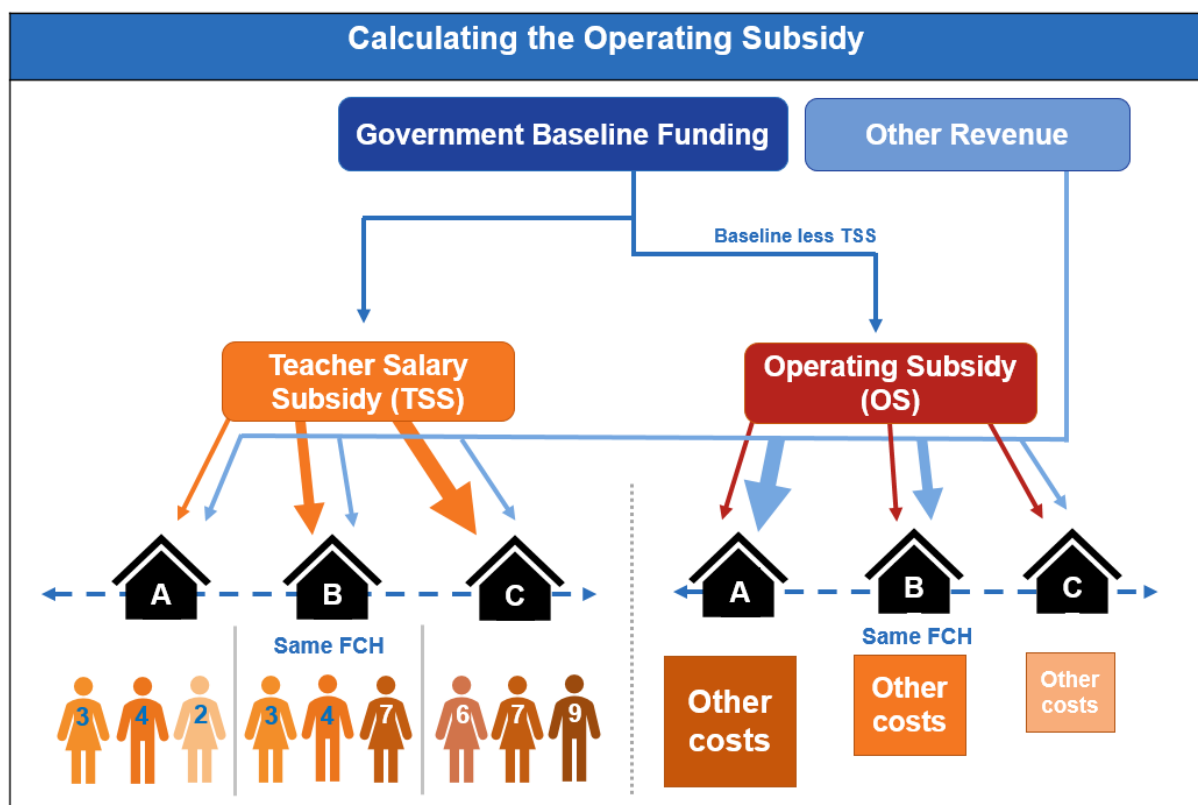
Element 4: Calculating the Operating Subsidy

The proposal leaves the OS as a contribution for education and care services' other costs. It would be paid as a set rate per hour for all services. Services retain flexibility as to how to use the OS funding.

The OS rate depends on the total TSS required for all services. This is because the overall system funding for the TSS would be calculated first and the remainder used to calculate OS rates. Where TSS settings discussed earlier are set in a way that provides for a larger TSS, then resulting OS funding rates must be set lower than they would be if the TSS was smaller.

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

The OS rates would not have distinct 'under 2' and '2 and over' rates. The funding difference between these rates in the current system was put in to reflect differences in the cost of certificated teachers for services due to different regulated ratios for each age band. The TSS takes into account different teacher cost associated with different ratios (ie. the different teacher number for different age bands). This allows the OS to be expressed as only a fully-funded rate and part-funded rate.



Impacts on service funding due to the proposed new system

The new approach will alter services' average government funding per FCH – in some cases there will be less average funding per hour for a service than under the current system. These services may need to adjust their operating model to manage this change. The new approach, in conjunction with pay parity requirements, explicitly limits the flexibility services have to spend their total funding as the TSS must be used for teacher salaries. This means, for example, that services who currently operate above funded ratio levels of teachers would need to consider whether to reduce staffing or look at funding sources outside the TSS.

Proposal – Home-based services

The consultation document puts forward two possible options to contribute to improved pay for home-based coordinators.

The first approach (Option A) would isolate and then redistribute some of the existing early learning subsidy funding for home-based services through a new coordinator salary subsidy (CSS). This is similar to the TSS approach for education and care services. The CSS could only be spent on coordinator salaries. We propose a ratio of one coordinator full-time equivalent (FTE) to 50 funded child places (equivalent to 75,000 FCH per year). This means the CSS would flex with FCH – a service with less than 75,000 FCH would receive funding for only a proportionate part of the FTE.

The second approach (Option B) would uniformly increase existing subsidies to reflect increased coordinator costs. This approach may be feasible because there is a single salary step for coordinators, which limits the variance in coordinator salary costs between services. As with the first approach, the amount of funding is dependent on FCH.

At what minimum pay step should coordinators be paid?

Under the Option A, there are three possible options for setting the pay step that services must at least pay coordinators. This reflects the leadership and oversight responsibilities of coordinators. These are:

1. “K2” step from the KTCA
2. A set step lower than “K2” but higher than Step 11 of the “K1” base-teacher rate from KTCA
3. A set step at Step 11 of the “K1” base-teacher rate from KTCA

These rates would be paid regardless of qualifications and experience levels. The CSS funding would be largest for the most expensive option (option 1), followed by options 2 and 3 respectively.

How should on call hours be treated?

Your feedback is sought on the extent coordinators are on call and how services remunerate coordinators when they are on call. This would help determine whether the CSS would include a sub-component allowing for on call costs.

Should coordinator FTTE entitlement include managers of coordinators?

Managers of coordinators in home-based services could potentially be included in pay parity. This would be another management step that would not be dependent on qualifications or experience levels. Our view is that, because such positions are at the discretion of the service and are not directly comparable to higher kindergarten management positions, these should not have specific funding allocated from the baseline for them.

How to have your say

You should read the full consultation document before providing your feedback on the proposals. It contains further details and explanations not included in this summary.

To provide feedback on the proposals you can complete an online survey at <https://conversation.education.govt.nz/conversations/early-learning-pay-parity-review>.

You can also send a more detailed written submission to either:

ECE.PayParity@education.govt.nz

or

ECE Pay Parity
Ministry of Education | Te Tāhuhu o te Mātauranga
PO Box 1666
Wellington 6140

The Ministry requires feedback by 11.59pm on 23 May 2023.

More detail on these proposals is in the full consultation document.