MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

Education Report: Budget 2022 ECE pay parity initiative funding conditions

To:	Hon Chris Hipkins, Minister of Education		
Date:	17 May 2022	**Priority:**	High
Security Level:	Budget Sensitive	**METIS No:**	1287907
Drafter:	Ryan Malin-Curry	**DDI:**	9(2)(a)
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Messaging seen by Communications team:	No	**Round Robin:**	No

Purpose of Report

The report seeks to confirm the grant and conditions on funding for education and care services as part of implementing the Budget 2022 ECE pay parity initiative. We seek your decision before Budget Day, to enable publication of the funding rates and associated conditions on Budget Day, 19 May 2022.

Summary

1. Budget 2022 allocates $231.8 million to provide a 2.75% adjustment to all ECE funding rates [initiative 14122, CAB-2022-MIN-0129 refers]. Budget 2022 also allocates $265.6 million for moving towards pay parity in education and care services [initiative 14159, CAB-2022-MIN-0129 refers]. It reflects your decisions that this initiative provide:
   - additional funding to existing pay parity rates to accommodate step 6 from 1 January 2023
   - a new extended minimum salary scale for certificated teachers from step 1-6, partial steps 7-11 and an additional management step, to be implemented from 1 January 2023 [METIS 1279010 and 1284701 refer].

2. Under section 548(2) to 548(5) of the Education and Training Act 2020, out of money appropriated by Parliament, the Minister of Education has authority to determine the grant, means of calculating any such grant, and any conditions of the grants paid to licensed early childhood services. We seek your agreement to the grant and conditions outlined in this paper. Your decisions will enable the funding rates and associated conditions to be published in the ECE Funding Handbook.

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3. We are seeking your agreement to:
   - the funding rates outlined in appendix 1, which provide the 2.75% adjustment to early childhood education service funding rates
   - the funding rates outlined in appendix 2, which are the existing parity rates with the step 6 increase, and the new extended parity rates for the extended pay scale
   - the minimum salary scale that is associated with the extended parity rates
   - the definition of management positions, which aligns with the definitions in the Kindergarten Teachers, Head Teachers and Senior Teachers' Collective Agreement 2019 – 2022 (KTCA)
   - changes to wording on the attestation form to accommodate the conditions associated with the new extended parity rates.

Recommended Actions

The Ministry of Education recommends you:

a. **agree** to the funding rates calculated and outlined in Appendices 1 and 2, which give effect to the Budget 2022 cost adjustment and pay parity initiatives

Agree / Disagree

b. **agree** to the salary scale in paragraphs 16 and 18, which reflect your previous decisions on the Budget 2022 ECE pay parity initiative [METIS 1279010 and 1284701 refer]

Agree / Disagree

c. **agree** to the definition of Management Positions in paragraphs 23 to 26, which aligns to the definitions in the KTCA

Agree / Disagree

d. **agree** to the Attestation mechanism in paragraph 27

Agree / Disagree

e. **release** this Education Report as part of the Budget 2022 proactive release.

Release / Not release

Siobhan Murray
Senior Policy Manager
Te Puna Kaupapahere

17/05/2022

Hon Chris Hipkins
Minister of Education

17/5/22

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Background

1. In December 2021, you indicated your preferred allocation for the Budget 2022 pay parity initiative [METIS 1279010 refers]. The minimum salary scale for certificated teachers in education and care services would be extended to eleven steps, with the inclusion of a management salary step.

2. 9(2)(f)(iv)

3. In April, Cabinet agreed to a 2.75% cost adjustment to ECE funding rates [initiative 14122, CAB-2022-MIN-0129 refers] and to a pay parity initiative reflecting your previous decisions [initiative 14159, CAB-2022-MIN-0129 refers].

4. The funding associated with the pay parity budget initiative is intended to be made available to education and care services[1] through a new set of Extended Parity Funding Rates and increases to the existing Parity Funding Rates. A service will need to meet additional funding conditions outlined in the ECE Funding Handbook in order to access these funding rates.

5. This grant and associated funding conditions have not yet been put in place. This education report seeking your decisions under section 548 of the Education and Training Act 2020 will set these in place and allow publication on Budget Day.

6. Funding for the pay parity budget initiative is incorporated in non-departmental output expense Early Learning in Budget 2022. This appropriation will be presented to Parliament with the rest of Vote Education on Budget Day. They will go through the standard review and approval process set out in the Public Finance Act, including select committee examination, culminating in the Estimates debate and Parliament giving authority for Ministers to spend up to the Voted amount for each appropriation. Any amounts spent against appropriations prior to that passing of the Appropriations (2022/23 Estimates) Bill will be charged against Imprest Supply. However, as the proposed pay parity funding rates will be implemented from 1 January 2023 this will be after the formal approval of the 2022/23 Appropriations Act.

Cost adjustment to funding rates

7. To implement the general funding increase of 2.75% from the Budget 2022 cost adjustment for all services, the Ministry recommends that the following changes be made to the funding rates used to calculate a licensed early childhood service's operational funding grant:
    - Increase in the Base Funding Rates for All-day and Sessional Education and Care Services
    - Increase All-day and Sessional Kindergarten funding rates
    - Increase Homebased Quality and Standard funding rates
    - Increase Te Kōhanga Reo Quality and Standard funding rates
    - Increase Playcentre Quality and Standard funding rates

[1] Education and care services are defined in funding terms as teacher-led centre-based services that are not controlled by a kindergarten association. Individual centres can be known by many names, including creches, aoga amata and childcare centres. These services are licensed early childhood education and care centres, which fall within licensed early childhood services as referred to in section 548.

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- Increase equity funding rates for all equity funding components
- Increase Targeted Funding for Disadvantage rates.

8. Appendix 1 outlines the funding rates that will be used in the calculation of the operational grants to licensed early childhood services as part of the changes above.

Changes to the Parity Funding Rates

9. To deliver the grant to education and care services, the Ministry recommends that the following changes be made to the funding rates used to calculate an education and care service's operational funding grant:

    - Introduce the Extended Parity Funding Rates for All-day and Sessional Education and Care Services who attest to paying their certificated teachers the extended salary scale of eleven steps and a management step.

    - Increase in the Parity Funding Rates for All-day and Sessional Education and Care Services who attest to paying their certificated teachers steps 1 to 6 of the extended salary scale.

10. These parity funding rate changes are intended to support education and care services meeting the next phase of minimum salary requirements of the pay parity initiative. As with Budget 2021, both the Extended Parity Funding Rates and the Parity Funding Rates are available to services on an opt-in basis.

11. These funding rates disburse the expenditure that was costed to cover the 'gap' at a subsector level between existing teacher salaries and the new salary scale expected, for those services that are expected to opt-in to the rates. This is based on information gathered in the Staffing Survey we conducted in late 2021.

12. These parity funding rates also include a general increase from the Budget 2022 cost adjustment, which has been applied to all funding rates for licensed early childhood services.

13. Appendix 2 outlines the funding rates that will be used in the calculation of the operational grants to education and care services as part of the changes above.

Extending the Minimum Salary Scale

14. To receive the extended parity funding rates from 1 January 2023, the Ministry recommends that education and care services must meet additional minimum salary requirements for their employed certificated teachers.

15. The additional salary requirements extends the existing minimum salary scale for certificated teachers to eleven steps, and introduces a new minimum salary scale for certificated teachers employed in management positions.

16. The extended minimum salary scale for certificated teachers is outlined in the table below. This aligns with your decisions in December 2021 on the pay parity initiative [METIS 1279010 refers]:

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Minimum Salary Scale for Certificated Teachers

Salary Step	Qualification Group Notations	Annual Salary
1	P1E, P2E, P3E	$51,358
2		$53,544
3	P3+E	$55,948
4	P4E	$58,133
5	P5E	$61,794
6		$65,776
7		$68,103
8		$70,431
9		$72,758
10	P1M, P2M, P3M	$75,230
11	P3+M, P4M, P5M	$79,413

(E) denotes the salary step entry point for each qualification group
(M) denotes the maximum point on the salary scale for each qualification group

17. Steps 1-6 of the scale above reflect the first six steps of the KTCA. Steps 7-11 reflect a partial salary amount in relation to the KTCA [METIS 1284701 refers].

18. The following table indicates the minimum salary scale for management positions:

Minimum Salary Scale for Management Positions

Salary Step	Annual Salary
K2, K3, K4	$79,413

19. A management salary scale has been included to reflect the K2, K3 and K4 management (non-base) pay scale in the KTCA.

20. Bringing in additional steps to the salary scale will establish a minimum salary requirement for certificated teachers working in education and care services that is closer to the salaries received by certificated teachers working in kindergartens[2].

21. The requirements to receive the Parity Funding Rates would be for the service to pay their certificated teachers at least the Step 1-6 salary amounts.

22. The requirements to receive the Extended Parity Funding Rates would be for the service to pay their certificated teachers at least the Step 1 – 11 plus the management salary step salary amounts.

Introducing Management Positions

23. With the introduction of the management salary steps, the Ministry recommends defining management positions in related terms to what is used in the KTCA. A "management position", in relation to Minimum Salary Scale for Management Positions, means all certificated teachers who are employed to work in one of the three following positions in an education and care service:

[2] Kindergartens are defined as a type of teacher-led centre-based service controlled by a kindergarten association. In the licensing framework, it is a licensed early childhood education and care centre, which is a licensed early childhood service, as referred to in section 548.

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- K2 - employed to be in charge of a service, and who is not a K3 or K4 employee
- K3 - employed to carry out professional support, guidance, and administrative roles, and responsible for the management of K2 employees, under delegation from their employer
- K4 - employed to be responsible for the management of K3 employees

24. An example of an education and care role that typically may be considered a K2 position is a 'centre manager'. Employees who are employed with some leadership or management responsibilities but not in any of the three above management positions are not considered to hold a management position. Examples of education and care roles that typically may not be a management position include: assistant manager, second-in-charge, and other teachers with leadership responsibilities not in charge of the service. These employees excluded from K2, K3, and K4 must still be paid at least base teacher salaries according to the certificated teachers' minimum salary scale.

25. Management positions may be held by:

- permanent full or part-time managers
- relief managers (i.e., short term, long term or employed by an agency), or
- fixed-term contractors (i.e., if a contract of service is in place).

26. Certificated teachers who are appointed to a Management Position will enter the salary scale on the K2, K3, K4 salary step.

Opting-in

27. The Ministry proposes updating the wording used for the Attestation for Certificated Teachers' Salary section of the RS7 return. The attestation for the Attestation for Certificated Teachers' Salary section of the RS7 return will be updated as follows:

Attestation of Certificated Teachers' Salaries

Services that want to access higher funding rates must pay all employed ECE and primary qualified certificated teachers at least the amount(s) specified in the salary scale defined in the ECE Funding Handbook available on the Education.govt.nz website.

What steps on the salary scale described in the ECE Funding Handbook is your service using to pay minimum salaries to all employed ECE and primary qualified certificated teachers?

☐ No Steps
☐ Step 1
☐ Step 1 to 6
☐ Step 1 to 11 + Management

By answering 'No Steps' to this question, your service is identified as having not met the funding conditions related to the salary scale. Your service will, therefore, be paid at the lowest level of funding.

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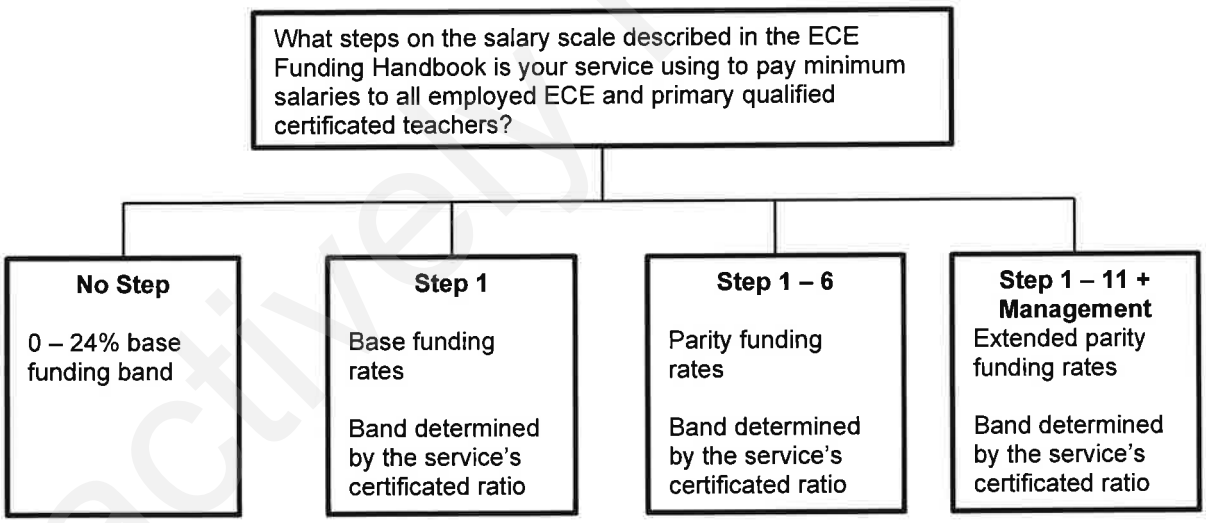
By answering 'Step 1' to this question, your service is identified as meeting the funding conditions related to the salary scale for this salary range. Your service will therefore have access to the base funding rates.

By answering 'Step 1 to 6' to this question, your service is identified as meeting the funding conditions related to the salary scale for this salary range. Your service will therefore have access to the parity funding rates.

By answering 'Step 1 to 11 + Management' to this question, your service is identified as meeting the funding conditions related to the salary scale for this salary range. Your service will therefore have access to the extended parity funding rates.

28. This new wording will allow a service to indicate what steps of the salary scale the service is using to pay its certificated teacher. From this response, the service is agreeing to meet the associated funding conditions and the Ministry will pay the service the associated funding rate.

29. The funding rate a service would be eligible for with this proposed wording depends on how they have answered the attestation question. The following chart details how the answer provided would be used to determine a service's funding rate.



30. If the Ministry finds that a service has not met the salary steps indicated by their attestation, the service's funding rate will be adjusted. The adjustment will depend on what salary conditions the service has met matching the funding rates indicated in the figure above.

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Appendix 1: Education and care Base Funding Rates, other service type Funding Rates and Equity and Targeted Funding Rates

ALL-DAY EDUCATION AND CARE SERVICES – BASE FUNDING RATES

$ per funded child hour (including GST)	Rates from 1 January 2023		
	Under 2	2 and over	20 Hours ECE
100% certificated teachers	$14.16	$8.30	$13.55
80-99% certificated teachers	$13.56	$7.50	$12.79
50-79% certificated teachers	$12.28	$6.47	$11.65
25-49% certificated teachers	$9.91	$5.16	$10.24
0-24% certificated teachers	$8.48	$4.28	$9.33

SESSIONAL EDUCATION AND CARE SERVICES – BASE FUNDING RATES

$ per funded child hour (including GST)	Rates from 1 January 2023		
	Under 2	2 and over	20 Hours ECE
100% certificated teachers	$12.98	$6.44	$7.81
80-99% certificated teachers	$12.06	$5.47	$7.04
50-79% certificated teachers	$10.96	$4.89	$6.39
25-49% certificated teachers	$8.93	$4.20	$5.65
0-24% certificated teachers	$7.79	$3.78	$5.23

ALL-DAY AND SESSIONAL KINDERGARTEN

$ per funded child hour (including GST)	Rates from 1 January 2023		
	Under 2	2 and over	20 Hours ECE
100% certificated teachers	$16.19	$9.48	$15.46
80-99% certificated teachers	$15.59	$8.68	$14.70
50-79% certificated teachers	$14.09	$7.47	$13.37
25-49% certificated teachers	$11.32	$5.93	$11.68
0-24% certificated teachers	$9.63	$4.89	$10.63
Sessional - 100% certified teachers	$16.51	$8.29	$9.91

TEACHER-LED HOME-BASED ECE SERVICES

$ per funded child hour (including GST)	Rates from 1 January 2023		
	Under 2	2 and over	20 Hours ECE
Quality	$9.41	$5.05	$10.51
Standard	$7.48	$4.05	$9.00

TE KŌHANGA REO

$ per funded child hour (including GST)	Rates from 1 January 2023		
	Under 2	2 and over	20 Hours ECE
Quality	$13.77	$8.96	$13.17
Standard	$12.56	$8.37	$12.67

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PLAYCENTRE			
$ per funded child hour (including GST)	Rates from 1 January 2023		
	Under 2	2 and over	20 Hours ECE
Quality	$10.23	$5.14	$6.38
Standard	$8.95	$4.50	$5.74

EQUITY FUNDING	
EQUITY FUNDING RATES (INCLUDING GST)	Rates from 1 January 2023
Equity Funding Component A: Low Socio Economic (per funded child hour)	
EQ1	$1.09
EQ2	$0.84
EQ3	$0.48
EQ4	$0.23
Equity Funding Component B: Special Needs Funding (per funded child hour)	
EQ1	$0.51
EQ2	$0.32
EQ3	$0.22
EQ4	$0.20
Equity Funding Component C: Language (monthly)	
Language	$441.81
Equity Funding Component D: Isolation (monthly)	
1.65 to 1.83	$312.37
1.84 to 2.53	$161.88
2.54 and greater	$107.50

TARGETED FUNDING	
$ PER TARGETED HOUR (INCLUDING GST)	RATE FROM 1 MARCH 2023
Eligible services	$0.38

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Appendix 2: Parity and Extended Parity Funding Rates

ALL-DAY EDUCATION AND CARE SERVICES – PARITY FUNDING RATES

$ per funded child hour (including GST)	Rates from 1 January 2023		
	Under 2	2 and over	20 Hours ECE
100% certificated teachers	$14.66	$8.60	$14.02
80-99% certificated teachers	$14.04	$7.77	$13.24
50-79% certificated teachers	$12.71	$6.70	$12.06
25-49% certificated teachers	$10.25	$5.34	$10.60
0-24% certificated teachers	$8.77	$4.44	$9.66

ALL-DAY EDUCATION AND CARE SERVICES – EXTENDED PARITY FUNDING RATES

$ per funded child hour (including GST)	Rates from 1 January 2023		
	Under 2	2 and over	20 Hours ECE
100% certificated teachers	$15.20	$8.92	$14.54
80-99% certificated teachers	$14.56	$8.06	$13.73
50-79% certificated teachers	$13.18	$6.95	$12.51
25-49% certificated teachers	$10.63	$5.54	$10.99
0-24% certificated teachers	$9.10	$4.61	$10.02

SESSIONAL EDUCATION AND CARE SERVICES – PARITY FUNDING RATES

$ per funded child hour (including GST)	Rates from 1 January 2023		
	Under 2	2 and over	20 Hours ECE
100% certificated teachers	$13.44	$6.67	$8.08
80-99% certificated teachers	$12.49	$5.66	$7.28
50-79% certificated teachers	$11.35	$5.06	$6.62
25-49% certificated teachers	$9.25	$4.35	$5.85
0-24% certificated teachers	$8.06	$3.91	$5.41

SESSIONAL EDUCATION AND CARE SERVICES – EXTENDED PARITY FUNDING RATES

$ per funded child hour (including GST)	Rates from 1 January 2023		
	Under 2	2 and over	20 Hours ECE
100% certificated teachers	$13.93	$6.92	$8.37
80-99% certificated teachers	$12.95	$5.87	$7.55
50-79% certificated teachers	$11.77	$5.24	$6.87
25-49% certificated teachers	$9.59	$4.51	$6.07
0-24% certificated teachers	$8.35	$4.05	$5.61

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