ECE Funding Review

Synthesis and Sense-making of Discovery Phase:

Quality, Impact, Transparency and Accountability

Section 1: Synthesis / summary of discovery phase information heard and considered by the MAG

Topic	*Stakeholder Engagement*	*MoE Data (or provided by MoE from other data sources)*	*MoE papers and advice*	*Other agency (MSD, IRD, ERO) data and papers*	*Other sources (e.g. surveys; cost to serve; M4R regs review; ERO; MartinJenkins, MAG's pre-work note on quality)*
How funding links to quality	• Adequate funding is critical for maintaining high-quality ECE, particularly when children have learning support or complex needs. • Funding settings should match the costs of delivering quality ECE and the diverse needs of children and services. • Current settings often force centres to make trade-offs between quality and financial sustainability, including limiting resources for children, delaying property maintenance, reducing PLD, and not hiring more experienced teachers. • Insufficient funding for maintenance and upgrades can affect the learning environment. • Current funding settings do not adequately support the employment of qualified teachers.	• Services use TFFD to hire additional staff (21%), for PD (6%) and for educational resources (14%) – factors that are likely to support quality. • Previous MoE work (Oct 2024) estimated it would cost $313m over 4 years (and $80m p.a. in outyears) to change the adult-child ratios to 1:4 for under 3-yr olds (c.f. 1:5 for under 2yr olds and 1:6 - 1:10 for 2yr olds +). • Previous work has been done to cost changes to enable more services to access higher certificated teacher funding bands (an additional $35m-$54m over 4 yrs depending on the change) and to remove the 100% funding band (a saving of $173m over 4 yrs). • Structural quality inputs are a significant cost driver within the ECE system. E.g. certificated teacher salaries account for 45% (Ed&Care) and 68% (kindergarten) of ECE service costs (MoE work for B23).	• Differential funding rates linked to % of certificated teachers since 2005 (to incentivise quality & recognise higher staff costs for certificated staff). • Pay parity likely to have positive (e.g. teacher retention and job satisfaction) & negative (e.g. financial incentives to employ less experienced teachers) effects on quality. • Other funding (e.g. M&P teaching allowances; equity and targeted funding) also likely to support quality. • Previously home-based services funded at standard and quality rates – since Jan 2025 only quality rate applies (in line with reg changes). • % of certificated teachers is the only structural quality factor incentivised via funding. E.g. funding is not linked to ratios (other than requirement to meet regulated minimum ratios). The co-funded approach to ECE means govt funding is not expected to fully meet actual cost of different levels of structural quality. • Services have previously raised concerns about the requirement to meet quality requirements for all operating hours when govt funding is provided for maximum 30 hours. • Adequacy of funding rates across different bands is unclear, but over time funding bands have not always been adjusted in line with salary costs. • The co-funded approach to ECE means government funding is not expected to fully meet actual cost of different levels of structural quality.	• Parental choice and market-based models for driving quality in ECE are inherently weak. ECE is a credence good, meaning it's very difficult to judge quality (ERO presentation). • Qualified teachers are foundational but not sufficient for quality ECE – also requires effective leadership, intentional pedagogy, collaborative staff practices and ongoing PLD (ERO presentation).	• Over half of submitters to the M4R ECE regulatory review said that government funding does not support high quality ECE. ECE workers and service providers generally thought more funding is required to support ratios, fair teacher pay / pay parity and more qualified staffing. • Core operating subsidies never intended to fully cover cost of meeting minimum standards, with the funding model assuming parents will co-fund (MAG pre-work note). • The 0-24% certificated band is used by MoE as a penalty rate when services don't meet conditions or have errors in the information they submit for funding purposes (MAG pre-work note). • M4R regs review submitters noted that funding requirements (including some associated with quality, such as the staff hour count) are complex, time-consuming and create significant administrative burden. • It's unclear to what extent higher funding bands meet the additional costs associated with employing higher % of certificated teachers. This may not matter if the intention was to incentivise not fully fund the marginal cost *(MAG pre-work note)*. • There is a relatively strong incentive for services to staff at just above 80% certificated

					teachers. The rules here require services to carefully monitor and manage the risks associated with unqualified relievers (which may put them under 80%) *(MAG pre-work note)*. • Tension between funded hours and actual hours of operation. Parent co-funding must cover all the cost of services beyond the 30 hrs per week (6 hrs per day) - these additional hours are not relieved of any minimum quality requirements or certificated teacher funding band requirements (MAG pre-work note).
NZ ECE structural quality relative to overseas countries	N/A	• Our ratios for 0-2s are higher than other countries used for comparison (Australia, England, Ireland, Netherlands).	• Comparison countries have more delineated ratios across 2+ age groups (e.g. for 2yr olds, 3 yr olds, and 4-5 yr olds. Overall NZ appear to have slightly higher ratios for 2-5 yr olds. • Our recognised qualification level appears to be higher (degree) than other countries (generally at diploma level). • NZ has a comparatively high percentage of ECE staff (71%) with degree qualifications.	N/A	• Other jurisdictions regulate group size (MAG pre-work note). When this option has been considered by the Ministry previously, key concerns included the potential for group size regulations to reduce flexibility and increase service provision costs. The change could limit supply if existing centre structures (i.e. facilities, property, and staffing) were incompatible with the new requirements. • Research offers a nuanced picture of whether higher teacher qualifications in ECE lead to better outcomes for children. Higher teacher qualifications tend to enhance the quality of ECE provision (process quality) and are indirectly linked to better child development, but the literature doesn't strongly support a clear direct causal link, most likely due to difficulties in isolating effects (MJ report). • The literature highlights that the overall composition of the teaching team matters, with not every educator needing the same qualification level to achieve quality. There can be collective efficacy, with less qualified caring and experienced staff contributing positively under the guidance of a qualified lead teacher (MJ report).

					• There is consensus in the research that the higher the level of qualification, the higher the level of pedagogical quality, leading to better outcomes. However, there is a plateau effect and the benefits of increased qualifications are non-linear. There is some evidence to support degree-level as minimum qualifications (MJ report). • Research has concluded that it isn't possible to draw any definitive conclusions about the impact of ratios on children's outcomes. Ratios are often intertwined with other factors (e.g. group size). This doesn't mean ratios are unimportant and there appear to be threshold effects (e.g. ratios of approx. 1:7.5 for 3-5 year olds are associated with significantly better cognitive and achievement outcomes (MJ report). • Research on ratio effects for younger children is limited, however ratios of 1: 3 to 1:4 for infants and 1:4 – 1:6 for 2 year olds are associated with better interactions and developmental outcomes, and are consistent with international norms (MJ report).
Quality-related links to regs / M4R review and recs	• Concerns expressed about changes to regulations undermining the quality of ECE services. • Respondents called for clearer regulatory roles and simpler compliance processes (alongside greater transparency and fairness in funding and subsidies). • Feedback highlighted challenges in hiring unqualified staff due to restrictions, despite it being necessary to maintain services.	N/A	• Licensing is a key regulatory lever used to support the provision of quality ECE. • Regulations set minimum standards, including for structural (ratios, qualifications) and process (e.g. curriculum) quality factors. • Funding is only provided to licensed services (i.e. meet minimum quality requirements). • Occupational regulation of the teaching profession also supports quality ECE, via requirements for teacher registration and ongoing certification. • Regulations set minimum operating requirements for certificated staff, while funding is used to incentivise higher % of qualified teachers. • Qualifications for funding purposes differ to those in regulatory	N/A	• M4R recommended that MoE allow greater flexibility in quals requirements to support ECE access and quality (Recommendation 10). However, increasing service flexibility often depends on addressing the highest cost drivers and many regulatory settings only target minimum cost drivers. Therefore, the recommendation includes several suggestions that implementing changes via funding rather than regulations may have a greater impact

			requirements, adding to complexity and creating confusion.		
Structural quality indicators (including by service type / size and other factors)	N/A	• On average, services in higher funding bands have larger rolls than services in lower bands. • 7% of rural services fall below 80%+ funding bands, compared to 2-4% of services in urban areas. • Available data (2024 census) indicates that, on average, teacher-led centre-based services operate above regulated ratios at peak time, across all age groups. • Smaller services typically report better peak time ratios than larger services. • There is little difference in ratios and the % of certificated teachers in services with different levels of disadvantage.	• Structural quality inputs, such as teaching qualifications and adult to child ratios, are essential and work largely by facilitating high process quality, which is what drives child outcomes. The evidence suggests that structural elements appear to be most impactful when they translate into richer teacher-child interactions, better curriculum delivery, and a more responsive learning environment. The research also shows that if structural requirements are implemented without attention to process quality, the impact for children may be muted.	N/A	N/A
Impact of funding on workforce / operational arrangements **(e.g qual'd teacher funding bands; ratios)**	• Respondents consistently highlighted the importance of qualified teachers for quality ECE. • Ratios for under 2s too high • Toddler ratios unrealistic and need improving • Ratios complex to implement (e.g. staff breaks) • Funding only covers minimum ratios – this has risks and negative effects and adds complexity. • PLD & mentoring key but not supported by funding model • Funding incentives to hire less experienced staff. More experienced teachers are seen as unaffordable for smaller services. • Workforce stability / retention are issues • Staffing represents the largest expense for most services. Some noted that when funding increases, it is absorbed almost entirely by wages, leaving little capacity for other expenses. • Some respondents noted that lowering qualification requirements to manage costs undermines quality. • Others noted that career progression pathways remain unclear and mentoring or in-service training is not always supported by funding. • Feedback pointed to insufficient funding for non-contact time, teacher release, and leadership	• % of certificated teachers in teacher-led centre-based (TLCB) ECE has increased from 52% in 2005 to 70.4% in 2024. • % of services in lower funding bands have decreased significantly. Only 3% of services are in the 50-79% funding band (all others in 80-99% or 100% bands). • Kindergartens have more % of services in higher levels of the 80-99% band (highest proportions (11-12%) in 92%, 94% and 95%). • Ed and care have higher % of services in the lower end of the 80-99% band (10% at 81%, 8-9% at 82%-84%). • The proportion of services in the 100% funding band has increased (with over 1/3 in this band in 2024). • Almost 80% of kindergarten in 100% funding band in 2024, c.f. about 25% for Ed & Care. • Recent growth in the 100% band has been in both Ed & Care and Kindergartens (Ed & Care has contributed slightly more to this growth). • Most services aren't moving between bands. About 29% of Ed and Care services made 1 or more move compared to 18% of kindergartens. Most moves are between the two highest funding bands (80-99% and 100%). • The % of qualified home-based educators has risen over time, in line	• In 2018 there was a broad review of the home-based sector with several options consulted on to improve the quality of home-based ECE. Following the review, Cabinet agreed to move towards a more qualified home-based ECE workforce. However, it is important to note the relevant qualification is a level 4 or higher, rather than the level 7 qualification required for centre-based services. • Changes in qualifications have been gradually implemented, leading to the current requirement for all educators to have or be working towards a home-based service qualification. Two separate funding rates (quality and standard) were also merged into one single rate. • Alongside these changes there has been a reduction in the home-based workforce, and some service providers have exited the market. However, there are likely multiple drivers for this, as the decline in home-based provision began before the qualification changes. • As mentioned earlier, the co-funded approach to ECE means government funding is not expected to fully meet the actual cost of operations.	N/A	• M4R feedback showed that ECE workers generally thought that more funding is required to better support adult-to-child ratios, fair pay for teachers, higher proportions of qualified staff, and children with additional needs. • Service providers echoed these concerns, saying limited funding prevents them from exceeding minimum ratios, and opting into higher levels of pay parity. This group identified having to make trade-offs between quality indicators such as better adult-to-child ratios, more qualified staff, higher pay, and flexibility for families

	roles, which respondents felt were critical for maintaining quality. • Investment in PLD was described as valuable but inconsistent, with respondents suggesting stronger support for ongoing training. • There are shortages of qualified teachers, particularly in immersion services where fluent educators are hard to find, with centres losing staff to primary and secondary schools offering more competitive salaries. • Financial strain, high stress, and the demands of caring for children with complex needs are stretching teachers and managers thin. • Burnout a growing risk, particularly for younger teachers - some said this could lead to workforce shortages.	with changes to qualification requirements. • As of June 2024, most registered (85%) and unregistered (59%) teachers were permanently employed • Teacher turnover rates (2024) for permanently employed staff range from just over 5% in the kindergarten sector, just over 10% for home-based coordinators and 16.5% in ed and care services. Turnover rates have fallen in recent years. • Enrolments in ECE ITE programmes have declined over-time. Currently, 35% of FTE ECE ITE enrolments are international students (c.f. 16% in Primary, and 11% in Secondary). • Education Gazette listings show that (apart from a drop during 2020, most likely due to COVID), ECE staff vacancies remained relatively stable, ranging between 5,000-6,000 positions annually. However, a sharp decline occurred in 2024, with listings dropping to 3857, well below the period average.			
Evidence re impact of participation in high quality ECE on children's outcomes **(e.g. child dev, B4SC, school readiness, long hrs)**	• Respondents emphasised the importance of quality for children's outcomes and their right to high-quality ECE. • Importance of ECE in supporting children's learning and school readiness. • Respondents highlighted role of ECE in developing oral language and essential skills, with long-term benefits for educational achievement and future productivity. • Many said ECE helps build foundational skills and strengthens family trust in the education system, improving engagement when children transition to school.	• A 2017 study of the outcomes of attendance at early childhood education (ECE) amongst members of the Christchurch Health and Development Study (CHDS) birth cohort found: o ECE attendance associated with robust small to moderate effect size benefits for later cognitive and academic outcomes. o Benefits apparent at least up to age 30, with no evidence of declining with age. o Evidence of increasing benefit with increasing duration of ECE / time spent in ECE (hours per week). o Benefits of ECE attendance were similar regardless of childhood SES, parental education, ethnicity or gender.	• Participation in ECE has been shown to improve children's long-term learning, social, economic, and wellbeing outcomes. It achieves this by supporting socio-emotional, cognitive, and language development. • The impact of ECE is influenced by several factors, including service quality, a child's socio-economic background, a child's age, and intensity of participation. • Generally, children from low-socioeconomic communities benefit more from participation in high quality ECE than children from advantaged backgrounds, however, they typically have lower participation rates. • Culturally responsive ECE can support ECE participation, oral language development, connectedness and wellbeing, and ongoing educational engagement and achievement by children from diverse cultural backgrounds. • Participating in high quality *pre-school education* is universally beneficial for 3+ yr olds, but evidence about the provision of *childcare* for under 3-year-olds is mixed, with some studies finding	• Early childhood education and childcare funding is an important lever for reducing child poverty and material hardship, and for mitigating the impacts of childhood poverty on later life outcomes (MSD).	• There is a large body of literature of cross-sectional findings demonstrating that children who attend ECEC do better on a range of cognitive and non-cognitive measures than those who don't attend ECEC (MoE-commissioned MartinJenkins report). • Quality matters - nurturing adult:child interactions and enriching, stimulating environments in the early years are crucial for children's cognitive, language and socio-emotional development. This sets a trajectory for positive educational outcomes, resilience and long-term wellbeing. However there is little agreement about how much quality (and what type) is required to ensure positive outcomes (MJ report). • Meaningful participation / dosage (intensity and duration of participation) is an aspect of quality alongside structural and process quality factors. Some aspects of the funding system (e.g. 20 hours ECE) appear somewhat arbitrary / limited in

			negative effects, some no effects and some positive effects. NZ has an integrated care and education model for ECE, so this finding may not be applicable. • ECE outcomes are not widely measured, meaning there is little data on the outcomes achieved because of govt investment and policy settings, including those that support quality. • Lack of data on parent fees mean we also don't have good data on how current settings to incentivise quality affect ECE affordability. • Australian evidence that ECE quality is positively linked to children's learning and development outcomes.		the extent to which they support ECE dosage. • SIA analysis of B4SC SDQ scores and hours of ECE attendance found a slightly higher percentage of concerning SDQ scores for those who had under 10 hours of average ECE attendance p.w. (6.5%) compared to over 30 hrs (5%), but that no conclusions should be drawn given likely compounding factors.
Sector performance monitoring / measurement **(including ERO reviews)**	• Respondents questioned the authenticity of ERO reports, saying they rely heavily on paperwork rather than observing how children are cared for. • In addition, ERO does not visit all centres, only a selection, which some felt creates missed opportunities to ensure safety and quality across all sites, particularly for providers operating multiple centres.	• In 2024, 164 ECE services were found to be non-compliant with regulated minimum standards set in licensing requirements (4%). Of these services, 35 were non-compliant with structural quality requirements (e.g. qualifications and ratio requirements) and 75 were non-compliant with key process quality requirements (i.e. curriculum criteria). • Other key areas of non-compliance included health and safety, governance, and administration, with some services not meeting standards in multiple categories.	• Of the services that didn't meet the minimum regulated licensing standards in 2024, none resulted in license suspension. • Overall, there does not appear to be a high level of non-compliance with the minimum standards for structural quality - this may be because the funding levers encourage providers to aim for higher levels of quality inputs. • ERO identified that many of the services it has reviewed did not meet its quality standards. This gives a different picture than the MoE data on structural quality indicators (i.e. % of services in 80%+ certificated funding bands and available data on average ratios at peak time) and compliance with regulated minimum standards. ERO and MoE use different approaches and measures of quality. Differences may also reflect fact that structural quality indicators don't always translate into day-to-day process quality.	• ERO uses a set of indicators across 5 domains to assess ECE service quality: the learner / their learning; leadership to foster collaboration and improvement; collaborative PLD; evaluation for improvement; effective governance and management) • ERO uses a four-level scale to assess each domain: excelling; embedding; working towards and improvement required. • ERO's undertook 1260 ECE reviews in the 2024/25 financial year. ERO's 2024/25 Annual Report reported that only 32% of the 545 reviewed services run by (14) large entities met or exceeded EROs quality standard (embedding or excelling), and 53% of the 567 standalone services reviewed met or exceeded EROs quality standard. A concerning feature in these services was a lack of investment in staff capacity and capability.	N/A
Transparency / accountability (e.g. fee transparency; performance information)	• Some respondents noted accountability should focus on ensuring quality education and good teaching for children (rather than profit). • Some suggested that financial accounts should be made public for all providers so that parents can see where the money is going. • Concerns with transparency in subsidies and fees included:	N/A	• Transparency and effectiveness are key accountability principles. • Understanding value for money (including impact / benefits) is one aspect funding accountability. • Private funders (parents) as well as government have an interest in the use of funding. • Most accountability measures for ECE funding are focused on	• Beyond ERO's reporting of quality judgements, there are no formal requirements or accountability mechanisms compelling services to improve, nor are there sanctions for failing to do so – this is a significant gap in the system and allows services with persistent quality issues to continue operating (ERO presentation).	N/A

	different reporting requirements for private and community-based services, and MoE not collecting data on fees charged. • Other concerns included disparities in allocation, monitoring, and reporting across different service models; and insufficient transparency around kindergarten funding (with perception that kindergartens receive extra support).		ensuring the correct amount of funding is paid to providers. • There are public disclosure requirements on ECE services, including: provision of annual financial reports to enable MoE and parents to know how much government funding is received and how it is spent; monthly returns and annual census that provide data on child attendance and child and staff characteristics). • Annual financial reporting requirements differ for community-based (not-for-profit) and private (for-profit) services. The lack of information about income for private services (other than MoE income) reduces transparency. There is no clear rationale for treating community-based and private providers differently. • Financial information is provided in a range of formats meaning it can't always be easily used to understand performance, also reducing transparency. • Minimum standards specified in licensing requirements act as an indirect performance measure that all funded services must meet. • ERO reviews provide transparency about ECE service performance against EROs quality standards. • There are currently no outcome-based performance measures or reporting in place for ECE services. Outcomes-based reporting and performance measures are generally regarded as the gold standard for accounting for the effectiveness of funding use as well as demonstrating the results of quality provision. • While an accountability system would ideally incorporate reporting on outcomes (and potentially attach incentives to achievement of outcomes) this is challenging due to: o A lack of clearly agreed outcomes measures for ECE. o Difficulties measuring and attributing key outcomes to particular services. o Potential for outcome measures to create perverse behaviours in order to meet expectations. ***Fee transparency:***		

			• The Ministry does not collect data on the financial operations of early learning services and does not have a clear understanding of the cost of early learning and the fees paid by parents. • Licensing criteria GMA1 to 4 (parental involvement) require that parents must have access (upon request) to information about their child, and service information, including fees, operational documents, expenditure of government funding (at service level), and reviews. • The way in which fees are charged by services differs (e.g. by session, by hour, pre & post 20 hrs ECE), reducing transparency and comparability (e.g. the 2013 SIEF found that the most common fee type was an hourly rate, but there was a lot of variety, with just over half of services stating more than one type of rate on their fee schedule). • A key policy parameter of FamilyBoost is the link to the actual cost of early childhood education. Families must submit a fee invoice or quarterly statement from their ECE provider each time they lodge a claim.		

The following Insights material alludes to options or changes that could be made to address the insights and issues considered in this report. Please note, these are included as examples only and do not constitute Ministry advice. Options to address problems and issues will need to be considered, analysed and assessed alongside a full spectrum of policy options at the appropriate time.

Section 2: Contrasting and Consistent Views and Evidence

Divergent perspectives / information

- There is a mismatch between ERO's assessment of quality (i.e. a significant proportion of ECE services they've reviewed don't meet their quality threshold), and MoE data about the presence of structural quality indicators and number of services identified as not complying with licensing standards. ERO and MoE use different approaches and measures of quality. Differences may also reflect fact that structural quality indicators don't always translate into day-to-day process quality.
- Stakeholder feedback highlights the importance of ECE for children's oral language and essential skills, and long-term educational achievement. While overseas evidence supports this, there is little NZ evidence about the impact of ECE on these and other outcomes.
- Stakeholders have noted the need for better adult:child ratios, but ECE census data (which may not reflect ratios across the full duration of service operation) indicates that ratios in most services are well-above minimum regulated levels.
- Sector stakeholders have noted teacher retention and turnover as issues due to factors such as stress and burnout. However, MoE data indicates that teacher turnover rates (for permanently employed teachers) have fallen in recent years. The most common reason for turnover is moving to another teaching role in the ECE sector.
- Some stakeholders, particularly from the kindergarten sector, identified strong support for 100% qualified staffing in ECE. This contrasts with the MartinJenkins report, which cited evidence showing that, while qualifications are an important structural quality input, there are diminishing returns from a fully qualified workforce. M4R recommendations re qualifications flexibility might be better addressed via funding mechanisms.

Convergent perspectives / information

- Stakeholders expressed support for higher staff:child ratios for younger children, which are broadly supported by research evidence. International comparisons suggest our ratios are lower than other countries for younger children in particular. While the literature review by MartinJenkins notes the limited studies on the impact of ratios on children's outcomes (particularly for younger children), and the interconnectedness of ratios with other structural quality factors, it also notes that evidence supports 'threshold effects'. Many studies have found that once basic age-related ratio standards are met, further incremental gains do not consistently result in measurable gains on child outcome indicators. For example, once ratios reach around 1:10, additional reductions show no additional benefit. In contrast, moving from 1:15 to below 1:10 appears to yield more consistent benefits. Ratios of 1:3 to 1:4 for infants and 1:4 – 1:6 for 2 year-olds are associated with better interactions and developmental outcomes, and are consistent with international norms.
- Stakeholders emphasised the importance of ensuring ECE funding settings support the critical role the sector plays in enabling parental employment. NZ and overseas evidence confirms that the primary reason parents decide to enrol their child in ECE is to support maternal employment.
- Stakeholders noted that that the cost of childcare and efforts required to access childcare subsidies often discourage parents from enrolling their children in ECE. New Zealand

data and evidence backs up this conclusion. Comparative data indicates that New Zealand's maternal employment rates when the youngest children is aged 0-2 are similar to Australia but lower than England, Ireland and Netherlands (and similar to Australia, Ireland and Netherlands when the youngest child is aged 3-5).

- Degree-level qualifications and percentage of qualified staff. Other countries appear to require or recognise diploma as a minimum level of qualification, whereas New Zealand recognises degree-level qualifications for regulation purposes. However, the MartinJenkins literature review provides some support for a degree as minimum level of qualification (but no additional benefits for qualifications above that level).
- Comparison countries appear to set lower expectations than New Zealand with respect to the proportion of ECE staff who are qualified. This appears to be consistent with evidence noted in the MartinJenkins literature review, that not every educator needs the same qualification level to achieve high quality ECE provision, with less qualified caring and experienced staff contributing positively under the guidance of a qualified lead teacher.
- The MartinJenkins literature review and ERO presentation to the MAG both highlight PLD and pedagogical leadership etc as being critical factors in support high quality ECE. The ERO presentation noted that lack of investment in staff capacity and capability was a feature of services that performed poorly against EROs quality framework.

Section 3: Insights

Quality

- There is a strong emphasis in stakeholder feedback on retaining and / or improving quality, with ratios for younger age groups seen as key area for improvement.
- There are interaction effects between structural quality factors (teacher qualification levels, proportion of qualified staff, staff:child ratios, group size, and professional learning and development). There is no 'magic formula' for how best to balance these (particularly in the context of fiscal constraints), but it is worth noting the following key takeouts from the discovery phase of the review:
    - our recognised qualification level is higher (degree level) than comparison countries
    - the vast majority of ECE services are staffed at 80-99% and 100% qualified staff, with this directly incentivised by the qualified teacher funding bands
    - maximum group size not specified in NZ, but licensed places acts as a proxy.
    - New Zealand's regulated staff:child ratios for younger age groups are poorer than other countries, and than the ideal ratios indicated in evidence (noting that research is limited). While MoE data appears to suggest that most services staff at higher than regulated ratios, services report challenges and concerns with maintaining the staffing levels at current levels, including employing less experienced qualified staff.
    - stakeholders identified PLD as an area where spending is reduced when services face financial constraints / pressures. No MoE data held on ECE service investment in PLD, but ERO identified low attention to staff capability development as feature of lower quality services. The Govt provides some (limited) PLD funding support to the ECE sector, but this out of scope for the ECE funding review.
    - Structural quality settings (e.g. ratios and qualifications) are one of the largest cost drivers within the system, as they are directly linked to staffing levels. Therefore, changes to these settings will need to be considered in the context of the fiscally neutral parameters of the Review.

- The information provided to the MAG in the discovery phase of the review provides evidence of tensions between a strong focus on having a high percentage of well-qualified staff, and other aspects of staffing that support high quality ECE, such as mentoring, experience, PLD, non-contact time etc. Historical cost adjustments (and lack thereof) have resulted in services having to make trade-offs between affordability and quality, creating risks for the ongoing financial sustainability of some services (particularly those for whom charging additional parent fees is not a viable proposition due to the socio-economic characteristics of their community).
- Under current funding settings, the investment in structural quality inputs feels unbalanced and skewed towards a focus on a highly qualified workforce (particularly with respect to the strong incentives for a higher percentage of qualified staff). This has potentially led to under-investment in other structural quality factors such as ratios, PLD, group size, and professional / pedagogical leadership.
- Funding mechanisms have an important role to play as a mechanism for supporting and incentivising high quality ECE but they work alongside other levers (e.g. regulation of minimum quality standards, monitoring / evaluation of service quality, resources and support such as for PLD, and a well-functioning market, including information to parents). It is important to look across these wider levers to ensure they are each playing an appropriate role, and that they are operating effectively as coherent system to support high quality ECE (noting that regulatory settings have recently been reviewed and are beyond the scope of ECE funding review). The various levers to support quality have developed and changed over time, and the different levers may not be being used in an integrated way to best effect (individually and collectively).
- Qualifications for funding purposes differ to those in regulatory requirements, adding to complexity and creating confusion. There is no particular rationale for this difference, rather it is a reflection of being made at different times to support different objectives (e.g. minimum vs. quality standards).

Impact of ECE on child outcomes

- We have reasonable information about the outputs of ECE, but there is a lack of measures (via robust data and policy evaluation) about the outcomes of ECE, making it hard to assess impact and value for money. We could do more to assess and report on the outcomes of ECE, as a basis for understanding system performance and informing the extent and focus of future investment.

Impact of ECE on parental labour market participation

- Our employment rate for mothers with children aged 0-2 is considerably lower than other countries. The reasons for this are unclear, however, potential factors include cost (while government subsidy rates for under 2s are higher, parent fees for this group also tend to be higher than for older age groups, reflecting higher service delivery costs and the fact the cost of ECE is shared between Govt and parents), quality (e.g. parents may perceive that there are quality issues associated with our current staff ratios), family preferences (such as preferring parental or non-formal care arrangements), or a combination of factors.

Transparency and accountability

- There some regulatory requirements around ECE services providing information to parents about fees and use of government funding, but there is little active monitoring or system level reporting on how services are meeting these expectations.
- Some recent regulatory changes have softened the regulatory requirements for services to make information available (e.g. information now only has to be provided upon request to parents of enrolled children, rather than “made available”).
- The primary formal source of information to parents about the quality of ECE is ERO reviews. Some parents may face barriers in accessing and understanding ERO review

reports, and reports may be out of date given the frequency with which ERO reviews are undertaken.

- Levels of transparency and available information about the financial performance (income, expenditure, capital reserves, and profit) varies depending on provider type. There does not appear to be a clear rationale for why community-based providers are subject to greater transparency than private providers.
- Government agencies lack information about the actual cost of delivering ECE, and the ECE costs faced by parents, and trends / changes in these areas. This is important information for informing policy and funding decisions and represents a significant gap in current evidence.

Section 4: Information gaps / limitations

- The Ministry is still waiting on information on parent perspectives of quality and the factors influencing ECE take-up, as well as the cost to serve modelling.
- Clearer information is required on the outcomes of ECE in New Zealand. The impact of quality-focused policies, such as certificated teacher funding bands, has not been evaluated, so the effect if this investment on children's outcomes remains unclear.
- There is some inconsistency in how "quality" is understood, assessed, and measured across different agencies and stakeholder groups. As a result, although quality is recognised as important (particularly for children from low income / SES families), it remains difficult to clearly define, measure, and discuss quality in an easily accessible way. There are complex interactions between structural quality factors and process quality, making it difficult to definitively measure the impact of quality on children's outcomes. Further, people form their view of quality based on their own personal values and beliefs, which vary not only within societies (and cultures), but also over time.