

Early Learning Action Plan 2019-2029

Advising agency	Ministry of Education
Decision sought	Approval of the release of the Early Learning Action Plan 2019-2029
Proposing Minister	Hon Chris Hipkins, Minister of Education

Summary: Problem and Proposed Approach

Problem Definition

What problem or opportunity does this proposal seek to address? Why is Government intervention required?

Quality early learning plays an important role in providing children with a strong foundation for future learning and positive outcomes. In recent years the number of children participating in early learning has increased, and children are participating at younger ages and for longer hours. Current system settings may not be supporting quality educational and wellbeing outcomes for every child who participates in early learning.

Proposed Approach

How will Government intervention work to bring about the desired change? How is this the best option?

Government intervention will make use of the three tiered regulatory system for early childhood education (ECE). The regulatory framework is a key lever as it can provide certainty and clarity of the standard of service.

The design of government funding is the other key intervention. Government intervention will involve incentivising take-up of key proposals by offering the prospect of higher funding rates. Past experience shows that funding mechanisms can provide a reliable incentive to bring about desired change.

The Early Learning Action Plan 2019-2029 (the Action Plan) outlines 25 actions. The information provided in this Regulatory Impact Statement (RIS) relates to the following three actions that could have a regulatory impact:

- improve the ratios of adults to children under the age of 3 years in teacher-led centre-based services
- incentivise for 100 percent and regulate for 80 percent qualified teachers in teacher-led centres, leading to regulation for 100 percent
- implement a mechanism that improves the levels and consistency of teachers' salaries and conditions across the early learning sector.

The action to introduce a managed network approach to ensure high quality, diverse and sustainable early learning services has been progressed separately from this RIS.

The information provided in this RIS is indicative only. This is because the Action Plan outlines aspirations for the next 10 years, and is not seeking agreement to regulatory change at this stage. Further information will be provided through further impact assessments when regulatory changes are put forward for Cabinet consideration.

Section B: Summary Impacts: Benefits and costs

Who are the main expected beneficiaries and what is the nature of the expected benefit?
<i>Monetised and non-monetised benefits</i>
<p>The benefits outlined are indicative and further analysis will be undertaken when regulatory decisions are sought. They relate to improving the ratios of adults to children under the age of three, regulating for 80 percent and 100 percent qualified teachers and improving the levels and consistency of teachers' salaries and conditions.</p> <p><i>Non-monetised</i></p> <p>Children, parents and whānau</p> <ul style="list-style-type: none">• More confidence in the quality of education and care in teacher-led centre-based services and the frequency and quality of adult-child interactions.• More likely earlier identification of children's learning support needs, enabling earlier intervention. <p>Teaching workforce</p> <ul style="list-style-type: none">• Requiring an ECE or primary qualification will enhance the long term employability of unqualified teachers.• Increasing the wages of teachers across the early learning sector and improving conditions of employment is likely to lead to less staff turnover, higher teacher quality and therefore better opportunity for stronger relationships to be formed with children. <p>Service providers</p> <ul style="list-style-type: none">• Higher funding rates available for services with a higher proportion of qualified teachers and improved ratios for infants and toddlers.• Improved teacher supply due to the improved pay and conditions attracting people into the profession.• A more stable teaching workforce. <p>Government</p> <ul style="list-style-type: none">• More confidence in the quality of provision in teacher-led centre-based services.• Teachers pick up on children's learning support needs faster, resulting in earlier intervention. <p>Better long term outcomes for children, particularly from disadvantaged backgrounds, leading to reduced government expenditure in the long term.</p> <ul style="list-style-type: none">• A more stable teaching workforce. <p>Tertiary education providers</p> <ul style="list-style-type: none">• Increased demand for ECE and primary qualifications.

Where do the costs fall?

Monetised and non-monetised costs; for example, to local government, to regulated parties

The costs outlined are indicative and further analysis will be undertaken when regulatory decisions are sought. They relate to improving the ratios of adults to children under the age of three, regulating for 80 percent and 100 percent qualified teachers and improving the levels and consistency of teachers' salaries and conditions.

Non-monetised

Children, parents and whānau

- Fees may increase for some parents. This is because for some services the increased costs of proposals may not be fully met by increased government funding. This could disproportionately affect low income families who may need to leave the labour force to care for their children if ECE is unaffordable.

Teaching workforce

- Opportunity cost of unqualified teachers' time spent studying.
- Unqualified teachers not pursuing a qualification will need to find alternative employment to replace earnings.

Service providers

- If services' revenue streams are insufficient to cover increased costs, they may exit the market.
- Some service providers may incur additional costs associated with local government requirements, such as additional carparks required to meet resource consent conditions.

Government

- Increased welfare costs and decreased tax revenue if fees increase to the point where ECE is unaffordable for some parents and they leave the labour force to care for their children
- Increased welfare costs associated with unqualified teachers no longer working in the ECE sector.

What are the likely risks and unintended impacts, how significant are they and how will they be minimised or mitigated?

These actions may result in fees increasing for parents and whānau, due to the increased costs incurred by service providers. This could disproportionately affect low income families who may need to leave the labour force to care for their children if ECE is unaffordable.

The Action Plan envisages incentivising services to meet the 100% qualified teacher and ratio standards through the provision of higher rates of funding, before regulating for these standards in the medium to long-term. This will allow the Ministry to monitor how the sector responds to incentives and the impact on parents and whānau. This includes the impact on

services operating in lower socio-economic areas. This information will be used to provide further advice when actions to regulate are advanced.

The Action Plan directs the Ministry to develop a mechanism that promotes more consistent and improved teacher salaries and conditions using information gathered from the sector. There is a risk that such an approach still unevenly distributes quality teachers across services as choices about where to work are influenced by non-monetary factors.

Identify any significant incompatibility with the Government's 'Expectations for the design of regulatory systems'.

The preferred options are consistent with the government's 'expectations for the design of regulatory systems'.

Section C: Evidence certainty and quality assurance

Agency rating of evidence certainty?

How confident are you of the evidence base?

Overall there is mixed or limited evidence to support many of the statements and options in this impact assessment. Research strongly suggests that the benefits of ECE depend on the quality of the service, although the impact of specific quality components on children's outcomes is not necessarily uniform or well understood.

There is little research that specifically considers quality factors and outcomes in education and care settings delivered in New Zealand. Therefore this assessment has relied heavily on evidence from international settings to determine what quality looks like and what impact it has.

To be completed by quality assurers:

Quality Assurance Reviewing Agency:

The Treasury and the Ministry of Education.


Quality Assurance Assessment:

A RIS is not formally required at this stage because regulatory decisions are not being sought in this Cabinet paper and therefore the panel has not given a quality assurance rating.

Reviewer Comments and Recommendations:

Impact Statement: Early Learning Action Plan

Section 1: General information

Purpose
<p>The Ministry of Education is solely responsible for the analysis and advice set out in this Regulatory Impact Statement. This analysis and advice has been produced for the purpose of informing policy decisions being taken by Cabinet on the Action Plan.</p> <p>This Regulatory Impact Statement provides an indicative analysis of the recommendations put forward in the Action Plan that could have a regulatory impact. It has been designed to support the release of the Action Plan and the consultation summary report. Cabinet decisions will also be required after further analysis has been undertaken. The Ministry plans to release the Action Plan and the RIS on the Ministry's website at the same time.</p>
Key Limitations or Constraints on Analysis
<p>The information provided in this RIS is indicative only. This is because the Action Plan outlines aspirations for the next 10 years, and is not seeking agreement to regulatory change at this stage. Further information will be provided through further impact assessments when regulatory changes are put forward for Cabinet consideration.</p> <p>Evidence</p> <p>The majority of evidence used to support proposals is based on international research in teacher-led, centre-based services. Teacher led centre-based services make up approximately 60% of all ECE services. Many research findings are also made in the context of specific 'programmes' rather than the universal ECE provision usually found in New Zealand. This presents some limitations on extrapolating the findings to New Zealand and other service types.</p> <p>The Ministry does not collect substantial data on ECE, including the cost drivers for service providers or the fees they charge parents. This means that the Ministry cannot easily quantify costs and how proposals might impact different groups within the sector.</p> <p>Consultation Feedback</p> <p>Feedback on the draft Action Plan was gathered through surveys and hui. Survey feedback in particular was mainly generated from teaching staff (68% of respondents) and managers/owners (20%).</p>
Responsible Manager (signature and date):
 Damian Edwards Associate Deputy Secretary Education System Policy Ministry of Education 01/11/2019

Section 2: Problem definition and objectives

2.1 What is the context within which action is proposed?

Early childhood education (ECE) provides for children from birth until they start school. Unlike schooling, children are not required to attend early learning, although approximately 97 percent of children attend an early learning service shortly before starting school.¹ Early learning services provide an important support for labour market participation for parents and whānau.

In 2017/18, government spent \$1.98 billion on early learning, which equates to 0.69% of GDP.² There were 5,471 early learning services with 217,093 enrolments.³

Types of ECE services

Almost all ECE services (except Te Kura: The Correspondence School) are owned independently of government. Services are classified as private⁴, or community-based.⁵

Other than Te Kura, the Ministry recognises six types of licensed early learning services:

- teacher-led centre-based services:
 - education and care services (47% of all services and 62% of enrolments)
 - kindergartens (12% of all services and 13% of enrolments)
- home-based (8% of all services and 8% of enrolments)
- kōhanga reo (8% of all services and 4% of enrolments)
- playcentre (7% of all services and 4% of enrolments)
- hospital-based (0.4% of all services)
- casual education and care (0.1% of all services).

Playgroups are a further service type, but they are certificated rather than licensed. They comprise 17% of all services and 8% of enrolments.

Requirements that apply to services

In order to be licenced, all services must meet the Education (Early Childhood Services) Regulations 2008 (the Regulations) and licensing criteria. However, 'excluded services' are exempt from the requirement that 50% of staff must be qualified teachers. Excluded

¹ Information about participation in early learning is available at <https://www.educationcounts.govt.nz/statistics/early-childhood-education/participation>.

² Available at <https://www.educationcounts.govt.nz/statistics/early-childhood-education/finances>.

³ Note licensing data is based on the number of active licences as at 31 May 2018. Enrolment data is based on the annual ECE census which takes place in June of the year in question and describes regular enrolments in the return week regardless of child absences. Enrolments in casual education and care services and hospital-based services have historically not been included because they do not have regular enrolments.

⁴ Private services include those owned by a private company, publicly-listed company, private trust, partnership or an individual. Private services are able to make financial gains and distribute these to their members.

⁵ A community-based service is a service that is an incorporated society; a charitable, statutory or community trust; or is owned by a community organisation (e.g., a city council, church or university). Community-based services are prohibited from making financial gains that are distributed to their members.

services are kōhanga reo, playcentre and home-based education and care services. The Education (Playgroups) Regulations 2008 and certification criteria for playgroups apply to certificated playgroups.

Licensed or certificated services are able to receive Ministry subsidies if they meet funding requirements specified in the ECE Funding Handbook or the Playgroup Funding Handbook.⁶ Subsidy rates vary by service type and the age of the child.

These subsidies contribute to services' operating costs by paying for part or all of each hour a child spends in ECE⁷ and do not have to be used for specific purposes.⁸ Services are also able to receive further income from sources such as the Ministry of Social Development's Childcare Subsidy, targeted Ministry funding, parent fees and donations.

Teacher-led centre-based services are able to access higher rates of funding based on the number of registered and certificated teachers (ECE and primary) who count towards regulated (ratio) staff. The highest band is for services who employ 80%+ certificated teachers.

Home-based education and care services, kōhanga reo and playcentre are able to access higher rates of funding if they choose to meet additional criteria, which primarily relate to the qualification levels of those delivering education and care.

Teacher-led centre-based services

Teacher-led centre-based services are services based in a centre where at least 50% of required staff are qualified ECE teachers. They may be known by many names, including crèches, kindergartens, aoga amata, puna reo, and childcare centres.

Kindergarten funding rates are currently higher than those for other teacher-led centre-based services. This is because the State Sector Act 1988 gives the government responsibility for negotiating the pay and conditions for teachers and other staff on behalf of kindergarten associations. Funding required as a result of this negotiating is added into kindergarten funding.

Home-based education and care services

Home-based early childhood education is provided in a home rather than a centre. Education and care is delivered by an educator, who is responsible for up to four ECE-aged children at any one time. A registered and certificated ECE teacher oversees the educators and children through home visits and phone calls.

Currently home-based educators are not required to hold a qualification. In February 2019, following the Review of Home-based Education, Cabinet announced its intention to require educators to hold Level 4 ECE qualification or Te Ara Tuarua (the Level 5 kōhanga reo qualification) or higher. Educators with a pre-existing Level 3 ECE qualification will continue to be eligible for funding.

⁶ Available at <https://www.education.govt.nz/early-childhood/funding-and-data/funding-handbooks/ece-funding-handbook/> and <https://www.education.govt.nz/early-childhood/funding-and-data/funding-handbooks/playgroup-funding-handbook/playgroup-operational-funding-pg-3/>.

⁷ The ECE funding subsidy is paid per child place, to a maximum of six hours a day, 30 hours per week. 20 hours ECE is a higher rate of funding for 3-5 year olds to a maximum of 6 hours a day, 20 hours per week. 20 hours ECE is paid per child rather than per child place.

⁸ However, if services wish to access higher funding rates, they are required to pay their qualified and certificated teachers at certain rates.

Kōhanga reo

Nga kōhanga reo is a form of te reo Māori immersion service for mokopuna and whānau. The operation and administration of individual kōhanga reo is the responsibility of kōhanga whānau, in accordance with Te Kōhanga Reo National Trust kaupapa under the stewardship of the Te Kōhanga Reo National Trust Board.

Kōhanga reo do not have the same qualification standards as other services, but tend to operate with better ratios.

Playcentre

Playcentre has a philosophy of parents and whānau as the first teachers of children. Playcentre Aotearoa is the single body representing all playcentres.

Playcentre do not have the same qualification standards as other services, but tend to operate with better ratios.

Hospital-based education and care services

Hospital-based services provide education and care to three or more children who are also receiving health services within premises under the control of the Ministry of Health or a district health board. In 2018, there were 22 hospital-based services.

Casual education and care services

Casual education and care services are services that operate without a regular roll, for example, services at ski fields. In 2018, there were 8 casual education and care services.

Playgroups

In addition to providing ECE opportunities for children, playgroups provide an informal support network for parents.

Playgroups may have a primary focus on maintaining culture, language or philosophical approaches, such as Ngā Puna Kōhungahunga (Māori language playgroups), Pasifika, Montessori or Steiner playgroups. Some playgroups operate in rural areas and may only have one session per week while others may run up to five mornings a week. A playgroup may be the only facility in an area that focuses on early childhood education.

Playgroups are certificated rather than licensed. This means that there are fewer regulatory requirements that need to be met and funding rates are lower.

The Ministry of Education's role in licensing and monitoring

The Ministry is the regulatory body for the early learning sector and has responsibilities across licensing and funding of early learning services and certificated playgroups. Licensing actions include granting a licence, enforcement where non-compliance is identified and monitoring services.

Services are licensed in perpetuity providing they continue to meet regulatory requirements. The Ministry of Education monitors approximately 10% of services through a number of means including responding to complaints, funding audits, licensing activity and follow-up on poor Education Review Office (ERO) reviews. When non-compliance is identified the Ministry can reclassify a service's licence as provisional and in some cases

a licence may be suspended. If non-compliance is not rectified a service's licence can be cancelled.

Benefits of ECE

In New Zealand, the difference in PISA mathematics scores between 15-year-old students who had attended more than one year of ECE and those who had not attended any ECE was 31 score points after accounting for socio-economic background – the equivalent of almost one year of formal schooling (similar to the OECD average difference of 31 score points).

This is important because Statistics NZ research shows that school leavers with a Level 2 NCEA qualification benefit from more educational and employment opportunities in the long term than adults without a qualification.⁹ Ultimately, this contributes to better health outcomes and better quality of life. In 2014, New Zealand adults without a Level 2 qualification or higher had an unemployment rate 45% higher than adults with such a qualification.

International research shows the value of investing in high quality early learning settings to enhance children's long term outcomes, including wellbeing. For example, the Perry Preschool Project, shows that for every dollar spent on the Project, society benefited with \$8.74 in reduced public expenditure over the long term in welfare and justice costs. However, studies like the Perry Preschool Project primarily focus on disadvantaged and at-risk population groups, comparing children in control groups (i.e. no early learning) to children receiving high quality early learning.¹⁰ Nevertheless, this research does demonstrate the importance of high quality settings.

The OECD states that there are also positive outcomes for children who enrol in early learning services with good adult:child ratios.¹¹

Results from the Chicago Child-Parent Center Education Program also show the long term financial benefit to children who were part of the programme, compared to no targeted intervention. Twenty-five years on, children in the preschool part of the programme had significantly higher levels of educational achievement, which resulted in higher economic status, including occupational prestige, and annual income.¹²

Early Learning Action Plan

A Ministerial Advisory Group (MAG) was appointed in April 2018 to advise the Minister of Education on the development of the Action Plan. The MAG was empowered to consider any matter relating to the early learning sector, including policies around funding, regulation, support and the curriculum.

Consultation on the draft Action Plan ran from November 2018 to March 2019. Stakeholders were encouraged to share their ideas in an online survey or make a

⁹ Ministry of Education, '18-year-olds with a minimum of NCEA Level 2 or equivalent', available at <https://www.educationcounts.govt.nz/statistics/indicators/main/education-and-learning-outcomes/18-year-olds-NCEA-Level-2>

¹⁰ The Perry Preschool Project targeted disadvantaged African American 3 and 4 year olds over a two year period. The Project was characterised by high teacher:child ratios (1:6) and certified primary teachers with a Bachelor's degree. Children attended this programme for 2.5 hours every weekday morning, and the teacher would visit the mother and child for 1.5 hours a week to help involve the mother in the educational process and implement the curriculum at home.

¹¹ OECD, 'Starting Strong IV: Early Childhood Education and Care Data Country Note: New Zealand', available at <http://www.oecd.org/education/school/ECECDN-NewZealand.pdf>.

¹² Reynolds, Arthur J., Judy A. Temple, Suh-Ruu Ou, Irma A. Arteaga, and Barry AB White. "School-based early childhood education and age-28 well-being: Effects by timing, dosage, and subgroups." *Science* 333, no. 6040 (2011): 360-364.

submission on the Education Conversation | Kōrero Mātauranga website. The Ministry also hosted a number of public hui across different parts of the country.

This impact statement covers the actions in the final Action Plan that could have a regulatory impact. These are:

1. regulate new adult: child ratios for infants and toddlers
2. in the short term, incentivise for 100% qualified teachers in teacher-led centres, and regulate for 80% in the medium term, leading to regulation for 100% in the longer term
3. improve the consistency and levels of teacher salaries and conditions across the early learning sector.

The action to introduce a managed network approach to ensure high quality, diverse and sustainable early learning services has been progressed separately from this RIS.

2.2 What regulatory system, or systems, are already in place?

The government has a duty of care over all citizens and residents. Government regulation of ECE is therefore aimed at ensuring early learning services comply with minimum standards for the health, safety, wellbeing and education of young children while they are attending the service. This includes in services where parental responsibility is not being directly exercised and where very young children, who are unlikely to be able to completely protect themselves from harm, are involved. Also, parents may be deterred from using ECE services if they have doubts about their child's potential safety.

Regulation is also used as a mechanism to implement government policies and goals, for example, around ratios of adults to children

The regulatory system governing minimum standards for ECE in New Zealand is divided into three tiers:

1. first tier – the Education Act 1989;
2. second tier – regulations for ECE services and playgroups. These are predominantly stated in the Education (Early Childhood Services) Regulations 2008 and Education (Playgroups) Regulations 2008; and,
3. third tier – the Licensing Criteria. These detail how services can meet the requirements of the regulations and are used by the Ministry to assess services for licensing purposes. These cover a wide range of areas including expectations around the premises, health and safety, governance and management, curriculum as well as professional practice.

ERO is the agency responsible for evaluating and reporting on the performance of licensed ECE services at both an individual service and sector wide level.

2.3 What is the policy problem or opportunity?

For all children to benefit, the early learning system must consistently provide high quality experiences across the range of provision types valued by parents and whānau. In recent years the number of children participating in early learning has increased, and children are

participating at younger ages and for longer hours. With these changes there have been issues raised in relation to:

- quality of provision
- inequities in the system
- workforce.

Quality of provision

ERO's national evaluation reports have identified variability in practice across the system. For example, 31% of services were found to have limited or no focus on supporting children's oral language learning¹³, and 44% of services had a curriculum that was only somewhat responsive in enabling infants and toddlers to become competent and confident communicators and explorers¹⁴. The ERO has found that many services are not sufficiently responsive to Māori and Pacific children, including a misunderstanding in the difference between providing a bicultural curriculum for all children and supporting Māori children to succeed as Māori.¹⁵

Inequity

Research shows that children who experience disadvantage gain significant benefits from participating in high quality early learning.¹⁶ There is evidence to suggest that not all children and families have equal access to resources within their community and that for every child to thrive, it is necessary to ensure that provisions are in place that respond to their specific and variable needs. To this end, a recent evaluation of equity funding suggested that the use of funding could be more effective.¹⁷

Workforce

International research also shows that job satisfaction, supply and retention of teachers can be improved with better adult:child ratios, low group size, competitive wages and benefits, a reasonable workload, low staff turnover, a quality physical environment and a competent and supportive manager.¹⁸

Evidence

In addition to the evidence quoted above, in the development of the draft Action Plan, the MAG drew on international and domestic research that suggests improvements to structural factors could improve quality in ECE, such as:

¹³ Education Review Office. (2017). *Extending their language – expanding their world. Children's oral language (birth-8 years)*. Wellington, NZ: ERO. Retrieved from <http://www.ero.govt.nz/publications/extending-their-language-expanding-their-world/>

¹⁴ Education Review Office. (2015). *Infants and toddlers: competent and confident communicators and explorers*. Wellington, NZ: ERO. Retrieved from <http://www.ero.govt.nz/publications/infants-and-toddlers-competent-and-confident-communicators-and-explorers/>

¹⁵ Education Review Office. (2013). *Priorities for children's learning in early childhood services*. Wellington, NZ: ERO. Retrieved from <http://www.ero.govt.nz/assets/Uploads/Priorities-for-Childrens-Learning-in-Early-Childhood-Services-May-2013-web.pdf>; Education Review Office. (2018). *Awareness and confidence to work with Te Whāriki*. Wellington, NZ: ERO. Retrieved from <https://www.ero.govt.nz/assets/Uploads/Awareness-and-confidence-to-work-with-Te-Whariki.pdf>

¹⁶ Melhuish, (2014). The impact of early childhood education and care on improved wellbeing. <http://ro.uow.edu.au/cgi/viewcontent.cgi?article=2641&context=sspapers>

¹⁷ Ministry of Education. (2018). Pre-implementation evaluation for targeted funding for disadvantage <https://www.educationcounts.govt.nz/publications/ECE/pre-implementation-evaluation-for-targeted-funding-for-disadvantage>

¹⁸ Taguma, M., Litjens, I., & Makowiecki, K. (2012). *Quality Matters in Early Childhood Education and Care: Finland*. OECD Publishing, 2, rue Andre Pascal, F-75775 Paris Cedex 16, France.

- adult:child ratios
- minimum levels of teacher qualifications
- pay and conditions for teachers.

Ratios

The MAG recommended altering existing regulated standards for adult:child ratios on the basis that it would improve the quality of adult:child interactions.

The current regulated adult:child ratios for infants and toddlers in centre-based services do not align with academic research or international best practice, as shown in Table 1 below.

Table 1: International comparisons for adult:child ratios in all-day settings

Age	0-2	2 year olds
New Zealand	1:5	1:10
Australia	1:4	1:5
England	1:3	1:4
Canada (British Columbia)	1:4	1:4
Finland	1:4	1:4

Research suggests that adult:child ratios, along with group size, are the strongest and most consistent predictor of positive caregiving practices in group-based early childhood settings.¹⁹ High adult:child ratios and small group sizes enable positive and sensitive adult:child interactions, a factor associated with positive child outcomes.²⁰

These interactions are known to be important, particularly during the first 1,000 days of life. Children are highly adaptable and vulnerable as brain sensitivity for emotional control, peer social skills, language and numbers peaks within this period.²¹ During this stage, children's brain connections are reinforced and strengthened through interaction with caregivers and adults.

Higher ratios for infants and toddlers can also enhance children's school readiness.²² Young children with a strong learning base are more likely to then go on and succeed at school and obtain NCEA Level 2 (a key indicator shown to materially improve adults' long term outcomes). This is important because higher attainment of higher school qualifications benefits society in the long term, through its impact on higher employment and reduced welfare and justice costs.

¹⁹ <https://conversation.education.govt.nz/assets/ELSP/Early-Learning-Strategic-10-Year-Plan.pdf>.

²⁰ Australia Department of Education, Employment and Workplace Relations, 'Toward a national quality framework for early childhood education and care: report of the expert advisory panel on quality early childhood education and care'.

²¹ Moore, T. G., N. Arefadib, A. Deery, and S. West. "The first thousand days: an evidence paper. Parkville, Victoria; Centre for Community Child Health, Murdoch Children's research institute. 2017." (2018).

²² Emig, Carol. "School Readiness: Helping Communities Get Children Ready for School and Schools Ready for Children. Child Trends Research Brief." (2000); Emig, Carol. "School Readiness: Helping Communities Get Children Ready for School and Schools Ready for Children. Child Trends Research Brief." (2000).

Qualifications

Like ratios, teacher qualifications are often considered one of the key structural factors influencing quality in early learning.²³ Teacher qualifications can impact on the quality of teacher-child interactions, which factor into children's independent thinking and problem solving skills. However, despite a number of studies supporting the importance of teacher qualifications, there is no evidence about the marginal impact of a fully qualified workforce versus a predominantly qualified one.²⁴

Approximately 96% of teacher-led, centre-based services have a workforce with at least 80%+ qualified teachers (ECE and primary qualified). However, there is limited evidence to suggest that services will seek out a fully qualified workforce without additional funding incentives and/or regulation. For example, in 2018 approximately 13% of services operated with a fully qualified workforce, compared to 27% in 2010/2011 when the 100% funding band was in place.

Ministry projections indicate that reinstating the 100% funding band would disproportionately benefit European/Pākehā families and services in higher socio-economic areas over the 2020-2023 period.²⁵

Pay and conditions for teachers

Higher wages and better working conditions influence teachers' job satisfaction, work motivation and, indirectly, the quality of their teaching, caring and interactions with children.²⁶

Low wages impact on quality in ECE by discouraging qualified individuals from considering working in early learning in the first place.²⁷ Furthermore, low wages are related to high staff turnover rates²⁸ which influence children's language and socio-emotional development as well as the relationships they form with teachers.²⁹ Low wages are also correlated with the perception that working in the ECE sector is not a high-status profession.³⁰

²³ Mashburn, Andrew J., Robert C. Pianta, Bridget K. Hamre, Jason T. Downer, Oscar A. Barbarin, Donna Bryant, Margaret Burchinal, Diane M. Early, and Carollee Howes. "Measures of classroom quality in prekindergarten and children's development of academic language, and social skills." *Child development* 79, no. 3 (2008): pp.744-746.

²⁴ Barnett, W. Steven. "Better Teachers, Better Preschools: Student Achievement Linked to Teacher Qualifications. NIEER Preschool Policy Matters, Issue 2." (2003); Early, Diane M., Kelly L. Maxwell, Margaret Burchinal, Soumya Alva, Randall H. Bender, Donna Bryant, Karen Cai et al. "Teachers' education, classroom quality, and young children's academic skills: Results from seven studies of preschool programs." *Child development* 78, no. 2 (2007): 558-580.

²⁵ Based on projections of the percentage of services expected to operate at 100% services from 2020-2023 if the 100% funding band was reintroduced following Budget 2019.

²⁶ Moon, J. and J. Burbank (2004), "The early childhood education and wage ladder; a model for improving quality in early learning and care programs", Policy Brief, Economic opportunity Institute, Seattle WA.

²⁷ Manlove, E. E., and J. R. Guzell (1997), "Intention to leave, anticipated reasons for leaving, and 12 Month turnover of child care centre staff", *Early Childhood Research Quarterly*, Vol. 12, No. 2, pp. 145-167.

²⁸ Moon, J. and J. Burbank (2004), "The early childhood education and wage ladder; a model for improving quality in early learning and care programs", Policy Brief, Economic opportunity Institute, Seattle WA.

²⁹ Torquati, J., H. Raikes and C. Huddleston-Casas (2007), "Teacher education, motivation, compensation, workplace support, and links to quality of center-based child care and teachers' intention to stay in the early childhood profession", *Early Childhood Research Quarterly*, Vol. 22, No. 2, pp. 261-275. Whitebook, M. (2002), *Working for worthy wages: The child care compensation movement 1970-2001*, Center for the Study of Childcare Employment, Institute for Research on Labor and Employment, UC Berkeley.

³⁰ Ackerman, D. (2006), "The costs of being a child care teacher: Revisiting the problem of low wages". *Educational Policy*, Vol. 20, No. 1, pp. 85-112.

2.4 Are there any constraints on the scope for decision making?

The Action Plan is one of the key medium-term strategies that sits within the broader Education Work Programme that the Minister of Education has commissioned. It is aligned with other initiatives in the Education Work Programme, including the Learning Support Action Plan; the Māori Education Strategic Framework; the Strategic Framework for Pacific Education; the Education Workforce Strategy; the Curriculum, Progress and Achievement programme; and the National Education Learning Priorities (NELP).

The Crown is working with Te Kōhanga Reo National Trust to respond to the findings of the Waitangi Tribunal on the Kōhanga Reo claim, Wai 2336. The implementation of actions in the Action Plan will appropriately take into consideration the findings of the Tribunal.

The specific constraints for the recommendations are outlined below.

Workforce

The 100% and ratio recommendations are both dependent on sufficient teaching staff being available to satisfy services' demand. There is some, albeit limited, evidence of qualified teacher supply being tight in certain areas. For this reason, the sequencing of the recommendations is important.

The ratios action will increase demand for teacher supply although this is unlikely to have as significant an impact as the actions relating to 80% and 100% qualified teachers. This is because services can continue using unqualified teachers to supplement their workforce. The impact also depends on the closeness of the timing for all actions to come into effect.

Qualifications

The Labour Party's 2017 education manifesto outlined that Labour would "reinstate funding for centres that employ 100% qualified and registered teachers in early childhood education, require all early childhood services to employ at least 80% qualified teachers by the end of our first term in government, and continue to aim for 100% qualified teachers in all early childhood education centres".

The manifesto and the Speech from the Throne provide limited flexibility to support alternative qualification options.

Some services do not qualify for the 80%+ funding rates (the 80% can be comprised of certificated ECE and primary teachers) and many of these services tend to operate in disadvantaged areas. If these services cannot meet the necessary staffing levels, they may need to close, and there is no guarantee that new services will open in their place. If this risk materialised, fewer services would be available in these areas, which could lead to inequitable outcomes, with families needing to change their work and/or early learning arrangements.

2.5 What do stakeholders think?

The draft Action Plan was released for consultation from 19 November 2018 to 15 March 2019. Stakeholders were asked to provide feedback on the document, which contained five goals and 23 recommendations. Stakeholders could complete an online survey, write a submission and/or attend regional hui that took place throughout the country. The Ministry also commissioned three parent focus groups in Auckland, Christchurch and Whangarei to ensure that parents' voices were captured during consultation.

During the consultation period, 44 public hui were held, attended by more than 1,900 people. The Ministry received 2,264 online survey submissions and 219 written submissions during the consultation period. Feedback was received from across the early learning sector:

- parents/caregivers/family members of children currently attending an early learning service
- parents/caregivers/family members of past or future users of early learning services
- teachers/educators at an early learning service
- managers/owners of early learning services
- education peak bodies
- education consultants
- additional learning needs specialists
- academics/lecturers/initial teacher education providers
- teachers in training.

As well as those with a connection to the sector such as:

- iwi Māori
- health professionals
- board of trustees members
- non-government organisations.

Ratios – regulate new adult:child ratios for infants and toddlers

There was near universal support for this recommendation, with 95% of survey respondents agreeing with the recommended ratios, while 3% offered no opinion and 1% disagreed. When ranking the three recommendations believed to make the greatest difference in the sector, 60% considered improved adult:child ratios for infants and toddlers a top three priority while 32% of all survey respondents ranked it as their number one priority overall.

In general, respondents viewed improved ratios favourably because:

- teachers face too much pressure educating and caring for infants and toddlers under the prescribed ratios and find it difficult to foster responsive and consistent relationships
- infants require more guidance than older children
- better ratios will improve children's learning and social development
- better ratios will improve the frequency of teacher-child interactions, which may also improve the quality of feedback to parents on their child's progress

- better ratios will enable services to focus more on children's needs
- better ratios will improve service quality
- better ratios will improve health and safety.

Respondents also indicated that it would be worthwhile to further improve on the recommended ratios with more ratio brackets depending on age (i.e. aged under 1, 1-2 years, 2-3 years and 3-5 years). These approaches have been considered as options in this RIS.

Major questions related to how to split the ratios by age, what the ratios should be, and when the recommendation should be implemented. While there was no consensus regarding what ratios to use, many written submissions suggested 1:3 for infants under 2 years.

Many submitters discussed the implementation timeline and issues with incentivising and regulating for better ratios. There was also some support for introducing better ratios after reinstating the 100% funding band.

Qualifications – in the short term, incentivise for 100% qualified teachers in teacher-led centres, and regulate for 80% qualified teachers in teacher-led centres in the medium term, leading to regulation for 100% in the longer term

Of those that responded to the survey, 84% agreed or strongly agreed with the recommendation. Of all survey respondents, 46% considered the recommendation a top three priority, with 21% listing it as their top priority altogether.

There was also considerable support for the recommendation from written submissions, particularly regarding the 80% aspect of the proposal.

Those that supported the recommendation raised the following points:

- it would improve the quality of the workforce, and increase respect for the profession and the sector
- it would help ensure only the best teachers are in the profession
- it would reduce time spent training uncertificated teachers in the classroom.

There were five main points driving opposition to the recommendation:

- there would be fewer opportunities for unqualified staff to learn on the job
- it would not necessarily improve the quality of provision, whilst forcing some highly experienced, though unqualified, staff out of the profession
- it would be too difficult for services to operate with 80% or 100% qualified staff during regulated (ratio) staff hours during some parts of the year
- it would be unworkable in rural and other hard to staff areas
- it would reduce diversity in the workforce.

Pay and conditions for teachers – improve the consistency and levels of teacher salaries and conditions across the early learning sector

96% of survey respondents agreed with the recommendation, while 3% offered no option and 1% disagreed. The majority of teachers cited that they had not had a meaningful salary increase in several years, and that an increase to teacher salaries would be the single most impactful action the government could take towards improving the sector. Major themes emerging in regard to salaries were:

- developing a pay scale based on the level of qualification held by teachers
- implement reward/performance bonuses
- rewarding long-term service through higher salaries
- increased salaries will help to stabilise the workforce through reduced turnover
- increased salaries will attract more people into the teaching profession.

Feedback was heavily in favour of formalising comparable pay rates across private centres, community centres, and kindergartens. The levels of salary and conditions of kindergartens were most frequently cited as a benchmark for the entire early learning sector.

Those not in support of this recommendation did not think they should be required to engage in collective bargaining. This was because respondents wanted to reward exceptional practice rather than years of service, and did not want a ceiling on salaries. The majority felt that any move towards better pay and conditions should be met with increased government funding.

Section 3: Options identification

3.1 What options are available to address the problem?

Ratios

Status quo

All-day teacher led, centre-based services must adhere to minimum adult:child ratios for children aged under 2 (1:5) and children aged 2 and over (1:10).³¹ Some services use better adult:child ratios than what is prescribed in the minimum ratio requirements, and we assume that this additional cost would be passed onto parents through higher fees.

Alternative options

There are a range of alternative options to increase adult:child ratios to align with international best practice (1:3 or 1:4 for under 2s and 1:4 or 1:5 for children aged 2 and over).

As noted in the problem definition, better adult:ratios would likely increase the frequency and quality of adult-child interactions. The first 1,000 days are considered the most

³¹ If there are fewer than 7 children aged 2 and over, the required ratio is 1:6.

important period in life for a child's learning and development, which is why the options primarily target under 2s and 2 year olds. These options assume the proportion of qualified teachers remains the same. In line with international evidence, it is also assumed that higher adult:child ratios for under 2s and 2 year olds would improve children's learning and developmental outcomes.

Each option follows the same timeline:

- offer funding incentives to services employing better ratios for under 2s and 2 year olds in the short term
- regulate for better ratios for under 2s in the short to medium term
- regulate for better ratios for older children (2 year olds) in the medium to long term.

Option One: 1:4 for under 2s and 1:5 for 2 year olds

This option would improve adult:child ratios for under 2s (1:4) and 2 year olds (1:5). It slightly improves on existing ratios for under 2s and makes a significant improvement on existing ratios for 2 year olds.

Option Two: 1:3 for under 1s, 1:4 for children aged under 2 and 1:5 for 2 year olds

This option would improve marginally on option one, by employing better ratios for under 1s (1:3). The other settings remain the same as option one, and constitute a marked improvement compared to existing ratios.

Option Three: 1:3 for under 1s and 1:5 for 1-2 year olds

This is a very similar option to 1 and 2, but requires centres to employ 1:3 ratios for under 1s and 1:5 for children aged 1 and 2. Children aged 1 would not benefit from this option because it is the same as the status quo. Two year olds would benefit because the ratio would change from 1:10 to 1:5.

Qualifications

Status quo

Currently, in teacher-led centre-based services ECE qualified teachers must make up 50% of required staff.³² These teachers do not need to be certificated with the Teaching Council of Aotearoa New Zealand. One unqualified staff member can count towards this requirement if they are enrolled in a course of study that, if passed, will result in the award of a recognised qualification within 12 months.

The government offers higher funding rates to services using a predominantly qualified workforce (at least 80% ECE or primary certificated teachers) to cover regulated (ratio) staff hours. Unqualified teachers in their last year of study do not count as qualified teachers for funding purposes. However, teacher-led centre-based services can use an unqualified teacher for up to 60 hours each funding period when a qualified reliever is not available. In 2018, 96% of all services qualified for 80%+ funding rates and 13% of all services operated with 100% certificated teachers.

The options in this RIS are indicative, and have been formulated as part of the draft Action Plan. More work is planned to provide more detailed options.

³² Education (Early Childhood Services) Regulations 2008, reg 44, sch 1.

Regulating for an 80% qualified workforce in teacher-led, centre-based services

Option one – regulate for 80% ECE qualified teachers certificated with the Teaching Council in the medium term

One option is to regulate for 80% ECE qualified teachers certificated with the Teaching Council of Aotearoa New Zealand in the medium term. This option involves four key regulatory changes:

1. the 50% qualification threshold would increase to 80%
2. ECE qualified teachers would need to hold a practising certificate
3. at least one ECE qualified teacher must be present with groups in separate spaces
4. unqualified teachers (i.e. teachers in their last year of study) and uncertificated teachers would not count towards the qualification requirement

This option is expected to improve the quality of provision because every service would use a high proportion of certificated ECE teachers, and at least one certificated ECE teacher would be with each separate group of children. The advantage of using certificated ECE teachers is that it improves the likelihood of ECE-specific pedagogy being applied at all times.

Option two – Regulate for 80% certificated ECE and primary teachers in the medium term, and allow 5% of the workforce to be comprised of Level 4 ECE teachers or a limited class of Level 7 qualified professionals

The alternative option is to regulate for 80% qualified teachers certificated with the Teaching Council of Aotearoa New Zealand in the medium term. This option involves five key regulatory changes:

1. the 50% qualification threshold would increase to 80%
2. both ECE and primary qualified teachers would count as qualified teachers, and both would need to hold a practising certificate
3. at least one primary or ECE qualified teacher must be present with groups in separate spaces
4. unqualified teachers (i.e. teachers in their last year of study) and uncertificated primary and ECE qualified teachers would not count towards the qualification requirement
5. 5% of the workforce could be comprised of Level 4 qualified ECE teachers or above and/or a limited class of Level 7 qualified professionals (e.g. speech language therapists, nurses, child psychologists, occupational therapists).

This option is expected to improve the quality of provision because services would use a high proportion of certificated ECE and primary teachers, with at least one certificated teacher being with each separate group of children. Services are more likely to meet the 80% requirement under this option because they are not solely reliant on certificated ECE teachers. It is expected that certificated ECE teachers would continue to make up the majority of the workforce. Primary qualified teachers currently comprise 4.5% of certificated teachers in ECE.

It could also enhance parental choice, as services may seek to employ Level 7 (non-ECE or primary) professionals with other skills that could improve children's learning and developmental outcomes. For example, speech language therapists can help children with communication difficulties, while nurses would be better positioned to identify illnesses and advise parents about best practice at home. Similarly, allowing teachers with a Level 4 qualification (and above) to count as qualified teachers, encourages unqualified teachers to pursue a qualification and remain in the profession.

Regulating for an 100% qualified workforce in teacher-led, centre-based services

Option one – regulate for 100% ECE teachers certificated with the Teaching Council in the long term

This option regulates for 100% ECE qualified teachers certificated with the Teaching Council of Aotearoa New Zealand in the long term. This option involves four key regulatory changes:

1. the 50% qualification threshold would increase to 100%
2. ECE qualified teachers would need to hold a practising certificate
3. at least one ECE qualified teacher must be present with groups in separate spaces
4. unqualified teachers (i.e. teachers in their last year of study) and uncertificated teachers will not count towards the qualification requirement.

This option is expected to improve the quality of provision because services would be limited to using certificated ECE teachers. Services could choose to employ unqualified staff over and above the teachers used for the 100% requirement. These staff would be used in addition to the teaching staff required to cover regulated (ratio) hours. For these reasons, services employing unqualified teachers would likely increase the frequency of adult-child interactions.

Option two – Regulate for 100% qualified teachers in the long term, including ECE and primary qualified teachers certificated with the Teaching Council, and allow 10% of the workforce to be comprised of Level 4 ECE teachers or a limited class of Level 7 qualified professionals

The alternative regulatory option for regulating to 100% closely mirrors option 2 for 80%. This option requires five key regulatory changes:

1. the 50% qualification threshold would increase to 80%
2. both ECE and primary qualified teachers would count as qualified teachers, and would need to hold a practising certificate
3. at least one ECE or primary qualified teacher must be present with groups in separate spaces
4. unqualified teachers (i.e. teachers in their last year of study) would not count towards the qualification requirement
5. 10% of the qualified workforce could be comprised of Level 4 ECE qualified teachers or above and/or a limited class of Level 7 qualified professionals (e.g. speech language therapists, nurses, child psychologists, occupational therapists).

This option is expected to improve the quality of provision because services would predominantly use ECE and primary qualified teachers. However, it could also enhance parental choice, as services may seek to employ Level 7 (non-ECE or primary) professionals with other skills that could help improve children's learning and developmental outcomes. For example, speech language therapists can help children with communication difficulties, while nurses would be better positioned to identify illnesses and advise parents about best practice at home. Similarly, allowing a small number of teachers with a Level 4 qualification (and above) to count as qualified teachers encourages unqualified teachers to pursue a qualification and remain in the profession.

Option three (funding option only) – Reinstate the 100% funding band for services operating with a fully qualified workforce in the short term

This option would apply the settings used in 2010/11 when the 100% funding band was last in place. At the time, this enabled services to qualify for higher funding rates if they used 100% certificated ECE or primary qualified teachers for regulated (ratio) staff hours. This option should enhance the quality of teaching and improve the learning and developmental outcomes of children who attend 100% services. This would not require any regulatory changes, as the funding criteria would be specified in the ECE Funding Handbook.

Pay and conditions for teachers

Status quo

As early learning services are virtually all privately owned, the government is not responsible for setting terms and conditions of employment for teachers in early learning³³, nor does government pay teachers directly. However, the Ministry is able to put conditions on funding. One related condition is that teacher-led centre-based services are required to pay teachers at or above specified minimum rates in order to access higher subsidy rates.

There are four options to implement a mechanism by which a clear set of common pay and conditions would be agreed. These are:

Option one: A collective agreement covering all ECE teachers

This option would establish common pay and conditions through a sector wide collective agreement. The standard statutory approach is that collective agreements are negotiated between employer(s) and a union.³⁴ Government does not have any role unless they are an employer.

However, government does have a role in relation to the Kindergarten Teachers, Head Teachers and Senior Teachers' Collective Agreement (KTCA). Under the State Sector Act 1988, the Secretary for Education³⁵ is responsible for negotiating every collective agreement applicable to employees of the education service (which includes registered teachers working in free kindergartens) as if they were the employer.

Therefore, the State Sector Act 1988 could be amended to empower government to act as the employer in collective negotiations on behalf of all early learning teachers. Government could then negotiate a collective agreement. As with the KTCA, early learning services

³³ Kindergarten teachers are an exception, as previously discussed.

³⁴ Employment Relations Act 2000, s 40(1).

³⁵ Under delegation from the State Services Commissioner.

would remain independent of the state, but would be bound to pay teachers according to the terms and conditions of the agreement.

Option two: A revised salary attestation in the ECE Funding Handbook that sets out a salary scale framework (and conditions)

The Ministry of Education could specify levels at which ECE teachers must be paid as a condition of receiving government funding. This option would extend the current salary attestation requirements by also requiring teachers to be paid more as they gain experience. This could be through providing for one extra 'step', or an extensive 12 step scale. The Ministry could also stipulate certain conditions that services must provide their teachers, such as a minimum amount of child non-contact time.

Option three: A sector wide 'fair pay' agreement

This option would dovetail with the Workplace Relations and Safety Minister's proposal for a new Fair Pay Agreement (FPA) system.

A FPA system would enable employers and workers to negotiate a new minimum 'floor' (in wages or conditions) in a sector or occupation. Once the agreement is reached, it would then bind the entire sector or occupation.

The government has not yet decided on the process for initiating FPA bargaining and is about to consult on a range of options. Depending on the criteria chosen, ECE occupations may be able to initiate a request for FPA bargaining but there is no certainty that they will be able to do so.

Option four: Provide kindergarten funding rates to centre-based services who sign up to a multi-employer collective agreement (MECA)

Under this option, the Ministry would pay other centre-based services the same rates as kindergartens, if they sign up to a multi-employer collective agreement (MECA). The terms and conditions associated with the MECA would be similar to the KTCA.

3.2 What criteria, in addition to monetary costs and benefits, have been used to assess the likely impacts of the options under consideration?

The package is to be tested against the following criteria:

- quality of education and care for children, and the health and safety of children
- impact on parents and whānau. When discussing the impact, the analysis will centre on how the proposals affect affordability of ECE for parents and whether their choice of service is likely to be constrained
- impact on educator workforce. When discussing the impact, the analysis will centre on how the proposals affect the capability of the workforce, and whether retention will be affected
- affordability for ECE service providers and ease of implementation
- affordability for government and ease of implementation
- equity of outcomes for Māori.

3.3 What other options have been ruled out of scope, or not considered, and why?

Ratios

Improve ratios for infants and toddlers, and create four new age bands (under 1s, children aged between 1 and 2, children aged between 2 and 3 and children aged 3 and over).

Like the other options, this option is premised on the importance of the first 1,000 days, and continues to apply the same settings for children aged 3 and over.

There are three major constraints with this option. It would be very expensive, there is unlikely to be sufficient teaching staff available for the initiative to be implemented effectively across all centre-based services, and it would be very difficult to monitor. As a result, some services may opt to exclusively cater for children aged 3 and above especially as services try to remain in the 80%+ funding band. This could prove detrimental to parents' labour force participation, as they may seek to remain at home caring for their children or reduce working hours.

In these circumstances, there is also a risk that some services, particularly services in high socio-economic areas, will employ qualified teachers previously working in low socio-economic areas. This would negatively impact on the proportion of qualified teachers in services serving low socio-economic communities, thereby reducing the quality of provision to disadvantaged population groups.

Considering these risks and the expense involved, this option has been ruled out.

Improve ratios considerably for infants, toddlers and other children attending teacher-led centre-based services (1:3 for under 3s and 1:8 for all other children).

The same risks identified for the option above would apply to this option.

There would be an even higher risk that there would be insufficient teaching staff available for the initiative to be implemented effectively across all centre-based services. This is because some services will be able to operate at 80%+ qualified teachers with improved ratios, while others would fall below this funding threshold. This may mean that some services become financially unsustainable, even if they wished to employ a lower qualified workforce. It is expected services in hard to staff areas will struggle to operate at this level. In particular, services that work for children from lower socio-economic communities and services in isolated areas

This would affect equity, as children from low socio-economic areas (who typically stand to benefit most from high quality early learning) would have less access to qualified teachers. If these services are financially unsustainable, parents and whānau may have restricted access to early learning services and constrained ability to participate in the labour force.

Considering this risk and the fact that this option is more expensive than the aforementioned options, it has been ruled out.

Qualifications

No options were ruled out of scope. The options in this Regulatory Impact Assessment are indicative only, and have been formulated as part of the draft Action Plan. More work is planned to provide more detailed options on how to regulate for 80% and 100% qualified teachers before implementation.

These proposals also relate to a manifesto commitment to "require all early childhood services to employ at least 80% qualified teachers...and continue to aim for 100% qualified

teachers". This means that the options identification has been limited to the interpretation of the word 'teachers'.

Pay and conditions for teachers

No options were ruled out of scope. There are limited options by which government can intervene in pay and conditions in the early learning sector.

Section 4: Impact Analysis

Ratios

	Status quo	Option 1 1:4 for under 2s and 1:5 for 2 year olds	Option 2 1:3 for under 1s, 1:4 for children aged under 2 and 1:5 for 2 year olds	Option 3 1:3 for under 1s, and 1:5 for 1 and 2 year olds
Quality of education and care for children	0 Current ratios do not reflect international research and best practice from similar OECD countries.	++ This option would boost the frequency and quality of adult-child interactions for under 2s to international standards. For 2 year olds, 1:5 is the benchmark recommended by international research and it is the required ratio in Australia, Finland, Canada and UK. It will have a more significant impact on toddlers given current ratios in all-day settings are 1:10, while adult:infant ratios are 1:5.	++ This option would boost the frequency and quality of adult-child interactions for under 2s, with the most significant impact on under 1s. Research suggests 1:3 is a good ratio to use for under 1s. However, compared to other age groups, relatively few under 1s (approximately 5,000) are in teacher-led, centre based services.	+ This option would boost the frequency and quality of adult-child interactions for under 1s and 2 year olds. There would be no impact on children aged 1. However, this option would represent a significant improvement in the frequency of adult-child interactions for under 1s and for 2 year olds, which should improve these children's learning and developmental outcomes. This option does not align with international best practice for children aged 1.
Impact on parents and whānau – affordability and choice	0 Services employing high adult:child ratios would need to pass the cost onto parents. This means that services with better ratios are likely to be available in more affluent areas to more affluent families.	- Fees may increase for some parents. This is because for some services, particularly small services or services in lower socio-economic areas, the increased costs of providing better ratios may not be evenly met by increased government funding. This could disproportionately affect low income families because it would make centres less affordable. As a result, some parents may work fewer hours and forgo ECE, which would reduce disposable income.	- - Fees may increase for some parents. This is because for some services, particularly small services or services in lower socio-economic areas the increased costs of providing better ratios may not be evenly met by increased government funding. This could disproportionately affect low income families because it would make centres less affordable. As a result, some parents may work fewer hours and forgo ECE, which would reduce disposable income. The addition of the 1:3 ratio for under 1s means there is a higher risk of increased fees for parents.	- Fees may increase for some parents. This is because for some services, particularly small services or services in lower socio-economic areas, the increased costs of providing better ratios may not be evenly met by increased government funding. This could disproportionately affect low income families because it would make centres less affordable. As a result, some parents may work fewer hours and forgo ECE, which would reduce disposable income.
Impact on workforce – capability and retention	0 Current settings incentivise services to employ high proportions of registered teachers rather than high adult:child ratios.	+ Higher ratios for under 2s and 2 year olds reduces pressure on teachers and increases opportunities for individual adult-child interactions. As services seek to qualify for 80%+ funding rates, there will be increased pressure on teacher supply. Increased competition for teachers may make it more difficult for services operating in low socio-economic areas to operate with a predominantly qualified workforce. This could impact on the quality of provision in centres and affect children's learning and developmental outcomes. Fewer children per adult has the potential to improve working conditions, staff satisfaction and reduce stress. This may lead to lower staff turnover. Consultation feedback on the draft Action Plan indicated that this recommended action (the same as option 1) was ranked as the highest priority.	+ Higher ratios for under 2s and 2 year olds reduces pressure on teachers and increases opportunities for individual adult-child interactions. As services seek to qualify for 80%+ funding rates, there will be increased pressure on teacher supply. Increased competition for teachers may make it more difficult for services operating in low socio-economic areas to operate with a predominantly qualified workforce. This could impact on the quality of provision in centres and affect children's learning and developmental outcomes. Fewer children per adult has the potential to improve working conditions, staff satisfaction and reduce stress. This may lead to lower staff turnover. Consultation feedback showed that improved ratios were the highest priority for sector stakeholders. Many stakeholders called for ratios to be improved beyond option 1.	+ Higher ratios for under 2s and 2 year olds reduces pressure on teachers and increases opportunities for individual adult-child interactions. As services seek to qualify for the 80%+ funding rates, there will be increased pressure on teacher supply. Increased competition for teachers may make it more difficult for services operating in low socio-economic areas to operate with a predominantly qualified workforce. This could impact on the quality of provision in centres and affect children's learning and developmental outcomes. Fewer children per adult (especially for 2 year olds) has the potential to improve working conditions, staff satisfaction and reduce stress. This may lead to lower staff turnover.
Affordability for service providers and ease of implementation	0 Current settings incentivise services to employ high proportions of registered teachers rather than high adult:child ratios.	0 Services may find it difficult to work in accordance with higher adult:child ratios, while continuing to operate with 80% or more certificated teachers during regulated (ratio) staff hours. Some service providers may incur additional costs associated with local government requirements,	- This would create administrative complexity and compliance costs for services to operate with three distinct ratio categories. Some service providers may incur additional costs associated with local government requirements, such as additional carparks required to meet resource consent conditions.	0 Some services would find it difficult to work with 1:3 adult:child ratios for under 1s and 1:5 ratios for 2 year olds because they mark significant improvements on current ratios. Some service providers may incur additional costs associated with local government requirements,

		such as additional carparks required to meet resource consent conditions.		uch as additional carparks required to meet resource consent conditions.
Affordability for government and ease of implementation	0 There would be no impact because the same settings would continue to apply.	<p>- This option would require significant government expenditure, as it would need to pay more in subsidies for teacher-led centre-based services.</p> <p>As the government would not fund unsubsidised hours. Consequently, some families may choose to reduce the number of hours their child spends in centres and reduce their own working hours. This would reduce government tax revenue.</p>	<p>- - This option involves the most government expenditure, as it would need to pay more in subsidies for teachers. It would also be more complex for government to implement and monitor.</p> <p>As the government would not fund unsubsidised hours. Consequently, some families may choose to reduce the number of hours their child spends in centres and reduce their own working hours. This would reduce government tax revenue.</p>	<p>- This option would require significant government expenditure, as it would need to pay more in subsidies for teachers. However, it is likely to be the cheapest option, assuming enrolments for under 1s remain the same.</p> <p>As the government would not fund unsubsidised hours. Consequently, some families may choose to reduce the number of hours their child spends in centres and reduce their own working hours. This would reduce government tax revenue.</p>
Equity of outcomes for Māori	0 Māori have marginally lower participation in ECE compared to most other major population groups (95.6% compared to 97% for the entire population). A lower percentage of Māori children attend ECE for more than 10 hours a week compared to the total population (62% of 4 year olds compared to 72% of all 4 year olds). Māori are more likely to be living in rural and low socio-economic areas than the general population. ³⁶	<p>0 Insufficient teacher supply could reduce the quality of provision for services operating in low socio-economic areas. This could impact on some Māori as they are more likely to be living in low socio-economic areas compared to other population groups. Increased competition for teachers may also make it more difficult for these services to operate with a predominantly qualified workforce.</p> <p>However, improved ratios enable more frequent adult-child interactions in teacher-led, centre-based services, which should help the teaching workforce respond more effectively to Māori children's needs in ECE.</p>	<p>0 Insufficient teacher supply could reduce the quality of provision for services operating in low socio-economic areas. This could impact on some Māori as they are more likely to be living in low socio-economic areas. Increased competition for teachers may make it more difficult for these services to operate with a predominantly qualified workforce.</p> <p>However, improved ratios enable more frequent adult-child interactions in teacher-led, centre-based services. This should help the teaching workforce respond more effectively to Māori children's needs in ECE.</p>	<p>0 Insufficient teacher supply could reduce the quality of provision for services operating in low socio-economic areas. This could impact on some Māori as they are more likely to be living in low socio-economic areas. Increased competition for teachers may make it more difficult for these services to operate with a predominantly qualified workforce.</p> <p>However, improved ratios enable more frequent adult-child interactions in teacher-led, centre-based services. This should help the teaching workforce respond more effectively to Māori children's needs in ECE.</p>
Overall assessment	0	+ Proposed ratios should improve infants' and toddlers' learning and developmental outcomes without significantly affecting the sustainability of the sector.	- Proposed ratios should improve infants' and toddlers' learning and developmental outcomes, but it would be hard for services to implement and difficult to monitor. Teacher-led, centre-based services may also become less affordable for parents and whānau.	0 The proposed ratios improve the learning and developmental outcomes of infants, with no material impact on other children aged under 2. However, the proposed changes do not target 1 year olds, and would not represent the best value for money for both parents and government.

Key:

- ++ much better than doing nothing/the status quo
- + better than doing nothing/the status quo
- 0 about the same as doing nothing/the status quo
- worse than doing nothing/the status quo
- - much worse than doing nothing/the status quo

³⁶ Available at <https://www.health.govt.nz/our-work/populations/maori-health/tatau-ka-hukura-maori-health-statistics/nga-awe-o-te-hauora-socioeconomic-determinants-health/neighbourhood-deprivation>. Statistics New Zealand. 2004. New Zealand: An Urban/Rural Profile. Wellington: Statistics New Zealand.

Qualifications: Regulating for an 80% qualified workforce in teacher-led, centre-based services

	Status quo	Option 1 Regulate for 80% ECE certificated teachers	Option 2 Regulate for 80% ECE and primary certificated teachers in the medium term. 5% of qualified staff can be comprised of Level 4 teachers and other Level 7 qualified professionals
Quality of education and care for children	0 96% of teacher-led, centre-based services will continue to operate with 80% or more certificated ECE and primary teachers.	<p>++ All teacher-led, centre-based services would operate with at least 80% ECE certificated teachers, and all children in these services should receive higher quality education and care. This is expected to boost the quality more than option 2 because ECE qualified teachers may be better suited to delivering the curriculum compared to primary qualified staff.</p> <p>At least one certificated ECE teacher would need to be present with groups in separate spaces. These changes should improve children's learning and developmental outcomes compared to the status quo. However, there is a risk that some services would use fewer but larger spaces to comply with this requirement more easily.</p>	<p>+ The quality of education and care for children should improve for children in teacher-led, centre-based services compared to the status quo. By extension, this should improve children's learning and developmental outcomes.</p> <p>At least one certificated ECE teacher would need to be present with groups in separate spaces. These changes should improve children's learning and developmental outcomes compared to the status quo. However, there is a risk that some services would use fewer but larger spaces to comply with this requirement more easily.</p>
Impact on parents and whānau – affordability and choice	0 Parents and whānau will continue to have a wide range of teacher-led, centre-based services to choose from without any increased costs.	<p>- - Service providers would find it more difficult to operate at 80%, with some services needing to leave the market. This would reduce choice for parents. In particular, it is expected that there would be fewer immersion and bilingual services available in the market.³⁷</p> <p>Some services are expected to find it difficult to comply with this option and exit the sector. This could reduce the availability of services for parents and reduce participation in ECE. As a result, there could be a negative impact on parents' labour force participation as they forgo employment to look after their child.</p>	<p>+ This option allows services to employ up to 5% unqualified teachers and other Level 7 qualified staff to count towards the 80% requirement. Depending on how this 5% is made up, there is likely to be more choice to parents, without increasing costs to parents. For example, parents may value the use of primary teachers for ECE-primary transitions and other Level 7 professionals (i.e. speech language therapists, nurses, child psychologists) to help support their children's particularly needs.</p>
Impact on workforce – capability and retention	0 ECE and primary certificated teachers comprise approximately 68% of teaching staff in teacher-led, centre-based services. There would still be high demand for unqualified teachers.	<p>- - Certificated primary teachers, and unqualified teachers without a Level 7 ECE qualification will find it more difficult to remain in the ECE workforce.</p> <p>There would be a positive impact on certificated ECE teachers due to increased demand, which may also enhance salary negotiating power.</p>	0 There would be slightly less demand for unqualified teachers compared to the status quo, which may result in higher unemployment rates for unqualified teachers. However, allowing 5% Level 4 qualified teachers and Level 7 qualified professionals to count as qualified teachers should expand the workforce.
Affordability for service providers and ease of implementation	0 Service providers would still seek to operate with 80%+ certificated teachers in an effort to receive higher funding rates.	<p>- - Hospital-based services and services operating in low socio-economic areas and rural areas are expected to struggle to operate in accordance with this 80% threshold. As a result, these service providers would likely exit the market. Similarly, bilingual and immersion services would find it difficult to work at 80%.</p> <p>Services would also be expected to find it difficult to have a certificated ECE teacher in each separate space.</p>	<p>+ Services are likely to find it slightly easier to comply with this requirement compared to the status quo.</p> <p>Some services would find it difficult to have a certificated primary and/or ECE teachers in each separate space.</p>
Affordability for government and ease of implementation	0 The government would continue to fund teacher led, centre-based services to have 80%+ qualified teachers	<p>- As service providers exit the market, the government would no longer need to fund them. However, as a result, there may be greater demand for other ECE service types, which would require government funding.</p> <p>If more services exit the market, parents may spend more time taking care of their children themselves, potentially reducing their working hours. As a result, the government could potentially receive less tax revenue and spend more on welfare costs. It would be more onerous for the government to monitor and enforce the new space requirement.</p>	<p>- More services would qualify for 80% funding rates, which would increase government expenditure. However, as only 4% of services do not qualify for 80%+ funding rates, this is expected to have a very marginal impact on government.</p> <p>It would be difficult to monitor who counts for the 5% of staff comprised of Level 4 qualified teachers and Level 7 qualified professionals and to ensure a service maintained the appropriate percentages.</p> <p>Similarly, it would be more onerous for the government to monitor the new space requirement.</p>

³⁷ In 2018, 5,590 children attended immersion and bilingual education and care centres. These services are more likely to employ a higher proportion of unqualified teachers who speak English as a second language because the Teaching Council requires Level 7 qualified staff to demonstrate competency in English.

Equity of outcomes for Māori	0 Māori have marginally lower participation in ECE compared to most other major population groups (95.6% compared to 97% for the entire population). A lower percentage of Māori children attend ECE for more than 10 hours a week compared to the total population (62% of 4 year olds compared to 72% of all 4 year olds). Māori are more likely to be living in rural and low socio-economic areas than the general population. ³⁸	- Māori are likely to be more affected by service closures in rural areas, as Māori are more likely to live in rural areas compared to other population groups.	+This option could improve the quality of provision in services utilising a relatively high proportion of unqualified staff, such as bilingual and immersion services, as it encourages some unqualified teachers to obtain the Level 4 qualification (shorter qualification than a Level 7 teacher qualification). Similarly, Level 7 qualified professionals may add value to children's cultural experiences or improve their health and developmental outcomes.
Overall assessment	0	- This initiative should improve the quality of provision in teacher-led, centre-based services. However, services would likely struggle to comply with the new standard due to limited teacher supply, with certificated primary teachers at risk of leaving the sector.	Children's learning and developmental outcomes should improve in teacher-led, centre-based services. Almost all services would qualify for 80%+ funding rates because of slightly relaxed rules

Key:

- ++ much better than doing nothing/the status quo
- + better than doing nothing/the status quo
- 0 about the same as doing nothing/the status quo
- worse than doing nothing/the status quo
- much worse than doing nothing/the status quo

³⁸ Available at <https://www.health.govt.nz/our-work/populations/maori-health/tatau-ka-hukura-maori-health-statistics/nga-awe-o-te-hauora-socioeconomic-determinants-health/neighbourhood-deprivation>. Statistics New Zealand. 2004. New Zealand: An Urban/Rural Profile. Wellington: Statistics New Zealand.

Qualifications: Regulating for a 100% qualified workforce in teacher-led, centre-based services

	Status quo	Option 1 Regulate for 100% certificated ECE teachers	Option 2 Regulate for 100% certificated ECE and primary teachers, and allow 10% of the workforce to be comprised of non-ECE Level 7 qualified professionals and Level 4 qualified teachers	Option 3 Reinstate the 100% funding band for services operating with 100% certificated teachers
Quality of education and care for children	0 96% of teacher-led, centre-based services would continue to operate with 80% or more certificated ECE and primary teachers.	++ More staff are trained to understand early learning and use pedagogy that facilitates children's learning.	++ Most staff have a teaching qualification and can use pedagogy that best facilitates children's learning. Other staff have either lower level qualifications or have specialised in a different area (such as health or communication), which should improve children's developmental outcomes, just in a different way.	+ Improves the quality of provision for children in 100% services due to additional funding. There is a risk that children in hard to staff areas (i.e. rural areas and low socio-economic areas) would not benefit from this option. This is because services in low socio-economic areas could lose teachers to services in higher socio-economic areas transitioning to 100%. As a result, services previously in the 80%+ funding band may lose certificated teachers, thereby reducing the quality of education and care.
Impact on parents and whānau – affordability and choice	0 As there are no changes under this option, parents and whānau would continue to have a wide range of teacher-led, centre-based services to choose from without facing any additional costs.	-- Less choice for parents and whānau than at the present time, as many services may not be able to run at 100%. This would affect immersion and bilingual education and care services. This is because these services often use some staff who speak English as a second language who may not fulfil the Teaching Council's English language competency requirements. There would be a high cost to covering all hours from ECE qualified teachers. This may result in higher fees to parents if government funding does not sufficiently cover the increased costs, particularly for unsubsidised hours. This could disproportionately affect low income families because they would find it more expensive to use centres. Similarly, as services exit the market, parents may need to look after their child themselves, which could affect their labour force participation.	- Less choice for parents and whānau because some services may not be able to run at 100%. There is a risk that this option would reduce the number of immersion and bilingual education and care services in operation. This is because these services often use some staff who speak English as a second language who may not fulfil the Teaching Council's English language competency requirements. There would be high costs associated with regulating for 100% in this manner. This may result in higher fees to parents if government funding does not sufficiently cover the increased costs, particularly for unsubsidised hours. This could disproportionately affect low income families because they would find it more expensive to use centres. Similarly, as some services exit the market, parents may need to look after their child themselves, which could affect labour force participation.	- Reinstating the 100% band would increase the number of services operating with a fully qualified workforce, which would enhance choice for some parents and whānau. However, there is a risk that services transitioning to 100% would recruit teachers from other services, thereby reducing the proportion of teachers in other services. As services move below the 80%+ funding band, they would be more reliant on parents and whānau contributions to meet their expenses, reducing affordability. This could disproportionately affect low income families. If service providers exit the market, there would be less choice in the market for parents.
Impact on workforce – capability and retention	0 Certificated ECE and primary teachers comprise approximately 68% of teaching staff in teacher-led, centre-based services. There would still be high demand for unqualified teachers.	- Teachers would benefit from not needing to supervise unqualified staff members and could focus on their core role of educating and caring for children. Unqualified teachers would no longer work in teacher-led, centre-based services under this proposal. Similarly, certificated primary teachers would exit services. There would be greater demand for certificated ECE teachers, of which there may be limited supply. Reduces ability for employment-based initial teacher education. Student teachers would not be able to work in the sector while graduating unless employed above regulated ratios, which could affect long term teacher supply.	+ Certificated teachers would not need to spend as much time supervising unqualified staff members, and could focus more on their core role of education and caring for children. Fewer unqualified teachers would be able to work in teacher-led, centre-based services. However, there is scope for unqualified teachers to remain in the sector by obtaining a Level 4 qualification or if a service uses staff in addition to the regulated (ratio) staff hour requirements. Reduces ability for employment-based initial teacher education. Student teachers would not be able to work in the sector while graduating unless employed above regulated ratio, which could affect long term teacher supply.	- Teachers in 100% services would benefit from not needing to supervise unqualified staff members and could focus more on their core role of education and caring for children. It is expected that some unqualified teachers would lose their jobs as services transition to 100%. There are a limited number of certificated teachers available to help services move to 100%, so not all services will be able to make the transition. Student teachers would likely be limited to placements and jobs in services operating below 100% or services that can afford to employ unqualified teachers above regulated ratios.
Affordability for service providers and ease of implementation	0 Service providers would still seek to operate with 80%+ certificated teachers in an effort to receive higher funding rates	-- Services may seek to recruit teachers from other services to transition to 100% and may need to offer higher salaries as a result. Alternatively, service providers may change their mix of children	- There is some risk that some service providers would exit the market because of insufficient teacher supply. This would have a more	- There is a risk that service providers would not be able to operate at 80% due to limited teacher supply. As such, some service providers may need to exit the sector.

		<p>so that there are sufficient teachers to satisfy a fully qualified workforce.</p> <p>There is also a risk that many service providers will exit the market because of the requirement to have certificated ECE teachers at all times. Requiring certificated ECE teachers to cover all breaks is likely to be difficult, particularly in rural areas. This would have a more significant impact on services operating below 80% or at the 80% threshold.</p> <p>It is likely that hospital-based services may not be able to comply with this option.</p>	<p>significant impact on services currently operating below 80% or around the 80% threshold.</p> <p>Some service providers would change their mix of children so that there are sufficient teachers to satisfy a fully qualified workforce</p> <p>While there may be a limited number of certificated teachers available, there is scope to employ other Level 7 qualified professionals to help service providers operate at 100%.</p> <p>Hospital-based services may find it difficult to comply with this option.</p>	<p>Alternatively, some service providers may change their mix of children so that there are sufficient teachers to satisfy an 80% qualified workforce for regulated (ratio) staff hours.</p>
Affordability for government and ease of implementation	<p>0 The government would continue to fund teacher-led, centre-based services at higher rates for 80%+ qualified teachers.</p>	<p>- - This option would be more expensive for government than the status quo.</p> <p>The government would need to increase teacher supply to enable services to comply with the Regulations.</p> <p>Otherwise there is a risk of a decline in ECE participation. Lower participation in ECE would impact on the labour workforce, which would reduce tax revenue.</p>	<p>- - This option would be more expensive for government compared to the status quo. The government would need to increase teacher supply so that service providers can comply with the Regulations, which would require additional funding.</p>	<p>- Reinstating the 100% funding band would increase costs to government, especially as services transition to 100% over time.</p> <p>If there are insufficient certificated teachers available to meet service providers' demand, government may also face pressure from the sector to boost teacher supply.</p> <p>This option is also expected to tighten the supply of teacher-led, centre-based services, which could lead reduce participation in ECE particularly in low socio-economic areas. Consequently, some parents may work fewer hours so that they are able to take care of their children, which would reduce tax revenue and potentially increase welfare costs.</p>
Equity of outcomes for Māori	<p>0 Māori have marginally lower participation in ECE compared to most other major population groups (95.6% compared to 97% for the entire population). A lower percentage of Māori children attend ECE for more than 10 hours a week compared to the total population (62% of 4 year olds compared to 72% of all 4 year olds). Māori are more likely to be living in rural and low socio-economic areas than the general population.³⁹</p>	<p>- - Regulating for 100% is likely to reduce affordability for parents and the availability of teacher-led, centre-based services. This could disproportionately affect some Māori who live in rural and low socio-economic areas.</p> <p>If this risk materialises, there may be reduced participation in ECE for Māori children. Consequently, parents may need to take care of their children themselves, and reduce working hours. This is also likely to reduce disposable income for Māori families.</p>	<p>- Regulating for 100% is likely to reduce affordability for some parents and the availability of teacher-led, centre-based services. This could disproportionately affect some Māori who live in rural and low socio-economic areas. However, allowing certificated primary teachers and 10% of the workforce to be comprised of Level 4 qualified kaiako and Level 7 professionals softens this impact compared to option 1.</p> <p>If this risk materialises, there may be reduced participation in ECE for Māori children. Consequently, parents may need to take care of their children themselves, and reduce working hours. This is also likely to reduce disposable income for Māori families.</p>	<p>- Māori living in low socio-economic areas would be less likely to benefit from 100% services than the general population. As some services seek to transition to 100%, services in low socio-economic areas may lose certificated teachers, become less financially viable and exit the sector. There is a particular risk to services operating in rural and low socio-economic areas.</p> <p>If this risk materialises, it may affect Māori participation in ECE. Consequently, parents may need to take care of their children themselves, and reduce working hours. This could also reduce disposable income for Māori families.</p>
Overall assessment	<p>0</p>	<p>- - While this approach would improve the quality of provision in teacher-led, centre-based services, many services would not be able to use a 100% ECE qualified workforce. This would decrease labour force participation, reduce the availability of services available to parents and whānau and increase unemployment for unqualified teachers.</p>	<p>+ Children's learning and developmental outcomes should improve, but some services would exit the sector. Unqualified teachers would either need to obtain a Level 4 qualification or leave the sector.</p>	<p>- This should improve the quality of provision in teacher-led, centre-based services. However, competition for teachers may result in the early exit of some services, and higher costs and reduced choice for parents and whānau, particularly in low socio-economic areas.</p>

³⁹ Available at <https://www.health.govt.nz/our-work/populations/maori-health/tatau-kahukura-maori-health-statistics/nga-awe-o-te-hauora-socioeconomic-determinants-health/neighbourhood-deprivation>. Statistics New Zealand. 2004. New Zealand: An Urban/Rural Profile. Wellington: Statistics New Zealand.

Pay and conditions for teachers

	Status Quo	Option 1: Collective agreement covering all ECE teachers	Option 2: A revised salary attestation in the ECE Funding Handbook that sets out a salary scale framework and conditions	Option 3: A sector wide 'fair pay' agreement	Option 4: Provide kindergarten funding rates to centre-based services who sign up to a multi-employer collective agreement (MECA)
Quality of education and care for children	0 Pay and conditions across the early learning sector are variable. Some teachers have low wages and poor working conditions, indirectly affecting the quality of their teaching.	+ Higher wages and better working conditions affect teachers' job satisfaction, work motivation and indirectly, the quality of their teaching, caring and interactions with children. There is a risk of many service providers exiting the market as they will have less flexibility in how they choose to run their business, which could affect children's participation in ECE.	+ The impact of this option is dependent on the salary scale that is implemented and the associated conditions. Higher wages and better working conditions affect teachers' job satisfaction, work motivation and indirectly, the quality of their teaching, caring and interactions with children.	+ The impact of this option is dependent on the salary scale that is implemented and the associated conditions. Higher wages and better working conditions affect teachers' job satisfaction, work motivation and indirectly, the quality of their teaching, caring and interactions with children.	0 For services that sign up to the MECA, higher wages and better working conditions would affect teachers' job satisfaction, work motivation and indirectly, the quality of their teaching, caring and interactions with children. Teachers in services that choose not to sign up to the MECA would not receive higher wages and better working conditions, which would indirectly affect the quality of their teaching. It is likely that there would be increased turnover in these services.
Impact on parents and whānau – affordability and choice	0 Parents and whānau will continue to have a wide range of teacher-led, centre-based services to choose from without any increased costs.	- - Parental choice would be reduced significantly under this option. As providers will have less flexibility in how they choose to run their business, they may exit the market, reducing diversity of provision. Fees may increase for some parents. This is because for some services, particularly smaller services, the increased costs of providing better pay and conditions may not be evenly met by increased government funding. This could disproportionately affect low income families who may need to leave the labour force to care for their children if ECE is unaffordable.	- There is a moderate risk of reduced parental choice under this option. Depending on the salary scale prescribed, providers may exit the market if their ability to use staff salaries as a mechanism to increase profit is constrained. Similarly, if services' revenue streams are insufficient to cover increased salary costs, they may exit the market. Fees may increase for some parents. This is because for some services, particularly smaller services, the increased costs of providing better pay and conditions may not be evenly met by increased government funding. This could disproportionately affect low income families who may need to leave the labour force to care for their children if ECE is unaffordable.	+ Parental choice is likely to be maintained under this option. This is because the risk of provider exit is minimised as services are able to have significant input into setting teacher pay and conditions.	- For services who do sign up to the MECA, if revenue streams are insufficient to cover increased salary costs, they may exit the market or raise fees for parents. This affects parental choice and affordability. For services who opt out of the MECA, costs may increase due to increased competition for teachers. This could lead to higher fees for these parents, disproportionately affecting low income families who may need to leave the labour force to care for their children if ECE is unaffordable. If costs are too high, services may exit the sector, impacting on parental choice.
Impact on workforce – capability and retention	0 Pay and conditions across the early learning sector are variable. Some teachers have low wages and poor working conditions, potentially leading to increased turnover in these services.	+ Increasing the wages of teachers across the early learning sector is likely to have a positive impact on the workforce, leading to less staff turnover. It is also likely to attract more people to the profession. ECE services may choose to recruit less experienced teachers as a result of this option. This could affect more experienced teachers, who may have more difficulty finding work. In order to access this collective agreement, teachers would need to be part of the union. Many teachers may not wish to become part of the union.	0 The impact of this option is dependent on salary scale and conditions provided. Some teachers may feel the new scale is insufficient as they may not see a significant increase in pay over the course of their career. ECE services may choose to recruit less experienced teachers as a result of this option, as these teachers will be cheaper to employ. This would affect more experienced teachers, who may have more difficulty finding work.	+ Under the proposed system, the union (on behalf of the workforce) will have significant input into the new minimum 'floor'. Increasing the wages of teachers is likely to have a positive impact on the workforce, leading to less staff turnover. It is also likely to attract more people to the profession. ECE services may choose to recruit less experienced teachers as a result of this option, as these teachers will be cheaper to hire. This would affect more experienced teachers, who may have more difficulty finding work.	+ Teachers within services who sign up to the MECA will benefit from increased pay and better working conditions. This is likely to have a positive impact on teachers within these services, leading to less staff turnover. It is also likely to attract more people to the profession. For teachers within services who do not sign up to the MECA, increased competition may mean services increase pay for these teachers as well. However, this would depend on the ability of these services to absorb increased costs, or pass costs onto parents. Services that cannot do this may need to close, leaving teachers without jobs.

Affordability for service providers and ease of implementation	0 There would be no impact on service providers because the same settings would continue to apply.	- - Expanding the state's powers to bargain on behalf of kindergarten associations to other service types, particularly those that include for-profit businesses, would greatly affect services. This is because providers will have less flexibility as to how they can run their business, and many are likely to exit the market.	- Depending on the new salary scale prescribed, there could be a risk of provider exit, as services would be constrained in their ability to use staff salaries as a mechanism to increase profit. Similarly, if services' revenue streams are insufficient to cover increased salary costs, they may exit the market.	++ Under this proposed system, services would be responsible for bargaining with the union, rather than government. According to the Fair Pay Working Group, this is seen as an ideal approach as parties who know their particular circumstances are best able to set the terms that work for them.	0 Services will not have to sign up to the MECA if they do not wish to. Therefore, this option affords services choice through allowing them to 'opt out' of proposed changes. However, it is likely that as more services sign up to the MECA, other services will have to compete for teachers and spending more than they do currently on teacher salaries. Depending on the ability for services to absorb increased costs, or increase fees for parents, some service providers may be forced to exit the sector. For those services who do sign up to the MECA, there is a risk that revenue streams are insufficient to cover increased salary costs. This may lead to them exiting the market.
Affordability for government and ease of implementation	0 The government would continue to fund teacher-led, centre-based services, with higher funding rates available to services that attest to minimum salary levels.	- - Employment law would need to be amended to bring teachers into a new collective agreement. This would be a fundamental shift to the employment relations system, which generally enables employers and employees to enter into relationships of their choosing. It is at odds with International Labour Standards, which outlines the importance of freedom. This option would be very expensive for government. As government would be a party to the collective agreement, there would be significant pressure to fully fund any terms and conditions agreed to. If a significant amount of providers exit the market, ECE participation may decrease as parents leave the labour force to care for their children. This in turn may lead to reduced tax revenue and increased welfare expenditure.	0 The costs and administrative difficulty associated with this option depend on how extensive the proposed salary scale is, as well as the associated conditions.	+ It would be beneficial to rely on a common system where changes to employment conditions in one sector can be considered by the relevant stakeholders and alongside other, related sectors. This could be a more effective and efficient approach than the Ministry influencing changes to employment conditions using a separate yet somewhat related system. As the Ministry is the primary funder of early learning services, it is likely that government will need to increase funding as a result of negotiations. As the work is still underway, there is a risk that the legislative framework agreed to may not cover or be fit for purpose for the early learning sector.	- - This option involves significant cost to government. It would also require changes to the regulatory and funding framework, as currently services are defined and funded by 'service type'.
Equity of outcomes for Māori	0 Māori have marginally lower participation in ECE compared to most other major population groups (95.6% compared to 97% for the entire population). A lower percentage of Māori children attend ECE for more than 10 hours a week compared to the total population (62% of 4 year olds compared to 72% of all 4 year olds). Māori are more likely to be living in rural and low socio-economic areas than the general population. ⁴⁰	- If there are fewer services available, participation rates of Māori children are likely to decrease. This will have an effect on labour force participation for parents.	- If there are fewer services available, participation rates of Māori children are likely to decrease. This will have an effect on labour force participation for parents.	0 This option is unlikely to affect equity for Māori, as the risk of provider exit is minimised.	- - This option is likely to affect equity for Māori, as Māori children are more likely to attend services in low-socio-economic areas. These services may be less willing to sign up to the MECA as they have reduced ability to increase fees to parents.
Overall assessment	0	- Administratively complex option which is likely to reduce diversity of provision.	0 Impacts depend significantly on salary scale/conditions prescribed.	+ Recommended approach as parties who know their particular circumstances are better able to set the terms that work for them.	- Risk of creating a two-tiered system whereby benefits are not distributed equally to children and teachers.

⁴⁰ Available at <https://www.health.govt.nz/our-work/populations/maori-health/tatau-kahukura-maori-health-statistics/nga-awe-o-te-hauora-socioeconomic-determinants-health/neighbourhood-deprivation>. Statistics New Zealand. 2004. New Zealand: An Urban/Rural Profile. Wellington: Statistics New Zealand.

Section 5: Conclusions

5.1 What option, or combination of options, is likely best to address the problem, meet the policy objectives and deliver the highest net benefits?

The preferred options outlined below are indicative. More detailed options will be provided through further impact assessments when regulatory changes are put forward for Cabinet consideration.

Ratios

The preferred option (option one) is to improve ratios for infants and toddlers (under 2s and 2 year olds) in accordance with the recommendation in the Action Plan (1:4 and 1:5, respectively). This is considered the best option because:

- It will improve the quality of education and care for children through increased adult-child interactions with infants and toddlers.
- The ratios largely align with international best practice.
- Improving the quality of education and care for infants and toddlers should produce positive long term benefits for children and New Zealand as a whole. In adulthood, these children are expected to be more employable and enjoy higher individual earning power. Better long term life outcomes for these children will also benefit government due to lower costs associated with welfare payments and the criminal justice system.
- It would improve staff satisfaction in the role because they would be able to work with fewer children and engage with them on a deeper level.
- The sequencing allows service providers to consider their business model and whether they are willing to continue operating for under 2s and 2 year olds. For some service providers, it might not be financially sustainable for them to do this in the long term. However, in the interim they can continue working with the same children, which would support teacher-child attachment.
- Each service and premises is licensed with the Ministry and the local council to operate for a maximum number of children at any one time. Phasing in the recommendations to 1:4 and 1:5 for under 2s and 2 year olds should provide services with the time required to make changes to the premises (such as adding car parks, toilet facilities and expanding the property generally) so that they can continue to operate effectively.

Qualifications

Regulating for 80%

The preferred option is regulating for 80% qualified teachers in the medium term (option two). The preferred option in this RIS would see the bulk of the 80% comprised of certificated ECE and primary teachers, while 5% could be comprised of Level 7 qualified professionals and Level 4 ECE qualified teachers. This is considered the best option because:

- It should improve children's learning and developmental outcomes, leading to better life outcomes.

- Select Level 7 qualified professionals could enter the workforce without needing to pursue further study, which could enhance choice for parents and whānau.
- It encourages unqualified teachers to obtain a Level 4 qualification, which should expand their knowledge and skill base and improve their long term employability.
- It does not discourage certificated primary teachers from entering the ECE workforce.
- Improved learning outcomes should reduce dependency on government in the long term.

Regulating for 100%

The preferred option in this RIS is regulating for 100% certificated ECE and primary teachers in the long term (option two). The bulk of the 100% would be comprised of certificated ECE and primary teachers, while 10% could be comprised of Level 7 qualified professionals and Level 4 ECE qualified teachers. This is considered the best option because:

- It should improve children's learning and developmental outcomes, leading to better life outcomes.
- Select Level 7 qualified can professionals could enter the workforce without needing to pursue further study, which may enhance choice for parents and whānau.
- It encourages unqualified teachers to obtain a Level 4 qualification, which should expand their knowledge and skill base and improve their long term employability.
- It does not discourage certificated primary teachers from entering the ECE workforce.
- Improved learning outcomes should result in less dependency on government in the long term.

Pay and conditions for teachers

The preferred option is the sector-wide 'fair pay' agreement approach (option three). This is considered the best option because:

- Higher wages and better working conditions affect teachers' job satisfaction, work motivation and, indirectly, the quality of their teaching, caring and interactions with children.
- This option provides services with the opportunity to agree to a new set of pay and conditions, without allowing services to opt out entirely.
- Making use of the fair pay approach would likely be more efficient and faster than developing a bespoke ECE model.
- There are risks associated with the Ministry of Education attempting to influence changes to employment conditions using their own model.

5.2 Summary table of costs and benefits of the preferred approach

Ratios

Affected parties (identify)	Comment: nature of cost or benefit (eg ongoing, one-off), evidence and assumption (eg compliance rates), risks	Impact \$m present value, for monetised impacts; high, medium or low for non-monetised impacts	Evidence certainty (High, medium or low)
Additional costs of proposed approach, compared to taking no action			
Regulated parties	Some service providers may incur additional costs associated with local government requirements, such as additional carparks required to meet resource consent conditions.	Low-Medium	Low-medium
Regulator	The Ministry may need to re-licence services that seek changes to their licensing conditions. The government would fund improved ratios for funded child hours.	High	Low-medium
District councils	Some services may need to re-apply for resource consent. This may incur additional costs.	Low	Low
Wider government	Services would need more certificated teachers to comply with improved ratios and to continue to qualify for 80%+ funding rates. This would result in additional costs to both initial teacher education providers and the Ministry of Social Development, as more prospective teachers enter initial teacher education. Increased welfare costs and decreased tax revenue if fees increase to the point where ECE is unaffordable for some parents and they leave the labour force to care for their children.	Low	Medium
Children, parents and whānau	Fees may increase for some parents. This is because for some services, particularly smaller services, the increased costs of the proposal may not be evenly met by increased government funding.	Medium	Medium

	This could disproportionately affect low income families who may need to leave the labour force to care for their children if ECE is unaffordable.		
Non-monetised Cost		High	Low-medium

Expected benefits of proposed approach, compared to taking no action			
Regulated parties	Better teacher-child interactions, lower staff turnover and better job satisfaction for teaching staff.	Medium	Low-medium
Regulator	<p>The Ministry of Education can be confident of more teacher-child interactions for infants and toddlers in teacher-led, centre-based services.</p> <p>As a result, teachers may be able to pick up on children's learning difficulties faster, resulting in earlier intervention.</p>	Low-medium	Low
Wider government	<p>More confidence in the quality of provision in teacher-led centre-based services and the frequency of adult-child interactions</p> <p>Better long term outcomes for children, particularly from disadvantaged backgrounds, leading to reduced government expenditure in the long term.</p>	Medium	Low-medium
Children, parents and whānau	<p>Increased adult-child interactions would improve children's learning and developmental outcomes.</p> <p>Greater confidence in the frequency of adult-child interactions may lead to earlier labour force participation by parents.</p>	Low-medium	Low-medium
Non-monetised benefits		Medium	Low-medium

Qualifications – regulating for 80%

Affected parties (identify)	Comment: nature of cost or benefit (eg ongoing, one-off), evidence and assumption (eg compliance rates), risks	Impact \$m present value, for monetised impacts; high, medium or low for non-monetised impacts	Evidence certainty (High, medium or low)
Additional costs of proposed approach, compared to taking no action			
Regulated parties	<p>One-off training cost for unqualified teachers or their service provider to enable them to study towards a Level 4 ECE qualification.</p> <p>Less leisure time for unqualified teachers studying a Level 4 ECE qualification.</p> <p>Most unqualified teachers not pursuing a Level 4 qualification may need to exit the ECE workforce and would need to find alternative employment. Student teachers may find it more difficult to gain placement prior to graduation.</p>	Low	Low-medium
Regulator	A cost to the Ministry based on the remaining 115 services moving to the 80% funding band.	Low-medium	Medium
Wider government	<p>A cost to the Ministry of Social Development, Ministry of Education and Inland Revenue from increased uptake of student loans and allowances for unqualified teachers pursuing a Level 4 ECE qualification.</p> <p>Increased welfare costs and decreased tax revenue if fees increase to the point where ECE is unaffordable for some parents and they leave the labour force to care for their children.</p> <p>There could be increased welfare costs associated with unqualified teachers no longer working in the ECE sector.</p>	Low-medium	Low-medium
Children, parents and whānau	Fees may increase for some parents. This is because for some services, particularly smaller services, the increased costs of the proposal may not be evenly met by increased government funding.	Low-medium	Low-medium

	<p>This could disproportionately affect low income families who may need to leave the labour force to care for their children if ECE is unaffordable.</p> <p>Some services, particularly immersion services, may exit the market, leading to less parental choice.</p>		
Non-monetised costs		Low-medium	Medium

Expected benefits of proposed approach, compared to taking no action			
Regulated parties	Requiring a minimum Level 4 qualification would enhance the short and long term employability of unqualified teachers.	Medium	Medium
Regulator	More confidence in the quality of provision in teacher-led centre-based services.	Medium	Low-medium
Wider government	<p>More confidence in the quality of provision in teacher-led centre-based services.</p> <p>Better long term outcomes for children, particularly from disadvantaged backgrounds, leading to reduced government expenditure in the long term.</p>	Medium	Low-medium
Children, parents and whānau	<p>Staff more likely to identify children's learning support needs, which could lead to earlier intervention.</p> <p>More confidence in the quality of provision in teacher-led centre-based services.</p>	Medium	Low
Tertiary education providers	Increased demand for ECE and primary initial teacher education	Medium	Medium
Non-monetised benefits		Medium	Low-medium

Qualifications – regulating for 100%

Affected parties (identify)	Comment: <i>nature of cost or benefit (eg ongoing, one-off), evidence and assumption (eg compliance rates), risks</i>	Impact <i>\$m present value, for monetised impacts; high, medium or low for non-monetised impacts</i>	Evidence certainty (High, medium or low)
Additional costs of proposed approach, compared to taking no action			
Regulated parties	<p>One-off training cost for unqualified teachers or their service provider to enable them to study towards a Level 4 ECE qualification.</p> <p>Less leisure time for unqualified teachers studying a Level 4 ECE qualification.</p> <p>Unqualified teachers not pursuing a Level 4 qualification will exit the workforce and would need to find alternative employment. Student teachers may find it more difficult to gain placement prior to graduation.</p>	Low-medium	Low-medium
Regulator	A cost to government for services' uptake of the new 100% funding band.	High	Low-medium
Wider government	<p>A cost to the Ministry of Social Development, Ministry of Education and Inland Revenue from increased uptake of student loans and allowances for unqualified teachers pursuing a Level 4 ECE qualification.</p> <p>Increased welfare costs and decreased tax revenue if fees increase to the point where ECE is unaffordable for some parents and they leave the labour force to care for their children.</p> <p>There could be increased welfare costs associated with unqualified teachers no longer working in the ECE sector.</p>	Medium	Medium
Children, parents and whānau	Fees may increase for some parents. This is because for some services, particularly smaller services, the increased costs of the	Low-medium	Low-medium

	<p>proposal may not be evenly met by increased government funding.</p> <p>This could disproportionately affect low income families who may need to leave the labour force to care for their children if ECE is unaffordable.</p> <p>Some services, particularly immersion services, may exit the market, leading to less parental choice.</p>		
Non-monetised costs		High	Low-medium

Expected benefits of proposed approach, compared to taking no action			
Regulated parties	Requiring a minimum Level 4 qualification would enhance the short and long term employability of unqualified teachers.	Medium	Medium
Regulator	More confidence in the quality of provision in teacher-led centre-based services.	Medium	Low-medium
Wider government	<p>More confidence in the quality of provision in teacher-led centre-based services.</p> <p>Better long term outcomes for children, particularly from disadvantaged backgrounds, leading to reduced government expenditure in the long term.</p>	Medium	Low-medium
Children, parents and whānau	<p>Staff more likely to identify children's learning support needs, which could lead to earlier intervention.</p> <p>More confidence in the quality of provision in teacher-led centre-based services.</p>	Medium	Low
Tertiary education providers	Increased demand for ECE qualifications	Medium	Medium
Non-monetised benefits		Medium	Low-medium

Pay and conditions for teachers

Additional costs of proposed approach, compared to taking no action			
Regulated parties	Smaller services may find it challenging if staff salaries are a significant component of their costs, or they have a high proportion of experienced staff. This could lead to these services exiting the market or raising fees to parents.	Medium-high	Low
Regulator	High ongoing costs through increasing funding rates for services.	High	Low
Wider government	May lead to calls for improved salaries in other government-funded occupations. Increased welfare costs and decreased tax revenue if fees increase to the point where ECE is unaffordable for some parents and they leave the labour force to care for their children.	Medium-high	Medium
Children, parents and whānau	Fees may increase for some parents. This is because for some services, particularly smaller services, the increased costs of the proposal may not be evenly met by increased government funding. This could disproportionately affect low income families who may need to leave the labour force to care for their children if ECE is unaffordable.	Low-medium	Low
Non-monetised costs		High	Low

Expected benefits of proposed approach, compared to taking no action			
Regulated parties	Increasing the wages of teachers across the early learning sector and improving conditions of employment is likely to have a positive impact on the workforce, leading to less staff turnover.	High	Medium
Regulator	Improved outcomes for children due to more stable and consistent relationships. A more stable teaching workforce.	Medium-High	Medium
Wider government	Better long term outcomes for children, particularly from disadvantaged backgrounds, leading to reduced government expenditure in the long-term.	Medium	Medium
Children, parents and whānau	More confidence in the quality of provision in teacher-led centre-based services.	Medium	Medium
Non-monetised benefits		Medium	Medium

5.3 What other impacts is this approach likely to have?

Ratios

As the frequency and quality of teacher-child interactions improves, there is an expectation that teaching staff would be able to more easily pick up on children's learning and developmental difficulties. On this basis, there may be greater demand for learning support specialists including early intervention teachers, speech language therapists and child psychologists. This could potentially put more pressure on government to provide additional funding for learning support services.

It is expected that all teacher-led, centre-based services would continue to aim for at least 80% qualified staff so that they remain eligible for higher funding rates. If services operate at improved ratios but use more unqualified teaching staff, then there is a lower chance of learning support needs being picked up due to there being less staff in a service with the experience and knowledge to be able to identify those needs.

Qualifications

This change is likely to see more unqualified teachers studying towards a Level 4 ECE qualification. Therefore, implementation will need to be phased to ensure there is sufficient capacity in the tertiary sector to provide places to educators wishing to study.

There may also be a segment of the current workforce that decides against studying towards a qualification and move out of the sector which may impact on the social welfare system if they remain out of work.

Pay and conditions for teachers

More people may choose to study to become an ECE teacher, due to better pay and conditions. This would have an impact on the tertiary sector.

Those in the ECE sector that are not covered by this proposal, such as unqualified teachers and home-based educators may demand improved pay and conditions from government.

5.4 Is the preferred option compatible with the Government's 'Expectations for the design of regulatory systems'?

The proposed package of changes is consistent with the Government's 'expectations for the design of regulatory systems'. It proposes to amend existing ECE regulations and offer funding incentives to support better quality ECE, particularly in teacher-led, centre-based services.

Ultimately, higher quality settings should improve children's learning and developmental outcomes, which will deliver net benefits for all New Zealanders. The preferred approaches seek to achieve this objective in the most cost effective way, which encourages services to adopt higher quality settings in a sustainable manner.

Section 6: Implementation and operation

6.1 How will the new arrangements work in practice?

High-level timelines for when proposals are planned to be regulated are set out in the Action Plan over a ten year period. Further information will be provided through another RIS when regulatory changes are sought from Cabinet.

Further details on each of the proposals are outlined below.

Ratios

The Action Plan intends to incentivise for improved ratios for infants (under 2) and toddlers (aged 2) in the medium term before regulating for improvements to under 2 ratios in the medium term and 2 year old ratios in the long term.

In order to incentivise for improved ratios, the ECE Funding Handbook would need to be amended to allow for new funding rates for under 2s and children aged 2. In order to regulate for improved ratios, there will need to be a change to Schedule 2 of the Education (Early Childhood Services) Regulations 2008.

The current ratios are based on under 2s and over 2s, with the latter category including children aged 2. As a result, a new category will need to be added to both the Funding Handbook and Regulations for children aged 2.

The Action Plan proposes a stepped approach to implementation for these changes to help maintain the sustainability of the sector and to ensure sufficient teacher supply. This will give services time to adjust to the new ratio requirements by expanding their premises, changing their licensing conditions with the Ministry and/or the council(s), or adding new teachers (both qualified and unqualified).

80% qualified teachers

The Action Plan proposes amending regulations to require 80% of teaching staff in all teacher-led centre-based services to be qualified teachers in the medium term.

s 9(2)(f)(iv)

As the 80% qualified teachers proposal is already incentivised, the Ministry will be able to determine current take up and therefore the likely impacts on services and parents when the proposal is regulated. Changes to the Regulations would require a formal change to Regulation 44 and Schedule 1 of the Education (Early Childhood Services) Regulations 2008. The regulatory change would also provide an opportunity to harmonise the qualification requirements in the Regulations and the ECE Funding Handbook.

100% qualified teachers

The Action Plan intends to incentivise for 100% qualified teachers in the short-term, with regulation in the long-term. The Ministry will also be able to use information on take up of the funding incentive, to provide advice on the impacts of regulation.

In order to reinstate the 100% qualified teacher funding band, the ECE Funding Handbook would need to be amended. Regulation, on the other hand, would require a formal change to regulation 44 and Schedule 1 of the Education (Early Childhood Services) Regulations 2008, and relevant sections in the ECE Funding Handbook.

Pay and conditions for teachers

The Action Plan directs the Ministry to develop a mechanism that promotes more consistent and improved teacher salaries and conditions in the early learning sector, with

no specific date provided. The Action Plan recommends the Ministry uses information from the sector to gauge the potential costs of implementation. This will enable a staged implementation that ensures the approach is sustainable.

6.2 What are the implementation risks?

Ratios

The two major risks, which were also raised in consultation, regarding implementation of the ratios proposal are that:

- there are insufficient qualified teachers available for services to operate according to smaller ratios while also remaining in their current funding band
- services may incur additional costs if they are required to create, for example, additional carparks to meet resource consent conditions.

The phasing of implementation (along with the improvements to qualifications) to allow the sector and labour market time to respond is therefore important, as is the use of funding incentives rather than regulation in the first instance.

The cost of early learning to parents and whānau

There is a risk that improving ratios (even with funding incentives) will increase fees for parents and whānau. This may result in parents reducing use of early learning or having to find cheaper alternatives for their children.

Qualifications – 80% and 100% qualified teachers

The major risk raised in consultation is that it would be too difficult for teacher-led, centre-based services to operate with either 80% or 100% certificated teachers based on current funding rules and indications of limited teacher supply. Stakeholders indicated that unqualified teachers add significant value and that services should be given more flexibility to qualify for higher funding rates. While the preferred options for the 80% and 100% options take this feedback into account, they are still premised on the idea that certificated ECE and primary teachers should comprise the bulk of the workforce.

There is value in allowing services to employ other staff, including Level 4 qualified teachers and Level 7 qualified professionals. The Level 4 qualification should be reasonably attainable for most unqualified teachers and should not significantly affect workforce supply. The 80% option also allows unqualified teachers and student teachers to continue to be a key part of the workforce.

Pay and conditions for teachers

Improvements to pay and conditions for teachers is likely to increase fees for parents and whānau under existing funding settings. This is mainly due to the fact the government does not fully subsidise early learning.

To address this, the Action Plan recommends the Ministry uses information from the sector to gauge the potential costs of implementation. This will enable a measured implementation that ensures the approach is sustainable for parents.

Improved pay and conditions is also likely to be hard to implement due to the difficulty matching additional government funding to meet each services' expense profile resulting from the higher pay and conditions.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?

Ratios

The ECE Census would be amended to collect information on ratios services are currently operating with and how this changes in response to funding incentives. This information would be used to evaluate when the proposal should be regulated.

Similarly, RS7⁴¹ Returns would provide the Ministry with data three times a year on the number and proportion of services that qualify for higher funding, by virtue of the funding rates they qualify for. This data would help the Ministry understand the impact of changes on services, ECE participation, and labour force participation for parents and whānau using licensed ECE services.

Qualifications - 80% and 100% qualified teachers

The Ministry would monitor the impact of this initiative by tracking the movement of teacher-led, centre-based services onto the 80% and 100% bands over time. Any shifts in the fiscal impact from this initiative after implementation will be reflected through the forecasting process the Ministry undertakes twice a year.

The Ministry would monitor uptake of the 80% and 100% bands to understand the workforce implications of the shift and services' ability to field an 80% and 100% qualified workforce. This data would be used to determine the effects on the proportion of qualified teachers in services in low socio-economic areas.

As with ratios, this information will be used to inform the timing of moving from incentives to regulation.

Pay and conditions for teachers

The Plan recommends the Ministry uses information from the sector to gauge the potential costs of implementation. The Ministry is likely to monitor any new arrangements using its standard audit processes.

Parental fee impacts

The Ministry is currently working on a new data collection on fees paid by parents. Once this has been operationalised, it will help the Ministry evaluate how much parents and whānau pay for early learning.

⁴¹ The RS7 Early Childhood Funding Return is the main funding return for early learning services. All services must complete an RS7 in order to receive funding.

7.2 When and how will the new arrangements be reviewed?

Ratios

The arrangements would be reviewed annually by the Ministry to gain a more comprehensive understanding of the ratios services employ before regulating for them. If it appears that services are not transitioning to the improved ratios, the Ministry can consider changing funding incentives accordingly.

Feedback from the sector would also provide information about whether and when to review the impact of new ratios.

Qualifications - 80% and 100% qualified teachers

The uptake of the 80% and 100% funding bands will be monitored at each four monthly funding payment. This is when information on qualified teacher levels is provided centrally and decisions can be made on changing funding and regulatory settings. This includes consideration of teacher supply initiatives to ensure more qualified teachers enter the market.

Pay and conditions for teachers

If the Ministry finds unforeseen impacts in the system, it can consider recommending that the mechanism enabling more consistent pay and conditions is reviewed, or that funding rates are increased.