KINDERGARTENS AOTEAROA Waiho i te toipoto, kaua i te toiroa

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ECE Funding Review Ministerial Advisory Group
Ministry of Education
Wellington

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Tēnā koutou katoa

Thank you for the opportunity to provide feedback on *Early Childhood Education Funding Review Ministerial Advisory Group Consultation: Have your say on how the government spends money on early childhood education*. Kindergartens Aotearoa [1] is deeply concerned the review is taking place within the current funding allocation from government. Simply 'shifting funding around' and trading off quality to reduce barriers to access is unacceptable. We are disturbed by the approach taken by the Ministerial Advisory Group (MAG) to the review and the options presented for consultation.

In this submission we firstly, provide general comment on the MAG's approach to the review. We then summarise our recommendations – alternative options to meet the outcomes sought by the MAG's proposals - and examine in some depth, each of the 'three major problems' the MAG has identified with the current system. We respond to each of the MAG's proposed options, identifying where current settings should remain the same and where change could be considered.

General comments on the approach

1 Trade-offs are unacceptable

MAG members agreed to take on the minister's terms of reference and in so doing, have presented the public and ECE sector with unreasonable solutions. Trading-off quality factors including teachers' qualifications and pay to reduce barriers to participation is short-sighted and unacceptable. The critical issues for the sector are that funding is inadequate and has not kept up with inflation, and a significant portion of funding is diverted to profit and shareholder return.

[1] Kindergartens Aotearoa represents six regional kindergarten associations, operating 280 ECE services nationwide, catering for 13,000 children and whānau, and employing 100% qualified teachers. Kindergartens Aotearoa and its members, are incorporated societies and registered charities.

2 ECE as a public good

Given recent comment by MAG member Sarah Hogan, we assume the MAG has developed its thinking based on the view of ECE as a 'merit good.' While we understand the meaning of that term and its association with marketisation and privatisation, its use in this context narrows our collective aspirations for ECE as a public good and a right of all children in Aotearoa.

We are concerned the notion of 'merit good' underpins the MAGs thinking and therefore the options it proposes. This approach shifts the focus of the review to the interests of providers and investors, and limits the options presented.

The sector has a long-term vision for ECE, based on our collective commitment to Te Tiriti o Waitangi, to our unique, world-leading curriculum and to our tamariki, whānau and communities. We use the term 'public good' to express the well-evidenced benefits of high-quality ECE for tamariki, parents and whānau, society and the economy.

There is a significant body of work both here in Aotearoa and internationally that sets out the benefits to tamariki at the time they are participating in high-quality ECE and as they progress through the education system and through to adulthood. (Mitchell, Wylie & Carr, 2008; Sylva et al., 2010). 'Public good' expresses ECE's positive contribution to individuals as citizens, to our society and to our democracy.

3 Selective information

The MAG has focused its attention on 'shifting current funding around'. It has been selective in the information used, ignoring two critical pieces of information which, if interrogated, would likely present different options: the level of parent and caregiver fees, and the level of public funding diverted to profits and shareholder returns.

- The report refers to parent and caregiver fees as prohibitive for many but does not examine what those fees are, whether high fees are common across all service providers or only some, or whether there are regional differences. The MAG identifies the need for 'information and ongoing analysis ... to understand the co-funding balance over time'. However, understanding the current context is critical to assess the size and scope of the issues the MAG presents which would likely lead to different conclusions and options.

- International research has shown financial gain for shareholders and quality and equity objectives are in direct competition (Mitchell & Gallagher, 2026). Companies involved in the investment, acquisition and sale of ECE services promote ECE as a profitable business. Service providers buying into ECE primarily as an investment or business opportunity are seeking to make a profit and a return to the shareholder. The imperative to make a profit means companies and business owners choose to maximise government and fee income and minimise expenditure on quality – most often related to staffing as the largest cost.

  Research in the UK shows nurseries backed by investment companies - including private equity firms, asset managers and international pension funds - reported double the profits of other private providers and seven times those of non-profits.

The MAG has not raised this as an issue when arguably there are hundreds of millions of dollars being diverted to company profits or individual gain at the expense of whānau, tamariki, and quality provision. Conservatively, there could be some $200 million that could be redirected to funding services and high-quality ECE thereby eliminating the notion of trade-offs. [2]

Using selective information is a fundamental flaw in the MAG's work and brings into question the credibility of the document.

4 Shifting the balance

The MAG's proposals suggest a shift from universal funding to a more targeted funding approach. Increasing targeted funding would redistribute the government funding and as a consequence, force services to reduce expenditure in other areas such as the number of qualified teachers for example. In that scenario, while the service may receive more funding, the quality of ECE provision would be undermined and the outcomes for tamariki diminished. Furthermore, shifting universal funding into targeted funding pools may increase fees for families in settings where fewer targeted funds are provided. The idea is false economy.

5 Addressing the 'three major problems'

The MAG identified three major problems with the current system: barriers to accessing services, variation in quality, and lack of information about ECE and its value. In this submission we focus on each of the problems, and present alternative solutions and options.

Recommendations

We urge the MAG to recommend that the government:

backs universal funding by -

- increasing funding to ECE services and strengthening accountability for the use of public funding;

'follows the money' by -

- investigating and understanding the level of fees paid by parents and caregivers by service and ownership type, and by region;
- examining and comparing the level of profit posted by different types of service providers, and analysing company structures where services pay significant sums to the parent company or investors;
- redirecting funding currently diverted from ECE to profits and shareholder returns, back into universal funding to services;

[2] Promotions seeking investment in ECE services state eg: return on investment between 7-10% for property investments and 12-18% for freehold going concerns. https://www.theloanary.co.nz/childcare The figure is calculated by taking the number education and care and homebased services, and the total amount of government funding they receive and noting 70% are for-profit businesses, and applying to that portion of services, a 10% return on investment/unavailable to the sector [NB: based on 2023 MoE data, *Education Counts*]

addresses affordability and improves access to services through -

- legislating universal entitlement to high-quality ECE at the completion of paid parental leave;
- capping the fee level parents and caregivers are charged;
- redirecting funding for Family Boost rebates to extend 20 hours to two-year-olds;
- increasing funding to extend entitlement for up to 30 hours 'free ECE';
- directing the Ministry of Education to reprioritise and focus learning support on tamariki in ECE;
- planning the provision of services and supporting and growing current services to meet community needs and aspirations, particularly in areas of undersupply of services;
- funding isolated services on the basis of a 'notional roll';
- identifying crown land or property for the use of community-based services;
- revisiting the work undertaken by the sector reference group on equity and targeted funding as a basis for developing a single funding formula;

strengthens quality and reduces administrative complexities by -

- funding the service rather than the user to reduce complexities and administration for whānau and for government agencies;
- implementing initiatives to support 100% qualified teaching workforce in teacher-led, centre-based services by 2030;
- maintaining current funding bands based on the recognition of qualified and certificated teachers;
- establishing a national collective agreement for ECE qualified and certificated teachers based on pay parity rates with primary teachers (as per the KTCA), negotiated and administered centrally by the Ministry of Education;
- undertaking further work on funding rules (daily hour limit) to ensure there are no unintended consequences including reducing viability or increasing profit margins at the expense of quality;

improves information collection and dissemination by -

- requiring providers to publish their fee schedules and information about fees, online;
- setting up a webpage to provide information on service types and contact information for whānau;
- collecting better information on ratios including where improved ratios are supported though targeted funding;
- requiring mandatory provision of data on workforce pay and employment conditions based on individual employees and including employment agreement coverage;
- undertaking further investigation with the sector to simplify rules and payment schedules, and streamline reporting on targeted funding;
- streamlining financial reporting requirements to ensure all services submit the same information regardless of service ownership.

"Three major problems"

6 Problem #1

Some whānau face barriers to accessing the type and amount of ECE they want for their tamariki. Cost, availability, location and service flexibility can affect children taking part in ECE. When exploring this further, the MAG narrows the issues to two main barriers: affordability and supply of suitable services.

The MAG proposes changes to equity and target funding, application of universal funding, fees assistance, and specific isolation funding and conditions to address the barriers.

Affordability

i) The most effective way to improve affordability is to ensure whānau have access to universally funded and provided high-quality ECE at the completion of paid parental leave. The OECD's 2006 reviews of ECEC show that direct public funding of services brings 'more effective control, advantages of scale, better national quality, more effective training for educators and a higher degree of equity in access and participation than consumer subsidy models.' (cited Mitchell & Gallagher, 2026)

ii) The MAG notes that costs to families and financial support varies. Families with younger children and lower income households pay a higher share of their household income in fees and the costs for two-year-olds and younger children mean a good portion of parents study or work less than they would like. Despite government funding - noting it is higher for under two-year-olds - fees remain high and in areas where demand is high and supply is limited, these services can charge whatever they choose.

iii) The data the MAG presents from Ipsos suggests more parents would return to work or study if costs were lower. The 'targeted structured research' commissioned by the MAG does not set out the methodology of the research, size of the study or whether the comments related to returning to full-time, part-time or casual work, study or training. It assumes parents want or need to return to full-time paid employment when parental leave ends. The lack of evidence throws doubt on that conclusion, making it questionable as a reliable source on which to develop options.

iv) However, an immediate solution to mitigate variability of fees and to limit costs to households would be to cap the amount of fees parents and whānau are required to pay. Capping fees is a successful measure that is used in several countries.

v) A portion of the original funding allocated for the extension of 20 hours to two-year-olds was redirected to Family Boost. Extending funding aimed to save all families up to $133.20 per week by increasing funding to services. The extended 20 hours policy would have immediately reduced the costs of ECE to all families with two-year-olds attending and eventually to all households when their children turned two. Furthermore, it would likely have increased supply of services because the universal funding would have provided some financial stability.

vi) Instead, Family Boost reduced the weekly savings that families would have received by almost half and narrowed eligibility. It is administratively costly, complex, time-consuming and inequitable to families with no or low tax liabilities (Mitchell & Gallagher, 2026). Rather than provide financial support to families, tax rebates tend to signal to providers that they can increase their fee – as has happened with housing allowances and rent increases. Internationally demand-side funding has tended to lead to rises in fees and provider profits and to have no actual effect on costs (Mitchell & Gallagher, 2026). Diverting the funding from Family Boost to extend 20 hours to two-year-olds would address this problem.

vii) Further, increasing the entitlement from 20 hours 'free' for some children to 30 hours for all children over time, would better meets parent and caregiver expectations and government aspirations to support participation in paid employment or training for example. It would provide some stability and certainty for parents and caregivers, and for services; reduce the need for other policy settings and mechanisms to be in place to support participation: reduce administrative complexities for whānau, services and the government; and bolster accountability for the receipt and expenditure of tax-payer funding.

viii) The MAG proposes a number of changes to equity and targeted funding. We agree where current systems 'overlap or are duplicated' it is prudent to streamline the process. However, rather than 'reinvent the wheel', we recommend the work undertaken by the sector reference group set up by the Ministry of Education in 2020 to 'create a single new mechanism that more accurately reflects the equity challenge of children attending early learning services' be revisited.[3]

Supply

i) The MAG notes 'whānau can experience challenges accessing ECE that meets their needs' and uses waiting lists as a proxy.

ii) The MAG reports their survey showed 46% of parents and caregivers said their child had been on a waiting list and of those 73% said it delayed their return to work 'to some extent'. The assumption is that waiting lists mean there is an unmet demand in an area for a particular type of service. However, that may not be true in all cases. There is no data or analysis to show whether children are on multiple waiting lists or enrolled early to secure a place later for example, or whether parents and caregivers want one sort of service for a period of time, then change to another. There is no information to show whether responses relate to certain types of service provision, the hours sought, or whether concentrated in certain regional or urban areas.

iii) The MAG also says some parents and providers have difficulty accessing specialist support and concludes it is the 'qualified teacher requirement' that is a problem. This is an extraordinary claim. So too is the implication that children with additional learning needs attending fewer hours face barriers because services prioritise full-time enrolments. There is no evidence to back-up those claims yet they are used as a rationale to underpin the options presented.

[3] Sector Reference Group: Review of equity and targeted funding in early learning. Terms of Reference 24 July 2020

iv) In 2021, the ministry carried out a review on the highest levels of learning support needs which took a broad approach to addressing the barriers the MAG has identified. Māori, Pacific communities, the wider education sector - early childhood education through to tertiary education- and the disability sector were invited to contribute to the review. Consideration of the review outcomes and recommendations would provide useful information to the MAG to inform its thinking and better meet the needs of tamariki, whānau and kaiako.

v) It is true, access to specialist services can be problematic. However, it is likely this is a result of the Ministry of Education's inadequate implementation of its learning support strategy including reducing education support worker hours and shifting the focus of early intervention to support specialist services in schools. Rather than suggesting measures that undermine or reduce teacher qualification requirements, the MAG should recommend that the ministry prioritise learning support in the ECE sector. There would be no need for a separate funding stream as the MAG proposes, given the ministry's engagement would accurately 'target' those children with additional needs.

Location

i) While the MAG identified location as one of the issues that could possibly limit children's participation, there is no analysis or commentary on this point.

ii) In 2022, the government introduced network planning stating 'A high-quality network of licensed early childhood services is key to achieving an early learning system that enables every child to achieve their full potential and that supports their identity, language and culture, and is valued by parents and whānau.' [4] A national statement set out the requirements to meet that objective noting providers become '... part of a planned and coherent education ecosystem that is supported, accountable and sustainable.' [5]

iii) Services meeting the needs of Māori, of Pacific communities, migrant and refugee communities, services providing wrap around services to whānau, and services supporting children with additional learning needs were prioritised under the policy because many communities were 'under-served'. The MAG is looking to address the same issue. The reintroduction of network provision and a 'planned and coherent education ecosystem' would meet the MAGs objectives.

iv) Undersupply was one of the 'market failures' identified by the Ministry for Regulation in its 2024 regulatory review, implying businesses face too many barriers when setting up a new service including having to recruit qualified teachers - therefore they do not establish services in those areas. However, that argument loses ground when analysing submitters' responses: the barriers related to the *number* of requirements they have to meet not the *type* of requirement, the cost and availability of suitable land, and the cost of building. Changing funding settings or qualification requirements will not make building or land cheaper.

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[4] New Zealand Gazette - National Statement on the Network of Licensed Early Childhood Services. 24 November 2022

[5] Early Learning Action Plan. Objective 5

v) The regulatory review also concluded that in some parts of the country there will never be a range of services because the population base is simply not big enough to support that. Further continued de-population in rural areas, for example where productive land is being turned into forests, will exacerbate that situation.

vi) If there is a genuine wish to support services in isolated areas or to address areas of undersupply, strengthening partnerships with Playcentre, Kōhanga Reo and Puna Reo, and A'oga Amata and offering models such as ECE services on school sites and mobile ECE could address supply issues and the need for specialist services. Identifying crown land or property for the use of community-based services could be part of network planning.

vii) The MAG noted services in isolated communities struggle to remain viable given 'fixed overhead costs and volatile child revenue'. Funding isolated services on the basis of a 'notional roll' would go some way to alleviating the pressure on those services – as was the case in the past.

viii) There is a need for research and analysis of existing provision and ECE participation to identify gaps and duplications in provision, forecast numbers of preschool children in localities over time, find out about family and community needs, and put in place plans to expand provision where appropriate. There is also the opportunity for the government to strengthen policy to support ECE services on school sites rather than condone schools seeking to remove services.

7 Problem #2

Variation in ECE quality is likely to undermine the positive effects of ECE for tamariki and whānau, particularly for those who could benefit the most.

The MAG proposes changes to equity and targeted funding; specific isolation funding and conditions; certificated teacher funding bands; and teacher pay settings to address this problem.

100% qualified teaching workforce

i) 100% qualified teaching workforce in teacher-led, centre-based services has been the sector's aim for almost 40 years. Two strategic plans in 2002 and 2019, proposed steps be taken to achieve that aim firstly by 2012, then by 2029.

ii) In its publication *He taonga te tamaiti* the ministry sets out the aim for 100% qualified teaching workforce. It states:

> Teaching qualifications are important because teacher education influences attitudes, beliefs, skills and knowledge and supports teachers to apply principles of kotahitanga, mana tikanga, and whakamana. Initial teacher education (ITE) equips teachers to effectively implement the early learning curriculum Te Whāriki, for all children.

Teacher registration and certification provide ongoing assurance that teachers are meeting the Code of Professional Responsibility and Standards for the Teaching Profession and maintaining current knowledge of theory and practice [6]

iii) Nothing has changed - the importance of qualified teachers remains the same. The MAG must uphold the sector's action plan to attain 100% qualified teaching workforce in teacher-led, centre-based services. Further, the MAG should recommend incentives be put in place to reach that target by 2030.

iv) As the Minister of Education said on Radio New Zealand on 12 February last year "...it is absolutely essential that we have qualified teachers in the room if we want to get outcomes for children before they go to school." A fully qualified teaching workforce guarantees every child would always have access to a 'qualified teacher in the room.'

v) To optimise the investment in the ECE sector and the learning experienced by every child in an ECE setting, we need to qualified teachers who understand teaching, are knowledgeable about the curriculum Te Whāriki, are skilled in assessing and progressing learning, and who know how to establish environments to challenge and extend learning. Tamariki need to experience and progress their learning in age appropriate ways that recognise who they are and makes sense in their world. To realise that ambition, we need to ensure every child is supported by a qualified teacher all of the time – not just randomly or some of the time, or only in some communities or geographic locations.

Definition

i) The MAG states 'there is no single definition of quality' and presents its findings from a question to parents about their view of an 'ideal service' to back up that claim. Definitions of process and structural quality elements have long been agreed in the research literature about quality ECE (Mitchell, Wylie & Carr, 2008; NICHD Early Child Care Network, 2002; Phillipsen, Burchinal, Howes & Cryer, 1997) and the MAG describes those briefly. Structural quality creates the conditions for process quality, and teacher qualifications are a critical component of structural quality (Størksen, et al., 2025). However, the conclusion the MAG quickly reaches implies 'certificated teacher funding bands and the opt-in pay parity scheme' are problematic and therefore contribute to variation in quality. This is another extraordinary claim.

ii) The MAG suggests 'there is an opportunity through this review to strengthen process quality through funding settings that support workforce capability, professional learning, mentoring and high-quality interactions with children and whānau.' The relationship between professional learning, certificated teachers and quality provision is unequivocal. It is key in enhancing teaching practice to support a responsive and rich curriculum for all children. The opportunity to support process quality exists currently alongside the incentives in place through the funding bands and pay parity.

iii) The MAG has drawn on the literature review commissioned by the ministry from Martin Jenkins - *What does the evidence say about the relationships between ECEC structural quality and children's outcomes?*

[6] He taonga te tamaiti Every child a taonga. Early Leanring Action Plan 2019 – 2029 pg 23treadsure

In their commentary on the review report Professors Alex Gunn and Linda Mitchell concluded the report –

> ... has significant potential to inform ECE policy review and funding decisions in Aotearoa yet its capacity to address the very aims it set out to explore is hampered by several issues. The outcomes of focus that the international research explored are of limited direct value to the practice and outcomes of value to ECE in Aotearoa guided by *Te Whāriki*, the impossibility of being able to draw a straight line between discrete structural quality factors and specified measures should be noted, and a lack of contextual evidence that can illustrate connections between teacher qualifications, quality provision, and child outcomes of value in Aotearoa should be addressed.[7]

iv) The MAG describes that 'quality ECE depends on strong relationships between adults and children, supported by a skilled and capable workforce' and that 'qualified ECE teachers play an important role in … supporting children's learning and development' yet it also proposed changes to certificated teacher funding bands and teacher pay settings, changes that may reduce the number of qualified teachers in settings and result in the cessation or replacement of pay parity mechanisms. The suggestion that quality may be improved by changing conditions that support the employment of qualified and certificated teachers and ensure they are paid properly seems contradictory to many of the aspirations for ECE named in the MAGs report.

8 Problem #3

Third, government and whānau do not have enough information about ECE and the value it delivers for tamariki, whānau and society.

The MAG proposes attaching conditions to funding, monitoring and reporting, investment in research and evaluation and better centralised data collections could address this problem.

i) The MAG focuses on the information parents and caregivers need, noting that while the information maybe available, it is not in a form that is readily accessible. The MAG also notes that there is no systematic collection of data on fees – a point we highlighted earlier as problematic.

ii) The second part of 'the problem' is the MAG's conclusion that there is a lack of clarity about impacts of ECE and how best to communicate about these to parents, caregivers and others. While the MAG does not pick up that point in detail, there is a suggestion that potentially increased investment in research and evaluation be made, a suggestion with which we would agree.

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[7] Alex Gunn, Professor, University of Otago Ōtākou Whakaihu Waka and Linda Mitchell, Professor and Honorary Fellow, University of Waikato Te Whare Wananga o Waikato: A commentary on the literature review *What does the evidence say about the relationships between ECEC structural quality and children's outcomes?*

Options

9 35 options

The MAG has presented 35 options (set out as an annex to this submission pages 20 - 21) to reduce barriers, address variations in quality, and improve data and information. We note each of the options and our response to them, followed by our rationale.

Equity funding

Options 1a, 1b, 1c, 1d, 1e, 1f, 1g, 1h and 1i	**oppose: do not change current settings** and undertake further work and revisit the work of the 2020 sector reference group, prioritise the Ministry's learning support to ECE

i) There is no evidence that the MAG's proposed changes to equity and targeted funding would reduce barriers by lowering costs and increasing supply. The Ministry of Education convened a sector reference group in 2020 to review equity and targeted funding to 'create a single new mechanism that more accurately reflects the equity challenge of children attending early learning services.' The work aligned with changes to the schools' equity index being undertaken in the schooling sector at that time. The MAG makes no mention of or reference to this work. Rather than reinvent the wheel, it makes sense to revisit the work of the sector reference group.

ii) Introducing a new funding stream for learning support, that is funded by increasing funding to the sector rather than the redistribution of funding, has some merit. However, a new and separate funding stream has the potential to disconnect ECE from the ministry's learning support strategy. Learning support provided at the earliest opportunity shapes ongoing support into a child's schooling years. Ensuring a clear pathway is key. Providing a separate funding stream could mean services will need to access support directly rather than through the ministry. Prioritising the ministry's learning support in the ECE sector would be a more coherent approach, make better use of resources and most importantly be in the best interests for tamariki and whānau – establishing early connections and building trusting relationships.

Fees assistance

Options 2a, 2b, 2c, 2d and 2e	<u>**conditional**</u> **support:** on the basis this policy setting is a limited, short-term response and the fee assistance is redirected to support universal access and provision of services

i) The MAG notes affordability can vary depending on the type of service attended and the circumstances of individual whānau and describes the range and nature of fees assistance provided by the government noting the two main programmes are the Childcare Subsidy (CCS) and Family Boost. The MAG point out the complexities of applying for and administering fees assistance and highlight the fact that many families eligible to receive assistance do not. It is estimated 65,000 families could receive CCS and fewer than half of those eligible for Family Boost have applied. This funding is already tagged in appropriations to support participation in ECE but has not been used: it could be redirected to increase universal base funding to services – extending the hours of 'free' provision and reducing complexities.

ii) The MAG presents a range of options to change eligibility criteria and thresholds, and frequency of assessment, increase payments or introduce a new scheme. All the options still require whānau to apply and there is no evidence these changes would mean all those eligible will apply or receive assistance. However, we acknowledge in the short term, these measures could be less onerous for whānau but given there are no fee controls in place, whānau may still be charged higher fees. Funding the service rather than the user is the easiest and most effective way reduce complexities and administration for whānau and for government agencies.

Funding mechanism

Options 3a and 3b	**oppose: do not change these settings** and undertake further work on funding rules to ensure there are no unintended consequences including reducing viability or increasing profit margins at the expense of quality
Option 3c	**oppose: do not change this setting**

i) The MAG describe the rules around the receipt and use of child funded hours suggesting extending the hourly limits or daily hours where subsidies are available. As the MAG point out changes to these settings would mean more children would have access. However, without considerably more funding to the sector, more children would mean the child funded hours rate would be lower across all services and where services have low occupancy rates for example, their income would reduce threatening their ongoing viability. Services would look for savings, most likely from staffing costs which presumably is why the MAG is suggesting changes to qualifications and pay settings.

ii) Parents may prefer longer days however if they require full-time provision, they will still need to pay fees and unless fees are capped, the only people to gain from this change are business owners. It may change the behaviours of some providers looking to attract whānau using their full-day entitlement instead of those looking for fewer hours, exacerbating issues for whānau around availability and access.

iii) The MAG proposes 'simplifying the rules' by changing the subsidy from being linked to child places to being linked to individual children. This is a step away from a voucher system which overseas examples show can result in providers raising fees to capture subsidies and a proliferation of ECE spaces in communities where ECE is profitable rather than where it is needed (Foster & McCuaig, 2025) The Hong Kong example (Yuen, 2023) shows vouchers result in greater inequality of educational opportunity, privileging of half-day attendance and that the value of vouchers reduces over time. It also places the burden of proof on parents to show how they attest to using their funding.

iv) Further work including modelling, must be undertaken to take into account other policy changes as a result of this review, to ensure there are no unintended consequences including reducing viability or increasing profit margins at the expense of quality provision.

Homebased funding

Options 3d and 3e	**oppose: do not change current settings**

i) The MAG describes the current funding arrangements for home-based services noting as government funding goes to service providers not the educators, costs for parents and caregivers varies. The MAG also notes the work being undertaken in response to the regulatory review. We do not believe there is any need to change the current settings for home-based services. While there are operational differences, changing the current settings could undermine the quality of services offered to tamariki and whānau, reducing requirements in favour of reduced costs.

Funding bands

Options 4a, 4b, 4c and 4d	**strongly oppose: do not change current settings**

i) The MAG presents its assessment of feedback from services on the funding bands noting most services operate in the ‘two highest bands’. The MAG reports ‘people told us’ the bands lead to greater competition for qualified and certificated teachers, and there are difficulties in attracting and retaining teachers in some areas, and that the rules ‘can reduce flexibility’ in the use of teachers’ time.

ii) The MAG concluded that the research literature ‘...does not provide clear guidance on the optimal proportion of certificated teachers required to achieve high-quality outcomes’ using this as a rationale to propose reducing the numbers of qualified teachers in services to address ‘uncertainty’, recruitment, retention and flexibility. Nevertheless, research informing the MAGs view from the ministry commissioned literature review on links between teacher qualifications and child outcomes (Martin Jenkins, 2025) consistently reports positive relationships between teacher qualification and child outcomes in ECE in a range of developmental domains.

iii) Furthermore, had the ministry asked Martin Jenkins as part of their contract to broaden their literature review and include relevant studies from Aotearoa, the MAG would have received additional information about teacher qualifications and quality, including data about differences in quality ratings of ECE settings relative to the proportion of employed qualified teachers (Meade et al., 2012; Mitchell et al., 2011). Had such research been taken into consideration, the MAGs assertion that clear guidance on optimal proportions of qualified teachers is non-existent would be indefensible and different solutions to the variable quality problem would be able to be drawn.

iv) The MAG does not quantify the size or scope of the ‘recruitment’ issue they report. However, if there is a significant issue which can be traced back to the regulations requiring qualified teachers, rather than changing the rules or reducing requirements, the MAG should explore initiatives to increase the proportion of qualified teachers.

v) The 2002 ECE strategic plan *Pathways to the Future: Ngā Huarahi Arataki* set targets, provided higher levels of funding to services with higher proportions of registered teachers and offered incentives aimed at increasing the percentage of registered teachers staffing teacher-led services. Incentives included grants to enable existing staff to study, scholarships for teacher education courses, relocation grants, allowances for teachers to return to teaching and a resource kit to support teacher registration. In parallel, a move was made towards an integrated and equitable pay scale across the early childhood and schools’ sectors. A Ministry of Education-funded policy evaluation carried out over 2004, 2006, and 2009 found a significant lift in qualification levels from 37% in 2004 to 64% in 2009.

vi) In other sectors, if there are workforce issues in particular areas, the government supports people to move there, creates more training opportunities, incentivises people to enrol in qualifications or upgrade their qualifications through scholarships for example. The Minister of Health did just that recently: rather than make doctors’ qualifications more ‘flexible’ in rural areas, he announced a new initiative with universities to “... create pathways for more doctors to stay and work in the areas that need them most.” Within the education workforce, the *Schools Onsite Teacher Programme* initiative is relevant.

vii) The MAG proposes the 100% funding band be removed, weakening one of the core conditions that support children's learning, development, and long-term educational success. (Størksen, et al., 2025). The MAG noting that would affect about ‘...78% of kindergartens and a third of education and care services’ and go on to say ‘these services may need to change the way they operate (ie: fewer qualified teachers) or increase fees. This would impact the very communities the MAG has identified as needing and benefiting from additional support.

viii) Of tamariki attending an ECE service, after Ngā Kohanga Reo, kindergartens have the highest percentage of Māori children attending. Of teacher-led services, kindergartens are the least number of services in high socio-economic areas: deprivation indices 1 - 3. Sixty eight percent (461) of kindergartens are in communities with a deprivation indice of six or higher representing around 18,000 tamariki and whānau. Forty five percent of kindergartens (302) are in significantly disadvantaged communities with a deprivation indice of 8 – 10 representing over 12,000 children. After Ngā Kōhanga Reo, Kindergarten Associations have the highest number of services in these deprivation areas.

ix) As the MAG has stated itself, high-quality ECE benefits tamariki from low socio-economic areas, and high-quality provision reflects structural quality factors: qualified teachers, good teacher:child ratios and appropriate group size – all key factors in kindergarten provision. Many associations supplement teaching staff where for example, there are children with additional learning needs, whānau new to Aotearoa, and communities look to kindergarten to nurture children’s home languages. To remove the funding band to which most kindergartens qualify, runs counter to the MAG’s arguments for greater support to these communities.

x) Reducing the number of funding bands or changing the eligibility while maintaining the funding levels, means services that have progressively worked towards improving the number of qualified teachers are disadvantaged, and those who have operated on lower or minimum standards, would be rewarded. Proposals to alter funding bands alongside those to alter funding mechanisms (maximum hours eligibility) is about benefiting service providers rather than tamariki. It is unacceptable.

Pay parity

Option 5a and 5b	**strongly oppose: do not change current settings**
Option 5c	**strongly oppose a 'framework' concept**: there should be a national collective agreement for ECE qualified and certificated teachers based on pay parity rates with primary teachers (as per the KTCA), negotiated and administered centrally by the Ministry of Education

i) The MAG describes the current mechanisms that 'influence teacher pay' being the KTCA for kindergarten teachers and the pay-parity opt-in scheme for teachers in other ECE services. It also points out the changes to the opt-in scheme largely as a result of limits on affordability. The MAG heard broad support for the intent of the scheme and 'acknowledgement of the benefits' as well as concerns from some about the 'undesirable consequences' of the scheme.

ii) The MAG surmise its proposed changes to the pay parity could:

> ... create opportunities to simplify the system, lower the cost of provision (with benefits for affordability), free up resources to support other ECE funding system changes, and provide greater flexibility for staff and services to negotiate pay that recognises performance and responsibility.

iii) 'A teacher is a teacher is a teacher' and to propose some should earn less than others depending on who they are employed by, is offensive, unreasonable and unfair. Rather than reduce pay and conditions for teachers, the MAG should examine ways to improve and sustain teacher renumeration because pay and conditions are important drivers of teacher recruitment, retention and quality.

iv) The MAG does not present any data on the terms and conditions of qualified teachers in ECE settings. While employment conditions are transparent for kindergarten teachers through the collective agreement, there is no comparable arrangements for teachers across the wider sector. In the past, employers have been reluctant to provide information on pay and conditions. The notion that ECE teachers and employers have the 'flexibility to negotiate' is hollow, given the experience of many ECE teachers simply being presented with an employment agreement – take it or leave it.

v) The MAG implies 'freeing up' funding currently allocated to pay parity and abandoning the opt-in scheme would give employers the ability to recognise performance and responsibilities. The opt-in scheme does both those things, as does the KTCA.

vi) Employment relations in the education and care sector have always been fraught, as teachers, parents and caregivers, and many employers, advocate for the professional recognition of teachers. Underfunding has been a significant difficulty to secure parity of terms and conditions, but so too has the reluctance of many employers to engage in a meaningful way to prioritise and recognise their teaching workforce.

vii) The central negotiation of a national collective agreement for ECE qualified and certificated teachers based on pay parity rates with primary teachers (as per the KTCA) administered centrally by the Ministry of Education, addresses the issues the MAG identifies as being problematic. This approach removes complexity and confusion for employers and employees and reduces the amount of administration required. It recognises performance against professional teaching standards and the different roles and responsibilities of teachers within the service. It provides stability and certainty for services and for the government by providing clarity around costs.

Better information

Option 6a, 6b, 6c and 6d	**strongly support**

i) The MAG notes the lack of reliable information to support informed decisions is problematic and suggests services publish their fees. Services may have several aspects factored into their fee schedules which would need to be included in the published data. Data on administration, enrolment or registration fees, late fees or penalties for late payment, charges for public holidays, and charges for other things such as nappies should be published. The published information should also note whether there are ‘special deals’ at times or ‘premium’ times of the year, minimum weekly fees and/or different costs for different age groups.

ii) The MAG extend the idea to making it easier for parents and caregivers to ‘...make informed comparisons across services, including fees.’ This suggests the MAG expects other information be made available, perhaps referring to an earlier point the MAG makes about understanding the value of ECE.

iii) Apart from details such as contacts, address, hours and philosophy for example, parents and caregivers should be able to expect everything else is in place to ensure their tamaiti will be participating in high-quality ECE provided by a qualified, professional teaching workforce, and that their fees are capped to keep costs manageable and services accessible – much in the same way they expect that of the wider education system.

iv) The MAG makes special mention of ratios, noting on average, services already operate with more staff than the minimum ratios required by regulation. An average means some services operate above the minimum and others do not. The MAG present some ideas for why services operate above ratios but make no mention that many services use equity or targeted funding to support children with additional needs for example.

v) The Ministry of Education convened a sector group some years ago, to consider the information required and held by the ministry, and connecting and using interagency data. A significant amount of work was completed during that process which would provide valuable insights to the MAG on the practicable implications on using information held in student management systems.

Adjusting rules

Options 7a	**support**
Options 7b	**support: do not change current settings but add** as an <u>option</u> for services to choose
Option 7c	**support**
Option 7d	**oppose: do not change current settings**
Option 7c	**support**

i) The MAG sets out a number of reporting requirements that could be streamlined and made easier to access and use, and propose bulk-funding is paid monthly. Some of these suggestions are helpful and would alleviate some of the current pressures on parents and caregivers and services. However, proposals for monthly payments and 'simpler' requirements regarding the provision of annual financial information to government are problematic.

ii) Monthly bulk funding payments would add considerable administration time and costs. For small, stand-alone services this might be of benefit, however for larger services there is little benefit. Better financial reporting by service providers should include transparency on the receipt and expenditure of public funds and parent and caregiver fees and apply to all ECE service providers. The Ministry of Education applies a different reporting standard to community-based services than to private or for-profit services. It is entirely reasonable to expect all ECE services provide the same information as a condition of the receipt of public funding.

Conclusion

10 Informed decisions

The MAG notes the '...problem identified earlier in this consultation document was the lack of reliable information to support informed decisions by whānau and the government.' The lack of information and selected use of information available, also limits the MAG itself from making informed decisions. Yet knowing this is the case, the MAG has presented the sector with its analysis of the 'current state' and proposes a range of options for change. This is cause for concern and raises the question whether this consultation document provides a sufficiently reliable basis on which to assess the MAGs proposed options.

11 ECE is an investment worth making

Kindergartens Aotearoa was one of the signatories to the letter to the MAG in March this year. In that letter we set out the many positive aspects of the current funding system including that it:

- places ECE in the education sector alongside the schooling sector both being administered by the Ministry of Education, positioning ECE as a public good;

- recognises the diversity of ECE services and communities across the motu, and the cost drivers for different services;
- funds services directly – supply side funding - giving a degree of certainty to services for their ongoing operation and viability;
- is structured to incentivise and recognise well-evidenced quality factors such as teacher qualifications;
- is a mechanism to deliver wider policy objectives such as pay equity and pay parity, and gives effect to broader policy settings for example, incentivising 100% qualified ECE teaching workforce and teachers' professionalism; and
- is accountable to the public in that only licensed services receive public funds.

We also identified alongside increased funding, and strengthening the positive aspects of our current system as outlined above, a renewed funding system must:

- continue to give effect to Te Tiriti o Waitangi, be Te Tiriti o Waitangi led – underpinning legislative and regulatory elements;
- be values-led and tamariki and whānau centred - ko te tamaiti te pūtake, upholding the mana of our tamariki;
- strengthen and protect community-based, not-for-profit services;
- ensure all tamariki have equitable access to high quality ECE: recognising and driven by structural and process quality factors.

We want to see the positive aspects of the current system retained and improved. There is simply no value in the government minimising or 'trading off' quality standards – to do so is a lost opportunity to enhance educational outcomes for every child and for Aotearoa, and for tamariki to thrive.

Should the MAG require further information or clarification, please contact me Sherryll.Wilson@kidsfirst.org.nz and we would be happy to meet at any time to discuss our feedback and alternative solutions.

Ngā mihi nui

Sherryll Wilson
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MAG options

Equity funding

1a Combine equity funding A, B and TFFD to create a new equity funding stream: combine socio-economic based support into one funding stream (Equity A, B, & TFFD) *
1b Combine isolation- based funding into one equity funding stream (Equity D & ATIS)
1c Implement the new equity index across socio-economic based funding streams
1d Implement the new isolation index across isolation-based funding streams
1e introduce a funding stream for additional needs based on individual children
1f Introduce a base grant for isolated services
1g Differentiate Equity C based on level of immersion and/or priority language
1h Moderate increase to targeted funding
1i Significant increase to targeted funding

Fees assistance

2a Reduce the frequency of CCS income and activity assessment from weekly to monthly or quarterly
2b Change eligibility criteria for CCS to provide more base hours families can access. For example, increase the number of hours that are not activity tested from nine to 20-30 hours a week. This option would primarily benefit children aged 0-2 years as they are unable to access 20 Hours ECE.
2c Increase the amount of CCS fees assistance some families can claim.
2d Change or align income thresholds for CCS and Family Boost, for example CCS thresholds could be raised and/or Family Boost thresholds lowered.
2e Integrate fees assistance for CCS and Family Boost into a new, single scheme, designed to be simple and effective as the primary mechanism to reduce affordability barriers to access and participation in ECE.

Funding mechanism

3a Increase maximum funded daily hours of provision for 20 Hours ECE from six to eight per day: extend current daily caps for 20 Hours ECE
3b Increase maximum funded daily hours of provision for all ECE from six to eight per day: extend current daily caps from six to eight hour for the general (30 hours) ECE subsidy - retaining current child-place funding.
3c Change funded hours to be based on children not child-places: ECE subsidy to be based on individual children rather than child laces (can be layered with either option above).

Home-based funding

3d Make adjustments or improvements within current funding systems for home-based ECE
3e Create a new funding system for home-based ECE to recognise differences from centre-based ECE

Funding bands

4a Adjust the boundaries of the top two funding bands (currently 80-99% and 100 %) so that they sit at 80-95% and 96 % plus, but retain the existing 80-99 % and 100 % funding rates

4b Remove the 100 % rate but retain the other bands and rates.
4c Reduce the number of certificated teacher funding bands to two: one for services with more than 80 % of their teachers qualified, and another for those with less than 80 % qualified
4d Change the way of assessing whether a service has met the 80 % threshold. This option could be combined with other possible options identified above

Pay parity

5a Return funding for teacher pay and progression to pre-2022 policy settings, retain kindergarten settings
5b Create a simplified version of the current opt-in scheme for pay parity. Retain existing kindergarten settings
5c Create a broader system-wide framework for teacher pay and progression that is consistently applied across service types, potentially across all certificated teachers regardless of employer, and/or the entire ECE workforce (including kindergartens)

Better information

6a Require all providers to publish their fee schedules online
6b Introduce a webpage that brings together key ECE information currently held by the government
6c Collect better information about adult:child ratios
6d Collect better information about EC E workforce pay

Adjusting the rules

7a Streamline reporting on targeted funding
7b Provide the option of monthly payment of funding to ECE services
7c Simplify requirements and processes related to attendance and absence (eg: forms and verification)
7d Simpler and more consistent requirements for the provision of annual financial information by ECE providers to government
7e Investigate (in collaboration with key stakeholders) the challenges faced by hospital-based services