

22 November 2022

72

An open letter to the Honourable Chris Hipkins, Minister of Education

Dear Minister

72, the percentage or the number of cents in every \$1.00 that we pay in staff wages.

I write this letter as a typical childcare operator, representative of the childcare sector in New Zealand to outline the serious structural issues facing the industry. We have been involved in the education sector for nearly 20 years and the current status of childcare is dire.

By way of background, I operate 3 centres in Auckland, middle of the road areas in terms of socio-economic status, where most parents pay some fees (\$300/week for children under 3 and \$200/week for children over 3 year). Each centre is licenced for 100 children and all currently operating at 75% to 80% (full time equivalent) capacity. On certain days we have 90 plus children attending.

Ministry of Education funding is now approximately 70% of our total income. Parent fees have barely moved in 15 years as parents simply cannot afford to pay any more for childcare, hence the subsidies provided by Ministry of Education.

Bizarrely, on the left, there seems to be a view that childcare operators are milking profits from education. This couldn't be further from the truth. As soon as the "20 free hours" policy was announced in 2007 all childcare fees dropped immediately for children that were eligible.

Additionally, the government does not have a single dollar invested in the capital required to deliver quality early childhood education. Compare that to the billions invested in schools and the ongoing maintenance of these assets. MOE funding is strictly towards operational costs.

We fundamentally believe in and support pay parity. Our staff, like most childcare workers, are caring, qualified and believe in the value of early childhood education. They are fantastic.

However, because of the increase in teacher wages due to pay parity and the minimum wage increases, our wage costs have increased 20%. Wages make up 70% of our costs. The government funding is 70% of our income. Subsidy funding only increased by 3%. The math simply does not work.

The problem minister as mentioned is that for every \$1.00 we earn (combined parent fees and MOE subsidy) \$0.72 cents is paid towards teacher wages. Overall month on month we are losing approximately \$7,000 per month per service with just wage, rent, food and other operational costs, before paying any interest on monies borrowed or drawings. This is simply not sustainable

The issue we have is that at these levels, the lack of support from the Ministry of Education towards Pay Parity is crippling the industry. The 72% cost of wages alone is crippling. We have already passed

some cost increases onto parents, however at current fee charges our parents have been withdrawing children from services or simply only attending for 20 free hours per week.

As a government all I hear is that we are private businesses and that it is complicated and that as private centre operators we are lining our pockets with tax- payer dollars.

Yes, we should and need to make a profit as we have all invested heavily and need to invest continuously to maintain a high level of facility and resources to effectively raise our tamariki. We are audited by the MOE for finances, ERO audit us both on health and safety, physical facility requirements, staffing and financial spending. We need to maintain a high, safe level in all respects, however with \$0.72 of every \$1.00 of our income going to wages all other requirements are starting to suffer.

The alternative is a fully state-funded Early Education Sector. This will cost billions more of taxpayer dollars in Capital, set-up and continual maintenance costs and I can promise you will not be run as efficiently as private businesses. It is a parents' choice to have children and as such it should be somewhat "user pays" otherwise the complete burden falls on all taxpayers. If a subsidy was not provided our services would simply not be affordable.

We do not wish to increase parent fees. I believe that generally we cannot as I hear from parents it is a struggle at current levels. Why is there such focus on what we make, as some centres will charge more than others based on socio-demographic areas. What I am telling you is that most centres are not surviving as the support provided by the MOE simply is not enough for a majority of the sector.

You agreed to re-scope the ECE funding review that had previously promised to address lots of issues with the system. The review has become so focused and narrow, it does not even look at the matter of the actual financial pressures that centres are facing. This could therefore result in a new approach to pay parity, but how many centres will we lose in New Zealand because of the overly narrow focus?

I congratulate your government on the initiative on increasing the assistance to parents with childcare fees (albeit next year). It will somewhat help with more paying children attending services. This will however bring us to the next problem, which is the lack of qualified educators required within the Early Childhood Sector as attendance numbers increase, but that is for another letter. And why was it done through the MSD instead of the MOE where the main issues need immediate attention.

We truly are a sector in crisis.

Kindest regards

A Concerned Childcare Operator