Early Childhood Council

Hon David Seymour
Associate Minister of Education
By email: david.seymour@parliament.govt.nz

14 September 2026

Dear Minister Seymour

ECC is writing to formally to ask you to make changes to the Pay Parity Scheme (the Scheme[1]) to provide our members with better transitional support out of the moratorium next year as the funding review needs time to be completed, and solutions to some of the short-term problems with the Scheme need attention now. Due to the longer timeframes that always applied, shorter-term challenges like the matters canvassed in this letter, do not suit being attended-to within the major review.

In 2027, an incoming government may decide what funding system changes it wishes to progress, and potentially could undertake further consultation. In the meantime, the Pay Parity Moratorium is scheduled to end on 30 June 2027 (in only 9 months time from now) before funding review decisions can be made by Cabinet. ECC considers it near-impossible for major changes to be properly implemented before that 30 June date.

In general, ECC is of the view that the implementation timeline for any significant funding system changes will take 18 months or more (minimum), after decisions are made (with decisions typically made through a budget process).

ECC's Funding Review Steering Group has identified a number of technical problems that need attention. This does not preclude a more comprehensive review of the Scheme with advice from your MAG. The changes we are recommending help maintain the current settings, with pragmatic refinements.

The **problems we foresee** include:

- According to the funding conditions you issued, the moratorium is scheduled to end on 30 June 2027. The June 2027 month is advance-funded in March 2027 (in 6 months' time) and ideally, in terms of ensuring people don't get too confused, one entire wash-up period should be treated under the same rules. This would suggest that ending the moratorium in June which is at the start of a wash-up cycle is ill advised and **it would be better to end the moratorium at the end of a four-month wash-up cycle** (ie. Sept, Jan, or May). **You could change the end of the moratorium now to fix that problem**; however,

more importantly,

- the longer the moratorium is in place, the longer ECE service providers in the **Parity** option are prevented from accessing the higher funding options (EPP and FP; no

[1] We refer to the Pay Parity <u>Scheme</u> (ie a scheme of pay regulation) deliberately as it is misleading to consider the scheme as delivering *parity* between teachers employed in education & care centres and kindergartens because factually it does not. ECC analysis shows the gap is over 20% for the upper steps and EPP and a gap of about 10-13% between the KTCA and FP. Refer Annex 1 for pay rates for KTCA, FP and EPP.

centres have access to funding KTCA steps or rates). Higher funding options support providers to pay teachers at higher rates and therefore retain their teachers. **The lack of access to higher funding options creates unfairness for these 161 centres** and will tend to **make those centres unsustainable the longer the moratorium goes on**. It also places services at-risk when teachers leave as it is difficult to find willing teachers if they can readily choose to work in other services that offer higher pay. **Most services are in Full Parity now, so the highest rates are increasingly influencing higher average pay rates (market rates)**. Refer to Annex 1 to see ECC's analysis of current market rates.

- as above with the Parity option, **the ECE service providers in Extended Parity (EPP) option are similarly disadvantaged**. The level of competitive disadvantage to recruit teachers, compared to Parity above, is less; however, **there are a lot more services affected in EPP: 657 centres**.

- ECE service providers in the Full Parity option (1,791) do benefit from significantly higher funding rates and this supports improved teacher retention. But **the longer-term negative financial impact at the centre level should not be ignored**. When teaching teams logically reach high concentrations with most teachers at the top of the salary scale in a centre, it becomes financially crippling for those providers to stay viable. Some can seek more private funds (ie co-payments) through increased parent fees but not all centres can rely on parent fees. The Salary Progression condition eventually makes all centres non-viable unless teacher retention rates were to change negatively. There is no evidence to suggest that teacher retention is likely to worsen. **Better teacher retention has many benefits to child care and development, and worsening retention is not something ECC is advocating for**. However, there needs to be **an appropriate balance struck** between **regulated teacher pay**, and the extent providers receive government funding for the cost of that policy, and **teacher retention**. Not just one over the other.

- **The Ministry does not collect reliable data on actual teacher salary costs or teacher retention rates**. These constraints do not suit the Ministry and they do not suit ECE providers or teachers. The longer the government is in the dark on these two areas, the longer legitimate concerns keep getting deferred.

Solution 1: Additional Salary Progression Option

We recommend, to support providers, that a second option to Salary Progression is created that gives providers in EPP and FP the option of adjusting salaries by a **lower minimum rate based on the Cost Adjustment (which was 1.5% at 1 July 2026)**. We believe some providers need this option and many providers would continue to recognise the existing Salary Progression rule if they can. If there is a low Cost Adjustment in Budget 2027 then this would correspondingly drive having a lower Salary Progression rate.

This change is broadly consistent with the relatively recent amendments you made to the scheme in regard to reliever teachers and new teachers.

Under solution 1, providers could either use their discretion to continue to apply the applicable salary progressions (EPP, FP), or use the lower rate of 1.5%.

Solution 2: Keep discretion for setting starting salaries for new teachers after ending the moratorium

We also recommend that **the rules allowing employers discretion when appointing new teachers and teachers new to the sector are kept even once the moratorium ends**. These amended rules have provided highly-valued flexibility for ECE employers, and deliver some benefits - relatively few new teachers get employed each year.

Under solution 2, the moratorium rules that relate to new teachers will continue, until potentially the funding review has a better solution to the Pay Parity Scheme's complex problems.

Next steps

We suggest you seek advice from the Ministry on refinements to the Scheme. Please consider whether or not it's appropriate to make decisions now ahead of March 2027, or leave decisions to the incoming government (not ECC's recommended approach). ECC's preference is for attention now, so our members can have more certainty.

An urgent decision next year puts more pressure on the incoming government and levels of concern in the early childhood sector will be higher. Sudden or last minute changes in 2027 are likely to drive panicked decisions and confusion – not calm and rational financial decisions.

ECC considers **extending the moratorium indefinitely** or for **a further year** as **undesirable outcomes**. The problems we have highlighted above will only worsen. The prospect of a change of government similarly reduces certainty that the current challenges will be taken seriously, or given the priority they deserve.

ECC's members have been actively engaged providing input into the ECE Funding Review Ministerial Advisory Group (MAG)'s consultation process, and ECC's steering group is closely monitoring the MAG's proactive releases. Attached is a copy of ECC's submission to the MAG.

ECC's perspective, following the recent consultation, is that the MAG has laid the groundwork for substantial improvement to the funding system to happen in the future, if the incoming government has the courage to rise to the challenge. However, the ECE sector gets no guarantees with the General Election fast-approaching in November 2026.

The transitional support we are asking for would make a significant difference to the sector and if we can assist in any way with clarifications or further details, please let us know.

This letter reflects ECC's official position, and I remain responsible for signing that out as CEO. I will forward a copy of this letter to the MAG for its information, so the MAG's other members are also aware of what NZ's largest ECE association is advocating for.

I will make myself available if you or your Office requires any clarification.

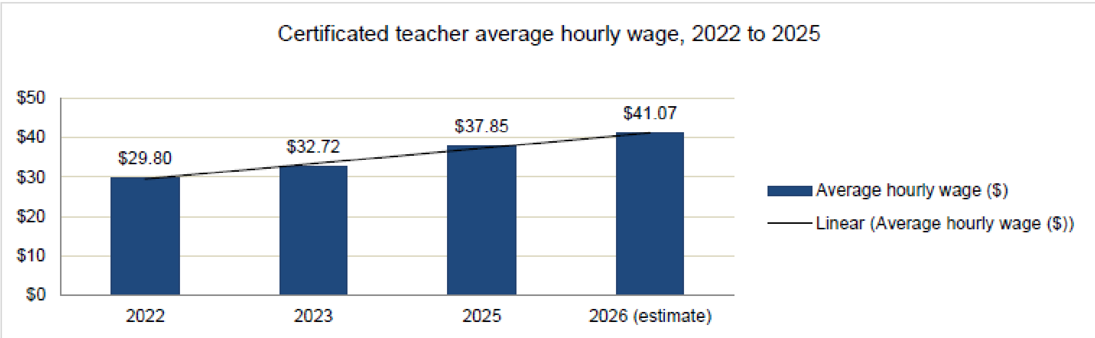
Yours sincerely

Simon Laube
Chief Executive

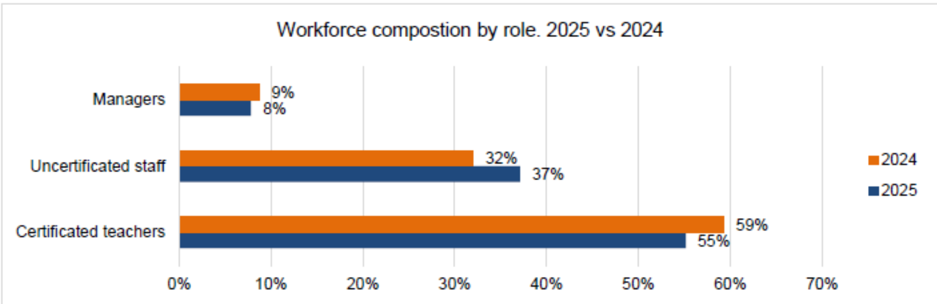
Annex 1

Step	KTCA $/hr	Step	FP $/hr	EPP $/hr
1		1	$27.58	$27.58
	$30.22	2	$28.63	$28.63
2	$31.58	3	$29.78	$29.78
3	$32.81	4	$30.83	$30.83
4	$34.88	5	$32.59	$32.59
5	$37.13	6	$34.55	$34.55
6	$39.53	7	$36.66	$35.65
7	$42.44	8	$39.21	$36.73
8	$44.82	9	$41.31	$37.84
9	$48.25	10	$44.31	$39.00
10	$50.81	11	$46.55	$41.09

Regulated pay rates (ECC Wages & Salaries Survey 2025)



Certificated teacher average pay rates n= 1,755 (ibid)[2]



Workforce composition by role - 85% of centre managers are also certificated teachers (ibid)

[2] Average pay rates increased 9.8% 2022 to 2023, 15.68% 2023 to 2025 and we estimate 8.51% between 2025 to 2026.