

Regulatory Impact Statement: Changing the qualification requirements for licensed home-based education and care educators

Coversheet

Purpose of Document	
Decision sought:	Analysis produced for the purpose of informing Cabinet policy decisions on amendments to the qualification requirements for home-based ECE services.
Advising agencies:	Ministry of Education
Proposing Ministers:	Associate Minister of Education
Date finalised:	9 October 2024
Problem Definition	
<p>From 1 January 2025, licensed home-based ECE services will be required to have 80% of their educators holding a home-based service qualification (i.e., Level 4 ECE or other recognised qualification). The remaining 20% of educators will be required to be in training. This was agreed to by the then Government in 2020 to address concerns around inconsistent quality across the sector.</p> <p>Although many representatives of the home-based ECE sector support a highly qualified workforce, they have identified the percentage-based qualification and associated record-keeping requirements as too onerous and inflexible.</p> <p>Most home-based ECE services have already met the requirements that will come into effect on 1 January 2025, however, we anticipate that between 2.5% and 7.3% of them (6-18 services) might close. The percentage-based qualification requirement also poses a threat to services who are meeting it now but may not be able to maintain their compliance in the long-term due to the high demand for, but low supply of, qualified educators. Additionally, the percentage-based qualification requirement is seen by representatives of the sector as a barrier to growing their services and an incentive for highly competitive behaviour between providers trying to stay compliant. The existence of the percentage requirement also adds additional record keeping requirements.</p>	
Executive Summary	
<p>Licensed home-based education and care services (home-based ECE) are a unique part of the early learning sector that provide parents with a non-centre-based ECE service with low adult to child ratios. Home-based ECE services can also operate outside of typical centre-based hours, making them invaluable to parents who work varying or late hours.</p> <p>From 1 January 2025, licensed home-based ECE services will be required to have 80% of their educators holding a home-based service qualification (i.e., Level 4 ECE or other recognised qualification). The remaining 20% of educators will be required to be in training. Currently, they are required to have 60% of their educators holding a home-based service qualification.</p>	

The sector is concerned about the impact of the incoming requirement. We know of six services (2.5%) out of 247 that have indicated they will close because they cannot meet the new requirement.¹ Others say that, even though they meet the requirement now, it may be difficult to maintain long-term, especially with a fluid workforce. Furthermore, providers report that the increased percentage-based qualification requirement will hinder their ability to grow their business and stop some educators from securing contracts with services if they're in training but not qualified.

The Associate Minister has agreed to address sector concerns and develop alternative options to the status quo so that a decision can be made before the new requirements take effect on 1 January 2025.

In addition to the status quo, four options were initially developed. Our final analysis includes the following three options:

1. Status Quo – 80% of educators are qualified while the remaining 20% are in training.
2. All educators are either qualified and/or in training.
3. 60% of educators are qualified, while the remaining 40% can remain unqualified.

Option two (all educators are qualified or in training) is our preferred option. This option gives home-based ECE providers more flexibility in how they organise their individual licences and supports them to grow their services organically. It enables them to contract any educator that is available to them regardless of whether they are already qualified, so long as that educator is prepared to train.

Under option two, all home-based educators will be required to be either qualified or in training for a Level 4 ECE qualification or other recognised qualification. Unqualified educators will be required to enrol in a course offering a Level 4 ECE qualification or above within 6 months of joining a home-based ECE service. They must complete their qualification within 4 years of enrolment if the qualification is an early childhood teaching qualification at level 7 or above, or within 2 years of enrolment for any other recognised qualification. There would be a single funding rate. Providers would still need to keep track of their educators, their qualification, or their training (and keep evidence of this) but would no longer need to calculate or maintain a specific percentage of qualified educators.

Option two would prevent some educators currently working in the home-based sector from continuing with their service. These educators will be those who cannot or will not train for whatever reason, including financial and language barriers, or those who are older and do not wish to return to study. However, the other options (1 and 3) pose a higher risk to the services themselves, not just educators, because there is a hard minimum percentage of qualified educators required. If a service goes, all the educators go with it anyway.

Option two was originally suggested by the sector. Their support for this option was reconfirmed during targeted consultation held as a part of this analysis. One of the two Pacific providers did not support option two, citing the loss of cultural and language provision, however on balance we believe option two would still bring the most longevity to home-based provision overall, including cultural and language provision.

It is possible that the legislative change to the qualification requirements may come into effect after the status quo (80% qualified educators and 20% in training requirement) comes

¹ There are another 12 who did not respond when we recently reached out to them. If they also close, this increases the percentage of total services closing to 7.3%.

into force on 1 January 2025 due to the time it takes for legislative change to occur. Sector representatives have indicated that some services may not be able to comply with the 80% standard for the period of time it may be in place before the amendment to the regulations takes effect.

We will encourage services to get in contact with the Ministry if they cannot reach the 80% standard in the interim period to enable the service's ongoing operations.²

Home-based ECE providers would need to continue to keep a list of the educators they engage as a part of each service. They would be required to hold evidence of either the educators' qualifications or enrolment status. If an educator is in training, a record of their credits earned must also be kept.

Providers would no longer need to balance the percentage of qualified versus in training educators at each of their services. Removing the percentage requirement also means that the rules around which educators can be counted in a licence have been consequently removed.

The Ministry of Education would monitor and evaluate the impact of the proposal on home-based providers, services and educators as well as the families that use these services. The Ministry would also be able to track qualification and training rates, and the number of services, educators and children through ECE census data.

Limitations and Constraints on Analysis

The requirement for home-based ECE services to have 80% of their educators qualified and the remaining 20% in training comes into effect on 1 January 2025. This means there is a narrow window of time to make regulatory changes. This has limited the scope of options we've been able to consider.

Given the tight timeframe, the Associate Minister of Education approved targeted consultation³ with a representative group of home-based providers. We consulted with the peak body NZ Home-based Association, other larger home-based providers including those on the Early Childhood Advisory Committee (ECAC) and two Pacific providers. A Māori service provider was also invited to participate in the consultation. Because we have only been able to undertake targeted consultation, it is likely that some perspectives within the home-based sector have not been captured. This includes only being able to speak to two Pacific representatives, with no Māori or Asian representatives participating in the consultation. In turn, this has impacted our analysis of the options. However, we received a large amount of feedback from the sector previously which has informed our options and analysis.⁴

² Where appropriate, we will work with them on a case-by-case basis to keep them operating. A service's licence may be reclassified to provisional (which gives them up to three months to comply with the requirements) or we could request an action plan on how the requirements will be met in the near future.

³ We held two workshops on 11 and 12 September for most of the group and had a phone call with another representative 19 September.

⁴ Recent feedback from the sector includes a letter to the previous Associate Minister of Education in 2023, and a briefing to the current Associate Minister of Education in March 2024. ECAC has also identified the removal of the 80% qualification requirement as a quick win for the home-based sector.

In addition to the status quo, we initially developed four options. After initial analysis showed that two options provided no benefit to the home-based sector they were discounted. We received Ministerial approval to consult on the remaining two options and the status quo.

In addition to the targeted consultation, the Ministry has contacted all services who have not yet met the 80% requirement to clarify whether these services believe they are on track to meet the requirement by 1 January 2025.

We are aware that there is a discrepancy in our data. For example, our data shows only two Māori language or special character home-based services in the country, but an early learning advisor has alerted us to at least six existing in her region. This likely means that our data is also not up to date on the number of Pacific and Asian home-based services in the country, but we have not had the time or resources to comprehensively check this. We are assuming there are more of both, but that the overall story our data tells is still proportionately accurate (e.g., whilst the number of Pacific services may be larger than our data says, we shall assume that 16% are still on the standard funding rate).

Responsible Manager(s) (completed by relevant manager)

Paul Scholey
 Senior Policy Manager
 ECE System and Regulatory Policy
 Ministry of Education



9 October 2024

Quality Assurance (completed by QA panel)

Reviewing Agency: Ministry of Education

Panel Assessment & Comment: The Ministry of Education’s Quality Assurance Panel has reviewed the Regulatory Impact Statement produced by the Ministry of Education and dated 9 October 2024. The panel considers that, while only limited and targeted consultation was possible in the timeframe, it meets the Quality Assurance criteria and provides clear analysis to support decisions.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Home-based education and care services make up a small but unique part of the early learning sector

1. Licensed home-based education and care services (home-based ECE) are a unique part of the early learning sector that provide parents with a non-centre-based ECE service

with low adult to child ratios. Home-based ECE services can also operate outside of typical centre-based hours, making them invaluable to parents who work varying or late hours. There are 247 licensed home-based ECEs across the country which cater to over 10,000 children.⁵

2. The distribution of home-based ECEs is uneven across the country. Almost half (47%) of home-based ECEs are located in Auckland. Additionally, some providers are large with multiple licences and cater to many children. Other providers are small and will only have one licence. Regardless of the size of the provider, the number of children at each home (and per educator) never exceeds four. The home will be either the children’s own home, the educator’s home, or another home nominated by the parents of the children.
3. The number of home-based ECE licences, the number of children participating in them, and the number of educators working in this type of service have steadily been declining since 2016 (Table 1 refers). However, this followed ten years of exponential and possibly unsustainable growth from 2005 to 2015, including from fraudulent providers. Therefore, the drop since 2016 may be a natural market correction rather than a major cause for concern.

Table 1: Key metrics of home-based ECE from 2016 to 2023

Number of home-based:	2016	2017	2018	2019	2020	2021	2022	2023	Change 2016 – 2023	
									Number	%
Licences	472	476	437	453	424	392	353	277	-195	-41%
Children participating	18,818	18,440	18,267	17,196	15,022	13,879	11,326	10,514	-8,304	-44%
Educators	9,326	7,512	7,700	7,418	6,246	5,521	4,510	3,937	-5,389	-58%

Note: this data is from the ECE Census. The 247 licenses in 2024 are from our licensing data. Data from the 2024 ECE Census will be available later this year.

The previous Government made reforms to move towards a qualified home-based ECE workforce

4. In 2018, the Government undertook the Review of Home-based Early Childhood Education (the Review), to ensure this part of the sector delivers quality education and care for children. Concerns had been raised about inconsistent quality across the sector. The Review consulted on a number of proposals aimed at improving quality, including for home-based educators to hold a Level 4 ECE qualification. Gaining a qualification is the difference between providing only care and providing education and care to a child. At the time of the Review, educators in the sector were not required to be qualified and the majority (70%) held no ECE qualification.
5. The sector, educators, service providers, visiting teachers/coordinators, parents, whānau, and others provided feedback on this proposal, which was supported by most respondents. Following the Review, the then Government agreed to move towards a qualified home-based ECE workforce, with all educators eventually being required to hold, or be working toward, a Level 4 ECE or other recognised qualification. Other recognised qualifications are a Level 3 ECE qualification completed prior to 1 January 2022, Te Ara Tuarua (the level 5 kōhanga reo qualification) or higher, or a primary teaching qualification.
6. Adopting a level 4 ECE qualification standard has meant a stronger focus on child development than lower level ECE qualifications, which is important in providing greater

³ Licensed home-based ECE differs to home-based childcare options which are not regulated nor funded by the Government, but which provide a child-care only option for parents.

assurance on the quality of interactions between educators and children. Research shows positive correlation between teacher education and classroom quality.⁶

7. The proposed changes were expected to result in a small decrease in overall ECE participation and some providers exiting the market. The providers that the Ministry most expected to leave were those where educators were au pairs or family members, or the service specialised in short-term care arrangements. It was noted that many of the children who would leave home-based ECE were likely to continue in the same care arrangements albeit informally which posed the risk of education and care moving underground.
8. In July 2020, the Government agreed to progressively introduce the new qualification requirements so educators and services had time to adjust and the closure of services could be minimised. The requirements were phased-in by funding rate, with one set of requirements being implemented through regulations (the standard funding rate and the absolute minimum requirements for holding a home-based ECE licence) and the other through funding rules (the quality funding rate).
9. The requirements for the standard funding rate are outlined in **Schedule 1A of the Education Early Childhood Services) Regulations 2008** (the Regulations):

Implementation date	Requirement
From 1 June 2022	10% of educators must hold home-based service qualification
From 1 January 2023	30% of educators must hold home-based service qualification
From 1 January 2024	60% of educators must hold home-based service qualification
From 1 January 2025	80% of educators must hold home-based service qualification
From 1 January 2025	<p>Within 6 months of joining a licensed home-based education and care service, educators without a home-based service qualification must be enrolled in a course offering a home-based service qualification and they must complete the qualification—</p> <p>(a) within 4 years of enrolment, if the qualification is an early childhood teaching qualification at level 7 or above on the Qualifications Framework; or</p> <p>(b) within 2 years of enrolment, for any other qualification</p>

10. The existence of the quality funding rate has been to incentivise home-based ECEs to aim for higher qualification rates than those specified in the Regulations. The minimum requirements to receive the quality rate have shifted each year since 2021. From 1

⁶ Manning, M., Wong, G. T. W., Fleming, C. M., & Garvis, S. (2019). Is Teacher Qualification Associated With the Quality of the Early Childhood Education and Care Environment? A Meta-Analytic Review. *Review of Educational Research*, 89(3), 370-415. <https://doi.org/10.3102/0034654319837540>

January 2025, the qualification requirements to receive the standard funding rate or quality funding rate will align and all home-based ECEs will receive the same single rate.

11. From 1 January 2025, the requirements will be that:
 - a. 80% of home-based educators in each individual service must have a home-based service qualification; and
 - b. unqualified educators must, within six months of joining a licensed home-based service, be enrolled in a home-based service course and complete the qualification within two to four years (depending on the type of qualification).
12. The ECE Funding Handbook sets out the associated record keeping requirements to measure compliance with the requirements in the Regulations. Services must complete a monthly record that shows how the service is meeting the percentage qualification requirements each calendar month. The details of how they must calculate and record this are set out in the Regulations and ECE Funding Handbook.
13. As part of the move towards the 80% qualification requirements, Regulation 28(1)(e) sets out that home-based providers are required to keep a list of engaged educators in each licence and evidence of the qualification. Regulation 44(3A) sets out how the percentage of qualified educators is calculated, i.e. that services must:
 - a. calculate qualification percentages on a month-by-month basis;
 - b. only count educators in the percentage who have worked for at least 4 days in that monthly count; and
 - c. not count educators towards more than one licence for that monthly count.

The majority of services are already compliant

14. Of the 247 home-based ECE services, 160 have already met the new standard that will come into effect on 1 January 2025. There are 71 services that are currently on the standard funding rate. This indicates that these services currently contract less than 80% qualified educators.⁷ The Ministry has contacted these services to understand what impact the 80% qualification requirement will likely have for them.
15. Of the 71 services, 38 indicated that they are on track to meet the 80% requirement. Seven services noted that they are in the process of closing down and so the requirement does not impact them. A further six services indicated that they were uncertain about whether they could meet the future requirements but had the option to merge licences. Twelve services did not respond. Of the 10,514 children enrolled in the 247 home-based ECEs, in the worst-case scenario, up to 719 (7%) could be impacted by a service failing to meet the new qualification requirements.

Some closures were expected when the qualification requirement was agreed to

16. When the qualification requirement was agreed to by the previous Government, it was aware that it would likely result in the closure of some services. Families continuing in informal arrangements was cited as a likely reaction. Informal arrangements mean little oversight into the educator's practice and no support from a provider.

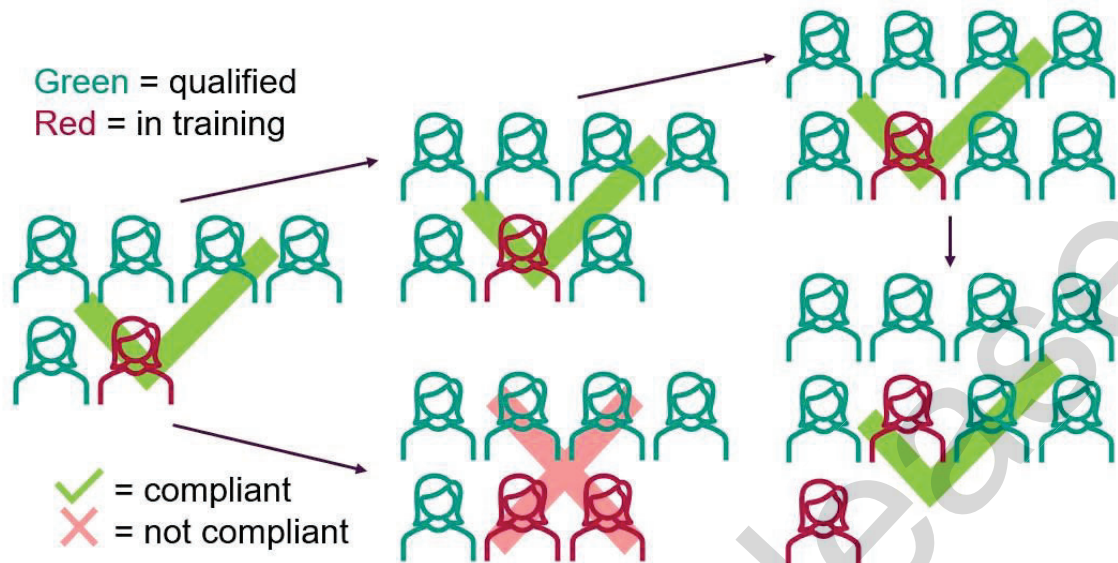
⁷ This figure may also include providers who are complying with the 80% educator qualification requirement, but are not meeting other requirements, such as the person responsible requirements. However, we estimate this only makes up a small proportion of the overall figure (of the total 87 services).

17. That some services would likely close as a result of this qualification requirement was also raised as a concern by some of the individuals and groups who provided feedback on the proposal.
18. To minimise how many closures occurred, the shift to 80% qualified educators was gradual and supported by both increases in funding rates and funded support for educators to complete the necessary qualifications. This meant that most services would have ample time to adjust and prepare.

What is the policy problem or opportunity?

19. Although many representatives of the home-based ECE sector continue to support a highly qualified workforce, they have identified the percentage-based qualification and associated record-keeping requirements as too onerous and inflexible.
20. At the 6 December 2023 ECAC meeting, members identified six 'quick win' policy changes. One of the proposals was to remove the percentage qualification requirements for licensed home-based services. The sector's alternative proposal was to allow all educators to be either qualified or in training, with no minimum percentage of qualified educators.
21. Home-based sector groups have told us that the 80% qualification requirement is too high and that a percentage-based system is too inflexible and will reduce their ability to engage new educators and grow their workforce. This is because providers would be less likely to contract unqualified educators to remain compliant with the regulations. In turn, this inhibits their ability to grow the provision they provide to families.
22. In addition, there have been reports of qualified educator 'poaching' within the sector, where one service will convince an educator to leave a different service, making service A compliant, but causing service B to risk becoming non-compliant. This is because the percentage of home-based educators that are qualified is below the 80% requirement, so it's currently impossible for all existing services to be compliant. In 2023, the combined percentage of those who are qualified or in training only equates to 70% of all home-based educators. Whilst some competition is expected in the sector, this behaviour hinders not only the growth of the sector, but the survivability of existing services.
23. Most (69%) of home-based ECEs have between six and 25 educators. For any service within this range to grow, they would need to acquire at least one additional qualified educator before being able to take on another unqualified educator. In the meantime, unqualified educators, who are easier to come by, cannot be contracted until a service has more than enough qualified educators to remain compliant. In addition to meaning services cannot easily grow, this also means some educators are missing out on being able to join the service of their choice.
24. At a service with six educators, five would need to be qualified under the 80% qualification requirement coming into effect from 1 January 2025. They would need to acquire a sixth and seventh qualified educator before being able to hire a second unqualified educator to remain compliant (Diagram 1 refers). For a service with 25 educators, their 26th educator would need to be qualified to remain compliant. A small service with four educators or fewer would be unable to have any unqualified educators.

Diagram 1: A service with six educators is restricted on who it can contract as its seventh and eighth educators



25. The 80% qualification requirement also puts services of all sizes at risk of becoming non-compliant if a single qualified educator is temporarily absent or permanently leaves the service, particularly if they are operating right at the margin in terms of the number of qualified educators they can employ. An educator leaving a service is highly plausible as we know that the home-based workforce has experienced higher turnover in the last four years after staying relatively stable between 2014 and 2019. In 2019, there were 7,418 educators. In 2023, there were 3,937.⁸
26. Based on our communication with the 71 services who are not yet compliant, we estimate that between six and 18 services might close. These services account for 2.5%-7.3% of home-based ECEs and roughly 0.1-0.4% of all early learning services in New Zealand, meaning the number of families with children participating in early learning services that would be affected is low when compared to the number of children in ECE as a whole. If only six services close, 2023 data states that 252 children will be impacted.
27. Although this is a very small number of potential closures, the possible future closure of any home-based ECE would likely affect Pacific and Asian families slightly more than other demographics. This is because whilst home-based ECEs account for just 6% of all early learning services in New Zealand, of Pacific children attending early learning services, 12% of them attend home-based ECEs. Of Asian children attending early learning services, 8% attend home-based ECEs. Often home-based ECEs are seen as a way of meeting cultural or language delivery needs in communities where centre-based services are not a viable option. We know that one of the six services likely to close on 1 January 2025 caters to Asian families, and if currently compliant services cannot sustain their qualified educator percentage in the long-term, Pacific and Asian families will be impacted.
28. The home-based sector also supports communities with smaller populations. Some communities cannot support a centre-based ECE service because they have a small population or are isolated, or the limited hours a centre-based ECE offers does not meet

⁸ Data and Insights (Ministry of Education), *Annual ECE Census 2023: Fact Sheets, Teaching Staff*.

the needs of the community. Other communities have populations that cannot afford other forms of childcare and rely on home-based ECE to provide the alternative. It is often the children from lower socioeconomic backgrounds that most benefit from attending high-quality ECE services. It is important to ensure a minimum quality standard so that these communities can access quality ECE but not so high to create a barrier for the home-based sector.

29. The home-based sector has also told us that the record keeping requirements set out in the Regulations (particularly those set out in Regulation 44(3A)) and referred to in the ECE Funding Handbook are burdensome. This is because recording and keeping track of qualification levels of their educators, particularly with a moveable and fluid workforce, can be time-consuming and difficult to maintain. Regulation 44(3A) is specific to a percentage-based qualification requirement and would not be applicable without it.

What objectives are sought in relation to the policy problem?

30. The objectives sought are:
 - a. Sufficient regulation for consistently high-quality education and care throughout all home-based services; and
 - b. Regulation settings are not so onerous that the supply and sustainability of the home-based sector is hindered.
31. Our overarching goal is to realise a sustainable home-based sector that is valued for its unique role in the diversity of ECE provision. We want home-based ECEs to provide safe education and care to children in small population areas where parents need support to enter the workforce or desire a boutique offering such as immersive language, or non-standard hours.
32. By having qualification requirements, we are providing parents and whānau with assurance that in each individual home, the educator is either qualified or working towards a qualification. A qualified educator is more likely to be actively contributing towards each child's educational, socioemotional, mental and motor development.
33. All of this must be done in a way that does not create barriers for the sustainability and growth of the sector. We know that children from lower socioeconomic backgrounds benefit most from attending high-quality ECE services, so the services must continue to exist and have capacity for children as needed.

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

34. The Ministry has assessed the options based on the following criteria and compared them against the status quo. These criteria have been developed to assess whether the policy solutions will achieve the overall objectives of regulating for a quality home-based sector whilst not making the regulations so onerous that the supply and sustainability of the sector is hindered.

Criteria	Description
Minimise the impact of the regulations on the future supply of home-based services	Extent to which the option gives providers greater flexibility in how they meet the qualification requirement and supports growth in the sector.
Quality of education and care for children in attendance	Extent to which the option increases the proportion of home-based educators with a recognised qualification.
Implementation	Includes ease of implementation and time needed to implement.
Reduce compliance costs	Extent to which the option minimises how much providers will need to balance out the qualified/unqualified proportions of their workforce, including moving educators across licences.
Te Tiriti	Extent to which the option gives effect to Te Tiriti o Waitangi / The Treaty of Waitangi (Te Tiriti). ⁹

35. Whilst we believe it is possible to meet all of these criteria at once, we expect that there will be some trade-offs and that strongly meeting one criterion will likely come at the expense of another. Higher regulated minimum standards may lead to increased costs for service providers and consumers.

What scope will options be considered within?

Timeframe

36. The requirement for home-based ECE services to have 80% of their educators qualified and the remaining 20% in training comes into effect on 1 January 2025. This means there is a narrow window of time to make regulatory changes. This has limited the scope of options we've been able to consider.

⁹ Criterion reflects the Ministry's obligations under section 4(d) of the Education and Training Act 2020.

37. Because of the tight timeframe, we undertook targeted consultation with a representative group of home-based providers, including the peak body NZ Home-based Association, and those on ECAC.¹⁰ This approach was agreed to by the Associate Minister.
38. Because we have only been able to undertake targeted consultation, it is likely that some perspectives within the home-based sector have not been captured. This includes only being able to speak to two Pacific representatives, and no Māori or Asian representatives. In turn, this has impacted our analysis of the options. However, we received a large amount of feedback from the sector previously which has informed our options and analysis.¹¹
39. We are aware that there is a discrepancy in our data, but we have not had the time or resources to fully address this. Refer to the *Limitations and Constraints on Analysis* section for information on how we are using our data in this analysis.

Scope of options

40. The options we've developed have either come directly from the sector or were developed with their previous feedback. These options focus on maintaining quality of care and high rates of qualification, whilst providing more flexibility for providers, which they consider fundamental to the existence and growth of the home-based sector in the future.
41. We have not developed any non-regulatory options because the problem revolves around addressing a pre-existing regulation.
42. We discounted two of our initial options early on because the costs outweighed the possible benefits:

Discounted Option A	Discounted Option B
<p>60% of educators are required to be qualified.</p> <p>There is no requirement for the other 40% of educators to be qualified or in training.</p> <p>There is a single funding rate.</p>	<p>No qualification requirement for standard funding rate (as was the case until 1 June 2022).</p> <p>To receive the quality funding rate, 80% of educators are required to be qualified. The remaining 20% of educators must be in training.</p> <p>There is a standard funding rate and a quality funding rate.</p>
<p>This option was discounted because it provided no incentive to go “above and beyond” the minimum percentage of</p>	<p>This option was discounted because it disregards all of the work the home-based sector has already put in to become qualified. The existence of two</p>

¹⁰ This targeted consultation occurred 11-19 September 2024.

¹¹ Recent feedback from the sector includes a letter to the previous Associate Minister of Education in 2023, and a briefing to the current Associate Minister of Education in March 2024. ECAC has also identified the removal of the 80% qualification requirement as a ‘quick win’ for the home-based sector.

qualified educators due to the lack of a higher funding rate.	funding rates would also maintain administrative burden.
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What options are being considered?

43. In addition to the status quo, two options are being considered to amend the qualification requirements for home-based educators. These options are mutually exclusive. Our options are:

Option One	Status Quo – from January 2025, 80% of educators are qualified while the remaining 20% are in training
Option Two	All educators are either qualified and/or in training
Option Three	60% of educators are qualified, while the remaining 40% can remain unqualified. The quality funding rate remains at 80% qualified and 20% in training to incentivise providers to go beyond the minimum requirements.

44. These options prioritise quality education and care and the sustainability and supply of the sector to different degrees. At the end of this section, we assess each option against our criteria and analyse which option best meets both objectives through these criteria and other considerations.

Option One – Status Quo (80% of educators are qualified while the remaining 20% are in training from January 2025)

45. Since 2021, home-based services have been gradually shifting to a more qualified workforce as regulated in Schedule 1A of the Regulations. The final stage of this shift will commence from 1 January 2025. From this date, 80% of educators per licensed home-based ECE service will be required to hold a recognised qualification. The recognised qualifications are a Level 4 ECE, a Level 3 ECE qualification completed prior to 1 January 2022, Te Ara Tuarua (the level 5 kōhanga reo qualification), or a Level 7 primary teaching qualification.
46. The remaining 20% of educators will be required to enrol in a course offering a Level 4 ECE qualification or above within six months of joining a home-based ECE service. They must complete their qualification within four years of enrolment if the qualification is early childhood teaching qualification at level 7 or above, or within two years of enrolment for any other qualification.
47. Providers will continue to be required to keep a list of engaged educators in each licence and evidence of any qualification, as outlined in Regulation 28(1)(e) of the Regulations. Providers will be required to calculate the percentage of the educators per licensed service each month as is outlined in 44(3A) of the Regulations.

Funding

48. Under option one, there will be a single funding rate from 1 January 2025 which aligns with what the quality funding rate currently is.

How the objectives are prioritised

49. Option one prioritises consistently high-quality education and care throughout all home-based services over the supply and sustainability of the home-based sector.

Level of stakeholder support

50. Some representatives of the sector have previously expressed their lack of support for option one through the Early Childhood Advisory Committee, in briefings to past and present education Ministers, and in correspondence with us.
51. During targeted consultation on options to amend the home-based educator qualification requirement, all eleven representatives did not support option one. Referring to the poaching behaviour being seen under the status quo, one representative stated that “option one encourages feral behaviour between providers.” All representatives agreed that option one would also see further shrinkage in the home-based sector, with smaller services being the first to go.

Option Two – All educators are qualified or in training

52. Option two requires that all educators be either qualified or in training for a Level 4 ECE qualification or other recognised qualification. Unqualified educators would be required to enrol in a course offering a Level 4 ECE qualification or above within 6 months of joining any home-based ECE service. They must complete their qualification within four years of enrolment if the qualification is early childhood teaching qualification at level 7 or above, or within two years of enrolment for any other recognised qualification.
53. Regulation 28(1)(e) would require amendments to require services to keep a record of when educators are in training and have evidence to demonstrate enrolment in addition to the current requirement to list qualified educators and have evidence of their qualification. Although providers would still need to follow 28(1)(e), this option removes the need to calculate the percentage of educators each month, reducing the administrative burden. All requirements under 44(3A) of the Regulations would cease to exist.

Funding

54. As is the case with the status quo, option two would have a single funding rate that aligns with the current quality funding rate.

How the objectives are prioritised

55. Option two seeks to balance consistently high-quality education and care throughout all home-based services with the supply and sustainability of the home-based sector.

Level of stakeholder support

56. Option two is highly supported by stakeholders and was suggested by the sector to remove regulatory burden.
57. During targeted consultation, ten out of eleven (91%) representatives said they preferred this option. They believe that option two struck the right balance between quality, pragmatism, and the ability for their sector to grow. The representatives said that option two enabled the most freedom to organise their services and removed the incentive for poaching educators from other services.

58. One representative did not support option two. They run a home-based service that contracts mostly Pacific educators for Pacific families. They stated that option two would not enable them to retain highly valued but untrained educators.

Option Three - 60% of educators are qualified

59. Option three aligns with *current* qualification requirements, which will end on 31 December 2024. Under this option, two funding rates would continue to exist – the standard and the quality funding rates. The standard rate would require that 60% of educators per licensed home-based ECE service hold a Level 4 ECE qualification, or another recognised qualification. The remaining 40% of educators would not be required to gain a qualification.
60. Under option three, providers would be required to keep a list of engaged educators in each licence and evidence of any qualification, as outlined in 28(1)(e) of the Regulations. They would also be required to calculate the percentage of the educators per licensed service each month as is outlined in 44(3A) of the Regulations.

Funding

61. To receive the quality rate, at least 80% of educators per licensed home-based ECE service would be required to hold a Level 4 ECE qualification, or another recognised qualification. Additionally, the remaining 20% of educators would be required to be in training or induction.

How the objectives are prioritised

62. Option three prioritises the supply and sustainability of the home-based sector over consistently high-quality education and care throughout all home-based services.

Level of stakeholder support

63. Ten of the eleven home-based representatives (91%) at the targeted consultation did not support option three. Their biggest concern was that it went against what they had worked hard for over recent years. One representative stated “Option three is not very palatable because it means there are still unqualified educators in play. As a sector, we’ve advocated hard for the home-based sector to be a qualified workforce, not just babysitters.”
64. Some representatives argued that option three did not provide additional flexibility despite costing quality. They would still have to meet the minimum percentage, and there would still be a record keeping burden.
65. One Pacific home-based representative stated that option three was their preferred option because it was the only one that would enable them to retain untrained educators who were highly valued both by the provider and the families they served. They run one service. The other Pacific representative, who did not support this option, runs six services with all 75 of their educators being Tongan. This second Pacific representative stated that getting their educators to train was not an issue and the willingness was there.

Table 2: How population impact compares between options

	Option One – Status Quo	Option Two – All educators are qualified or in training	Option Three - 60% of educators are qualified
<p>Population impact (on Pacific and Asian families who disproportionately use home-based services more than other demographics)</p>	<p>Some educators who cannot pursue training due to a language barrier, or will not pursue training due to their age, will be lost. We have heard from some sector representatives that services that cater to specific language and cultural needs have more educators with language barriers or educators who are elderly. Our latest data does not back this up, with all Pacific language services and all but one Asian language service stating they have only qualified or in training staff currently.</p> <p>Option one's lack of flexibility means the sustainability of the broader home-base sector is at risk. If services close altogether, the same families who may lose a valued untrained educator will still miss out.</p>	<p>Some educators who cannot pursue training due to a language barrier, or will not pursue training due to their age, will be lost. We have heard from some sector representatives that services that cater to specific language and cultural needs have more educators with language barriers or educators who are elderly. Our latest data does not back this up, with all Pacific language services and all but one Asian language service stating they have only qualified or in training staff currently.</p> <p>However, under option two, the sustainability of the home-based sector is improved. This means that fewer services will close. If services close altogether, the same families who may miss out from an untrained educator leaving would lose their local home-based ECE altogether.</p>	<p>Educators who cannot pursue training due to a language barrier or will not pursue training due to their age can be retained under option three. We have heard from some sector representatives that services that cater to specific language and cultural needs have more educators with language barriers or educators who are elderly, although our latest data does not back this up.</p> <p>Option three's lack of flexibility means the sustainability of the broader home-base sector is at risk. If services close altogether, the same families will lose the same educators that are 'saved' under option three.</p>

How do the options compare to the status quo/counterfactual?

Table 3: Assessing the options against the criteria

	Option One – Status Quo	Option Two – All educators are qualified or in training	Option Three - 60% of educators are qualified
Minimise the impact of the regulations on the future supply of home-based services	0	<p style="text-align: center;">++</p> <p>There is a reduced regulatory burden. Providers have greater flexibility in how they meet the requirements which will result in fewer closures, or a slowing of the rate at which services close. Providers also have more scope to bring in new educators in training and grow the sector.</p>	<p style="text-align: center;">+</p> <p>Slightly less regulatory burden. Fewer qualified educators are required per service. However, providers would still need to remain keenly aware of the proportion of qualified versus unqualified educators per service. The percentage requirement would continue to be a barrier to bringing in new educators in training and growing the sector.</p>
Ensure quality of education and care for children in attendance	0	<p style="text-align: center;">-</p> <p>There is no minimum percentage of qualified educators per service, however all educators will be moving towards becoming qualified. The time limit for gaining a qualification will ensure educators keep pace.</p>	<p style="text-align: center;">--</p> <p>Up to 40% of educators will be allowed to remain unqualified, lowering the quality of care compared to the status quo. The continued existence of the quality rate may encourage some providers to push for 80% of their educators to be qualified.</p>
Ease of implementation for the Ministry of Education	0	<p style="text-align: center;">-</p> <p>A Cabinet decision would need to be made to amend the current regulations. This would need to be done within a very tight timeframe.</p>	<p style="text-align: center;">--</p> <p>A Cabinet decision would need to be made to amend the current regulations. This would need to be done within a very tight timeframe.</p> <p>To reinstate the standard funding rate also requires a Cabinet decision, meaning that this needs to be covered in the Ministerial advice around the regulatory changes.</p>

Reduce compliance costs	0	<p style="text-align: center;">++</p> <p>Providers will not have to balance out the trained/untrained proportions of their workforce anymore. This means there will be less moving across licences and it'll be easier to bring on new educators and grow the sector.</p>	<p style="text-align: center;">+</p> <p>Slightly reduced compliance costs – service providers do not need to meet higher qualification standards, however they may still need to move educators across licences to ensure each service remains compliant.</p>
Te Tiriti	0	<p style="text-align: center;">0</p> <p>Māori children receive high quality education and care.</p> <p>Te Ara Tuarua is recognised in home-based and provides a more tikanga lens for educators who pursue a qualification.</p> <p>In previous early learning consultation, we have heard that there is a strong desire to retain unqualified educators who had valued skills, including te reo Māori and tikanga. This option does not enable these educators to remain.</p>	<p style="text-align: center;">0</p> <p>Some Māori children receive high quality education and care.</p> <p>Te Ara Tuarua is recognised in home-based and provides a more tikanga lens for educators who pursue a qualification.</p> <p>In previous early learning consultation, we have heard that there is a strong desire to retain unqualified educators who had valued skills, including te reo Māori and tikanga. This is the only option that enables these educators to remain.</p>
Overall assessment	0	+2	-2

Table 4: Analysing how well each option meets the objectives

	Option One – Status Quo	Option Two – All educators are qualified or in training	Option Three - 60% of educators are qualified
Objective A: Consistently high-quality education and care throughout all home-based services	Adopting a level 4 ECE qualification standard for all home-based educators over time means a stronger focus on child development than lower level ECE qualifications, which is important in providing greater assurance on the consistent quality of interactions between educators and children.	Adopting a level 4 ECE qualification standard for all home-based educators over time means a stronger focus on child development than lower level ECE qualifications, which is important in providing greater assurance on the consistent quality of interactions between educators and children.	Only requiring 60% of educators meet level 4 ECE qualification standard and enabling 40% of educators to not pursue any qualification means less focus on providing assurance on the consistent quality of interactions between educators and children.
Objective B: Supply and sustainability of the home-based sector is not hindered	The perceived regulatory burden and compliance cost of this option is high and the flexibility of it is low. Services cannot grow because it can be difficult to find qualified educators to contract. Unqualified educators cannot be contracted until a service has more than enough qualified educators to remain compliant. This also means some educators are missing out on being able to join the service of their choice.	The regulatory burden and compliance cost of this option is lower and the flexibility of it is high. It removes the percentage requirement. Providers would be able to take on any educator who is available to them, so long as that educator is prepared to train. Educators would be able to commence their contract with a service immediately regardless of whether they are already qualified or not.	The perceived regulatory burden and compliance cost of this option is high and the flexibility of it is medium. Although the bar is set lower for option three than the status quo when it comes to how many qualified educators are required, it still has a hard line that services would need to meet to stay compliant. This means that barriers to sustainability still exist. Qualified educators would still be difficult to find, and services may continue poaching practices, especially if they are trying to meet the quality funding incentive under option three.

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

66. Option two is the preferred option. This option requires that all educators be either qualified or in training for a Level 4 ECE qualification or other recognised qualification. Gaining a qualification is the difference between providing only care and providing education and care to a child.
67. Studies have found that children who are taught by qualified educators are more likely to hold conversations with these educators and to take part in complex play. Qualified educators are more likely to be “intentional” about the children’s learning and spend more time planning and passing information on to parents. They are also more likely to initiate conversations and help children to form and develop concepts. These skills are highlighted in international research as being predictive of children’s academic success later.¹²
68. Unqualified educators would be required to enrol in a course offering a Level 4 ECE qualification or above within 6 months of joining a home-based ECE service. They must complete their qualification within four years of enrolment if the qualification is early childhood teaching qualification at level 7 or above, or within two years of enrolment for any other recognised qualification. That means that all home-based services would continue to move towards consistent quality provision.
69. This option best meets the decision-making criteria outlined at the beginning of Section 2 and again in the analysis table above. Option two also comes with the least trade-offs. At the expense of a challengingly fast implementation period (which is the most temporary of all the criteria), it continues to promote the move towards a qualified home-based sector workforce whilst reducing regulatory burden and compliance costs.
70. By meeting almost every criterion, option two successfully balances the two objectives:
 - a. Sufficient regulation for consistently high-quality education and care throughout all home-based services; and
 - b. Regulation settings are not so onerous that the supply and sustainability of the home-based sector is hindered.
71. Option two would result in the loss of some educators who cannot or will not train. These educators are highly valued by the families that choose them, sometimes for cultural or language provision. However, option two is also the option that opens the door most widely for more educators in the future to join the home-based sector. These future educators will become qualified in time and provide high quality education and care. Furthermore, some of them may be able to fulfil the cultural or language needs of the communities they serve to the same extent as educators who have been lost.

¹² Meade, A., Stuart, M., & Williamson, J. (2012) A study of teachers’ work in providing quality care and education for infants and toddlers. *First years : New Zealand journal of infant and toddler education*, 14(2), 25-33

What are the marginal costs and benefits of the option?

Affected groups <i>(identify)</i>	Comment <i>nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.</i>	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low, and explain reasoning in comment column.</i>
Additional costs of the preferred option compared to taking no action			
Regulated groups (providers, educators)	<p>Some educators will be unable to remain with their home-based service if they cannot or will not train.</p> <p>We have heard that there is overlap between this group of educators and educators who cater more towards language or cultural needs such as those at some Pacific home-based ECE services. However, the data does not back this up.</p>	Medium	Medium
Regulators (Ministry of Education)	<p>Some services that were expected to close due the percentage requirements no longer will. They will receive the new Single Funding Rate, which is expected to cost an additional \$3.9m per year. However, this additional cost is within baseline funding.</p> <p>Auditing functions will remain the same as now but check for fewer things (no percentage).</p>	Medium	High
Others (Children, parents, caregivers, whānau)	Some cultural or language provision may be lost due to untrained educators leaving.	Low	Medium
Total monetised costs	Some services that were expected to close due the percentage requirements no longer will.	Approximately \$3.9m per year.	High

	<p>In addition, this option will support further growth of the sector, both in terms of larger services and possibly more of them, requiring more funding.</p> <p>This additional cost is within baseline funding.</p>		
Non-monetised costs		<i>Low-Medium</i>	
Additional benefits of the preferred option compared to taking no action			
Regulated groups (providers, educators)	<p>Providers will have less regulatory and compliance burden due to the lack of percentage requirement. They can also grow their services more easily.</p> <p>If an educator is prepared to train, they can be contracted by any service, opening more doors for them.</p>	High	High
Regulators (Ministry of Education)	<p>More quality education provision supports educational outcomes for children participating in the home-based setting.</p> <p>Value for money from a social investment lens. The Ministry should see a return on investment in that children receive a stronger early childhood education from which to build the rest of their education on.</p>	Medium	Medium
Others (Children, parents, caregivers, whānau)	<p>Children receive consistently high quality education and care from an increasingly qualified workforce. Research shows positive correlation between</p>	High	High

	<p>teacher education and classroom quality.¹³</p> <p>The risk of a family's preferred home-based service closing is lessened due to the increased flexibility this option provides.</p>		
Non-monetised benefits		<i>High</i>	

72. The impact of non-monetised costs and benefits has been determined by considering the proportion of each group under the “Regulated Group” and “Others” categories will be affected, and the amount of energy and/or time it will cost (or give back) to the Regulator.
73. Due to the tight timeframe, we are working within, there was limited opportunity to assess the impact of any change on the families themselves. We have, however, considered service availability and quality as impacts on families.
74. There is a risk that a service could exist entirely of unqualified educators who are in the process of being trained. However, the risk is considered low-medium as over 70% of educators in the sector are already qualified or in training. Most services are on track for 80% of their educators being qualified which means they currently have a high proportion of qualified educators. We also know that training is usually completed relatively quickly, with most educators completing their training within 12 months of beginning their courses. It is also against the best interests of the provider to have a high proportion of trainees at one time due to the additional hours of support that must be given to them, and the additional cost of providing that support.
75. There is a risk that some educators may not join the home-based sector due to course fees. Currently, gaining a Level 4 ECE qualification is free. However, starting next year, course providers will begin charging students which will create a cost barrier to aspiring educators who have the will to train but not the means. Under option two, to be a part of a home-based service, there is no option to not train, so this barrier poses a risk to the sustainability of the workforce. However, as this is a Level 4 qualification, many educators will be eligible for interest free student loans to support them with course fees.
76. Aspiring educators in rural areas are likely to experience these barriers more acutely. They may struggle to attend in-person classes due to transport issues or attend distance classes due to technical and internet issues.¹⁴ In turn, if rural home-based ECE services cannot locate qualified (or in-training) educators to contract, they may close. This risk is not higher under our selected option than it was under the status quo, but we note the

¹³ Manning, M., Wong, G. T. W., Fleming, C. M., & Garvis, S. (2019). Is Teacher Qualification Associated With the Quality of the Early Childhood Education and Care Environment? A Meta-Analytic Review. *Review of Educational Research*, 89(3), 370-415. <https://doi.org/10.3102/0034654319837540>

¹⁴ It is helpful to note that internet coverage in New Zealand is always expanding so this issue will likely improve over time.

risk would have been lower under option 3 due to it allowing for some educators to not train.

77. During targeted consultation, the home-based representatives highlighted that an educator could game the system and jump from service to service to avoid ever commencing the training they enrol for. However, work history is a part of safety checking requirements when a provider contracts an educator, so this sort of behaviour should come to light. Providers generally do not wish to sink time and resources into educators they know will leave their service within six months and will therefore be less likely to contract an educator who service-jumps. In turn, we expect this to disincentivise educators who wish to join home-based services from engaging in this behaviour.

Section 3: Delivering an option

How would the new arrangements be implemented?

78. It is possible that the legislative change to the qualification requirements may come into effect after the status quo (80% qualified educators and 20% in training requirement) comes into effect on 1 January 2025. This is due to the tight timeframe and the 28-day notice period after an announcement in the Gazette. Sector representatives have indicated that some services may not be able to comply with the 80% standard for the period of time it may be in place before the amendment to the regulations takes effect.
79. We anticipate that only the six services that have indicated they will not be able to meet the status quo by 1 January 2025 will become temporarily non-compliant. We will encourage services to get in contact with the Ministry if they cannot reach the 80% standard in the interim period, and where appropriate, we will work with them on a case-by-case basis to keep them operating. The cancellation process of a licence is very gradual. If the interim period is short enough, services caught out by the interim period should be able to continue to operate. The Ministry could send a formal reminder of the requirements to the licence, request an action plan, or reclassify a service's licence to provisional (which will give them up to three months to comply with any requirement).
80. Communication of this change will be provided through the Ministry's standard publications and other channels following an announcement from the Associate Minister.
81. Once the legislative change comes into effect, home-based ECE providers would need to continue to keep a list of the educators they engage as a part of each service. They would no longer need to balance the percentage of qualified versus in training educators at each of their services. Removing the percentage requirement also means that the rules around which educators can be counted in a licence have been consequently removed.
82. Under the change, educators will be required to enrol in a recognised course within six months of joining a service. It would be the responsibility of the provider to ensure that each educator does this. It would also be the responsibility of the provider to ensure that educators in training complete their course within the time limit. As outlined in Chapter 11-1 of the ECE Funding Handbook, a record of educators in training and their credits earned must be kept.
83. Providers should be able to attest and prove, at any time, that all of their educators are qualified or in training, with those in training progressing through their courses and

completing them on time. The Ministry does not actively monitor services in how they manage the qualification requirements but can audit a service at any time.

84. If we consider educators service-hopping to avoid training a high risk, we could require educators to sign a declaration stating where they have worked previously and any training they have undertaken or enrolled in.

How would the new arrangements be monitored, evaluated, and reviewed?

85. The Ministry of Education would monitor and evaluate the impact of the proposal on home-based providers, services and educators as well as the families that use these services. The Ministry has a number of channels for this, such as seeking feedback in Ministry publications, setting up face to face meetings with key stakeholders such as the NZ Home-based Association and ECAC, and issuing new and better guidance.
86. To monitor and evaluate the delivery of consistently high-quality education and care throughout all home-based services, we would track whether the proportion of qualified educators in home-based ECE services drops, stays stable, or increases over time. We can do this by analysing census data.
87. To monitor and evaluate the supply and sustainability of the home-based sector, we will continue to track the number of services operating and the number of children attending services year on year. We do this by analysing census data. We would also talk to sector representatives about the impact this change has had on poaching behaviour and the longevity of educators staying with a service.