



3 July 2025

Tēnā koe

Official Information Act request

Thank you for your email of 20 May 2025, requesting a copy of REP/22/7/646.

I have considered your request under the Official Information Act 1982 (the Act). Please find my decision on your request set out below.

Please find attached:

- **REP/22/7/646** *Informal care and meeting early learning and care needs for families with non-standard work hours*, joint report to the Minister for Education and Minister of Social Development and Employment, dated 22 September 2022.

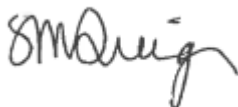
Some information is withheld under section 9(2)(h) of the Act to maintain legal professional privilege. The greater public interest is in ensuring that government agencies can continue to obtain confidential legal advice.

I will be publishing this decision letter, with your personal details deleted, on the Ministry's website in due course.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with my decision on your request, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Ngā mihi nui

pp. 

Anna Graham
General Manager
Ministerial and Executive Services

Report

Date: 22 September 2022 **Security Level:** IN CONFIDENCE

To: Hon Chris Hipkins, Minister for Education
Hon Carmel Sepuloni, Minister for Social Development and
Employment

Reference: Education – METIS 1296617; MSD – REP/22/7/646

Informal care and meeting early learning and care needs for families with non-standard work hours

Purpose of the report

- 1 This report provides you with requested advice on informal care and meeting early learning and care needs for families with non-standard work hours. The advice is presented in three parts:
 - 1.1 Part A: Providing public assistance for informal care.
 - 1.2 Part B: Options for using Flexible Childcare Assistance to better support informal care for low-income families.
 - 1.3 Part C: How the early childhood education services could better cater to families with non-standard work hours.

Executive summary

- 2 Childcare is a critical part of the infrastructure that supports parents, especially mothers, to enter paid work. When considering childcare there two common overarching objectives:
 - 2.1 Ensuring that children are safe and cared for, when their parents are not available to look after them.
 - 2.2 Supporting children's learning and development.

These outcomes are linked in many cases. Recent research suggests that whānau often perceive Early Childhood Education (ECE) as a means into employment, rather than only as a provider of early learning services.¹

- 3 Some parents have difficulties in accessing formal childcare. One barrier is that the hours that formal childcare operates is not always aligned with non-standard working hours, for example evening, night and weekend work. As a result, some parents may be relying on informal care, or precarious or unsuitable childcare arrangements.
- 4 This paper provides advice on responding to this problem in three parts:
 - 4.1 The case for funding informal care
 - 4.2 Options for expanding existing funding for informal care (Flexible Childcare Assistance), and
 - 4.3 Advice on how ECE could better cater to these families.

Funding informal childcare

- 5 Informal childcare is generally defined as care arranged by the child's parents or caregivers either in the child's home or elsewhere, provided by relatives, friends, neighbours or babysitter. It is, by definition, unregulated compared to its formal equivalent, ECE. It is common in New Zealand. Care of children is the focus of this kind of arrangement, as opposed to education.
- 6 Families may choose informal care arrangements for a range of reasons. Preference and choice play a role, as informal care can support children to build relationships with family members and receive culturally appropriate care. It may also be used in conjunction with formal ECE to meet childcare needs.
- 7 However, difficulties in accessing formal childcare can also be a factor in choosing informal care. Examples include the cost, service unavailability and/or misalignment of working hours with childcare hours.
- 8 We expect that there are a small number of families relying on precarious informal childcare, with no formal childcare, due to a lack of choice. This group should be a considered a priority for investment.
- 9 Ministers could consider increases to targeted financial support for families to indirectly support informal care, for example, increasing or expanding the Best Start Tax Credit, which provides financial support to low-income families with children under three. These payments provide the greatest amount of parental choice in care arrangements. Further advice can be provided through the Working for Families Review.

¹ Access to Childcare research commissioned by the Ministry for Women, available at <https://women.govt.nz/documents/access-childcare>

- 10 Ministers may also wish to consider expanding Flexible Childcare Assistance (FCA). Options for a small expansion are outlined in **Part B** of this advice.
- 11 While there is likely a small group of parents who would potentially benefit from further support for informal care, there are significant risks in investing further in informal care at scale – particularly around safety and child wellbeing and value for money. Furthermore, funding informal care at scale could potentially act as a disincentive to families to use formal care. We advise Ministers against this.

Options to expand Flexible Childcare Assistance

- 12 FCA is a tightly targeted payment available to sole parents who are moving off-benefit into work and have costs associated with informal childcare due to working non-standard hours. The main issues with FCA are low awareness, narrow eligibility settings, the limited duration, and the rate of payment (which has never been reviewed).
- 13 We recommend a small expansion to FCA settings to target parents who are unable to access formal childcare due to employment or employment-related activities. We recommend retaining the link to benefit receipt or benefit exit. We note that a more substantial expansion of FCA would require significant reform of the programme.
- 14 Options for expansion are based on three main areas, which each target different objectives from the Review of Childcare Assistance. All of the below options aim to improve informal care assistance for low-income families.
 - 14.1 **Eligibility settings** – these options aim to improve access to informal support for low-income families, improve labour market participation, and improve flexibility of childcare settings. We recommend Ministers agree to all extensions to eligibility, which are:
 - Replace non-standard working hours eligibility requirement with the inability to access formal childcare.
 - Expand FCA eligibility to all caregivers with dependent children.
 - Expand eligibility to people who are receiving a main benefit
 - 14.2 **Duration settings** – these options aim to improve labour market participation and flexibility of childcare settings. We recommend removing the current time limitation of the FCA.
 - 14.3 **Payment settings** – this option aims to improve the adequacy of assistance. We recommend a CPI adjustment and catch-up of the FCA payment level.
 - 14.4 **Operational improvements** – we have also included options to improve awareness of FCA through operational changes. These could be combined with any of the above setting changes or stand-alone.

Non-standard hours

- 15 One reason for the use of informal care is that the hours formal ECE typically operates for is not always aligned with non-standard working hours. We do not have data that allows an estimate of this unmet need, although we know that some need outside of standard hours is met by ECE services.
- 16 The Ministry of Education (MoE) considers the main barrier to ECE services providing services outside of standard hours will be low and intermittent demand – usually services need consistently high occupancy to be viable. This likely means significant additional funding over and above what ECE services currently receive would be required for services to cater to non-standard hours. There are also marked regulatory and workforce barriers to facilitate services being open overnight.
- 17 MoE has begun work on Action 5.2 of the Early Learning Action Plan: identifying options to address supply of early learning services in under-served communities. Further investigation of regulatory and funding approaches needed to enable additional ECE provision at non-standard hours could be undertaken as part of that work. However, officials consider that considerable resource and effort are likely to be needed to overcome the barriers that would need addressing. Pursuing further investigation is, therefore, not recommended.

Recommended actions

It is recommended that you:

Minister for Education and Minister for Social Development:

- 1 **note** officials recommend prioritising investment in improving access to formal rather than informal childcare, where possible
- 2 **note** that officials do not recommend large-scale funding of informal care due to a range of risks that will be difficult to mitigate
- 3 **note** that if Ministers do wish to invest in informal care, officials recommend doing this through existing mechanisms, for example Flexible Childcare Assistance or indirectly through the Best Start Tax Credit
- 4 **agree** that no further advice on new mechanisms for funding informal care will be provided

YES / NO

Minister for Education

YES / NO

Minister for Social Development
and Employment

- 5 **forward** this report to the Minister for Child Poverty Reduction, Minister for Children, Minister of Finance and Minister of Revenue to support discussion at the Income Support Ministers meeting on 5 October 2022

YES / NO

Minister for Education

YES / NO

Minister for Social Development
and Employment

- 6 **forward** this report to the Minister for Women for her information

YES / NO

Minister for Education

YES / NO

Minister for Social Development
and Employment

Minister for Social Development only:

- 7 **indicate** your preference for receiving further advice on the following options identified to expand Flexible Childcare Assistance

Eligibility Settings

7.1 Replace non-standard working hours eligibility requirement with the inability to access formal childcare **YES / NO**

7.2 Expand Flexible Childcare Assistance eligibility to all caregivers **YES / NO**

7.3 Expand eligibility to people who are receiving a main benefit **YES / NO**

Duration Settings

7.4 Extend Flexible Childcare Assistance to 52-weeks **YES / NO**

7.5 Remove the time limitation of Flexible Childcare Assistance **YES / NO**

Payment Settings

7.6 CPI adjustment and catch up **YES / NO**

Additional Options

7.7 Operational changes **YES / NO**

Minister of Education only:

- 8 **indicate** whether the Ministry of Education should include further investigation of regulatory and funding changes to enable ECE provision for non-standard work hours as part of work being undertaken on Action 5.2 of the Early Learning Action Plan.

YES / NO



Siobhan Murray
Policy Manager, ECE Policy
Ministry of Education



Polly Vowles
Policy Manager
Ministry of Social Development

Hon Chris Hipkins
Minister of Education

Date

Hon Carmel Sepuloni
Minister for Social Development and
Employment

Date

Introduction

- 18 When considering childcare there are two common overarching objectives:
- 18.1 Ensuring that children are safe and cared for when their parents are not available to look after them, which is often because of participation in work, education, or training.
 - 18.2 Supporting children's learning and development.
- 19 Childcare provided outside of normal hours illustrates tensions in these objectives. For example, a sole parent working in the evening or at night needs a safe place for their child during that time, which may be outside the home. However, the time of day means that the child will most likely need to be eating, relaxing, or sleeping, which only partially reflects the purpose of formal, regulated early childhood education.²
- 20 That said, childcare is a critical part of the infrastructure that supports parents, especially mothers, to enter paid work or training. Recent research suggests that whānau often perceive ECE as a means into employment, rather than only as a provider of early learning services.³
- 21 Alongside formal care provided by the education sector, informal care is widely used in New Zealand to support parents' participation in the labour market. Informal care is usually undertaken by family members to provide for care of children while parents are not available. This kind of care does not directly support formal educational objectives.
- 22 Informal care is often used in combination with formal care – for example, a child may be cared for by a grandparent one or two days a week and in ECE for the remaining days. This means that children will be receiving the educational benefits of ECE participation, while also spending time in non-ECE care.
- 23 It is also worth considering that while provision of care in non-standard hours could provide greater support to parents to work, at a certain point the benefits of this may be outweighed by the risk of negative impacts on children. For example, it may not be desirable for a young child to be at school for most of the day, and then in an OSCAR service well into the evening.

² Section 14 of the Education and Training Act 2020 refers to the early childhood education system being one where all children are able to participate and receive a strong foundation for learning, positive well-being and life outcomes.

³ Access to Childcare research.

Part A: Providing public assistance for informal care

Informal care in New Zealand

- 24 Informal childcare is generally defined as care arranged by the child's parent either in the child's home or elsewhere, provided by relatives, friends, neighbours, or babysitters. It is, by definition, unregulated compared to its formal equivalent, ECE.
- 25 The 2017 Childcare Survey from Statistics New Zealand (Childcare Survey 2017) provides us with a picture of informal childcare choices made by New Zealand parents. Some key findings include:
- Informal care is very common in New Zealand - around 40% of children aged 0 – 6 years old received some level of informal care.
 - Grandparents are the most common informal carers (the only exception are one-parent families, where the other parent is the main informal carer). This is consistent with other OECD countries.⁴
 - The majority (almost 90%) of informal carers are providing care at no cost. Nearly half of the remaining group are paid \$50 or less a week.
 - Many parents choosing informal care are on relatively higher incomes. This is not entirely explained by the use of nannies/babysitters.
 - Preschool children are more likely to be in formal care as they get older. The Childcare Survey found that 18 percent of children under one year old were in formal care, compared to 89 percent of four-year olds.
- 26 Informal care is often used to supplement other types of formal childcare. An example is a child being picked up from a six-hour day at a kohanga reo or ECE centre by a grandparent, and spending time with them until their parent finishes work.
- 27 Although informal care has received increased attention recently, especially during the Covid-19 pandemic, there is limited evidence available on the impact of informal care on children and their families.

Many families choose to use informal care...

- 28 It is worth noting at the outset that many parents prefer to use informal care over formal care. Informal care provides benefits for families beyond supporting labour market participation, for example by supporting the development of strong bonds between children and their grandparents, or other important adults in their lives. Leaving young children in the care of a family member could be more appealing to some parents than formal

⁴ Informal care lit review

childcare. The fact it is often freely provided makes it especially preferable for parents.

- 29 In Māori culture hapū and whānau have whanaungatanga responsibilities to children, which could explain the higher incidence of informal care for those children. As noted in Puao Te-Ata-Tu: "The child is not to be viewed in isolation, or even as part of [a] nuclear family, but as a member of a wider kin group or community that has traditionally exercised responsibility for the child's care." There is a similar dynamic in Pacific families.

... but for some families, lack of access to formal childcare can limit childcare choices

- 30 Barriers to accessing formal childcare can include:
- 30.1 Inability to meet costs of formal childcare.
 - 30.2 A mismatch between the hours that childcare is typically available and parents' work hours, for example evening or irregular working hours.
 - 30.3 Lack of formal childcare options that provide appropriate language or cultural settings.
- 31 A key focus in this advice is parents working non-standard hours. Analysis on decisions about ECE showed that while all maternal employment was related to an increased use of ECE services, mothers who worked a regular day time schedule were seven times more likely to use a formal ECE service, whereas those working more irregular shifts were only about three times more likely to do so, compared to mothers who were not working. In contrast, mothers working weekends were twice as likely to not use an ECE service.⁵
- 32 Parents working non-standard hours are more likely to rely on informal childcare than formal childcare. Groups more likely to be in this category are low-income, sole mothers, Māori and Pacific, and ethnic minorities. Sole mothers with a child under 5 are twice as likely to be temporary workers, more likely to be in work outside of standard hours and have less job flexibility than partnered mothers.⁶
- 33 Some families in this situation may have no choice but to rely on informal childcare. In some cases, this may entail multiple, unstable, and unreliable forms of informal childcare and no formal childcare, meaning that children

⁵ Intentions and decisions about early childhood education: Understanding the determinants and dynamics of households' early intentions and decisions about ECE and childcare from birth to age two, Ministry of Social Development, 2019
[children-and-families-research-fund-report-intentions-and-decisions-about-early-childhood-education.pdf](https://www.msd.govt.nz/assets/Uploads/Intentional-early-childhood-education-report-intentions-and-decisions-about-early-childhood-education.pdf) (msd.govt.nz)

⁶ Mothers in the New Zealand workforce, Statistics New Zealand, 2015
<https://www.stats.govt.nz/assets/Uploads/Retirement-of-archive-website-project-files/Reports/Mothers-in-the-NZ-workforce/mothers-nz-workforce.pdf>

could be experiencing care that is unsafe or unsuitable, and care that doesn't support their learning and development. From qualitative research we are aware of families in these situations, however, it is difficult to identify the exact cohort of people to assess demand.

In the first instance, officials recommend improving access, quality and reducing cost of formal care

- 34 As noted above, parents may use informal childcare due to difficulties in accessing formal care, or to supplement formal care. Officials recommend that Ministers prioritise investment in improvements to formal care to address those barriers, before exploring investment in informal care. Recent research from Europe suggests that the availability of formal childcare enables parents to work standard schedules and reduces non-standard work among parents.⁷
- 44 Options for improving access to formal ECE are outlined in companion papers, for example improving affordability and coverage through changes to the Ministry for Social Development's (MSD) Childcare Subsidy.
- 45 Currently, home-based OSCAR providers are not eligible for grant funding, but future advice will explore the option of extending this eligibility. Home-based providers are arguably well-placed to cater for under-served families, including those in isolated locations, those needing flexible and/or informal care, those preferring specific cultural and language components, as well as a home-like environment being more appropriate for some high-needs children.
- 46 The Ministry of Education (MoE) is also preparing further advice on changing or removing the daily cap on ECE subsidies and expanding 20 Hours ECE for the following Income Support Ministers meeting in November 2022.
- 47 Supporting more families to access formal childcare contributes to both the care and education objectives of childcare, as outlined in paragraph 18.
- 48 In addition, there is a range of work underway by MoE to improve existing services, including:
- 48.1 As outlined in previous advice, undertaking a review to better enable teacher pay parity. Pay parity will help provide for a stable workforce within services, which is important for attachment and child wellbeing.
 - 48.2 Working with Te Kōhanga Reo National Trust to improve pay for kaimahi

⁷ Bünning, Mareike, Pollmann-Schult, Matthias (2016): Parenthood, child care, and nonstandard work schedules in Europe, European Societies, ISSN 1469-8307, Taylor & Francis, Abingdon, Vol. 18, Iss. 4, pp 295-314.

- 48.3 Working with Māori language education and care services and Pacific language education and care services on qualification requirements for staff in their services
- 48.4 Reviewing of Equity Funding (Components A and B) and Targeted Funding for Disadvantage, the current funding streams for services with high proportions of children from low social-economic communities.

Scope for providing public assistance for informal care

- 49 In general, officials' view is that there is not a strong case for investing in support for informal care at a large scale. For many families, informal care supports parents to return to work is suitable if the arrangements are safe, stable, reliable and meet parents' needs.
- 50 The vast majority of informal care is provided at no cost and reflects the preferences of parents and their families for care of their children
- 51 However, there is a stronger case to target the small cohort of families using precarious informal childcare, as outlined at paragraph 33, to invest in their access to affordable and safe childcare.

Expand current support mechanisms

- 52 MSD's FCA is the one state-provided mechanism that provides direct financial support for informal care. Indirect support for informal care is also provided through targeted financial support to families through Working for Families tax credits, including the Best Start Tax Credit which provides financial support for families with children under three. Other tax credits provide targeted support for low to middle-income families with children under 18, including beneficiaries and working families. If Ministers do wish to provide further funding for informal care, we recommend exploring the expansion of one of these mechanisms in the first instance.

Expand Flexible Childcare Assistance

- 53 FCA is available to some people leaving benefit to assist costs associated with informal childcare. When accessing FCA parents are responsible for choosing and organising appropriate care. MSD does not review arrangements, however, case managers can provide guidance to parents on matters they may wish to consider when choosing a caregiver, such as seeking a copy of the person's criminal record or asking about how the child will be looked after.
- 54 Options for expanding FCA are outlined in **Part B** of this paper.

Increase or expand the Best Start Tax Credit

- 55 The Best Start Tax Credit is paid to all parents in the first year of a child's life and targeted to families earning under \$93,858 for two further years. It is currently paid at \$65 per week. The stated purpose of the payment is to assist families with the costs of raising children. Recipients are not required to

provide evidence of relevant expenses to receive it. Parents can choose to put these payments towards the costs of either formal or informal childcare.

- 56 Increasing or extending this payment could provide further financial support to families, which could be used to meet childcare costs (either formal or informal).
- 57 Through the Working for Families Review, officials recently provided advice to Income Support Ministers⁸ on two options for extending the Best Start Tax Credit. We note that Income Support Ministers indicated that increases or extensions to the Best Start Tax Credit would not be considered in Budget 23. However, for reference the options were:
- 57.1 Extending the payment to eligible families with children up to age five (\$104 million p.a.)
- 57.2 Increasing the targeted weekly payment rate by \$40 per week (\$156 million p.a.).
- 58 A further option was also modelled for earlier advice that increased the weekly payment rate by \$30 per week, effectively increasing the total maximum payment to \$100 (given the weekly rate is expected to be \$71 per week from 2023), at a cost of \$116 million p.a.
- 59 Both options could be considered for future investment to help support low-income families who incur costs over and above MoE subsidies and the Childcare Subsidy, as well as those families for whom formal childcare models may not be suitable (for reasons outlined earlier in this paper).
- 60 Other options still under consideration in the Working for Families Review could significantly increase financial support for families with children, and could also indirectly support informal care. Further substantive advice on these options will be considered by Income Support Ministers in November 2022.

Explore new options

- 61 Officials could also explore options for new ways of supporting parents to access informal care. These options are focused more on providing for care of the child, rather than education. Example options include:
- 61.1 A new kind of payment for informal carers, for example a cash-for-care allowance, to be used flexibly, eg for pre-school and out of school care. This could be targeted to families on lower incomes. There is international precedent for this, for example: a 'cash for

⁸ Working for Families Review: Evidence and Options, 21 July 2022. Provided to the Minister for Child Poverty Reduction, Minister of Finance, Minister for Children, Minister for Social Development and Employment and Minister of Revenue.

care' allowance, which has been used in Finland, Norway and Sweden.

- 61.2 Government-funded and administered babysitter services. In Scotland this kind of service is available through NGOs, providing in-home babysitting services outside of standard childcare hours (the Sitter Service).
- 61.3 Employer-supported models, for example promotion of on-site childcare or employer contributions to employees' childcare costs. We note that this would require significant engagement with employers, and could possibly be of interest only to particular employers, eg those with large numbers of employees working non-standard hours.

Considerations in funding informal care

- 62 MoE's ability to financially support informal care is circumscribed by the legal requirement for an ECE service (eg, a home-based service) to be licensed in order to receive MoE early learning subsidies.⁹ The requirement to come under the licensing framework administered by the MoE makes support for informal care problematic without legislative change.¹⁰
- 63 For MSD, introducing larger-scale provision of financial support for informal care would be a significant expansion of current services. The introduction of a new payment mechanism or service offering would have significant IT and operational implications, and potentially require legislative amendment.
- 64 If Ministers are interested in new mechanisms for funding informal care, further advice would be required and would need to consider:
- Target cohorts and investment objectives
 - The balance of universal versus targeted support, eg to those on lower incomes, or with particular difficulties in accessing formal childcare
 - The best interests and safety of children
 - Expected quality standards for informal childcare and how these would be monitored and enforced
 - Labour market objectives and whether/to what extent informal care supports them
 - The role of the state and families in providing care for children
 - How support for informal care would be operationalised and the associated implications, for example legislative change.

⁹ Education and Training Act 2020 s 548 (1)(a)

¹⁰ The Ministry of Education contracted for a very limited childcare scheme during the Covid lockdowns. However, this required it to be very carefully set up to fit within legal constraints.

- 65 Alongside these matters, Ministers would also need to consider whether providing large-scale funding for informal care could incentivise families to move their children away from formal childcare options and whether this is desirable. Any change in policy or funding that is perceived as promotion of informal care is likely to create points of conflict with formal ECE provision. For example, depending on settings, some home-based carers may be incentivised to move away from home-based ECE (with associated education, quality and safety requirements) to less regulated informal care.
- 66 Initial advice on the benefits and potential risks is outlined briefly below.

Benefits of government funding for informal care

- 67 Providing financial support for informal care arrangements could support the stability of those care arrangements, and in turn support parents' participation in the labour market.
- 68 Funding would also support parents to make choices about childcare arrangements that work best for them.

Potential risks of government funding for informal care

- 69 Safety of children is a key risk with any kind of informal care. Informal caregivers are likely to be untrained and unvetted, and there is a risk for the government in funding them at scale. Providing funding for informal caregiving could create a perception that the government has approved or vetted the caregivers, when that may not be the case.
- 70 However, we note that in many cases children may be in informal care arrangements with these caregivers already. While most informal care arrangements are likely to be safe and suitable for the child, there is a risk that the availability of funding could provide an incentive for unstable or unsuitable informal arrangements to continue.
- 71 It is also possible that, if funded at scale, families may be incentivised to move their children out of formal care and into informal arrangements, especially if they are less costly.
- 72 As outlined in this paper, informal care is already widespread in New Zealand and largely unfunded. Many families may be choosing informal care for their own reasons, even if the cost of formal care is not a barrier. Although many families would likely welcome a financial contribution, it is not clear what impact investment would have on labour market participation and child outcomes. It is possible that the government may end up paying families for care that would otherwise be provided for free.
- 73 It is also likely that providing funding for informal care could be very costly, without very tight targeting. For example, in the Netherlands in the early 2010s, grandparents could be recognised as childcare providers and receive relevant financial support. This led to a rapid increase of childcare spending

but had little effect on formal labour supply.¹¹ It is possible that any costs could be partially offset by a reduction in spending on formal care, if families choose to shift their children. However, this will be difficult to predict and model.

- 74 There is also a significant risk of fraud that would need to be mitigated in any proposal. With informal arrangements it will be more difficult to determine whether claims are genuine.
- 75 As noted earlier, parents may choose informal care due to barriers accessing formal care. Funding informal care will not address issues with the accessibility and availability of formal care.

Next steps

- 76 Officials recommend that Ministers prioritise investment in options that reduce barriers to accessing formal childcare, as outlined in companion advice.
- 77 If Ministers would like to explore improvements to informal care, we recommend expanding existing mechanisms in the first instance. This could include:
- Increases to targeted financial support for families to indirectly support informal care, for example, increasing or expanding the Best Start Tax Credit, which provides financial support to low-income families with children under three.
 - Expansion of FCA.
- 78 If Ministers request, further advice could be provided on opportunities for new funding or support mechanisms, and the associated implementation considerations, costs, expected benefits, risks and mitigation strategies. We note that due to the likely complexity of any arrangements and other priorities, it is not likely that any options would be ready for investment in Budget 23.

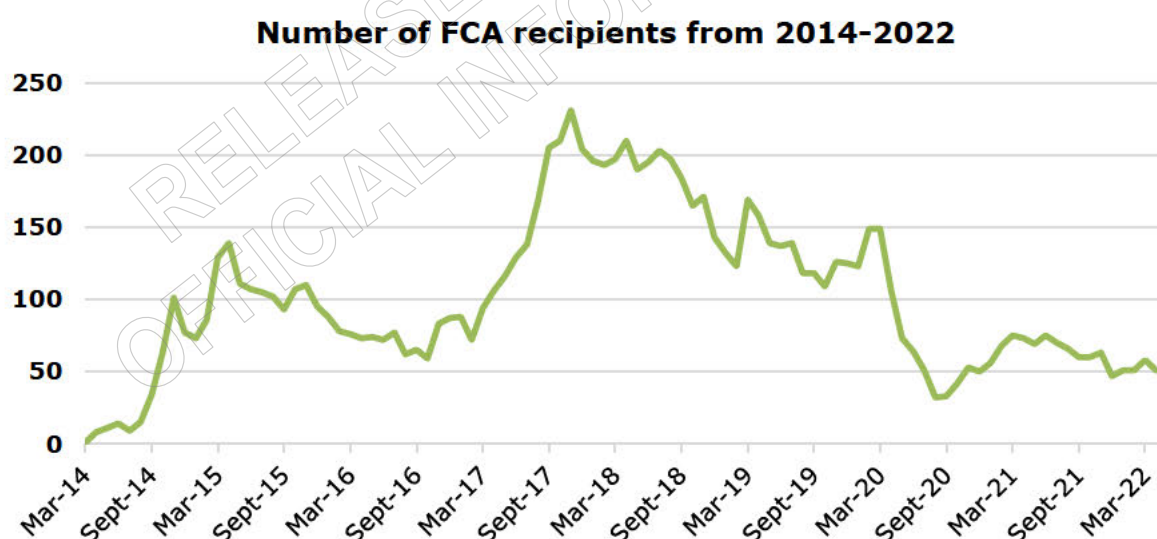
¹¹ Evidence Brief: Informal childcare, non-standard childcare, childcare for disadvantaged parents, employer-supported services and large-scale childcare provision

Part B: Expansion of Flexible Childcare Assistance

- 79 Flexible Childcare Assistance (FCA) is a payment provided for through Employment and Work Readiness Assistance Programme (EWRAP)¹². FCA is a tightly targeted, temporary payment available for sole parents who are cancelling an eligible benefit¹³ after gaining employment. They must also be working at least three 'non-standard' hours and have costs associated with informal childcare.
- 80 FCA is paid at \$50 for one child and \$25 for each additional child (under 17 years), up to a maximum of \$150 per week. The payment continues for up to 26-weeks after the benefit has been cancelled. FCA is intended to contribute to costs that sole parents would otherwise struggle to cover when first moving off benefit.

Expanding FCA could support a broader group of parents with childcare costs

- 81 Current take-up of FCA is low, with just 57 people receiving FCA as at June 2022. Take-up peaked in 2017, with around 231 sole parents receiving the payment. This came after a mail-out campaign, which increased public awareness of FCA. The lack of ongoing promotion, staff training, and the impact of the COVID-19 has resulted in a decline in take-up over time.



- 82 There is an opportunity to further address common childcare access issues through an expansion of FCA. Adjusted settings could target a broader group of working parents who are not able to access formal childcare, including

¹² EWRAP: Schedule, Clause 9.

¹³ The sole parent must have been receiving either Sole Parent Support, Supported Living Payment or Jobseeker Support.

couples, working parents who also receive a main benefit, or parents who live rurally.

- 83 It is possible that expanding FCA could improve labour market participation for caregivers. The initial evaluation of FCA found that 72% of participants believed that knowing about FCA while job searching would have reduced stress and allowed them to look at a wider range of jobs. However, beyond this anecdotal evidence, it is unclear whether FCA acts as an effective labour market incentive.
- 84 There is also an opportunity to review the payment rate for FCA, which has not been adjusted since the trial began in 2014. A 2015 evaluation found that FCA completely covered childcare costs for 52% of clients. For those using FCA for formal care (e.g., in-home care providers), between half and three quarters of their total childcare costs were covered by FCA. However, it is worth noting that the 2017 Childcare Survey by Stats NZ found that close to 90%¹⁴ of parents had no costs associated with their use of informal childcare.

Changes to FCA could contribute to some of the Review of Childcare Assistance objectives...

- 85 Depending on what options you choose, expanding FCA could contribute to some, or all, of the following objectives:
- Improve the administration of MSD's Childcare Assistance
 - Increase labour market participation by parents/caregivers
 - Improve the flexibility of settings to reflect current labour market demands and parental preferences
 - Improve the adequacy of support to reduce the financial pressure for families.
- 86 The options presented in *Childcare Assistance Review: Further advice on Childcare Subsidy* [REP/22/9/891 refers] will also contribute to meeting these objectives. In particular, the 'bulk funding' option will make CCS more accessible for caregivers with variable work hours and gaps in employment.
- 87 The risks of funding informal care have been outlined in Part A of this advice.
- 88 Given these risks, officials advise keeping FCA targeted towards low-income, working parents who are unable to access formal childcare, and linked to either benefit receipt or exit. This will avoid FCA becoming targeted too broadly and mitigate the above risks. Additionally, if FCA is expanded, we recommend that operational requirements are improved to further mitigate

¹⁴ For pre-school children using informal childcare over 90% of parents recorded no costs. For school-age children using informal childcare over 88% of parents recorded no costs.

s9(2)(h)

- [illegible]

93 There are a range of options available to Ministers to expand FCA, focused on:

- 94 To achieve the widest scope of objectives within these options, we recommend the following package of options:

- 95 This package will increase support for informal care for parents with access issues, contribute towards the Review of Childcare Assistance objectives to increase labour market participation, improve the flexibility of settings, and

improve the adequacy of support. The risks of expanding support for informal care have been mitigated, though these will still exist, particularly the risk of the government funding childcare that is largely provided already at no cost to parents.

- 96 In recommending these options, we note again that this is unlikely to be the most efficient or effective use of resources to achieve the objectives set out in the Review of Childcare Assistance. s9(2)(h)

- 97 We have undertaken some initial costings which are outlined alongside options below. We note that these do not include operational costs or implementation timeframes.

Eligibility Settings

- 98 Current eligibility settings focus on sole parents who are moving off-benefit into full-time work. These options focus on expanding these settings to include a slightly broader range of working parents who are likely to have costs associated with informal childcare.

Option 1: Replace the non-standard working hours eligibility requirement with the inability to access formal childcare (recommended)

- 99 Under option 1, sole parents would be eligible for FCA if they have costs associated with informal childcare due to employment, employment-related training, or employment-related education and are unable to access formal childcare.
- 100 Option 1 would require sole parents are in one of these approved activities for at least three hours a week. This aligns with current FCA settings¹⁵ but would expand eligibility to those who cannot access formal childcare for reasons outside of working non-standard hours.
- 101 In addition to the other qualifications, option 1 includes a requirement that sole parents are not able to access formal childcare. This is to mitigate the risk of FCA disincentivising the use of formal childcare.

Option 2: Expand FCA eligibility to all caregivers (recommended)

- 102 Under option 2, the requirement to be a sole parent would be replaced to make any caregiver with dependent children eligible. The rationale for the current limit to sole parents is because it is assumed that couples can generally balance childcare arrangements for non-standard hours between them.

¹⁵ Current FCA eligibility requires clients to be working a minimum of 3 hours of 'non-standard' hours per week.

103 Option 2 would make FCA available to more families and could increase the ability for couples to accept work opportunities they may not otherwise be able to, particularly if they are both working non-standard hours or have long commutes.

Option 3: Expand eligibility to people who are receiving a main benefit (recommended)

104 Under option 3, parents receiving a main benefit (as well as those who are cancelling their benefit to move into work) would qualify for FCA. Eligibility would be based on whether FCA could assist in obtaining or retaining employment, regardless of benefit status.

105 Extending eligibility could increase awareness of FCA while parents are job searching, potentially broadening the types of jobs parents could apply for and accept, especially for part-time, casual, and seasonal work. However, it is unlikely to significantly improve awareness if this is not combined with operational changes to address this.

106 EWRAP is intended to help people transition into (or retain) 'sustainable employment', which is defined as a person not receiving a benefit for 91 days or more. s9(2)(h)

107 Officials considered an additional option that would broaden eligibility significantly by removing the requirement for benefit receipt or exit and introducing an income-tested eligibility threshold. This would significantly widen eligibility to other low-income working families. We do not recommend this option as it would fundamentally shift the policy intent of the FCA and would require significant resource to develop.

Summary of eligibility settings

108 If you want to progress an expansion of FCA, officials recommend combining all the eligibility options to have the most significant impact on expanding eligibility to low-income families, addressing common childcare access issues, and the potential to increase labour market participation.

109 If all three options are combined, the proposed settings will extend eligibility criteria to caregivers who:

- are either:
 - receiving a main benefit
 - cancelling a main benefit to begin work.
- are in employment, employment-related training, or employment-related education for at least three hours a week

- have dependent children who require care¹⁶
- have costs associated with informal childcare due to employment, employment-related training, or employment related education
- are unable to access formal childcare.

110 It is difficult to quantify the increase of uptake, and therefore cost that would occur if these changes were implemented. Based on the assumption that FCA take up could return up to 2017 numbers, this would have an estimated fiscal cost of \$0.645m in 2024/25.

Duration Settings

111 FCA is currently paid weekly for up to a maximum of 26-weeks. These options focus on extending the duration settings to assist parents with informal childcare costs for a longer period to reflect the nature of non-standard, casual, and seasonal work, along with other access issues.

112 FCA is currently provided for under clause 9 of the Schedule in EWRAP. s9(2) s9(2)(h)

Option 4: Extend FCA to 52-weeks

113 Under option 4, FCA would be paid for up to a maximum of 52 weeks. This option assumes the eligibility settings are not extended to people receiving a main benefit.

114 Option 4 would make FCA accessible for a longer period while caregivers are transitioning into work and would not require significant operational changes. However, option 4 would not address the problem of caregivers who are permanently unable to access formal care for other reasons eg due to lack of formal childcare providers in the area.

115 s9(2)(h)

Option 5: Remove the time limitation of FCA (recommended)

116 Under option 5, FCA would be available to eligible parents on an as-needed basis. This would improve its flexibility and may open opportunities for what work eligible parents are able to apply for and accept. This would particularly apply to parents who are unable to access childcare for reasons outside of working 'non-standard' hours and may need assistance with informal care costs more often.

¹⁶ This will cover children who are under 14 and children over 14 but who still require care due to individual circumstances (eg due to a health condition or disability).

117 Under EWRAP, there is no duration period for FCA. s9(2)(h)

s9(2)(h)

118 Under this option further work would need to be undertaken to determine and develop guidelines for appropriate payment durations and consideration of whether a review period should be required. This would aim to ensure FCA remains targeted, maintain consistency across our frontline services, and would avoid overpayments for clients. While this work would attempt to mitigate the risk of expanding FCA beyond the target population, there is still the risk that this option will expand funding for childcare that would not have had any associated costs.

Summary of duration settings

119 While both options will contribute to improving the adequacy of childcare assistance, Option 5 will likely have a larger impact, along with providing more consistency and flexibility for parents that aligns more closely with current labour market conditions. Based on this, officials recommend that the 26-week length is removed, so eligible clients can access FCA for as long as it is needed, based on their circumstances.

Payment Settings

120 The current payment for FCA is \$50 for one child and \$25 for each additional child (under 17 years) up to a maximum of \$150 per week. These options focus on improving the adequacy of these payments.

121 As with the duration settings, the payment setting for FCA are under clause 9 of the Schedule, which states childcare assistance will be paid at 'an amount not exceeding the actual and reasonable costs for that purpose (as determined or estimated by MSD)'. s9(2)(h)

Option 6: CPI adjustment and catch up (recommended)

122 Under option 6, the FCA payment would be increased by CPI, including a 'catch up' for previous years. This would reflect increases in costs for items that were commonly cited as uses for the FCA (beyond direct payment to a person providing childcare) eg food and petrol.

Summary of payment settings

123 This option will increase the adequacy of FCA and reflects the increased cost of childcare and living costs.

124 As previously mentioned, the majority of parents do not have any costs associated with informal childcare. However, FCA acts as a contribution to childcare costs, which can be paid directly to formal or informal childcare along with other costs that may be associated.

125 If Option 6 is progressed, the FCA rate would become:

- \$63.00 for parents with one child
- \$32.00 for each additional child
- could be paid up to a maximum of \$189.00 per week.

126 This would have an estimated fiscal cost of \$0.879m in 2024/25.

Options aimed at increasing awareness and operational improvements

127 A summary of additional, more minor changes that could be explored to improve and increase awareness of FCA follows:

- Increasing staff training to ensure case managers and other Work and Income staff are aware of FCA.
- Increasing the promotion of FCA to clients while they search for a job to maximise the potential of FCA to act as an incentive for employment.
- Publicising FCA to training course providers and others who work with Work and Income clients.
- Explore options for helping clients manage school holiday periods, especially where they are not able to access OSCAR subsidies.
- Developing strategies to assist clients to manage the end of payments (for example, gradual reduction or providing support for planning) to ease the transition for clients.

Next steps

128 Based on your preferences, officials will provide you with more detailed advice on the options identified, including operational costs and implementation timeframes.

Part C: Advice on how ECE services could better cater to families with non-standard work hours

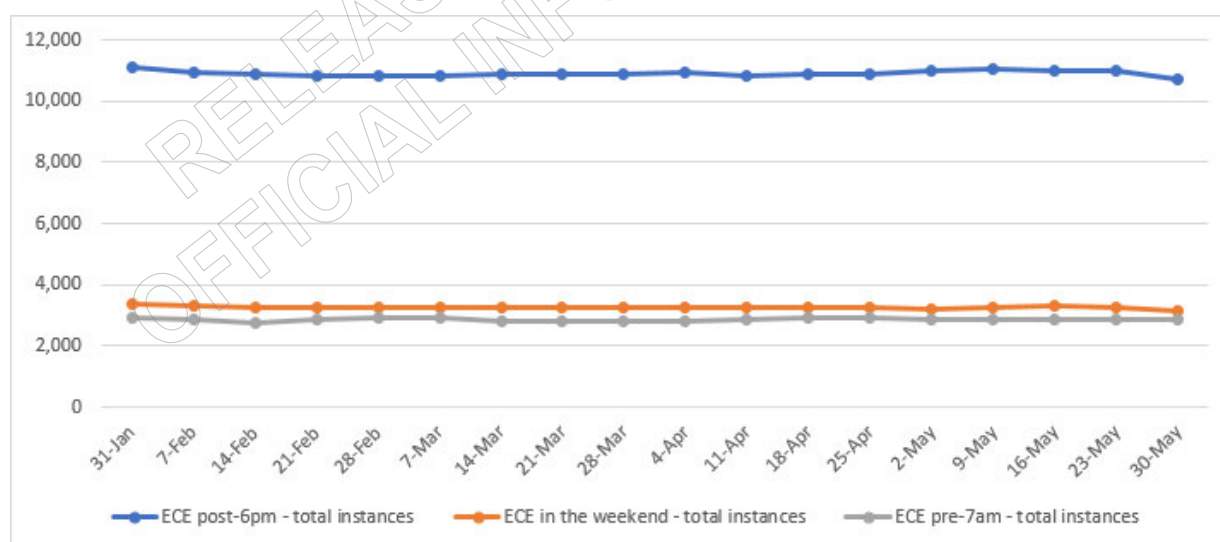
Some provision already exists outside non-standard hours

129 Non-standard work hours encompass both hours outside of standard office hours, as well as irregular work hours. The latter vary from week to week, and may or may not be within standard office hours.

130 There is already some ECE provision outside of standard hours, with a comparatively small number of children making use of this provision. In the four months from February to May 2022, 3,708 children attended an ECE service outside of standard hours.¹⁷ This is about 2 percent of all children attending ECE. The majority of these children (88%) used a home-based ECE service for these hours, although a small number (12%, or 454 children) used a centre-based service.

131 Attendance after 6pm is most in demand, followed by weekend care, and then attendance before 7am (see graph below). Duration of attendance was highest for weekend care – this averaged 5 hours 20 minutes across all attendances. Attendance before 7am averaged 36 minutes, while attendance after 6pm averaged 1 hour 44 minutes.

Figure 1: Weekly instances of attendance at non-standard hours by time of day, Feb-May 2022



132 While we have a good understanding of ECE service use for non-standard hours, there is still considerable uncertainty about the level of unmet need for non-standard hours. This is because there is no data collected on how many

¹⁷ For the purposes of this analysis, standard hours are defined as 7am-6pm Monday to Friday.

children would be enrolled in non-standard hour ECE, if it were more available, affordable or appropriate for parents.

Barriers to ECE for non-standard or variable hours

ECE licensing regulations are not aimed at night-only ECE provision

133 The Education and Training Act 2020 does not set constraints on times during which ECE may be delivered. However, the Education (Early Childhood Services) Regulations 2008 and their associated licensing Criteria (lower-level regulations) have been developed with daytime education and care in mind. This means that MoE does not typically licence services for 24/7 hours (although it did many years ago) or night-only operation under existing regulations.

134 Some of the regulatory licensing requirements that are not easily met, or make offering of overnight provision less attractive for a service, include:

- The requirement to deliver a curriculum. To deliver a programme of learning, children need to be awake at least some of the time that they are attending a service.
- Having a 'person responsible' in a licensed home-based education and care service take all reasonable steps each month to observe a child participating in the service while that child is receiving education and care. This is problematic if a child is usually asleep.
- 'Active' supervision requirements for home-based educators, such that they need to be awake throughout the night.
- Requirements for a person responsible to be immediately available to respond to educators should issues arise throughout the night (there needs to be one PR for 50 children).

ECE funding requires adequate enrolments for services to be viable

135 The ECE funding system provides funding per child based on factors such as the child's age and the type of service. The lowest per child per hour funding rate is \$4.38 and the highest is \$15.76.¹⁸ Importantly, the funding rates incentivise services to operate with children attending at the regulated adult to child ratios (ie, not with fewer children to adults allowed). Services also tend to be more viable if they have high occupancy levels.

136 In general, the small numbers of children that use ECE for non-standard hours suggests viability for these hours is marginal. Teacher-led centres must have at least one certificated teacher supervising the education and care provision for every 50 children attending. At the beginning and the end of the

¹⁸ 2022 funding rates. \$4.38 is the standard playcentre rate for children aged 2 and over. \$15.76 is the kindergarten rate for children under 2 in kindergartens staffed with 100% certificated teachers.

day when there are often very few children, most services will have at least two staff on site for safety reasons. This is manageable for short periods of time (such as the first half hour of the day), as it can be cross subsidised from times when occupancy is higher. It will not be economic if there are too few children generating funded hours for the costs involved. Sourcing staff willing and able to work in centres at night may also be challenging.

- 137 Home-based ECE can be more flexible in terms of hours but still faces economy of scale challenges. Individual educators in home-based services can only provide ECE for up to four ECE-aged children at any one time. Home-based educators are independent contractors whose main source of income is from parents rather than from the home-based ECE service. Income from parents may not be sufficient if fewer than three children are attending. This is more likely to be possible during standard hours. Therefore, additional government support to the parent or service provider may be needed.

The ECE funding system assumes a stable enrolment for most services

- 138 The ECE funding system funds most services on a mixture of enrolment and attendance. This gives services some stability of income and allows them to plan their staffing even if children do not regularly attend. There are limits though. MoE's funding rules require a child's attendance to match their expected enrolment for at least half of each calendar month. To retain funding eligibility, services must adjust enrolments to attendance if these are consistently different. Funding is also not paid for enrolments once children are continuously absent beyond a three-week period.
- 139 Despite the flexibility of ECE funding for child absences, we understand that irregular working hours can still mean that parents are unable to find services that will agree to such uncertain enrolment patterns. This is because they are more irregular than the MoE's funding rules can allow for. Around 50 per cent of working mothers of young children in a recent Ministry for Women study worked irregular schedules.

Options for making ECE more accessible in non-standard hours

- 140 We have outlined a mix of regulatory and financial barriers that act against greater provision of ECE outside of standard hours. These are long-standing and not necessarily quickly or easily dealt with. There indicate some lines of work that could be explored further.
- 141 The first of these is looking at what would be needed for a licensing system that supported services to open only at night. This would require change to at least the regulated requirement for curriculum provision. MoE also considers that other requirements may need to be considered, particularly related to night-time safety and generally protecting child wellbeing in overnight care.

- 142 Changing the regulated standards to enable this type of provision would not necessarily result in such provision being available – the cost of this type of provision may still be prohibitive for services if numbers are small.
- 143 The second area is the economic challenge posed for services to open outside standard hours, given the small number of children who appear to need care at those times. To make these hours economic, significantly higher than usual funding is likely to be required. The current MoE funding system does not provide differential subsidies based on time of day or which weekday. Introducing such differentiation would be very complex and have a high cost to government per child.
- 144 We do not think differential subsidies are a natural solution, but other methods could be explored that may be more suitable to the small numbers of children and unusual hours of provision. These could involve choosing preferred providers to contract to deliver for the specific need or incentivising providers to cater for non-standard hours using initial targeted funding.
- 145 These, and potentially any other changes, would be significant and need sector consultation. At this stage, we consider that further investigation into these funding and regulatory areas of change could be added into work now underway for the Early Learning Action Plan Action 5.2. Action 5.2 is aimed at identifying options to address supply of early learning services in under-served communities. Communities requiring non-standard hours of ECE appear to be an under-served community. This work would likely need to be undertaken by MoE in conjunction with MSD.
- 146 Finally, the funding rules relating to child absences could be freed up to provide more leeway for people with irregular work schedules. Absence rules have been temporarily loosened since the March 2020 lockdown to provide funding certainty to services while child absences have been higher. This has meant expenditure on ECE has been higher than it would have been under normal rules. It has also meant that services hold enrolments for absent children for longer, which can prevent other children from enrolling and accessing ECE.
- 147 Loosening the absence rules would need to apply to all ECE services, not just services where parents have irregular work schedules. It would therefore likely be an expensive intervention for this relatively small target population, as government would effectively be paying to hold places open. It may also make ECE places less available in some areas, especially in the short term.
- 148 MoE seeks your direction on pursuing further investigation into the areas outlined above. At the same time, we note that the considerable level of expense and change needed to address unmet need relating to non-standard hours is likely to outweigh the benefits of doing this work.