

Employer factsheet

Care and Support Workers (Pay Equity) Settlement Agreement

April 2017

On 18 April 2017, the Government announced a \$2 billion pay equity settlement for 55,000 care and support workers in New Zealand's aged and disability residential care and home and community support services.

The settlement originates from the TerraNova pay equity claim brought by E tū (previously the Service and Food Workers Union) on behalf of care worker Kristine Bartlett. The case successfully argued that a caregiver's pay is less than would be paid to a male with the same skill set in a different occupation due to the fact caregivers are predominantly female.

From July 1 the workforce will receive a pay rise between 15 and 50 per cent depending on their qualifications and or experience. The settlement means over the next five years, the workforce will see their wages increase on a range between \$19 and \$27 per hour. On July 1, workers currently on the minimum wage of \$15.75 per hour will move to at least \$19 per hour – a 21 per cent pay rise. This will result in increases to their take home pay of at least \$100 a week, or more than \$5,000 a year.

Legislation will be introduced to Parliament shortly to implement the settlement agreement. The settlement addresses a historic undervaluing of this workforce and will help to support increased qualifications and reduced turnover in the sector, which will result in better care for New Zealanders.

New wage structure

The new wage structure needs to be ratified by union members before being released publicly but is a range from \$19 to \$27 an hour and will be phased in over a five year period from 1 July 2017.

Examples of what the settlement means for employees

Minimum Wage: Elizabeth is an aged residential care worker on the minimum wage of \$15.75 per hour. She has three years' experience. On 1 July 2017 her rate will increase by 27 percent to \$20 per hour, and progressively increase to \$23 per hour by 1 July 2021, a 46 percent increase overall. If she attains a Level 3 qualification, her rate would increase to \$25 per hour in 2021, a 58.7 percent overall increase. This means her take home pay would increase by around \$140 a week, or more than \$7000 a year from 1 July 2017.

Home and Community Support Services: Susan has three years of experience and a Level 3 care and support qualification. She is currently paid \$16.22 an hour. Based on the proposed rates, her pay would increase by 29.4 percent on 1 July 2017 to \$21 an hour. She would also receive increases over the next four years to reach \$25 an hour on 1 July 2021 if she stayed a Level 3 caregiver. This means her take home pay would increase by around \$155 a week, or more than \$8000 a year from 1 July 2017.

Aged Residential Care: Joy is on an average pay rate of \$16.65, with a Level 2 care and support qualification. Based on the rates proposed, her pay would increase by 20 percent to \$20 per hour from 1 July 2017. The ongoing increases planned for the next four years would see her hourly rate rise to \$23 by 1 July 2021 (an increase of 38.1 percent on her pre-settlement rate). This means her take home pay would increase by around \$110 a week, or more than \$5500 a year from 1 July 2017.

Community and Residential Living: Ngaire is on the average disability support worker pay rate of \$17.72, with a Level 2 care and support qualification. She has eight years of experience. Under the rates proposed, her hourly rate would rise by 18.5 percent to \$21 an hour on 1 July 2017. Ngaire would also receive ongoing increases over the next four years to take her up to \$26 an hour by 1 July 2021. If she gained a Level 3 qualification, she would not receive an increased wage rate, as the transition rate recognises her skills and experience. But if she went on to gain a Level 4 qualification, and role, her rate would rise to \$27 by 2021. This means her take home pay would increase by around \$110 a week, or more than \$5500 a year from 1 July 2017.

Transition arrangements for existing workers

The Government recognises the historic nature of this agreement in addressing systemic gender inequality. The agreed transition and progression process for existing care and support workers from 1 July 2017 reflects the fact that many long-serving and experienced care and support workers have never had their skills and experiences recognised through formal qualifications.

Therefore on 1 July 2017 all existing care and support workers will move on to a step on the scale that recognises their current qualifications or their service with their current employer, whichever is the most advantageous. The transition process needs to be ratified by unions before being publicly released, however this will be shared with employers in the Operational Policy Document, which will be distributed in the week beginning 24 April.

Training

Settlement parties have agreed to create incentives to help care and support workers gain formal qualifications. Therefore the contracts between funders and providers will require employers to provide the necessary systems and support to enable workers covered by the settlement to reach the following NZ Qualifications Authority Health and Wellbeing Certificate qualifications within the following time periods:

- Level 2 NZ Certificate – within 12 months of employment
- Level 3 NZ Certificate – within 3 years of employment
- Level 4 NZ Certificate – within 6 years of employment

The Government will fund employers for two days per employee per year as its contribution to education and training.

Implementation planning

The Ministry of Health is planning for the implementation of the settlement agreement on 1 July 2017 and is working with funders to advance the implementation plan. This includes developing the contracting and payment mechanisms, operational policy framework, and system changes and payments to ensure the implementation of the new wage structure goes smoothly.

Preliminary guidance

Guidance on implementation of the settlement agreement will be made available to all providers in the week beginning 24 April 2017.

Some aspects are still under development, however at a high-level, the following arrangements are expected to be in place:

- Implementation planning for 2017/2018 is centred on ensuring employers can be funded to meet the increased costs from 1 July 2017. Increased cost is defined as the additional labour costs (ordinary & overtime hours) for qualifying staff plus average on-costs.
- Contracts will be varied between funders and providers based on legislation.
- Pre 30 June 2017, funders and providers will work with the Ministry's implementation team to test implementation mechanisms to enable the underlying payments to occur.
- Reporting on qualifications, turnover and pay rates will be required from all providers as part of contract reporting and/or payment processes.
- Employees are expected to receive their increased wages in the first pay day from their employer from 1 July 2017 (i.e. weekly or fortnightly, depending on their normal pay run).
- Providers will advise funders that they have commenced making payments to employees. Unions will also play a role in ensuring that employees have received the new wages.

Next steps

- The Ministry will continue implementation planning, working together with funders and employers as appropriate.
- The unions will now ratify the settlement with their members. This will commence immediately and is expected to be completed by June 2017.
- The settlement agreement provides funding for employees (\$25 per employee) to attend ratification meetings. Further information on the process to claim for an employee's time to attend a meeting will be provided in the Operational Policy Document, due to be released in the week beginning 24 April 2017.
- The Government will determine the legislative pathway, which will be communicated in due course.

Questions & answers

1. Who were the negotiating parties?

Parties to the negotiations are the Ministry of Health, ACC, and District Health Boards, E Tū (formerly Service and Food Workers Union), the Public Service Association (PSA), and New Zealand Nurses Organisation (NZNO). The Council of Trade Unions (CTU) has also been involved and is listed as an interested party.

While employers have been represented in the negotiations by the Aged Care Association, Home and Community Health Association, and New Zealand Disability Support Network, they are not a party in the settlement agreement which is between the Crown and unions.

2. How will the settlement be funded?

The \$2.048 billion settlement over five years will be funded through an increase of \$1.856 billion to Vote Health and \$192 million to ACC. ACC levies are set for the coming years, but may possibly increase over the next decade to support this. However, that is not definite. There may also be an increase in costs for people in aged residential care facilities, whose assets keep them above the subsidy threshold. This will be determined through the annual Aged Residential Care contract negotiations.

3. Is the settlement fully funded?

The settlement fully funds the direct wage costs faced by the providers and in doing so relieves a significant amount of wage pressure which they would have had to manage over the next five years. They will also receive the benefits of lower turnover due to increased wages and a more capable and skilled workforce through access to training and qualifications.

4. What work is underway to ensure the care and support sector is sustainable?

There is significant work underway to transform the care and support sector to ensure its long-term sustainability. This includes through the New Zealand Health Strategy, the disability transformation through Enabling Good Lives, the Healthy Ageing Strategy and exploring future models of care that are person-centred, needs-based, equitable, and deliver better outcomes through aged residential care and home and community support services across New Zealand.

5. Will workers still receive the extra pay if they are not a union member?

Employees in the aged and disability residential care and home and community support sectors will receive the new wage rates regardless of whether or not they belong to a union.

6. When will employees begin receiving their extra pay?

Employees can expect to receive your increased wages in the first pay day after 1 July 2017 (i.e. weekly or fortnightly, depending on your normal pay run).

7. Where can employees find out more information?

An Employee Factsheet is available on the Ministry's website (www.health.govt.nz).

Union members will also ratify the agreement, and can learn more about the settlement at meetings with unions to be held from April to May 2017.

The settlement agreement provides funding for employees (\$25 per employee) to attend ratification meetings. Further information on the process to claim for an employee's time to attend a meeting will be provided in the Operational Policy Document, due to be released in the week beginning 24 April 2017.

8. How will the settlement be implemented?

Legislation will be introduced to Parliament shortly, which will prescribe the minimum pay rates to ensure providers pass on the new wages to employees. It will also extinguish all other pay equity claims made prior to 1 July 2017 for employees covered by this settlement.

Guidance on implementation of the settlement agreement will be made available to all providers in the Operational Policy Document distributed in the week beginning 24 April 2017.

9. What about an employees' other conditions of employment?

Generally, all other conditions of employment remain the same. However, service and qualification allowances will be extinguished because they have been replaced by the new qualifications-based pay structure. Weekend and penal rates in employment agreements will remain but those that are calculated as a percentage of base pay will be converted to allowances.

10. Will this settlement lead to relativity adjustments for other groups?

This settlement addresses historic issues of systemic gender discrimination and by its nature involves a change in wage relativities. The parties to the settlement agree that it will not be used as a precedent for other occupational groups.

With regards to wider pay equity work, in November 2016 the Government announced the pay equity principles and the Equal Pay Amendment Bill will be progressed in 2017 to implement the changes and establish a process for groups to raise and resolve pay equity claims through bargaining as opposed to through the courts.

11. What types of work does the settlement not cover?

Settlement parties agreed that the settlement does not include behavioural support services, caregiver support, child development services, environmental support, funded family care, mental health services, and services arranged privately by clients. Meanwhile, the Ministry of Social Development and Ministry for Vulnerable Children Oranga Tamariki have agreed in principle to enter into negotiations with unions and providers on the basis that vocational and disability workers they fund will be covered by terms consistent with the settlement agreement.

For more information visit www.health.govt.nz.

