# Pay Equity Settlement

# Estimation and Invoice Process Guidelines

The Pay Equity Settlement Agreement is the result of the TerraNova case which successfully argued a caregiver’s pay is less than would be paid to a male with the same skill set in a different occupation, because caregivers are predominantly female. The MSD/MVCOT settlement agreement will align the pay rates of disability care and support workers with the pay rates of workers carrying out similar work and covered by the TerraNova Settlement.

The Ministry of Social Development (MSD) and the Ministry for Vulnerable Children Oranga Tamariki (MVCOT) are implementing the pay and equity agreement through contract variations because care & support workers paid through services funded by MSD / MVCOT are not yet covered by legislation.

## Eligibility

The settlement agreement covers care & support workers employed by providers who receive funds through contracts with MSD and MVCOT.

* Workers are eligible if they have job titles/job descriptions that identify them as care & support workers.
* Workers are eligible if they spend more than 50% of their time providing care & support services including help to wash, dress and eat, help with the laundry, housework and shopping, or help getting to appointments.
* If a worker is eligible, they may be entitled to the minimum hourly wages for all or part of the care and support services they provide. A provider will have to decide if some of the services are excluded from entitlement.
* Casual workers are covered by this agreement however they are not regarded as having ‘continuous service’, hence the minimum hourly wage rate is calculated based on qualification[[1]](#footnote-1).
* Workers are eligible for the new wage rates regardless of whether or not they belong to a union.
* Supervisors are outside of the scope of this settlement. The pay rates supervisors and managers receive are a business decision for the provider.

A multi-step decision process needs to be used to assess eligibility of any particular worker:

1. Determine whether the service is covered by the Settlement Agreement; and
2. Test whether the worker is within the scope of the Settlement Agreement; and
3. The service must be funded by public monies not private.

## New Pay Rates

Pay rates will increase in line with those agreed in the care and support workers agreement (the TerraNova Settlement):

* Hourly wage rates will go up from around $16-$17 (going up to $21-$23) and vary from $19 to $27 per hour, depending on qualifications.
* Wages will increase annually over the next five years (on 1 July 2017, 1 July 2018, 1 July 2019, and 1 July 2021), with a further year adjustment should the labour cost index exceed 1.7 per cent average growth over years 1-4.

All care & support workers employed before 1 July 2017 will increase their pay rates effective 1 July 2017 on the basis of either service or qualifications, whichever is the most advantageous to them.

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| Length of Service | Qualification | Pay Band | 1 July 2017  Year 1 | 1 July 2018  Year 2 | 1 July 2019  Year 3 & 4 | 1 July 2021  Year 5 |
| <3 years’ service OR | Level 0\* | L0 | $19.00 | $19.80 | $20.50 | $21.50 |
| 3+ to 8 years’ service OR | Level 2\* | L2 | $20.00 | $21.00 | $21.50 | $23.00 |
| 8+ to 12 years’ service OR | Level 3\* | L3 | $21.00 | $22.50 | $23.00 | $25.00 |
| 12+ years’ service OR | Level 4\* | L4b | $23.50 | $24.50 | $25.50 | $27.00 |

The minimum rates and progression for care and support workers employed after 1 July 2017 will be based on their level of qualification and the year that they commence employment. For example, a care & support worker with a level 2 qualification starting work on 1 July 2018 will be entitled to the minimum hourly rate of $21.00.

For the purposes of this estimation process, all employees who have reached 12 years’ continuous service and who have not achieved Level 4 are treated as having being at the L4b pay band.

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## Qualifications

The qualification must be a Level 2, 3 or 4 New Zealand certificate in Health and Wellbeing from an NZQA accredited provider or an equivalent qualification.

If employees have questions about their qualifications, they should refer to the Careerforce website [www.careerforce.org.nz/pay-equity/equivalencies](http://www.careerforce.org.nz/pay-equity/equivalencies) or contact Careerforce by calling 0800 277 486 or emailing [info@careerforce.org.nz](mailto:info@careerforce.org.nz) with ‘Pay Equity Qualification Query’ in the subject line.

## Training

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

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## Process for Quarter 1 Payment

Please review the Variation to Contract sent to you and, if in agreement, sign and return it together with your invoice and a copy of the Summary Tab from the MSD pay equity estimation tool.xlsx. The invoice will generate payment for the incremental cost incurred as a result of your organisation paying eligible workers the new pay rates for the period 1 July to 30 Sept 2017. Payment will be made within 10 working days of receipt of all required documentation.

To calculate an estimation of the incremental funding payable to your organisation please use the ‘MSD pay equity estimation tool.xlsx ’ (spread sheet) on the MSD website:

<http://www.msd.govt.nz/what-we-can-do/providers/pay-equity-for-vocational-and-disability-care-and-support-workers.html>.

* Download the spread sheet (‘MSD pay equity estimation tool.xlsx’)
* Read the instructions on the first tab (at the left-hand bottom of the screen) on the spread sheet called **Instructions**
* Open the **Data collection** tab. At the top left corner of the Data collection tab and enter your provider information. Note your provider number is different from your contract number. Select your contract number from the drop-down menu.
* On the data collection tab you will see example data provided under each heading. The first column ‘Record ID’ does not require any data entry. The next column in the data entry tab ’Staff ID in Payroll System’ requires you to enter an individual employee number in each row. The employee number identifies the worker to you but protects their privacy as no name is required.
* When you click on the column called ‘employee status’ a small grey box with an arrow in it should appear to the right of the cell. Click on the arrow and a drop down list will appear. Please select from the list. Some cells do not have drop down lists and require you to enter the information manually.
* When the data entry tab is complete, view the **Summary tab** and check it for accuracy. You do not enter any data directly into this tab. It automatically draws data from the data collection tab. Go back to the data collection tab if you need to make any changes.
* Save your spread sheet in the format – ‘MSD pay equity estimation tool your contract number Q1 2017’
* Print out the **Summary tab** page. This is pre-set so that it should print out automatically fitted to 1 page in landscape view. If this does does not happen you will need to adjust your settings under either the ‘page layout’ or ‘print’ options.
* If you have made any comments in the **Comments** tab of the spread sheet, please print this tab out as well and include it with your printed **Summary** tab.
* Enter the “estimated first quarter payment” from the **Summary** tab in your invoice (from cell M27 on the Summary tab)
* Enter the estimated annual provisional payment on your variation to contract front page (from cell M25 on the **Summary** tab). If you have a variation to contract which does not have a field on the front page for the total variation amount, please state this amount underneath the ‘total contract value’.
* If you have more than one contract which is eligible for the funding increase, please fill in separate copies of the MSD pay equity estimation tool for each contract.

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| Questions | Response |
| What if I can’t find my provider name in the drop down menu? | If your provider name is not included in the drop down menu please email us on [payequity\_implementation@msd.govt.nz](mailto:payequity_implementation@msd.govt.nz) |
| Is my provider number different from my contract number? | Yes, your contract number starts with NATO. This number is different from your provider number. |
| What if I can’t find my contract number in the drop down menu? | We have populated the spread sheet with contract numbers that we believe are eligible for the increased funding. If you can’t find your contract number please check the eligibility criteria and email us if you still believe we have omitted an eligible contract. |
| Our organisation has more than one eligible contract, what do we do? | Your organisation should have received a separate Variation to Contract for each contract. Please contact us if you haven’t.  Please complete a separate spread sheet (MSD Pay Equity Estimation Tool) for each contract and return each individual Variation to Contract with a printed Summary Tab page and invoice. |
| Our organisation is funded for more than one service type, how do we show this on the spread sheet? | If a worker is primarily funded under one eligible service type, please select that one.  If an individual worker is more or less equally split between funding from more than one eligible service, please select the ‘multiple service type’ option. |

## What the advanced interim payments include

The advanced interim payment is the additional labour costs (ordinary & overtime hours) for qualifying staff working in eligible services, plus average on-costs less allowances. The on-cost percentage will be 21.7%. On-costs have been calculated on the basis of including all statutory leave requirements and public holiday loadings, 2% for ACC levies and 3% for the employer's Kiwisaver contribution, a total of 20.9% on costs. In addition, an increase has been applied to allow for back-filling of 2 training days per employee per year, resulting in movement for standard on-costs from 20.9% to a total of 21.7%.

## How the Pay Equity Estimation Tool calculates the incremental wage and salary costs

Further information on how the calculations are made are included on a separate tab within the Pay Equity Estimation Tool.

## Reimbursement for increased annual leave liability

With increases to hourly pay rates, the value of employees' annual leave entitlements will increase.

The Ministry of Health (MoH) will collect information for the calculation of the annual leave liability payments on behalf of MSD / MVCOT at the same time as MoH collects information from its providers.  This information will be collected via a separate data collection tool and will generate a one-off payment to cover the increased annual leave liability as a result of the transition to the increased wage rates from 1 July 2017.

## More information will be made available on the MSD website relating to reimbursement for increased annual leave liability.

Please ensure that your organisation has a record of leave liability for each eligible employee (including time in lieu) as at 30 June 2017 before implementing the new pay rates.

## Why data is required from providers

MSD regards the implementation of the pay equity settlement agreement as an opportunity to contribute to a better paid, more stable and highly trained workforce, resulting in higher quality and more consistent care for clients.

Data from providers is required to ensure reconciliation and audit processes can occur, and also to ensure that the effectiveness of the pay equity settlement in achieving a better paid, more stable and highly trained workforce can be monitored over time.

## Return address

You can send this information back to MSD by e-mailing in PDF format only to:

[payequity\_implementation@msd.govt.nz](mailto:payequity_implementation@msd.govt.nz)

Or either by post or courier. Our addresses are:

For information sent by standard post

Ministry of Social Development

PO Box 1556

Wellington 6140

Attention: National Contracts – PAY EQUITY

For information sent by courier:

Ministry of Social Development

Office Services

Level 3 Aurora Centre

56 The Terrace

Wellington

Attention: National Contracts – PAY EQUITY

## Contact the pay equity implementation team

There is a dedicated pay equity implementation email address, [payequity\_implementation@msd.govt.nz](mailto:payequity_implementation@msd.govt.nz), which you can send questions to at any time. Someone from our team will respond to you as soon as possible.

1. ‘Casual employee’ is not defined in employment legislation; however the term usually applies to employees with no guaranteed hours of work. If an employer believes that a casual employee is a permanent part-time employee with continuous service they may need to provide supporting information to be available during audit including expectation of work, length of the arrangement, payment of holiday, and the date on which each employee’s status changed from casual to permanent part-time. [↑](#footnote-ref-1)