

Hon Andrew Little

**Minister for the Public Service**

Approval to appropriate funding to extend pay equity settlement for social workers in community and iwi organisations

Date of Issue: 5 July 2023

**Date** 5 July 2023

**Title:** Approval to appropriate funding to extend pay equity settlement for social workers in community and iwi organisations

**Author:** Te Kawa Mataaho Public Service Commission

The Hon Andrew Little, Minister for the Public Service is releasing the Cabinet paper and Cabinet Minutes.

**Explanatory note:**

Included in this release are the following documents:

- Cabinet Paper
- Cabinet Minute – SWC-23-MIN-0063
- Cabinet Minute – CAB-23-MIN-0229

In Confidence

Office of the Minister for Women

Office of the Minister of Public Services

Chair, Social Wellbeing Committee

## **Approval to appropriate funding to extend pay equity settlement for social workers in community and iwi organisations**

### **Proposal**

- 1 This paper seeks Cabinet agreement to appropriate \$435.579 million over four years to be managed outside of budget allowances to the Funding Agencies<sup>1</sup> (outlined in paragraphs 72-76) to enable variation or updating of identified government contracts to implement the pay equity extension for 5,008 identified employees in community and iwi organisations who undertake social work or work that is substantially similar.

### **Relation to Government Priorities**

- 2 The proposal reflects the government's 2020 Election Manifesto commitments to:
  - 2.4 "make it easier for women to gain pay equity in their organisation or across their industry"; and
  - 2.5 "work towards a more effective social sector by improving how government commissions and works with social service providers".
- 3 In addition, this proposal supports progress on improving financial sustainability for women as detailed in Te Mahere Whai Mahi Wāhine, Women's Employment Action Plan (**the Plan**) launched on 30 June 2022. The Plan identifies support for pay equity in the Public, Funded and Private sectors as a key focus area for taking action.

### **Executive Summary**

- 4 Since the Oranga Tamariki social workers pay equity settlement in October 2018, the differences of pay received by social workers employed by Oranga Tamariki and those employed by Non-Governmental Organisations (**NGO**) have made it difficult for NGO employers to attract and retain social work staff.
- 5 In August 2019, the Public Service Association - Te Pūkenga Here Tikanga Mahi (**PSA**) raised a pay equity claim in five NGOs for social workers and people doing the same or substantially similar work. This claim was the first to progress under the *Framework for Oversight and Support of Pay Equity Claims in the Funded Sector*

---

<sup>1</sup> Funding Agencies in the context of this paper are Public Service Agencies and Crown Entities who are funding non-government organisations to deliver public services.

**(Funded Framework)** [CAB-MIN-20-0366 refers]. Cabinet approved the drawdown of funds to implement this settlement in October 2022 [CAB-MIN 22-0457 refers].

- 6 In 2021, Cabinet agreed to amend the Funded Framework to create a process whereby Ministers could agree to extend a Funded Sector pay equity settlement if certain criteria are met [CAB-MIN-21-0391 refers]. Following this agreement, the PSA and the five employers indicated they wished to have their settlement considered for extension.
- 7 In November 2022 Cabinet agreed to extend the pay equity settlement to all social workers and those undertaking substantially similar work in community and iwi organisations [CAB-MIN-22-0498 refers].
- 8 As agreed by Cabinet, Te Kawa Mataaho led the process to understand eligibility for an extension and provide exact costs per vote. This was undertaken with support from the parties to the claim and Funding Agencies. Strong sector engagement was critical to collect data, much of which had never previously been collated at this scale.
- 9 The data collection process identified 5,008 employees (4503.6 full-time equivalent, **FTE**) who are eligible for the extension. The extension will deliver these employees an average of 27.1% pay correction.
- 10 Public Service chief executives will be required to vary or update all current funding contracts as identified in the data collection process which support the employment of social workers and those in social work roles to implement the new pay equity rates, including relevant terms and conditions, as a minimum from 1 July 2023.

## **Background**

- 11 In October 2018, Oranga Tamariki social workers reached a pay equity settlement. As a result of this settlement, Oranga Tamariki social workers received an average pay correction of 30.6%.
- 12 Social workers employed by NGOs that deliver social, health and education services on behalf of the Crown were not covered by this claim. The settlement for Oranga Tamariki social workers increased differences in the pay received by social workers employed by Oranga Tamariki and those employed by NGOs, making it difficult for NGO employers to attract and retain social work staff.
- 13 In August 2019, The Public Service Association - Te Pūkenga Here Tikanga Mahi (**PSA**) raised a pay equity claim in five NGOs<sup>2</sup> for social workers and people doing the same or substantially similar work. This claim worked within the Framework for Oversight and Support of Pay Equity Claims in the Funded Sector (**Funded Framework**) [CAB-MIN-20-0366 refers]. This meant that the progress of the claim was overseen by Oranga Tamariki as lead funding agency. Other Funding Agencies and Te Kawa Mataaho provided additional support.

---

<sup>2</sup> The five agencies were Barnardos, Ngāpuhi Iwi Social Services, Wellington Sexual Abuse HELP, Christchurch Methodist Mission and STAND for Children Tu Maia.

- 14 The work assessment process in the claim for the five NGOs identified four categories of work (see **Appendix 1** for detail):
- registered social workers (category 1);
  - registered professionals employed in a social work role (category 2);
  - professionals undertaking work substantially similar to social work (category 3); and
  - registered social workers or other registered professionals leading social work practice (category 4).
- 15 Undervaluation was identified and the parties agreed a new pay scale to settle the claim and appropriately reflect the level of skills, responsibility, effort and experience required for the four different categories of employee (see **Appendix 2** for details). The settlement also identified sex-based disparity in professional support costs and these inequitable terms and conditions of employment were corrected (see **Appendix 3** for details). The claim was settled and ratified by affected employees. Cabinet approved the drawdown of funds to implement this settlement on 25 October 2022 [CAB-MIN 22-0457 refers].
- 16 The process for extending a Funded Sector pay equity settlement was agreed by Cabinet in 2021 [CAB-MIN-21-0391 refers]. After this agreement, the PSA and the five employers indicated they wished to have their joint work considered for extension to all those undertaking social work under the Funded Framework. This required Te Kawa Mataaho to lead a process to understand if the criteria for extending a pay equity settlement had been met and put together an estimate of costs for Cabinet consideration.
- 17 In November 2022 Cabinet agreed that the criteria for the extension of a pay equity settlement had been met and agreed to extend the pay equity settlement to all social workers and those undertaking substantially similar work in community and iwi organisations [CAB-MIN-22-0498 refers]. Cabinet invited the Minister for the Public Service and the Minister for Women to return to Cabinet to seek funding to implement the extension when detailed numbers and costs were known [CAB-MIN-22-0498 refers].

### **Connecting with the sector**

- 18 To gather the data required, it was necessary to identify the target population. Given that there was no known target number of eligible providers, sector engagement became critical to understand how many providers and workers there were and how they could be reached.
- 19 The following mechanisms were all utilised to ensure that community and iwi organisations heard about the extension and had access to the categories of work and the process being undertaken to extend the settlement:
- a. funding agencies contacted all the providers they funded that they thought may have eligible employees and/or sent their details to Te Kawa Mataaho;

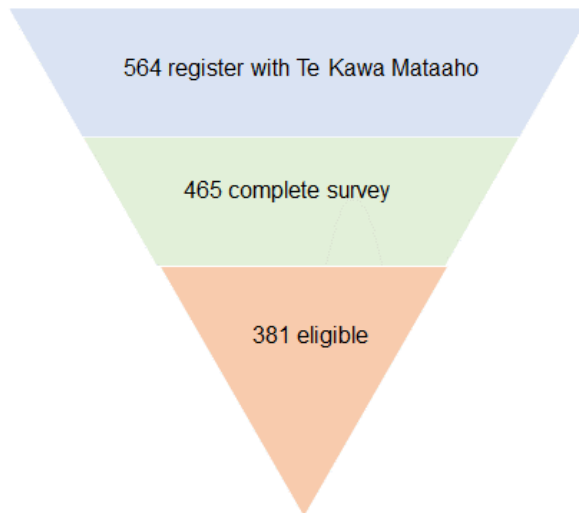
- b. peak bodies such as Social Service Providers Aotearoa, Platform and Community Networks Aotearoa all promoted the extension to their member agencies in multiple fora;
  - c. the PSA worked with their members and other unions across the sector to promote understanding and awareness; and
  - d. social media posts were developed and promoted on LinkedIn and Facebook.
- 20 Te Kawa Mataaho officials set up a dedicated webpage, email, hotline and series of webinars to support strong communications. Over 150 employers engaged in the seven webinars. Hundreds more engaged via the hotline and inbox.
- 21 This outreach saw 564 providers register with Te Kawa Mataaho. All registered employers were provided detailed information on the categories of work and information on the next steps in the data collection process.

## **Data collection**

### *Screening for eligibility*

- 22 A three-stage process for data collection was rolled out. The first stage, outlined above, sought community and iwi organisations to register with Te Kawa Mataaho in order to receive information and provide an appropriate contact for data collection (See **Appendix 4** for details).
- 23 The second stage was a short online survey. The purpose of this survey was to provide robust screening questions to ensure employers were placing employees in the correct categories in the correct volumes.
- 24 The screening survey was designed with settlement parties to ensure that the work undertaken in the original settlement was being accurately reflected. Discussion and promotion of the categories of work and the screening questions prior to the release of the survey meant that 465 of the 564 registered providers chose to undertake the screening survey.
- 25 Out of the 465 employers who completed the survey, 381 met the eligibility criteria and went on to complete the second stage (note, there are some providers who subcontract other providers so the overall number of providers may be larger).

**Figure 1: Employers through the screening process**



*Detailed data collection*

- 26 Once an organisation successfully completed the screening questions, they were delivered an Excel template asking for the data required to build accurate costings and extend the pay equity settlement. The template asked for:
- a. the number of eligible employees;
  - b. the current category of work that they fit within (1-4);
  - c. the remuneration of current employees;
  - d. the years of experience of eligible employees (for translation purposes);
  - e. the government contract/s they are funded under (philanthropically funded employees were not eligible); and
  - f. what aspects of professional support costs are currently funded.
- 27 Cross checking and analysis was then undertaken by Te Kawa Mataaho officials upon the return of the spreadsheets to resolve errors, sense check data and test the inclusion of employees who on first impression, may be ineligible.

*Data collection timeframe*

- 28 The data collection period was initially scheduled to run for one month, from 16 February 2023 until 14 March 2023. In this period, Cyclone Gabrielle occurred, and it became necessary to extend the deadline for completion to support affected social services. Extra wrap-around support for completion was also offered to any organisation impacted. The data collection process was completed at the new date of 3 April 2023.

*Data cross-checking*

- 29 As data was received and analysed there were interim data deliveries to funding agencies who had requested this. Final data was delivered once the data collection had closed and initial checks had been undertaken by Te Kawa Mataaho. The data was collated for each funding agency for the providers they had contracts with. The information provided included:

- the name of the organisation;
- contract names/numbers;
- FTE by contract; and
- what aspects of professional support costs were covered.

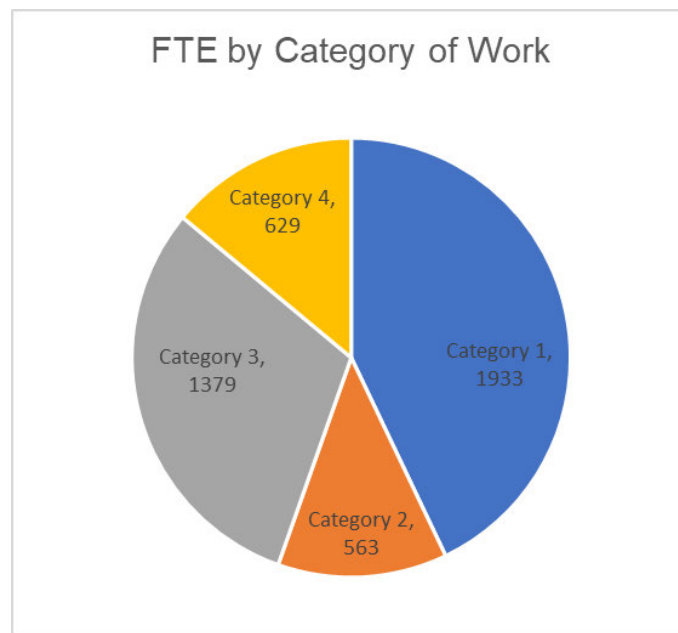
30 Funding agencies (see paragraph 33, chart 2 for the list of agencies) checked the information for anomalies in the first instance (for example, contract number errors). They were then asked to sense check the data for any red flags, (such as a nursing contract for physical health services being included). Lastly, they were asked to check that the professional support costs funding the organisations had indicated matched their understanding of the contract. Any major issues were flagged to Te Kawa Mataaho to resolve if they were unable to be resolved by the Funding agency (see **Appendix 4** for details).

*Data collection results*

31 At the close of the data collection, 5,008 employees were identified as eligible for the extension. This equates to 4,503.6 FTE.

32 The breakdown of FTE shows that the largest sole category is category 1- registered social workers in frontline practice (42.9%). The smallest is category 2- registered professionals in a social work role (12.5%).

**Chart 1: Categories of work**



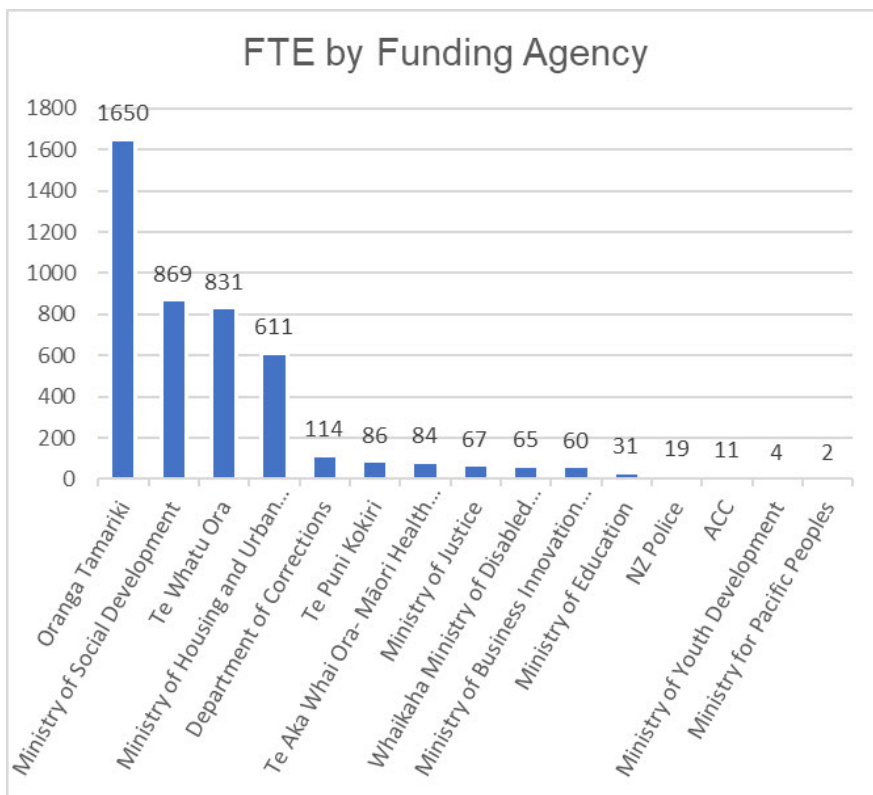
**Table 1: Top 10 largest providers with employees under coverage**

9(2)(b)(ii) prejudice commercial position

[Redacted content]

33 While there are a range of Funding Agencies who have been identified as funding eligible FTE, chart 2 (below) indicates there are four agencies who cover the majority:

**Chart 2: FTE Funded by Funding Agency**

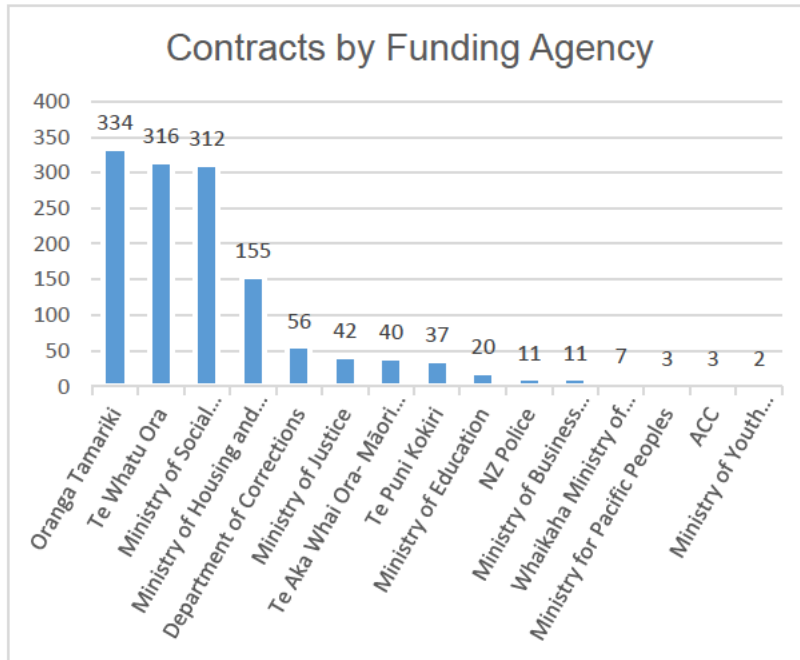


34 The number of contracts held by each Funding Agency reflects the same top four agencies.



**Chart 3: Contracts per Funding Agency**

35 The complexity of the contracting environment is illustrated by the volume of contracts held across the sector. The total number of agency contracts that the extension will change is 1349<sup>3</sup>.



**Table 2: Average percentage correction applied upon translation to the equitable remuneration framework**

Band	Average Salary Correction
Category 1: Registered Social Workers	31.3%
Category 2: Registered professionals in social work roles	27.4%
Category 3: Professionals undertaking similar work	15.2%
Category 4: Registered social workers leading practice	41.3%
Overall	27.1%

36 These pay corrections create for the first time a clear difference between category 1 social workers and unregistered category 3 workers. The current average pay identified across the sector is currently very similar for both groups (\$62k per annum for category 3 versus \$67k per annum for category 1). This correction will incentivise qualification and registration and fairly remunerate registered social worker for their skills, responsibilities and effort.

<sup>3</sup> The total number of contracts that will change will be higher once subcontracts between providers are included

## Issues of note in the data collection

### *Different splits between categories than initially estimated*

- 37 The initial estimate for the total number of employees that would be covered by the extension proved to be fairly accurate with a relatively small difference (7%) between the original estimate and observed totals. On the other hand, the split between the categories of work was different.
- 38 More category 3 employees were identified than originally estimated. There were several reasons for this given by providers throughout the engagement process, including:
- Whānau ora services in rural areas and/or areas with more complex needs have opted to configure their services differently, utilising a social work framework and workforce;
  - many providers indicated that over time, with the failure to recruit social workers, they had to accept non-registered professionals in order to make sure their community still received services. This is supported by the findings of a significant number of vacancies for social workers (17.4% FTE in category 1 (registered social workers) in frontline practice were vacant); and
  - the high level of housing needs and the complexity that has arisen in this space has meant an increase in the number of employees required to deal with the high-level needs (meaning their work is substantially similar to social work).
- 39 The size of this cohort highlights the importance of the work being undertaken by the Social Work Registration Board to further clarify the scope, nature and future pathways for these workers, including considerations for public safety.

### *Non-registered social workers*

- 40 Many employers who engaged to understand the categories of work identified they had qualified social workers who were not registered. This was concerning and officials stressed to providers the importance of adhering to mandatory registration. The cost of registering and maintaining a practicing certificate was identified as a barrier. This barrier will be virtually eliminated by the fact that the extension provides specific funding to cover registration fees.
- 41 There were also a number of experienced and senior social workers who wished to engage in the section 13 experience-based pathway outlined in the Social Work Registration Act but found the cost prohibitive<sup>4</sup>. These employers and employees were connected with the Social Work Registration Board to discuss options.

### *Leaders of practice positions funded through overheads*

- 42 It became evident throughout the process of data collection that most providers who had a person or people leading practice, ensuring practice standards and providing supervision/development to staff were employed via pooling funding from overhead provisions in multiple contracts. Very few were funded specifically. This raised

---

<sup>4</sup> The current cost of the experience-based pathway is \$3,570.

concerns that the commissioning environment overall is not considering the critical nature of having a leader of practice to ensure quality practice is maintained when working with vulnerable families. This issue is one that the Social Sector Commissioning Hub could consider in the broader context of social sector commissioning improvements.

#### *Difference in delivery of the same contracts between providers*

- 43 Most commissioning of community services does not specify the nature of the workforce that should be employed to deliver a service. They are more likely to be funded to deliver an outcome or output. This means that providers, in assessing the varied needs of their communities, have some discretion on the nature of the workforce best suited to deliver this outcome. Social sector commissioning work has established as a principle:

*“Individuals, families, whānau and communities exercise choice”<sup>5</sup>*

- 44 For the extension of pay equity, this does mean that there are differences between providers who hold the same contract in terms of whether their employees meet the required criteria. For example, some transitional housing contracts were operationalised by some providers via the employment of a team including social workers and other professionals undertaking similar work. This meant all these employees were in scope. Others delivered on this contract via the employment of a fully non-regulated workforce, operating at a lower level of skill, responsibility and effort who did not receive supervision or oversight from a registered social worker. This excluded them from the extension as pay equity is about remunerating fairly for the level of skills, responsibility and effort required for the work being done.

#### **Coverage confidence**

- 45 We are confident that the data collection process was thorough enough to cover most community and iwi organisations that would be eligible for this extension. The work undertaken to ensure that providers were reached was extensive. However, given that the sector is so widespread and there was no definitive list of providers, it is possible that some organisations will come forward after the extension has been implemented.
- 46 It is also possible that despite all the combined efforts of officials, unions and peak bodies in socialising the purpose of the extension data collection, some agencies retained mistrust of the purpose and decided not to participate.
- 47 Funding Agencies indicated this poses a risk to their commitment to relational commissioning if providers come forward and they are unable to fund them to deliver pay equity rates via baseline. There is also a risk of pay equity claims being raised in providers unable to pay the established pay equity rate due to having missed the extension process.
- 48 To preserve the intent of the pay equity extension process, the commitment to the agreed social sector commissioning principle and to mitigate the risk of pay equity claims arising, we recommend that if Funding Agencies have eligible providers that

---

<sup>5</sup> Social Sector Commissioning: Progress, Principles and Next Steps Ministry of Social Development 2020

come forward in the next 12 months and they are not able to meet costs in baseline they are able to return to Cabinet to seek more funding.

- 49 On the other end of this spectrum, if funding that is appropriated to deliver the extension is not utilised due to a change in volume or nature of contracts over the four-year period, this funding should be returned and not utilised for other purposes.

## **Implementation process**

### *Timeline for implementation*

- 50 The extension will take effect from 1 July 2023. This date aligns the extension with the new financial year for the Funding Agencies and most providers. This will make implementation smoother for all involved. While the process of contract variations and the delivery of funding to providers will not be completed by this date, it ensures that the employers and employees can be certain they will receive funding benchmarked from this date.

### *Standard contract clauses for variations developed*

- 51 In agreeing to extend the pay equity settlement, Cabinet directed Public Service Agencies to begin the process of preparing to vary relevant funding contracts to implement the extension [CAB-MIN-22-0498 refers].
- 52 To support this to occur, a set of standard contract clauses have been designed with the Ministry of Business Employment and Innovation (**MBIE**) New Zealand Government Procurement Capability Services team and Funding agencies. This work will ensure that the implementation for funding agencies, particularly those with a large volume of contracts to vary, can utilise this standard wording to reduce workload and ensure consistency.
- 53 The contract variation process will deliver additional funding to providers for the sole purpose of correcting the salaries of identified employees under coverage and delivering funding to cover professional support costs where needed. All other contract terms and conditions, such as contract term and deliverables, will remain the same. Variations to contracts can be implemented following Cabinet decision regarding the release of funds.
- 54 For clarity, implementing the pay equity extension will not shift the substantive funding model away from any existing models that are utilised by funding agencies. For example, if funding is contributory, this will not be changed by the implementation process.

### *Report back mechanism*

- 55 The contract variation has been designed to explicitly require providers to use the uplift in funding to transition eligible employees to no less than the relevant step on the new pay spine. The variation also requires the providers to provide annual written confirmation to their Funding Agency/Agencies that they are operating the new pay spine as intended and providing for professional support costs.

- 56 Standard audit clauses in contract variations will also allow Funding Agencies to investigate whether the funding delivered in contracts is passed on to workers if a concern is raised.

#### *Employment agreement variations and translation*

- 57 Funding Agencies and unions have worked together to develop a standard set of wording that can be used as the basis for discussion with unions and individuals about varying collective and individual employment agreements. This will make the process of varying employment agreements to implement and deliver the new pay equity rates easier for the 381 providers.

#### *Updating of contracts*

- 58 Some Funding Agencies have indicated that they may be able to fully update some of their contracts to implement the extension, rather than vary them. This will be done only where it can be achieved quickly and efficiently and with the agreement of the providers.

#### *Providers refusing contract variation or update*

- 59 It is unlikely that providers will refuse to negotiate the contract variation with their Funding Agency/Agencies as it will result in their ability to deliver pay equity rates and therefore recruit and retain staff. However, if a provider decides to opt out, they can do so. They will be liable for any resulting pay equity claim or negotiations with their workforce.

### **Maintaining pay equity**

- 60 Extending the benefits of the pay equity settlement represents a considerable investment by the Crown. Pay equity will be achieved across the social work workforce in the community sector. This will provide for a more stable workforce and improved recruitment and retention ability. This is particularly pertinent given that social workers have been placed on the immigration green list as of 12 April 2023, in acknowledgement of the skill shortage in this area.

- 61 Considering the investment this extension represents and the overarching obligation of 2AAC(b) of the Equal Pay Act 1972 (**the Act**) to pay equitable remuneration (regardless of whether a claim has been raised or not), it seems prudent to consider how pay equity will be maintained over time. There is no legal obligation to formalise a “review and maintain” process for pay equity for employees receiving the pay equity extension. That legal obligation only applies to those who reach a pay equity settlement under the Act.

- 62 Maintaining pay equity across this workforce is not simple:

- 62.4 there are a lot of different services, with different costing and funding models, and we are still some way away from a whole-of-sector approach to simplifying that complexity;

62.5 Funding Agencies have taken a flexible approach to who a provider employs to deliver contracted services. That makes it difficult to identify from the description of the service in the contract whether or not the person employed is undertaking social work and if they are a social worker; and

62.6 the employer and employee parties retain their right to negotiate wages and terms and conditions of employment through collective and individual bargaining. It is critical that this is not lost or compromised by any pay equity review process.

63 Moreover, maintaining pay equity must not be conflated with pay parity, i.e., the assumption that all community and iwi social workers should receive identical remuneration. Providers can offer better terms and conditions as part of their value proposition as employers. However, remuneration must remain free from any sex-based undervaluation.

#### *Regulated social work workforces*

64 We recommend that Funding Agencies review the funding for services that support the employment of regulated workforces undertaking social work (categories 1,2 and 4) to ensure that providers can maintain pay equity rates. This review should occur:

- at the point of renewing /renegotiating contracts;
- when commissioning new contracts; or
- at least every three years for longer-term existing contracts.

65 The parties to the original NGO social work settlement have an annual review process agreed that is consistent with the requirements of the Act to review and maintain pay equity. The outcome of this review process will provide a baseline to ensure that sex-based undervaluation does not re-emerge for the rest of the sector. The process and results of this annual review will be publicly available on the Te Kawa Mataaho website, so they are accessible to Funding Agencies, providers and unions.

66 The review would also be an opportunity for Funding Agencies to cease using contract variations as a way of passing the additional funding to address pay equity through to providers. Instead, Funding Agencies, where they reach agreement with providers, could update the contracted rates for services where the provider is employing someone to undertake social work. This work aligns with the social sector commissioning action plan 2022-2028 in particular the commitment to:

*“Clarify funding models: understand what components form part of costing models and create sustainable funding processes; consider the impact of mixed funding models and COVID-19 flexible funding approach; and assess the implications of pay equity settlements and Fair Pay Agreements for remuneration components”<sup>6</sup>*

---

<sup>6</sup> Social Sector Commissioning 2022-2028 Action Plan

67 In order to update rates and maintain pay equity, Funding Agencies should agree with providers the nature of the work being undertaken and the type of workforce used to deliver this service. This will support funding negotiations and sector sustainability. Agreement between the Funding Agency and provider on the type of workforce will uphold the social sector commissioning work underway;

*“For government, helping to build a sustainable sector means being guided by a set of funding principles and costing methodologies centred on the needs and aspirations of individuals, families, whānau and communities, and that recognise the true cost of service provision and the value of the work that social sector staff are undertaking<sup>7</sup>”.*

### *Unregulated workforce*

68 Maintaining pay equity is also important for the non-regulated workforce (category 3). However, we consider that the further work being undertaken by the Social Work Registration Board (**SWRB**) [CAB-MIN-22-0498 refers] to better understand and support this workforce should play an important role in the maintenance process. This is because outcomes of this work by the SWRB may include:

- supporting the transition of parts of this workforce to become registered social workers;
- identifying distinct workforces within this category; and
- identifying potential career pathways for these workforces which may change the level of the skill, responsibility and effort involved.

69 For the category 3 workforce, we recommend that Funding Agencies ensure funding enables the payment of remuneration that is free from sex-based undervaluation as established by the parties to the original settlement until November 2024. At this point the results from SWRB work programme for these workforces will be known and the review process revisited. The review will be led by Te Kawa Mataaho and the Social Sector Commissioning Board.

### **Consultation**

70 Organisations that have been consulted include Oranga Tamariki, the Ministry of Social Development, Manatū Hauora, Te Whatū Ora, Te Aka Whai Ora, the Ministry of Education, the Department of Corrections, the Ministry of Justice, the Ministry of Housing and Urban Development, Te Puni Kōkiri, the Ministry of Business, Innovation and Employment, the New Zealand Police, the Treasury, the Ministry for Women, Whaikaha, Te Kāhui Kāhu, the Social Workers Registration Board, the Accident Compensation Corporation, the Department of Internal Affairs, the Ministry of Pacific Peoples and the Ministry of Youth Development.

71 The Department of the Prime Minister and Cabinet has been informed.

---

<sup>7</sup> Social Sector Commissioning: Progress, Principles and Next Steps Ministry of Social Development 2020

## Financial Implications

- 72 Cabinet agreed on 14 November 2022 to extend the benefit of the pay equity settlement for social workers and those in social work roles to all community and iwi providers [CAB-MIN-22-0498 refers]. This paper seeks to appropriate funding to give effect to that decision.
- 73 The total impact of extending the pay equity settlement is \$459.742 million. However, two agencies (the Accident Compensation Corporation and Ministry of Housing and Urban Development) can meet or partially meet these costs from their existing baselines, amounting to \$24.164 million.
- 74 Therefore, the total new funding required is \$435.579 million over four years. It impacts 13 Votes, with the largest changes impacting Oranga Tamariki, the Ministry of Social Development, Te Whatu Ora and the Ministry of Housing and Urban Development.
- 75 To date, the fiscal impacts of pay equity settlements have been managed outside of Budget allowances, and the same approach is proposed here. That means there will be a direct impact of \$435.579 million on the operating balance and net debt as a result of these changes.
- 76 The Treasury prepares and includes estimated cost impacts of pay equity settlements in each Economic and Fiscal Update, which allows for the anticipated impacts of any additional funding to be managed outside of budget allowances but remain consistent with the Government’s Fiscal Strategy. The cost of the extension was included at a higher rate in BEFU 2023, and these changes will reduce the forecasted impact on OBEGAL and Net Debt

**Table 3: Summary of total costs settlement extension costs over four years (millions)**

Fiscal Year	Remuneration Costs	Oncosts	Professional Support Costs	Total Annual Costs
2023/24	80.140	6.011	10.317	96.467
2024/25	93.416	7.006	10.295	110.718
2025/26	103.503	7.763	10.295	121.561
2026/27 and Outyears	112.280	8.421	10.295	130.996
<b>Total</b>	<b>389.339</b>	<b>29.200</b>	<b>41.203</b>	<b>459.742</b>

- 77 The figures in tables 3 and 4 are a best estimate based on detailed data gathered by Te Kawa Mataaho. Implementation by agencies may lead to higher or lower costs on a provider-by-provider basis. Given the conservative assumptions, it is expected that agencies can manage any variation from within this envelope or from their baselines. If costs run unexpectedly high, that agencies can manage any variation from within this envelope or from their baselines. If costs run unexpectedly high, then further funding should be sought through the Budget process, at which stage there will likely be a case for continuing to manage these costs outside of allowances. Any underspends should be returned through the Baseline Update process.



**Table 4: Summary of total costs by agency over four years (millions)**

Agency	Remuneration Costs	Oncosts	Professional Support Costs	Total
Oranga Tamariki	162.560	12.192	13.544	188.296
Ministry of Social Development	70.361	5.277	6.832	82.469
Te Whatu Ora	69.951	5.246	8.704	83.901
Ministry of Housing and Urban Development	44.540	3.340	6.576	54.456
Department of Corrections	9.640	0.723	1.304	11.668
Te Aka Whai Ora- Māori Health Authority	6.559	0.492	1.007	8.058
Te Puni Kokiri	5.872	0.440	0.763	7.075
Ministry of Business Innovation and Employment	5.517	0.414	0.747	6.678
Ministry of Justice	5.050	0.379	0.788	6.217
Whaikaha Ministry of Disabled People	3.427	0.257	0.305	3.989
Ministry of Education	2.731	0.205	0.153	3.088
NZ Police	1.433	0.107	0.199	1.739
ACC	1.145	0.086	0.235	1.466
Ministry of Youth Development	0.392	0.029	0.003	0.425
Ministry for Pacific Peoples	0.161	0.012	0.044	0.216
Total	389.339	29.200	41.203	459.742

### Legislative Implications

78 No new legislation is proposed in this paper.

### Impact Analysis

79 An impact analysis is not required for this paper.

### Human Rights

80 The proposals in this paper are consistent with the Equal Pay Act 1972, the Human Rights Act 1993 and the New Zealand Bill of Rights Act 1990 as they address the gender discrimination women experience in relation to the pay they receive in social work roles in the Funded Sector.

81 The pay equity work programme is also consistent with the:

81.4 Convention on the Elimination of All Forms of Discrimination against Women (**CEDAW**) including article 11(1)(d) which covers "...The right to equal remuneration, including benefits, and to equal treatment in respect of work of equal value, as well as equality of treatment in the evaluation of the quality of work..."; and

81.5 International Labour Organization Convention 100, Concerning Equal Remuneration for Men and Women Workers for Work of Equal Value, as well as other relevant international labour instruments including Conventions and Recommendations.

## **Gender Implications**

- 82 The Government's commitment to improving access to pay equity in the Funded Sector requires substantive and effective gender responsive governance. Oversight and support of pay equity claims in the Funded Sector facilitates a robust claims process that supports the timely and equitable settlement of claims.
- 83 It is important that increased efficacy and integrity of settlements cover the Funded Sector as this sector is both low paid and female-dominated with a high proportion of Māori and Pacific women employees. The extension of the NGO settlement in the Funded Sector will significantly contribute to addressing gender-based undervaluation in the remuneration of all women performing work funded by the Government.

## **Disability Perspective**

- 84 Disabled women, in particular, are more likely to experience inequity in employment. For example, in June 2021, one in five disabled women (22%) were "underutilised" as a group, including unemployed and underemployed, and seeking more hours of work (Household Labour Force Survey, June 2021).
- 85 Disabled people are proportionally more likely to be amongst those receiving services from social workers and professionals carrying out social work type tasks. The services delivered by social workers and allied professionals to disabled people, tāngata whaikaha Māori, their families and whānau are expansive and encompass direct practice, group work, community development, policy practice, and advocacy.

## **Proactive Release**

- 86 We intend to proactively release this paper once it has been considered by Cabinet, subject to any required redactions under the Official Information Act 1982.

## Recommendations

The Minister for the Public Service and the Minister for Women recommends that the Committee:

1. **note** that In November 2022 Cabinet agreed to extend the pay equity settlement to all social workers and those undertaking substantially similar work in community and iwi organisations [CAB-MIN-22-0498 refers];
2. **note** that the data collection process to understand the number of providers and employees eligible for the extension of the pay equity settlement for social workers and those doing similar work has been completed;
3. **note** that appropriate time and support was given to providers to engage with the data collection process;
4. **note** that this data provided by community and iwi organisations has been cross checked for accuracy by Te Kawa Mataaho and Funding Agencies;
5. **note** that 381 providers and 5,008 employees are in scope for the extension of the pay equity settlement;
6. **note** that the total cost of the extension is \$459.742 million over four years which will be met through:
  - 6.1 \$435.579 million in new funding to be managed outside of Budget allowances;
  - 6.2 \$1.466 million of existing baseline funding from the Accident Compensation Corporation and
  - 6.3 \$22.698 million of existing baseline funding from the Ministry of Housing and Urban Development;
7. **note** that the Ministry of Housing and Urban Development is able to partially absorb costs from within existing baselines using current forecast projections. If these forecasts change significantly there may be a requirement to seek additional funding through future Budget processes to cover any shortfall;
8. **agree** to appropriate \$435.579 million over four years to the Funding Agencies in recommendation 9 to implement the pay equity extension for 5,008 identified employees in community and iwi organisations who undertake social work or work that is substantially similar;

9. **approve** the following changes to appropriations to give effect to the policy decision in recommendation 8 with a corresponding impact on the Operating Balance and Net Debt;

	\$m Increase/(Decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 and Outyears
<b>Vote Corrections</b>					
<b>Minister of Corrections</b>					
<b>Departmental Output Expense</b> Re-offending is Reduced	-	2.545	2.838	3.051	3.234
<b>Vote Courts</b>					
<b>Minister for Courts</b>					
<b>Non-Departmental Other Expenses</b> Court and Coroner Related Costs	-	1.176	1.339	1.474	1.586
<b>Vote Education</b>					
<b>Minister of Education</b>					
<b>Departmental Output Expenses</b> Interventions for Target Student Groups	-	0.652	0.745	0.820	0.871
<b>Vote Health</b>					
<b>Minister of Health</b>					
<b>Non-Departmental Output Expenses</b> Delivering hauora Māori services	-	0.215	0.286	0.369	0.435
<b>Non-Departmental Output Expenses</b> Delivering Primary, Community, Public and Population Health Services	-	19.030	21.816	23.916	25.893
<b>Vote Housing</b>					
<b>Minister of Housing</b>					
<b>Non-Departmental Output Expenses</b> Local Innovations and Partnerships	-	0.041	0.046	0.053	0.054
<b>Non-Departmental Output Expenses</b> Public Housing (MCA) Services for People in Need of or at risk of Needing Public Housing	-	0.000	0.000	5.285	5.834
<b>Non-Departmental Output Expenses</b> Transitional Housing (MCA) Transitional Housing Services	-	-	1.000	9.253	10.193
<b>Vote Justice</b>					
<b>Minister of Justice</b>					
<b>Non-Departmental Output Expenses</b> Community Justice Support and Assistance (MCA) Victim Entitlements	-	0.052	0.061	0.074	0.090
<b>Non-Departmental Output Expenses</b>	-	0.030	0.034	0.041	0.041

Community Justice Support and Assistance (MCA) Community Legal Assistance					
<b>Non-Departmental Output Expenses</b> Community Justice Support and Assistance (MCA) Community Resolution	-	0.051	0.054	0.056	0.058

	2022/23	2023/24	2024/25	2025/26	2026/27 and Outyears
<b>Vote Labour Market</b>					
<b>Minister of Immigration</b>					
<b>Departmental Output Expenses</b>					
Settlement and Integration of Refugees and Other Migrants	-	1.110	1.303	1.451	1.567
<b>Vote Māori Development</b>					
<b>Minister for Whānau Ora</b>					
<b>Non-Departmental Output Expenses</b>					
Whakamahi i ngā Huanga a Whānau Ora   Commissioning Whānau Ora Outcomes	-	1.445	1.719	1.903	2.009
<b>Vote Oranga Tamariki</b>					
<b>Minister for Children</b>					
<b>Departmental Output Expenses</b>					
Investing in Children and Young People (MCA) Prevention and Early Support (Funded by Revenue Crown)	-	28.153	31.852	34.594	36.983
<b>Departmental Output Expenses</b>					
Investing in Children and Young People (MCA) Statutory Intervention and Transition (Funded by Revenue Crown)	-	12.101	13.705	14.922	15.985
<b>Vote Pacific Peoples</b>					
<b>Minister for Pacific Peoples</b>					
<b>Non-Departmental Other Expenses</b>					
Housing Pacific Families	-	0.041	0.050	0.059	0.067
<b>Vote Police</b>					
<b>Minister of Police</b>					
<b>Departmental Output Expenses</b>					
Policing Services (MCA) Crime Prevention	-	0.309	0.319	0.343	0.354
<b>Departmental Output Expenses</b>					
Policing Services (MCA) Investigations and Case Resolution	-	0.111	0.097	0.104	0.103
<b>Vote Business, Science and Innovation</b>					
<b>Minister for Economic and Regional Development</b>					
<b>Non-Departmental Other Expenses</b>	-	0.286	0.310	0.325	0.325

Economic and Regional Development: Provincial Growth Fund (MCA) Supporting Regional and Sector Initiatives					
<b>Vote Social Development</b>					
<b>Minister for Disability Issues</b>					
<b>Non-Departmental Output Expenses</b> Supporting tāngata whaikaha Māori and disabled people (MCA) Connecting people with supports and communities	-	0.807	0.950	1.076	1.157
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27 and Outyears</b>
<b>Vote Social Development</b>					
<b>Minister for Social Development and Employment</b>					
<b>Departmental Output Expenses</b> Administering Support for the Mental Health and Employment Social Bond Pilot	-	0.044	0.064	0.079	0.097
<b>Departmental Output Expenses</b> Improved Employment and Social Outcomes Support (NCA) Improving Employment Outcomes	-	0.028	0.028	0.028	0.027
<b>Non-Departmental Output Expenses</b> Community Participation Services	-	0.067	0.075	0.084	0.094
<b>Non-Departmental Output Expenses</b> Community Support Services (MCA) Community Support and Advice	-	15.718	17.961	19.662	21.154
<b>Non-Departmental Output Expenses</b> He Poutama Rangatahi	-	0.183	0.247	0.289	0.320
<b>Non-Departmental Other Expenses</b> Emergency Housing Support Package	-	0.779	0.997	1.181	1.361
<b>Non-Departmental Output Expenses</b> Partnering for Youth Development (MCA) Delivering Youth Development	-	0.500	0.563	0.617	0.649

10. **agree** that the changes to appropriations in 2023/24 be included in the 2023/24 Supplementary Estimates, and in the interim, the increase be met from Imprest Supply
11. **agree** that expenses incurred under recommendation 9 above be managed outside of allowances and will directly impact OBEGAL and Net Debt,
12. **note** that the costs in recommendation 5 are lower than those estimated in the Treasury's Fiscal Forecasts, the changes described in recommendation 7 will reduce the impact on OBEGAL and Net Debt;
13. **note** that the extension will take effect from 1 July 2023 and the extension will be implemented via contract variation or update;

14. **direct** Public Service chief executives to vary or update all current funding contracts as identified in the data collection process which support the employment of social workers and those in social work roles to implement the new pay equity rate, including relevant terms and conditions, as a minimum from 1 July 2023;
15. **invite** the Minister of Health as the Minister responsible for Te Whatu Ora and Te Aka Whai Ora to communicate Cabinet expectations about updating or varying funding contracts as identified in the data collection process that support the employment of social workers and those in social work roles to implement the new pay equity rate, including relevant terms and conditions, as a minimum from 1 July 2023;
16. **agree** that the annual review undertaken by the parties to the original settlement will provide a baseline for Funding Agencies to identify if sex based undervaluation has reoccurred;
17. **agree** that Funding Agencies who commission services that employ regulated workforces undertaking social work will review the funding they provide to ensure providers can maintain pay equity rates. This review should occur:
  - 17.1 at the point of renewing/renegotiating contracts;
  - 17.2 when commissioning new contracts; or
  - 17.3 at least every three years for longer-term existing contracts;
18. **agree** that Funding Agencies who commission services that employ non-regulated workforces undertaking social work will review the funding they provide to ensure providers can maintain pay equity rates until November 2024;
19. **agree** that Te Kawa Mataaho and the Social Sector Commissioning Hub will consider and present options for a pay equity review mechanism or mechanisms for the non-regulated workforce once the work undertaken by the Social Work Registration Board is complete.

20. **note** that if the costs of implementing the pay equity extension are lower than calculated funding should be returned via the Baseline Update process. If costs run unexpectedly high, then further funding should be sought through the Budget process, at which stage there will likely be a case for continuing to manage these costs outside of allowances.

Authorised for lodgement

**Hon Minister Tinetti**

**Minister for Women**

**Hon Andrew Little**

**Minister for the Public Service**



## Appendix 1: Overview of categories of work

Category 1	Category 2	Category 3	Category 4
<p>Registered social workers or social workers eligible to be registered by the social workers registration board who are undertaking social work or work substantially similar to social work.</p>	<p>Registered professionals or professionals eligible for registration under:</p> <ul style="list-style-type: none"> <li>• Health Practitioners Competence Assurance Act</li> <li>• Teaching Council*</li> <li>• DAPAANZ</li> <li>• NZ Association of Counsellors</li> </ul> <p>who are undertaking social work or work substantially similar to social work</p> <p>*Qualified teachers undertaking social work may not currently be eligible for registration but are covered here</p>	<p>Professionals with substantial experience or community/iwi-based connections in roles where professional registration is not a requirement.</p> <p>These professionals draw on practice frameworks including social work, community or te ao Māori frameworks to undertake work that is substantially similar to social work.</p>	<p>Registered or registrable social workers or other registered professionals leading and enhancing the professional practice of a team undertaking social work.</p>
<ul style="list-style-type: none"> <li>✓ Draws on social work theoretical frameworks and knowledge</li> <li>✓ Works within Social Work Code of Ethics and Standards of Practice</li> <li>✓ Receives regular professional supervision</li> <li>✓ Undertakes continuing professional development hours as required per year</li> <li>✓ Knowledge of Te Tiriti, tikanga Māori and te ao Māori</li> <li>✓ Knowledge of diverse cultures, religions, and communities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Draws on their specific professional theoretical framework and knowledge base in order to practice in a social work role</li> <li>✓ Often works in multi/inter disciplinary team</li> <li>✓ Works within their relevant code of ethics and standards of practice</li> <li>✓ Undertakes supervision as required</li> <li>✓ Undertakes continuing professional development as required</li> <li>✓ Knowledge of Te Tiriti, tikanga Māori and te ao Māori</li> <li>✓ Knowledge of diverse cultures, religions, and communities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Draws on te ao Māori and/or social work theoretical frameworks and methods alongside other practice frameworks to support working in a role substantially similar to social work</li> <li>✓ Works with a high level of supervision or sign off requirements for any clinical decision making</li> <li>✓ Strongly connected to and accountable to the community</li> <li>✓ Role may require body of knowledge for specific context- e.g. homelessness</li> </ul>	<ul style="list-style-type: none"> <li>✓ Draws on social work knowledge, frameworks and methods to influence and develop best practice</li> <li>✓ Provides coaching, mentoring, supervision, and advisory functions to social workers in a team</li> <li>✓ Provides education, oversight, and assistance with complex cases</li> <li>✓ May have designated caseload as part of role</li> <li>✓ Undertakes continuing professional development as required</li> <li>✓ Knowledge of Te Tiriti, tikanga Māori and te ao Māori</li> <li>✓ Knowledge of diverse cultures, religions, and communities</li> </ul>
<p><i>Examples of work excluded from claim:</i>            Youth work, community development as primary focus, leadership roles which are managerial only (i.e. not primarily leading practice), registered social workers or other professionals whose main role is not social work-i.e. who may be primarily undertaking management work, research, coordination, advisory functions.</p>			

## Appendix 2: Pay spine and translation overview

Pay Spine			Band 1	Band 2	Band 3	Band 4
			Registered or registerable social workers in frontline practice	Registered professionals in social work roles	Non-registered professionals undertaking work substantially similar to social work	Registered social workers leading practice
Step	1	\$58,964.33				
Step	2	\$63,500.52				
Step	3	\$68,037.77	Supported Practice Step	Supported Practice Step		
Step	4	\$74,839.35				
Step	5	\$77,107.21				
Step	6	\$81,642.92				
Step	7	\$86,178.64				
Step	8	\$90,713.36				
Step	9	\$95,250.08				
Step	10	\$102,000.00				
Step	11	\$104,321.51				
Step	12	\$108,857.23				
Step	13	\$113,392.9				
Step	14	\$117,928.6				
Step	15	\$122,464.30				

Translation onto the new pay spine will be based on years of experience. This means that a:

1. professional using social work skills with 3 years' experience will go to \$68,037.77;
2. social worker with 3 years of experience will go onto \$77,107.21; and
3. practice leader with 3 years of experience leading practice will go to \$104,321.51.

## Appendix 3: Calculation of the cost of extension

### Summary of the extension

This extension provides for:

- a single remuneration framework based on established pay equity rates for people undertaking social work or substantially similar work. That framework includes four categories of work:
  - registered social workers in frontline social work roles;
  - registered professional in social work roles;
  - non-registered professional undertaking work that is the same or substantially similar to social work; and
  - registered social workers leading social work practice.
- a process for “translating” staff from a position in a current remuneration framework to the appropriate position in the relevant band in the new framework;
- progression through all bands on the basis of time and experience, unless there is a documented formal performance plan in place; and
- provision of professional support in the form of meeting registration and membership fees, professional and cultural supervision, and professional development.

The appropriation amounts are based on extending the agreed components of the pay equity settlement. These are:

- remuneration;
- professional support and development;
- progression through the established equitable pay system; and
- 9(2)(f)(iv) confidentiality of advice

The extension process required a calculation of these costs for each employer, and for these to be assigned to a particular appropriation for each agency that funds those employers.

Each Funding Agency has then agreed with Treasury whether those additional costs can be met from within the agency’s baseline or will need to be met through either the contingency (for remuneration and professional support costs), or through the between-Budget contingency (for implementation costs).

The costing of this extension is described below.

### Translation year calculations

Below outlines the calculations specific to the first year. Professional Support Costs and oncosts are costed for year one as defined in the subsequent years section.

## **Remuneration**

Upon implementation, employees will be translated to the Pay Spine framework. The step an employee is translated to is limited accordingly to the Band range and is determined by the employee's relevant experience by:

- starting from the minimum step, the employee moves one step up the Pay Spine for each full year of Relevant Experience above their first that they have completed.

No one is to be disadvantaged through this translation. If the staff member's salary exceeds the step determined by this method, they retain their current salary until they accumulate sufficient experience to progress to the next step.

## **Subsequent Year Calculations**

### **Remuneration**

Employees progress one step up the Band annually unless there is a documented formal performance plan in place. An employee on the maximum step for their band remains on that step.

### **Professional Support Costs**

A per FTE provision for three forms of professional support: professional registration and membership fees (\$830), professional and cultural supervision (\$3,500) and professional development and training (\$1,000). Professional registration and membership costs are not provided for non-regulated category 3 workers.

### **Oncosts**

Analysis was undertaken as part of the five NGOs settlement. The analysis estimated oncosts at 7.5% of the remuneration for each employee. This covers expenses related to unplanned leave, Kiwisaver contributions and ACC. The amount of funding necessary to cover oncosts was calculated as 7.5% of the remuneration costs. That is 7.5% of the difference in remuneration levels before and after the translation to the new remuneration framework.

### **Turnover**

A percentage turnover rate has been applied to employee remuneration and oncosts calculations. Organisations with very low staffing levels have been made exempt from this calculation, as given their scale, we anticipate little to no turnover for these providers. The cost reduction is calculated by modelling the difference between current staff remuneration levels and the expected remuneration of replacement staff and is cumulative across the years that a turnover estimate is applied.

### **Time-Limited Funding**

Some contracts are funded through time-limited sources (e.g. emergency response funding). These funding allocations are time-bound with no planned continuation of those services past a certain point. The contracts identified as being subject to this funding model have been pro-rated according to the funding end date.

***In terms of how the costs have been calculated:***

*The costs outlined in this paper are the additional funds required to uplift the workforce onto the remuneration framework, as detailed:*

- The remuneration costs are calculated as the difference between each employee's current remuneration and their remuneration after the extension. This cost accumulates over subsequent years, as employees progress through the band the difference increases. The remuneration costs do not account for changes to the Pay Spine for cost of living or other factors.
- The employers provided Te Kawa Mataaho the workforce data necessary to determine where each employee would be positioned under the new, single remuneration framework. These costs were then allocated across the different services funded by different Funding Agencies based on information provided by the employers to determine the proportion of the employees' salaries met by the various Funding Agencies.
- Professional Support Costs have been calculated as the additional funds required per contract to fund professional support for the FTE that services the contract.
- Funding Agencies and employers reviewed what, if any, provision for professional support could be identified in existing funding and support arrangements. This analysis identified certain contracts in which no provision is made, and certain contracts where it is explicit that there is provision for some or all of those costs. Additional funding for professional support has been calculated for each contract that requires it on a per FTE basis. This means that funding for professional's support is pro-rated.
- The oncosts are a static percentage of each employee's remuneration. The costs are calculated as the difference between the current remuneration and the remuneration level under this settlement. In effect, this is 7.5% of the remuneration costs for that year.
- Vacant positions have been accounted for in this model. Positions flagged as vacant have been costed by assuming current remuneration at the median for that band. The translation was modelled to the median step of the band, in the case of category one and two which have an even number of steps; the higher step, this corresponds to the median experience for those categories. The calculations above were then applied as if the role was filled.
- The median was selected as the better measure of central tendency. An analysis of the remuneration levels and experience found significant variance in pay and experience, with some employees having over 40 years of experience, such an employee will be translated to the top step. These high values cause a significant shift on the *mean* and do not materially impact

remuneration. The *median* was used to represent a 'more typical' worker's remuneration and experience.

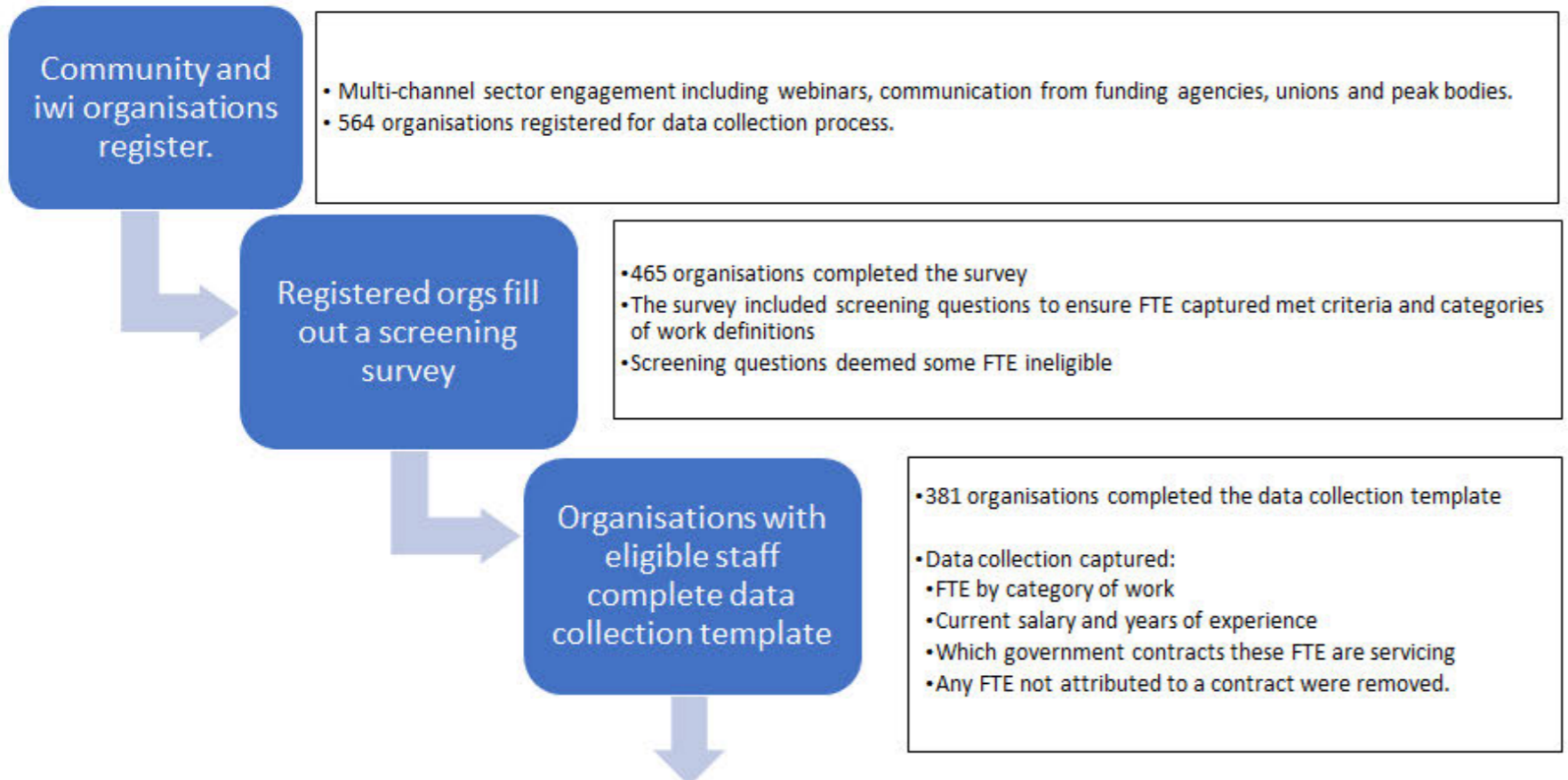
### **Implementation and Assurance**

The cost model provides the basis for changes in funding that are necessary to implement the contract variations. Some contracts are likely to be renewed, renegotiated, or expire over the forecast period. The contract variations under this extension will not change the current term of contract, broader terms and conditions or make any indication regarding whether the current contract will be renewed.

The model calculates the required funding to maintain a similar workforce over the forecast period. When contracts retire and new social work services are procured, the funds calculated for the continuation of that contract will be allocated to the replacement service. Replacement contracts may have a different cost profile. It is expected that these changes will be relatively cost neutral when summed across all the social work contracts under a given Vote. In the case a Vote decreases social work spending, the funds appropriated may be reassigned by Treasury.

Appendix 4

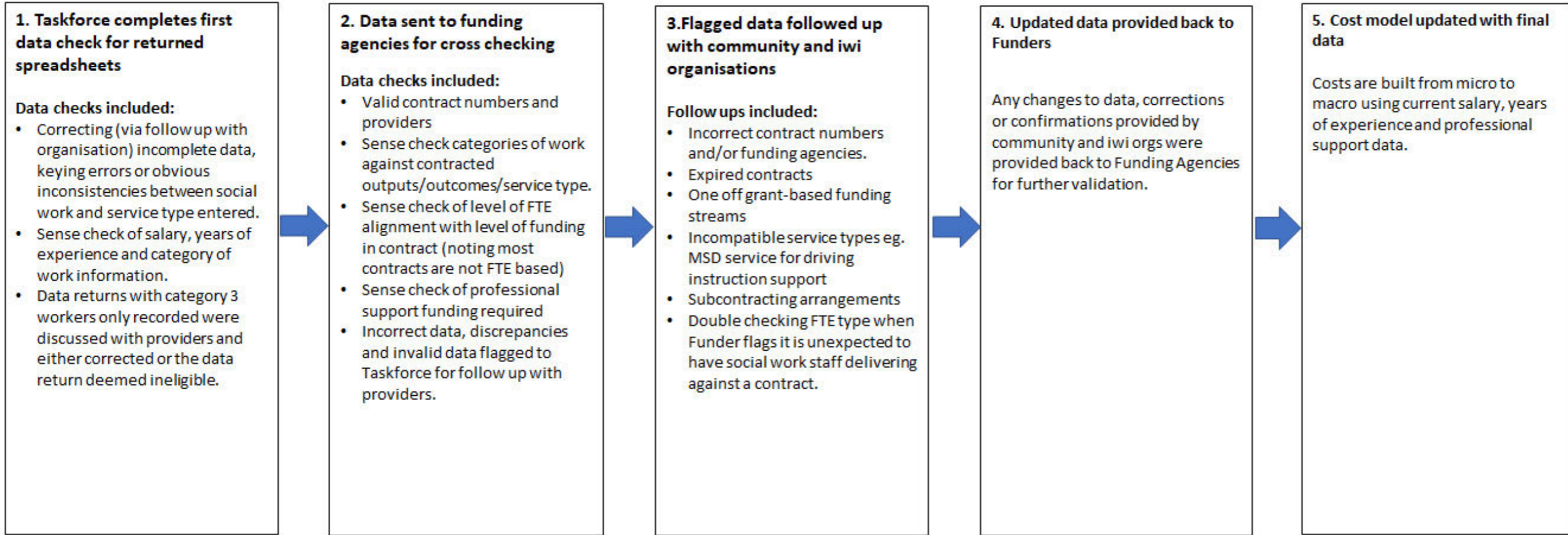
## Data collection and validation process



**Ongoing guidance and support for organisations to deliver accurate survey completion and data entry via:**

- Dedicated phone line and email address
- 7 webinars for employers and 2 for employees
- Dedicated web-page with frequent updates
- Guidance documents published on the web
- Support for funding agencies through regular meetings and guidance documents.

## Data cross checking and validation





# Cabinet Social Wellbeing Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Approval to Appropriate Funding to Extend Pay Equity Settlement for Social Workers in Community and Iwi Organisations

Portfolios                      Women / Public Service

On 7 June 2023, the Cabinet Social Wellbeing Committee:

- 1        **noted** that in November 2022, SWC agreed to extend the pay equity settlement to all social workers and those undertaking substantially similar work in community and iwi organisations [SWC-22-MIN-0196];
- 2        **noted** that the data collection process to understand the number of providers and employees eligible for the extension of the pay equity settlement for social workers and those doing similar work has been completed;
- 3        **noted** that appropriate time and support was given to providers to engage with the data collection process;
- 4        **noted** that the data provided by community and iwi organisations has been cross checked for accuracy by Te Kawa Mataaho and Funding Agencies;
- 5        **noted** that 381 providers and 5,008 employees are in scope for the extension of the pay equity settlement;
- 6        **noted** that the total cost of the extension is \$459.742 million over four years which will be met through:
  - 6.1      \$435.583 million in new funding to be managed outside of Budget allowances;
  - 6.2      \$1.466 million of existing baseline funding from the Accident Compensation Corporation;
  - 6.3      22.698 million of existing baseline funding from the Ministry of Housing and Urban Development;
- 7        **noted** that:
  - 7.1      the Ministry of Housing and Urban Development is able to partially absorb costs from within existing baselines using current forecast projections;
  - 7.2      if the above forecasts change significantly there may be a requirement to seek additional funding through future Budget processes to cover any shortfall;



- 8 **agreed** to appropriate \$435.583 million over four years to the Funding Agencies named in paragraph 9 below to implement the pay equity extension for 5,008 identified employees in community and iwi organisations who undertake social work or work that is substantially similar;
- 9 **approved** the following changes to appropriations to give effect to the policy decision in paragraph 8 above, with a corresponding impact on the Operating Balance and Net Debt:

	\$m Increase/(Decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 and Outyears
<b>Vote Corrections</b>					
<b>Minister of Corrections</b>					
<b>Departmental Output Expense</b> Re-offending is Reduced	-	2.545	2.838	3.051	3.234
<b>Vote Courts</b>					
<b>Minister for Courts</b>					
<b>Non-Departmental Other Expenses</b> Court and Coroner Related Costs	-	1.176	1.339	1.474	1.586
<b>Vote Education</b>					
<b>Minister of Education</b>					
<b>Departmental Output Expenses</b> Interventions for Target Student Groups	-	0.652	0.745	0.820	0.871
<b>Vote Health</b>					
<b>Minister of Health</b>					
<b>Non-Departmental Output Expenses</b> Delivering hauora Māori services	-	0.215	0.286	0.369	0.435
<b>Non-Departmental Output Expenses</b> Delivering Primary, Community, Public and Population Health Services	-	19.030	21.816	23.916	25.893
<b>Vote Housing</b>					
<b>Minister of Housing</b>					
<b>Non-Departmental Output Expenses</b> Local Innovations and Partnerships	-	0.041	0.046	0.053	0.054
<b>Non-Departmental Output Expenses</b> Public Housing (MCA) Services for People in Need of or at risk of Needing Public Housing	-	0.000	0.000	5.285	5.834
<b>Non-Departmental Output Expenses</b> Transitional Housing (MCA) Transitional Housing Services	-	-	1.000	9.253	10.193

	2022/23	2023/24	2024/25	2025/26	2026/27 and Outyears
<b>Vote Justice</b>					
<b>Minister of Justice</b>					
<b>Non-Departmental Output Expenses</b>					
Community Justice Support and Assistance (MCA) Victim Entitlements	-	0.052	0.061	0.074	0.090
<b>Non-Departmental Output Expenses</b>					
Community Justice Support and Assistance (MCA) Community Legal Assistance	-	0.030	0.034	0.041	0.041
<b>Non-Departmental Output Expenses</b>					
Community Justice Support and Assistance (MCA) Community Resolution	-	0.051	0.054	0.056	0.058
<b>Vote Labour Market</b>					
<b>Minister of Immigration</b>					
<b>Departmental Output Expenses</b>					
Settlement and Integration of Refugees and Other Migrants	-	1.110	1.303	1.451	1.567
<b>Vote Māori Development</b>					
<b>Minister for Whānau Ora</b>					
<b>Non-Departmental Output Expenses</b>					
Whakamahi i ngā Huanga a Whānau Ora   Commissioning Whānau Ora Outcomes	-	1.445	1.719	1.903	2.009
<b>Vote Oranga Tamariki</b>					
<b>Minister for Children</b>					
<b>Departmental Output Expenses</b>					
Investing in Children and Young People (MCA) Prevention and Early Support (Funded by Revenue Crown)	-	28.153	31.852	34.594	36.983
<b>Departmental Output Expenses</b>					
Investing in Children and Young People (MCA) Statutory Intervention and Transition (Funded by Revenue Crown)	-	12.101	13.705	14.922	15.985
<b>Vote Pacific Peoples</b>					
<b>Minister for Pacific Peoples</b>					
<b>Non-Departmental Other Expenses</b>					
Housing Pacific Families	-	0.041	0.050	0.059	0.067
<b>Vote Police</b>					
<b>Minister of Police</b>					
<b>Departmental Output Expenses</b>					
Policing Services (MCA) Crime Prevention	-	0.309	0.319	0.343	0.354
<b>Departmental Output Expenses</b>					
Policing Services (MCA) Investigations and Case Resolution	-	0.111	0.097	0.104	0.103

	2022/23	2023/24	2024/25	2025/26	2026/27 and Outyears
<b>Vote Business, Science and Innovation</b>					
<b>Minister for Economic and Regional Development</b>					
<b>Non-Departmental Other Expenses</b> Economic and Regional Development: Provincial Growth Fund (MCA) Supporting Regional and Sector Initiatives	-	0.286	0.310	0.325	0.325
<b>Vote Social Development</b>					
<b>Minister for Disability Issues</b>					
<b>Non-Departmental Output Expenses</b> Supporting tāngata whaikaha Māori and disabled people (MCA) Connecting people with supports and communities	-	0.807	0.950	1.076	1.157
<b>Vote Social Development</b>					
<b>Minister for Social Development and Employment</b>					
<b>Departmental Output Expenses</b> Administering Support for the Mental Health and Employment Social Bond Pilot	-	0.044	0.064	0.079	0.097
<b>Departmental Output Expenses</b> Improved Employment and Social Outcomes Support (NCA) Improving Employment Outcomes	-	0.028	0.028	0.028	0.027
<b>Non-Departmental Output Expenses</b> Community Participation Services	-	0.067	0.075	0.084	0.094
<b>Non-Departmental Output Expenses</b> Community Support Services (MCA) Community Support and Advice	-	15.718	17.961	19.662	21.154
<b>Non-Departmental Output Expenses</b> He Poutama Rangatahi	-	0.183	0.247	0.289	0.320
<b>Non-Departmental Other Expenses</b> Emergency Housing Support Package	-	0.779	0.997	1.181	1.361
<b>Non-Departmental Output Expenses</b> Partnering for Youth Development (MCA) Delivering Youth Development	-	0.500	0.563	0.617	0.649

- 10 **agreed** that the changes to appropriations in 2023/24 above be included in the 2023/24 Supplementary Estimates, and in the interim, the increase be met from Imprest Supply
- 11 **agreed** that expenses incurred under paragraph 9 above be managed outside of allowances and will directly impact OBEGAL and Net Debt,
- 12 **noted** that the costs in paragraph 5 above are lower than those estimated in the Treasury's Fiscal Forecasts, and the changes described in paragraph 7 will reduce the impact on OBEGAL and Net Debt;

- 13 **noted** that the pay equity extension will take effect from 1 July 2023 and will be implemented via contract variation or update;
- 14 **directed** Public Service chief executives to vary or update all current funding contracts as identified in the data collection process which support the employment of social workers and those in social work roles to implement the new pay equity rate, including relevant terms and conditions, as a minimum from 1 July 2023;
- 15 **invited** the Minister of Health as the Minister responsible for Te Whatu Ora and Te Aka Whai Ora to communicate Cabinet expectations about updating or varying funding contracts as identified in the data collection process that support the employment of social workers and those in social work roles to implement the new pay equity rate, including relevant terms and conditions, as a minimum from 1 July 2023;
- 16 **agreed** that the annual review undertaken by the parties to the original settlement will provide a baseline for Funding Agencies to identify if sex based undervaluation has reoccurred;
- 17 **agreed** that Funding Agencies who commission services that employ regulated workforces undertaking social work will review the funding they provide to ensure providers can maintain pay equity rates, and that this review should occur:
- 17.1 at the point of renewing/renegotiating contracts;
  - 17.2 when commissioning new contracts; or
  - 17.3 at least every three years for longer-term existing contracts;
- 18 **agreed** that Funding Agencies who commission services that employ non-regulated workforces undertaking social work review the funding they provide to ensure providers can maintain pay equity rates until November 2024;
- 19 **agreed** that Te Kawa Mataaho and the Social Sector Commissioning Hub consider and present options for a pay equity review mechanism or mechanisms for the non-regulated workforce once the work undertaken by the Social Work Registration Board is complete;
- 20 **noted** that:
- 20.1 if the costs of implementing the pay equity extension are lower than calculated, funding will be returned via the Baseline Update process;
  - 20.2 if costs run unexpectedly high, further funding will be sought through the Budget process, at which stage there will likely be a case for continuing to manage the costs outside Budget allowances.

Rachel Clarke  
Committee Secretary

*Secretary's note: This minute was corrected to add paragraph 20.*

---

**Attendance: (see over)**

**Present:**

Hon Carmel Sepuloni (Chair)  
Hon Kelvin Davis  
Hon Kiri Allan  
Hon Andrew Little  
Hon Peeni Henare  
Hon Priyanca Radhakrishnan  
Hon Willow-Jean Prime  
Hon Jo Luxton

**Officials present from:**

Office of the Prime Minister  
Office of the Chair  
Officials Committee for SWC



# Cabinet

## Minute of Decision

---

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*


---

### **Report of the Cabinet Social Wellbeing Committee: Period Ended 9 June 2023**

On 12 June 2023, Cabinet made the following decisions on the work of the Cabinet Social Wellbeing Committee for the period ended 9 June 2023:

SWC-22-MIN-0063     **Approval to Appropriate Funding to Extend Pay Equity Settlement for Social Workers in Community and Iwi Organisations**     CONFIRMED  
Portfolios: Women / Public Service

Out of scope

A large rectangular area of the document is redacted with a solid grey fill, covering the majority of the page's content below the decision summary.

Rachel Hayward  
Secretary of the Cabinet