

## Strengthening the national laboratory system

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<b>To:</b>	Hon Simeon Brown, Minister of Health		
<b>From:</b>	Tim Wood, Group Manager Planned and Unplanned Care		
<b>Copy to:</b>	n/a		
<b>Security level:</b>	In Confidence	<b>Priority</b>	Routine
<b>Consulted</b>	Ministry of Health		

Contact for further discussion (if required)			
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Attachments	
<b>Appendix 1:</b>	Anatomical Pathology Key Performance Indicators

## Purpose

1. This aide-memoire provides you with additional advice on the national laboratory system, focusing on the funded provider workforce and pay parity.

## Summary

2. The pay disparity between Health NZ rates and those of funded laboratory services has been present since the October 2023 Health NZ Allied Pay Equity settlement.
3. We consider that the position put forward by NZ Pathology in their recent letter to you to be a fair representation of the situation facing the funded laboratory providers.
4. Health NZ does not have budget to increase funded provider contracts to address the known pay disparity.
5. In addition, the laboratory sector is one of several areas where a significant pay parity gap exists. s 9(2)(g)(i)
6. In the coming months we anticipate continued industrial action in the funded laboratory area which will impact on:
  - a) Access to care and treatment in both the community and hospital settings;
  - b) Achievement of health targets.

## Background

7. The former Minister of Health met with NZ Pathology and laboratory service providers, on 18 November 2024. Subsequently, he sought advice on the degree of urgency of pay parity for labs (as described by the providers at the meeting). Aide-Mémoire HNZ00072505 provides further information on this.
8. Funded laboratory services provide 98% of community-based pathology services (except for the West Coast) and 35% of hospital services. An estimated 70% of medical decisions and 100% of cancer diagnoses rely on laboratory diagnostics.
9. There are three funded laboratory providers:
  - a) Awanui (formally known as Asia Pacific Healthcare Group): operates in Northern region, Taranaki, Hawke's Bay, Wairarapa, Hutt Valley, Capital and Coast, Nelson-Marlborough, Canterbury, South Canterbury and Southern, including provision of hospital laboratory services for Wairarapa, Hutt Valley, Capital and Coast, Nelson-Marlborough, South Canterbury and Southern.
  - b) Medlab Central: operates in Tairāwhiti, Palmerston North and Whanganui, including provision of hospital laboratory services for Tairāwhiti (joint venture TLab/MedLab Central), Palmerston North and Whanganui.
  - c) Pathlab Associates Ltd: operates in Bay of Plenty, Lakes, and Waikato, including provision of hospital laboratory services for Bay of Plenty and Lakes.

10. In October 2023, the Health NZ Allied Pay Equity settlement provided a pay increase for pathology staff in Health NZ laboratory services. This disrupted the practice of aligning the funded services and the Health NZ services through collective bargaining and created an estimated pay disparity of 15%-30% between Health NZ rates and funded sector rates.

11 s 9(2)(f)(iv)

12. The funded laboratory workforce is represented by several unions (APEX, PSA, New Zealand Nurses Organisation [NZNO], and First Union).

13. There are four core laboratory workforce groups covered in these collective agreements:

- a) *Phlebotomists* who collect specimens from patients at community collection centres or from inpatients in the hospital wards;
- b) *Laboratory reception staff* who receipt the specimens and register them in the laboratory information systems and distribute to the correct departments for testing;
- c) *Laboratory technicians* who process specimens and operate the automated laboratory testing systems;
- d) *Laboratory scientists* who report results and oversee quality programmes. Senior scientists have skills to interpret and support pathologists in reporting.

## Discussion

### Industrial Relations – current state

14. The funded laboratory workforce is represented by several unions. The coverage of each union varies significantly across the country with First Union prominent in the Northern region, PSA in the Central region, and APEX in Te Manawa Taki and Te Waipounamu.

15. S9(2)(j)

## Industrial Action

16. APEX members undertook industrial action on 5 and 7 February 2025. This effectively resulted in Life Preserving Services (LPS), or limited laboratory service provision, for five days (accounting for Waitangi Day in between the action, and the subsequent weekend of 8 and 9 February).
17. Disruption due to the February industrial action was minimal as hospitals substituted more complex surgery with that not reliant on pathology services. Patients referred by general practices and others in the community setting experienced delays in having their phlebotomy undertaken.
18. For the February industrial action, agreement of LPS between the funded laboratory providers and APEX was only concluded approximately eight hours prior to industrial action commencing. The funded laboratory providers and APEX will be renegotiating LPS agreements prior to any further industrial action.
19. APEX are balloting members for possible future industrial action. Our understanding is that if members agree to further action, this may be scheduled for late March (the three days after Otago Anniversary Day (24 March)). Alternative, or additional, industrial action might be scheduled for the three days between Easter Monday and ANZAC Day. This would result in laboratory services being limited for 10 days, from Good Friday (18 April) to Sunday 27 April, inclusive.
20. If industrial action occurs over the Easter/ANZAC period, then disruption to health services will possibly be more significant than the February industrial action. There will be no access to laboratory services for primary and community care, and hospitals will only have access for LPS. Non-union staff will have limited resilience to provide cover over an extended period such as this. Further, Emergency Department wait times and hospital discharge processes will most likely be negatively impacted.
21. Health NZ's national and local hospital contingency planning teams will work closely with the laboratory providers to align hospital service delivery need with laboratory capacity.

22<sup>s</sup> 9(2)(g)(i)

## The position of the funded providers

23. NZ Pathology wrote to you on 20 February putting forward the position of the funded laboratory providers. We think that this is a fair representation of the current state in that:
  - a) Contracts between Health NZ and the funded providers were negotiated using commercial strategies that forced efficient pricing, and which reflected the wage rates prevailing at that time;
  - b) Contracts have generally allowed for minimal uplifts over the course of the agreements<sup>1</sup>;
  - c) The Taranaki agreement renegotiation has just concluded with an increase of <sup>s</sup> 9(2)(b)(ii)

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<sup>1</sup> While increases have been from as low as 1.49% per annum, in the last two years higher uplifts have been applied - 5% in 2023, and between 2.25% and 7% in 2024.

This increase was on a base price of s 9(2)(b)(ii) and was driven by:

- i. Additional pathologist FTE to ensure safety and performance of the service;
  - ii. Recognition that Awanui, the contract holder, was providing an extended service model that was not in the scope of the original agreement.
- d) Higher increases were seen in 2024 as several agreements came to a natural end and required renegotiation for extension;
- e) Health NZ contracts do not provide funding sufficient to address an estimated 30% wage increase across laboratory workers to achieve pay parity with comparable Health NZ employed laboratory workers;
- f) S9(2)(g)(i)

24. S9(2)(g)(i)

. The funded laboratories have all reported increasing challenges in both attracting and retaining staff due to the pay parity situation.

25. s 9(2)(g)(i)

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### **Previous bargaining**

28. APEX settled the now expired laboratory services collective agreement with Awanui in February 2024 after a prolonged and disruptive period of industrial action and with the assistance of the Employment Relations Authority (ERA).

29. The key issue in dispute was remuneration rates, with APEX citing the Health NZ Allied Pay Equity settlement having delivered pay increases between 25% and 30% for comparable employed roles.
30. The ERA provided bargaining facilitation but was unable to reach agreement with the parties. Following the impasse both parties asked the Authority to proceed to make a recommendation.
31. The ERA noted workers had 11 strike days and engaged in partial strike action providing services at allocated appointment times (with an exception for urgent doctors' requests).
32. The ERA commented on the inevitable ongoing disruption to the public and private health care system if the dispute remained unresolved. It recommended the greater of a \$5,000 or 5.5% rate increase, a \$3,000 pro rata one-off lump sum retention payment and a 15-month term expiring 30 September 2024.
33. The parties agreed to the ERA recommendation.

### Next steps

34. We will continue to provide updates on planned and possible industrial action through your weekly report and in the Employment Relations report.
35. We will also keep you informed of the outcomes of the APEX balloting on potential industrial action in March/April.

## Appendix 1: Anatomical Pathology KPIs

S9(2)(g)(i)