

7 March 2023

Kia ora koutou,

This letter is to provide you with information on the additional funding you are being offered to increase the pay rates of your eligible nursing and kaiāwhina staff, describes how that funding has been calculated, and provides you with the variation that you can sign to accept this funding offer.

As you may be aware, the former Minister of Health, Hon Andrew Little, announced late last year that Cabinet had agreed to provide additional funding of up to \$40 million by June 2023, increasing to up to \$200 million annually, to help reduce pay gaps between some private sector nurses and kaiāwhina and those working in Te Whatu Ora hospitals.

This is a significant investment in addressing pay relativities and will provide immediate relief to health services most affected by the flow of nurses and kaiāwhina from the funded sector to Te Whatu Ora hospital services due in part to pay disparities between comparable roles.

Aged-care facilities, hospices, home and community support and Māori and Pacific healthcare organisations are the first to receive the funding because there is clear evidence that these sectors have the biggest pay gap and equity challenges.

The funding is being offered to you through the attached variation to your existing service delivery agreement(s) and is offered on the condition that the funding is used to increase the take home pay rates of your eligible nursing staff and kaiāwhina.

### **Services in scope**

The services in scope for this funding that you may provide are:

- Rest home, hospital and dementia services covered by the Age-Related Residential Care Agreement
- Psychogeriatric services covered by the Age-Related Hospital Specialist Services Agreement
- Other services that you provide that are paid at the same rate as the above two agreements.

### **What the variation does**

The variation sets out the additional funding that you will be paid for the period 1 April to 30 June 2023 (the initial period) and describes the nurses and kaiāwhina who are eligible to receive rate increases.

You must use the funding to increase the base pay rates of your Eligible Workers to at least 95% of the Relevant Te Whatu Ora Rates (to the extent that can be achieved within the Funding paid to you).

If any funding remains unspent, you must use one hundred percent of that remaining funding to increase the rates and allowances of your Eligible Workers (for example, by further increasing base pay rates, or by introducing or increasing penal rates, shift allowances, or overtime rates).

Details about Te Whatu Ora rates can be found in the New Zealand Nurses Organisation DHB Collective Agreement.<sup>1</sup>

The setting of employee pay rates is the responsibility of the employer, subject to good faith bargaining with the relevant employee(s) and relevant unions(s). It is for you, as the employer, to determine what the relevant Te Whatu Ora rate for each eligible worker is, to decide how to allocate the funding to those workers and whether or not there is an opportunity to consider introducing or increasing other rates or allowances.

### **Workforce eligibility**

The funding is provided to reduce the gap in take home pay between private sector nurses and kaiāwhina, and those working in Te Whatu Ora hospitals.

The variation defines:

- A nurse as an employee working in a nursing role and whose position description or employment agreement or letter of offer requires them to be registered by the Nursing Council of New Zealand, which, to avoid doubt, includes an enrolled nurse. For clarity, funding has not been provided to increase the pay of self-employed, contractor or bureau nurses.
- Kaiāwhina as a person who you determine has a position description that has 50% or more in common with the Te Whatu Ora-employed Health Care Assistant position described in Schedule 1 of the variation.

Employees covered by a pay equity claim or pay equity settlement, including support workers, are not eligible to receive additional funding as these workers are, or have been, engaged in a process to address historical undervaluation and set a pay rate free from sex-based discrimination.

### **How the funding rate increase has been calculated**

The approach that Te Whatu Ora and Te Aka Whai Ora have taken to calculating the funding increase over the initial period (1 April to 30 June 2023), and the amount that you will receive, is described below.

- The funding calculations are based on average nurse wage rates paid across the aged residential care sector, and 95 percent of the Agreement In Principle Te Whatu Ora pay equity base pay rates as at March 2022 (which were set through the December 2022 Employment Relations Authority process).
- The pay gap between the average nurse wage rates paid across the aged residential care sector and 95 percent of the Agreement In Principle Te Whatu Ora pay equity base pay rates has been calculated as 15 percent for Registered Nurses (RN) and Enrolled Nurses (EN).
- The funding allocation for the initial period has been calculated by multiplying:
  - the estimated increase in the bed day rate needed for nurse pay increases; and
  - the estimated bed day volume for those three months.

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<sup>1</sup> As at the time of preparing this letter, the current collective agreement can be found on the TAS website <https://tas.health.nz/assets/ER/Employment-Agreements/NZNO-MECA-2-Aug-2020-31-Oct-2022-Final-signed.pdf> or on the New Zealand Nurses Organisation website [https://www.nzno.org.nz/groups/health\\_sectors/dhb](https://www.nzno.org.nz/groups/health_sectors/dhb)

- The key inputs for that calculation are:
  - average base nurse wage per hour for Te Whatu Ora employed nurses (registered nurses, enrolled nurses) as at March 2022
  - average base nurse wage per hour for ARC employed nurses (registered nurses, enrolled nurses)
  - nurse hours per resident per day
  - worked hours against paid hours
  - bed days paid to the facility from 1 July to 31 October 2022 for main ARRC contracts
  - bed days paid between 24 October 2022 and 10 January 2023 for other services that you provide that are paid at the same rate.

Based on the above inputs, the estimated increase in the bed day rate is:

	<b>Rest home</b>	<b>Dementia</b>	<b>Hospital</b>	<b>Psychogeriatric</b>
Estimated increase in bed day rate	\$4.52	\$6.44	\$9.45	\$9.77

While the number of bed days during the latter half of 2022 will be a reasonable estimate of the number bed days for the period 1 April to June 2023, if in the event a provider finds that their volumes are significantly greater than that estimated, Te Whatu Ora will revise the payment. Such a review will consider the position across facilities with the same owner.

### **Non-Subsidised Residents**

There will be no change to the maximum contribution, or the price paid by non-subsidised residents, for the initial period. The increased cost of providing services to such residents will be met by Te Whatu Ora and is covered in the calculations described above and included in the funding payment made to you.

### **Initial payment of Funding**

Rather than increase the bed day rate on 1 April 2023, we will instead pay the additional funding to reduce pay disparities for the initial period as a one-off, lump sum payment.

The amount that you will be paid is set out in the variation.

The funding is being offered to you through the attached variation to your existing service delivery agreement(s) and is offered on the condition that the funding is used to increase the take home pay rates of your eligible nursing staff and kaiāwhina.

There may be the potential to make a further payment subject to available funding, however this will not be known until funding calculations are done to take into account the ongoing funding available for allocation across all services eligible to receive funding from 1 July 2023.

This work is expected to be completed in mid-May and you will receive further advice if a further payment is able to be made and the amount. As noted in the variation, any further payment would be required to be passed on in full as rate increases to your eligible employees.

## Ongoing payment of Funding

In the new financial year, the additional funding will be passed on as a price uplift to the relevant bed day rates under the existing agreements.

The bed day price calculations described above will be reworked to take into account the ongoing funding that will be available after 1 July 2023. These new calculations will be at or above the currently proposed rates.

## Reporting

Reporting on how you use the funding to increase the base pay rates and potentially penal rates shift allowances or overtime rates is a condition of accepting the funding. In early July 2023 you will be emailed an electronic survey from [paydisparities@health.govt.nz](mailto:paydisparities@health.govt.nz) to the email address this letter has been sent to.

The survey asks for information about how you have used the funding you received. The information you will need to provide is set out in schedule 3 of the attached variation. We require this reporting to be completed by 31 July 2023.

## Acceptance of the offer of additional Funding

Please indicate your acceptance to each of your Existing Agreements being varied on the terms set out in the attached variation, by signing the variation and returning a signed copy to [scannedagreements@health.govt.nz](mailto:scannedagreements@health.govt.nz) by 5pm, Friday 24 March 2023.

For Providers who have accepted the offer by 5pm, Friday 24 March 2023, the interim payment will be made on 31 March.

If you have any questions regarding the offer please email [paydisparities@health.govt.nz](mailto:paydisparities@health.govt.nz).

Nāku noa, nā

**Abbe Anderson** (she/her)

**National Director | Commissioning**

Te Whatu Ora – Health New Zealand

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