

7 March 2023

Kia ora koutou,

Letter of Explanation

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 and describes how that funding has been calculated. A separate document provides you with the contract agreement variation (including terms) 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.

Hospices, aged-care facilities, 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.

The funding is being offered to you through the enclosed variation to your existing service delivery agreements and is offered on the condition that the funding is used to increase the take home pay of your eligible nursing staff and kaiāwhina.

Services in scope

The services in scope for this funding are those provided by hospices in Aotearoa that:

- employ Registered Nurses (including Senior Nurses), Enrolled Nurses and eligible Kaiāwhina, **and**
- provide specialist palliative care clinical services as their core business, **and**
- currently receive public funding through contracts for services with Te Whatu Ora.

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.¹

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 percent 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 increase has been calculated

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

It has been necessary to take a fiscally prudent approach to this calculation, to minimise the risk that other sectors that may be allocated funding only after the initial period (i.e. over 2023/24) could be disadvantaged as a result of an over-allocation of funds in the initial period.

For the hospice sector, we have relied on data shared through Hospice New Zealand to estimate the current number of eligible FTE positions in each hospice, by salary band; and the salary paid to each.

The funding offered for the initial period is based on the difference between the current median cost to employers of filling those positions with salaried employees (at base rates), averaged across all hospices; 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).

We are aware that there may be greater variation in wage disparities for senior nurses and there is further work underway to improve our understanding of this. Due to this uncertainty, the funding calculation has been moderated for hospice senior nurses and is based on half of the estimated gap between current base wage rates and 95 percent of the indicated Te Whatu Ora rates.

¹ 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

The total funding increase is the estimated average salary increase (in dollars) multiplied by the number of FTE positions on each salary band, plus 5.1% to recognise the additional costs of compulsory ACC levies and Kiwisaver contributions, and another 2.3% to acknowledge that some staff are paid overtime at penal rates.

The funding allocation for each hospice for the initial period has been calculated by dividing the total funding by the total FTE reported by each eligible hospice provider.

The amount that you will be paid is set out in the variation. Te Whatu Ora will review the funding calculation methodology in discussion with the Hospice sector and district commissioning teams and any adjustments will be considered for incorporating into Hospice service agreements from 1 July 2023.

Payment of Funding

The additional funding will initially be paid as a lump sum payment covering the period 1 April 2023 to 30 June 2023.

There may be the potential to make a further payment for the initial period, 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.

In the new financial year the funding will be added to your existing funding agreements. The calculations for this funding offer may be reworked. To support you in your agreements with the hospice workforce, we confirm that any new calculations would use rates at or above the rates estimated for 1 April 2023 to 30 June 2023.

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 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 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.

Nāku noa, nā

Abbe Anderson (she/her)

National Director | Commissioning