



Cabinet

Minute of Decision

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Pay Equity Claim for Social Work in the Funded Sector

Portfolio **Children**

On 4 July 2022, following reference from the Cabinet Social Wellbeing Committee, Cabinet:

- 1 **noted** that in August 2019, the Public Service Association Te Pūkenga Here Tikanga Mahi (PSA) raised a pay equity claim for employees of five non-government organisations (NGOs) who are in social work type roles;
- 2 **noted** that the employers are Stand for Children’s Services Tū Maia Whānau; Ngāpuhi Iwi Social Services; Wellington Sexual Abuse HELP; Christchurch Methodist Mission, and Barnardos New Zealand;
- 3 **noted** that the parties to the claim (the employees and employers) have followed the Cabinet-endorsed process for pay equity claims in the Funded Sector (which includes agencies that receive direct funding from government for the delivery of services) as set out the Government’s Funded Framework, which includes reporting on progress at key milestone points in the process;
- 4 **noted** that Oranga Tamariki (as Lead Agency for the five Funding Agencies that contract with the employers) is satisfied that the parties to the claim have followed the settlement process faithfully, and that each of the first four milestones in the Funded Framework have been completely and satisfactory met;
- 5 **noted** that the total estimate of the cost of settlement of the claim to the employers is \$89.161 million over five years, and a one-off cost of \$3.233 million for implementation costs;
- 6 **noted** that the employers have indicated they will not be able to absorb the cost of the claim from within their existing funding, and will need in principle commitment that additional government funding will be available before they are in a position to agree to the Bargaining Strategy (Milestone 5 in the Funded Framework);
- 7 **noted** that the Funding Agencies have indicated they are unlikely to be able to increase funding for the employers to settle the claim completely or partly from within their baselines;

8 **agreed** to establish the Funded Sector Social Work tagged operating contingency to cover the Funding Agencies’ increased funding for the employers to settle the claim if it cannot be met from agencies’ baselines with the following amounts:

	\$ million				
	2022/23	2023/24	2024/25	2025/26	2026/27 & outyears
Funded Sector Social Work - Tagged Operating Contingency	15.454	16.069	17.749	19.307	20.582

9 **noted** that the above contingency is based on an effective settlement date of 1 July 2022 for the remuneration increases for employees as the earliest date the settlement could conclude based on the current progress;

10 **noted** that when a pay equity contingency is established and then drawn down, the funding does not come from any allowances but instead directly impacts on operating balance before gains and losses (OBEGAL) and net core Crown debt;

11 **noted** that, as some of the costs of this claim have been included in the Treasury’s Economic and Fiscal Forecasts, the impact on OBEGAL and net core Crown debt does not directly correspond to the changes in paragraph 8 above;

12 **noted** that Cabinet agreement will be sought to draw-down the necessary funding from this contingency once the settlement has been agreed between the parties;

13 **agreed** that the expiry date for the Funded Sector Social Work tagged operating contingency will be 30 June 2023;

14 **agreed** that Cabinet approval must be sought if, in the course of negotiations, additional funding is likely to be required for the above claim;

15 **noted** that drawing down of the out-year contingency funding may be subject to Cabinet being provided with options for baseline reprioritisation and/or business operating model changes to partially offset the fiscal impact of any settlement;

16 **noted** that Funding Agencies will seek \$3.233 million from an out-of-cycle cost-pressure funding to pass on to the employers to meet their indirect implementation costs to settle the claim;

17 **noted** that Cabinet also agreed a process by which the outcome of the above claim could be extended to the wider sector once an appropriate validation process has been run [GOV-21-MIN-0032], and that Te Kawa Mataaho Public Service Commission’s (the Commission) Pay Equity Taskforce will lead that process and report back to Cabinet in due course;

18 **directed** the Commission to report back to the Ministerial Oversight Group on State Sector Employment Relations and the Ministry of Business, Innovation and Employment on the potential impact of the extension of the claim settlement on other pay equity claims;

- 19 **noted** that when reporting to Cabinet on the extension of the claim settlement, the Commission will, in consultation with the Social Workers Registration Board and the Ministry of Social Development, and with the support of social service funding agencies, update Ministers on approaches in that process to people undertaking work that is substantially similar to social work in the funded sector who are not registered as a social worker, including what strengthening of the regulatory environment and recognition of public safety may be required, and the timeframe for that.

Rachel Hayward
Acting Secretary of the Cabinet

Secretary's Note: This minute replaces SWC-22-MIN-0117. Cabinet agreed to amend paragraphs 18 and 19.
