

The Treasury

Budget 2017 Information Release

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
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[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.



Cabinet

Minute of Decision

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Care and Support Worker Negotiations

Portfolio **Health**

On 14 November 2016, following reference from the Cabinet Committee on State Sector Reform and Expenditure Control (SEC), Cabinet:

- 1 **noted** that a test case was filed in 2012 in the Employment Court on the interpretation of the Equal Pay Act 1972 [TerraNova vs Bartlett/Service and Food Workers Union (SFWU)];
- 2 **noted** that the Terranova negotiations are limited to care and support workers in aged and disability residential care and home and community support services (including injured clients under ACC) and will impact an estimated 55,000 workers;
- 3 **noted** that the unions involved in the negotiations are E Tu, Public Service Association, New Zealand Nurses Organisation and the Council of Trade Unions (the unions);
- 4 **noted** that in June 2015 Cabinet:
 - 4.1 agreed that the government seek to resolve the TerraNova case out of the courts, allowing the government to better manage the process and outcomes;
 - 4.2 agreed that negotiations be tightly focussed on addressing pay and associated workforce issues for care and support workers;
 - 4.3 agreed that a Crown Negotiator be appointed to lead the negotiations, assisted by the Ministry of Health;
 - 4.4 noted that the total package of addressing low pay through negotiations was estimated to cost up to approximately \$300 million per annum or \$1.5 billion over five years.

[CAB MIN (15) 18/8]
- 5 **noted** that the unions rejected the health care assistants comparator on which the \$300 million per annum was calculated, as health care assistants are a predominantly female workforce;
- 6 **noted** that:
 - 6.1 the Ministry of Health has identified mental health assistants as an appropriate pay equity comparator;

- 6.2 using the mental health assistants as the comparator requires significant change to the negotiating and financial parameters;
- 7 **noted** that the unions made a formal offer of settlement to the Crown on 10 June 2016 costing \$2.66 billion over five years;
- 8 **noted** that that the Minister of Finance, the Minister for Economic Development, the Minister of State Services, the Minister of Health and the Minister for Workplace Safety and Relations agreed to reject the union offer on 10 June 2016, but indicated that the Crown is interested in continuing to negotiate a settlement;
- 9 **agreed** to the following negotiating parameters:
- 9.1 mental health assistants are the agreed comparator for equal pay purposes;
- 9.2 a matrix of rates from \$17.85 to \$25.39 per hour are phased in over five years;
- 9.3 that the matrix of rates outlined in paragraph 9.2 above includes monetised conditions;
- 9.4 that the maximum outyear Crown cost of the settlement will not exceed \$507.25 million per annum (from 2021/22 onwards);
- 9.5 progression is based on qualification attainment, with no reference to service progression;
- 9.6 that all claims for back-pay will be extinguished except for that of Mrs Bartlett;
- 9.7 new wage rates will come in to effect from 1 July 2017;
- 9.8 all 6000 equal pay related cases filed in the Employment Relations Authority will be extinguished;
- 9.9 that the parties agree that this agreement is a full and final settlement of all pay equity concerns relating to this group of employees;
- 9.10 that the unions provide a commitment that this settlement will not be used as a basis for claims for relativity wage increases for other groups;
- 10 **noted** that the cost to the Crown of a settlement based on the negotiating parameters in paragraph 9 above is estimated at \$1.88 billion over five years, with an ongoing outyear cost of \$507.25 million, as detailed in the table below:

		2017/18	2018/19	2019/20	2020/21	2021/22	5 year total
Crown costs	MOH and DHBs	\$231.61m	\$280.88m	\$334.67m	\$394.95m	\$461.27m	\$1.70b
	ACC	\$25.46m	\$29.63m	\$34.52m	\$40.20m	\$45.98m	\$0.18b
	Total Crown	\$257.08m	\$310.51m	\$369.19m	\$435.15m	\$507.25m	\$1.88b
Costs borne privately by aged-care residents		\$35.65m	\$43.37m	\$51.31m	\$60.26m	\$70.09m	\$0.26b
Costs borne by ACC levy payers		\$56.02m	\$66.68m	\$77.49m	\$89.90m	\$102.52m	\$0.39b
Crown cost plus private cost		\$348.75m	\$420.56m	\$497.98m	\$585.31m	\$679.86m	\$2.53b

- 11 **noted** that the following assumptions were used to calculate the costs in the table in paragraph 10 above:
- 11.1 [38]
- 11.2
- 11.3 that ACC costs include the cash impact only;
- 12 **noted** that the proposed settlement would increase the cost for residents in aged residential care facilities with assets over the threshold by about \$130 per week in year one (\$6,900 per annum) increasing to \$240 per week in year five (\$12,600 per annum);
- 13 **noted** that an estimated 11,070 residents in aged residential care facilities will be affected by the increase in costs outlined in paragraph 10;
- 14 **directed** the Ministry of Health to report back before the end of August 2017 with an update on the review of the Home and Community Support Services sector models of care work;
- 15 **noted** that the Crown Negotiator will table an offer with the unions on 17 November 2016 based on the agreed parameters in paragraph 9;
- 16 **noted** that the Crown Negotiator and Ministry of Health will provide an update on the progress of negotiations to the Minister of Finance, the Minister for Economic Development, the Minister of State Services, the Minister of Health, the Minister for ACC and the Minister for Workplace Safety and Relations following the tabling of the offer;
- 17 **authorised** the Prime Minister, the Minister of Finance, the Minister of State Services, the Minister of Health and the Acting Minister for ACC to have power to act should the Crown Negotiator require changes to the financial, or other negotiating parameters to agree a settlement;
- 18 **noted** that the Minister of Health will report back in the week of 5 December 2016 on the status of negotiations and, in the event the Crown's offer is accepted, an implementation strategy.

Michael Webster
Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Minister of Finance
Minister of State Services
Minister of Health
Attorney-General
Acting Minister for ACC
Minister for Workplace Relations and Safety