

13 July 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 and describes how that funding has been calculated.

The funding is being offered to you through the enclosed Agreement (including terms) and is offered on the condition that all the funding being offered is used to increase the take home pay of your eligible nursing staff and kaiāwhina.

Background

As you may be aware, the Government made available an additional \$40 million in 2022/23, increasing to \$200 million per annum from 1 July 2023, to increase pay rates for community-based nurses. The funding is to provide immediate relief to health services most affected by the flow of nurses to Te Whatu Ora hospital-based services, due in part to pay gaps between comparable roles.

At the time of the November 2022 announcement, general practice was excluded from receiving the increased funding because data provided by the sector showed no real evidence of a pay gap with hospital-based roles. However, it was noted that this decision could change if evidence of a pay gap later emerged.

Since then, the pay rates for hospital-based roles have increased and the Ministers of Health and Finance agreed that the general practice sector is eligible to receive some of this additional funding to increase the pay rates for eligible nurses and kaiāwhina from 1 July 2023.

What the agreement does

The enclosed Agreement sets out the annual ongoing amount of additional funding you are being offered, the terms on which the funding is being offered and defines the nurses and kaiāwhina workforces eligible to receive pay increases out of this funding.

It requires you to allocate the funding to increase the *base pay rates* of your eligible nurses and kaiāwhina. Once their base pay rates reach 95% of the rates in Appendix 2 of the enclosed Agreement, you have flexibility on how to allocate any remaining funding to your eligible workers.

For example, you may wish to further increase base pay rates, or introduce or increase penal rates, shift allowances, or overtime rates. Details about Te Whatu Ora rates can be found in the New Zealand Nurses Organisation DHB Collective Agreement¹.

The setting of employee pay rates is the responsibility of you, as 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 is for each eligible employee, decide how to allocate the funding across your eligible employees and determine whether there is an opportunity to consider introducing or increasing other rates or allowances.

¹ As at the time of preparing this letter, the current collective agreement can be found on the New Zealand Nurses Organisation website https://www.nzno.org.nz/groups/health_sectors/dhb

Workforce eligibility

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

The enclosed Agreement 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 is 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 average pay disparity funding has been calculated

The pay disparity funding calculation is based on the workforce data provided by the 52% of general practices that completed the April 2023 workforce data request. The workforce data showed that pay rates vary across general practices.

The average pay gap was calculated based on employee pay rate data for staff earning less than 95% of the Te Whatu Ora base pay rates in Appendix 2 of the enclosed Agreement.

This resulted in average pay disparity funding of 8% across all eligible general practice workforces.

The actual pay gap with Te Whatu Ora pay rates has been calculated as 13%. This additional funding is intended to lift pay rates to at least 95% of Te Whatu Ora base pay rates and therefore the average pay disparity funding has been calculated as 8%, (being 13% less 5% as the difference between 95% and 100% of Te Whatu Ora pay rates).

How the pay disparity funding has been calculated by workforce

The variability of workforce models across the general practice sector means that there is the potential for some practices to be disadvantaged because their operating models involves a workforce mix with different cost structures.

To address this, the average pay gap by workforce has been calculated based on employee pay rate data for staff earning less than 95% of the Te Whatu Ora base pay rates in Appendix 2 of the Agreement as follows:

Workforce	Pay disparity funding		2023/24 price uplift (5% on pay disparity funding)	Total
	Average pay gap	On-costs (4.26%)		
Kaiāwhina	\$2,295.22	\$97.78	\$119.65	\$2,512.65
Enrolled nurse	\$4,549.20	\$193.80	\$237.15	\$4,980.15
Registered nurse	\$8,056.78	\$343.22	\$420.00	\$8,820.00
Senior nurse positions	\$4,099.37	\$174.63	\$213.70	\$4,487.70

These figures have taken into consideration the additional costs of compulsory ACC levies and KiwiSaver contributions at 4.26% (on-costs).

The 2023/24 price uplift is applied on top of the pay disparity funding and is to meet cost pressures.

As outlined above, it is for you, as the employer, to determine what the relevant Te Whatu Ora rate is for each eligible employee, and decide how to allocate the funding across your eligible employees. The table above demonstrates how the funding was calculated overall.

The funding offered to you

The funding offered to you is set out in the enclosed Agreement and takes into account the:

1. number of full time equivalent (FTE) employees in each of the eligible workforces that you reported in the workforce data request
2. number of vacancies against budgeted FTE positions in each of the eligible workforces that you expected to fill before 1 July 2023 that you reported in the workforce data request
3. pay gap for each workforce shown in the above table

The funding offered to you is in addition to the funding you receive through the Annual Statement of Reasonable Fee Increase (ASRFI) process to meet wage cost pressures. It will be paid to you on an ongoing monthly basis and will be increased over time through the ASRFI process. This is discussed in more detail in the attached appendix.

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.

For privacy and commercial sensitivity reasons, this reporting will be done directly with your PHO. PHOs will collate the data to report back to the funder.

The information you are likely to need to provide is set out in Schedule 3 of the enclosed Agreement.

Please note that this is a one-time only reporting requirement.

Acceptance of the offer of additional funding

Please indicate your acceptance of this offer of additional funding on the terms set out in the enclosed Agreement by returning one signed copy to your respective PHO.

If you have any queries, please contact your PHO or sector representatives.

Nāku noa, nā



Emma Prestidge

**Interim Director, Primary, Community and Rural
National Commissioning
Te Whatu Ora**

Appendix 1

The information below describes how the value of the pay disparity funding will be increased over time.

General Practice Funding

1. General practices:
 - receive \$1.039 billion annually in capitation funding
 - receive annual funding increases through the Annual Statement of Reasonable GP Fee Increase (ASRFI) process
 - have alternate revenue streams (other health funding, patient co-payments, ACC and more recently COVID-19 funding).

General Practice price uplift/fee increase process

2. Capitation funding increases are set through the contractually agreed ASRFI process.
3. The increases are effective from 1 July, independently calculated (by Sapere) and based the following Stats NZ indices for the year ended 31 December:
 - a) Labour Cost Index (LCI): Health Care and Social Assistance
 - b) Producer's Price Index: Inputs – Health Care and Social Assistance
 - c) Capital Goods Price Index: Non-Resident Buildings
 - d) Capital Goods Price Index: Plant, Machinery and Equipment.
4. The LCI weighting is 80 percent. This means 80 percent of general practice fee increase is directly linked to addressing wage cost pressures measured by movement in the LCI.

General practice fee increases

5. The ASRFI process increased general practice fees by \$58.160 million from 1 July 2021 and a further \$49.768 million from 1 July 2022 (a total of \$107.928 million) of which 80 percent is directly linked to addressing wage cost pressures.
6. This means that general practices received \$46.528 million from 1 July 2021, a further \$39.815 million from 1 July 2022 and will receive a further \$59.04 million from 1 July 2023 to address wage cost pressures.

The impact of pay disparity funding

7. Any pay disparity funding will be added to the \$1.039 billion baseline funding.
8. This means that:
 - a) the 2023/24 ASRFI process will deliver a higher rate price uplift because the base line is higher (ie the baseline is now \$1.039 billion plus the pay disparity funding)
 - b) the 2024/25 and outyears ASRFI process will deliver a higher price uplift because the base line is higher and because the increase in nurses pay rates will have an ongoing impact on the LCI