



Care and Support Worker Pay Equity Settlement Frequently asked questions

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Eligibility for pay equity

How does a provider establish if workers are eligible?

Providers can work through the short Pay Equity employee eligibility questionnaire which can be downloaded from the [MSD vocational and disability care support workers' pay equity information page](#).

Are admin workers eligible?

Generally, workers providing administration support will not be eligible. An exception would be if workers spend more than half their time providing care and support services. The MSD Pay Equity employee eligibility questionnaire provides more details of what is included within the definition of care and support services

Are self-employed care and support workers eligible?

No, only employees are included within the settlement. That means self-employed/sole providers are not covered by the new pay equity rates. This also means that contractors are not included.

Are mental health care and support workers eligible?

Please see the [MSD mental health and addiction support workers' pay equity information page](#)

Pay equity rates and funding

What are the new pay rates and when do they apply?

Pay rates for workers employed before 1 July 2017

All disability care and support workers employed before 1 July 2017 were eligible for new minimum pay rates from 1 July 2017. Employees are allocated to the four pay bands based on either length of service or qualifications, whichever is the most advantageous to them.

The minimum pay rates increase on 1 July each year from 2017 to 2021, inclusive, with the exception of 2020.

Length of Service	Qualification	Pay Band	1 July 2017 Year 1	1 July 2018 Year 2	1 July 2019 Year 3 & 4	1 July 2021 Year 5
<3 years' service OR	Level 0	L0	\$19.00	\$19.80	\$20.50	\$21.50
3+ to 8 years' service OR	Level 2	L2	\$20.00	\$21.00	\$21.50	\$23.00
8+ to 12 years' service OR	Level 3	L3	\$21.00	\$22.50	\$23.00	\$25.00
12+ years' service OR	Level 4	L4b	\$23.50	\$24.50	\$25.50	\$27.00

There is an additional pay band, L4a, that applies to existing employees who have not achieved a Level 4 Certificate or higher and who complete 12 years or more of continuous service *after* 1 July 2017. If an employee has reasonable grounds to argue that they were not provided with the support necessary to achieve the Level 4 qualification, that employee will be entitled to move to the Level 4b pay band.

Length of Service and Qualification	Pay Band	After 1 July 2017	On or after 1 July 2018	On or after 1 July 2019	On or after 1 July 2021
12+ years' service after 1 July 2017 and NZQA Level 3 or below	L4a	\$22.50	\$23.50	\$24.50	\$26.00

Pay rates for workers employed on or after 1 July 2017

The pay bands for workers who are employed on or after 1 July 2017 are calculated on the basis of their qualifications alone. This applies to all new employees, even if they have a number of years' experience as a care and support worker with a previous employer.

An employee's length of service can only be taken into account if they have had "continuous employment" (see the FAQ below for the definition of 'continuous employment').

Completing the pay equity estimation data collection tool or pay equity wash-up data collection tool will inform providers as to what pay-bands their eligible employees are entitled to.

For information on how the pay equity funding will be calculated for new employees hired on or after 1 July 2017, see the section on the pay equity wash-up process, below.

How can a provider establish if employees are entitled to a pay band based on their length of service?

Only employees who were working for the same employer prior to 1 July 2017 are entitled to be allocated to a pay equity pay band based on either length of service or qualifications.

A care and support worker's length of service is based on the time that they have been in "continuous employment" as a care and support worker with their current employer.

This includes any period during which the worker is—

- (i) on paid holidays or leave under the Holidays Act 2003; or
- (ii) on parental leave under the Parental Leave and Employment Protection Act 1987; or
- (iii) on volunteers leave (within the meaning of that term in section 2(1) of the Volunteers Employment Protection Act 1973); or
- (iv) receiving weekly compensation under the Accident Compensation Act 2001 as well as, or instead of, payment from the employer; or
- (v) on unpaid sick leave or unpaid bereavement leave; or
- (vi) on unpaid leave for any other reason for a period of no more than 1 week.

Continuous employment with a previous employer will only contribute to an employee's length of service if:

- (A) the worker transferred from the previous employer to the current employer; and
- (B) the transfer was a result of restructuring (within the meaning of that term in section 69B of the Employment Relations Act 2000); but (unless otherwise agreed between the worker and the worker's employer) does not include unpaid leave unless it is mentioned in paragraphs (i) to (vi), above.

The definition of "restructuring" can be found [here](#). The most common circumstance in which restructuring might be relevant to continuous service would be if all or part of one employer's business is sold or transferred to another employer.

How can a provider establish if employees are entitled to a pay band based on their qualifications?

The pay equity bands align with NZQA qualifications (i.e. a level 2 qualification means an employee would be on the level 2 pay band). The principle qualification is a Level 2, 3 or 4 New Zealand Certificate in Health and Wellbeing issued through an NZQA accredited provider. There is an assessment process to recognise the equivalence of other qualifications. If an employee or provider has questions about an employee's

qualifications, they should refer to the [Careerforce website](#), or contact Careerforce by calling 0800 277 486 or emailing info@careerforce.org.nz with 'Pay Equity Qualification Query' in the subject line.

Qualifications above NZQA level 4 (such as bachelor's degrees) will put employees in the level 4 pay band as long as the qualifications are assessed as being relevant to the type of care and support work that the employee does. These assessments are made by [Careerforce](#).

Do providers have to pay back-pay to their employees?

Yes, once providers have received their first quarterly estimated advance payment then they need to make a back-payment to all employees who were eligible for pay equity rates from 1 July 2017.

If an employee is assessed as being entitled to a higher pay rate after receiving their initial back-pay (through having a qualification's equivalence and relevance assessed, for example), then they will be entitled to additional back-pay.

What if a provider is already paying employees above the pay equity minimum rates?

If a provider is already paying any of its eligible employees above the pay equity minimum rates, then it must continue to pay those rates. The provider will not receive any funding for wage or on-costs for those employees.

Providers will still be eligible for training and education funding for eligible employees who are earning above the applicable pay equity rates. This funding will be calculated at 0.8% per annum of the applicable pay equity pay rate multiplied by the number of hours the employee worked.

The training funding for employees earning above the hourly rate for their applicable pay equity pay band will be paid to providers quarterly.

What happens when an employee gains a new qualification or crosses a length of service threshold after 1 July 2017?

If an employee gains a relevant and equivalent qualification after 1 July 2017 they are entitled to be paid the hourly rate for the higher band from the date they are granted the qualification. It is the employee's responsibility to notify their employer that they have achieved the qualification. The employee will need to provide proof that they have attained the qualification, including the date the qualification was granted to them

Employees who were employed by the same employer before 1 July 2017 are also entitled to move into higher pay bands based on continuous length of service. The higher wage band will be effective from the date the employee crosses the length of service threshold for the next pay band. The length of service thresholds for the pay bands are:

- Level 2: after 3 years' continuous service;
- Level 3: after 8 years' continuous service;
- Level 4: after 12 years' continuous service

When an employee moves up to a higher pay band (for either qualifications or length of service), the funding from MSD for the increase in wage costs for that employee will be calculated in the wash-up data collection at the end of each quarter.

Increased wage costs for employees whose qualifications were assessed as being equivalent to a higher level than what was entered in the pay equity estimation data collection tool will also be reimbursed to providers through the wash-up process.

What funding do providers receive from MSD for pay equity?

MSD is funding the increase to care and support workers' wage rates resulting from the implementation of the pay equity settlement. This means that, if a worker was earning \$16 an hour on 30 June 2017 and is entitled to \$19 an hour from 1 July 2017, MSD will fund the \$3 an hour difference.

A worker's hourly rate before 1 July 2017 is calculated to include any allowance they were paid in recognition of their qualifications or length of service. Any such allowances are extinguished because the settlement's pay rates specifically recognise care and support workers' qualifications and length of service.

In addition to the direct increase in wage costs, MSD is also funding the increase to the 'on-costs' associated with each care and support worker. The on-cost calculation includes an extra 0.8% per employee, per year as a contribution towards training and qualification costs.

MSD is also funding a one-off payment to contribute to the increase in the value of the annual leave liability for employees' leave that was accrued, but not taken, before 1 July 2017.

What are 'on-costs'?

The purpose of on-costs is to cover statutory minimum costs in addition to wages.

These include annual leave, statutory holidays, sick days, time and a half for work on public holidays, ACC levies and KiwiSaver.

On-costs have been calculated at an additional 20.9% of a worker's annual earnings. These costs have been calculated to include, for each year:

- 20 days' annual leave
- 11 days' statutory holidays
- 5.5 days' time and a half for time worked on statutory holidays
- 5 days' sick leave
- 3 per cent KiwiSaver employer contribution
- 2 per cent for ACC levies

The pay equity funding for on-costs is to cover *the difference* between what providers paid for these costs before the implementation of pay equity wage rates and what providers will pay for these costs after implementing the pay equity wage rates.

An additional 0.8% has been added to the on-cost funding for the government's contribution to training and qualifications for care and support workers, bringing the total pay equity on-cost percentage to 21.7%

For example:

Worker A earned \$34,000 a year before tax prior to 1 July 2017. Their employer is calculated to have incurred an additional \$7,106 in on-costs for that employee (\$34,000 x 20.9%)

From 1 July 2017 Worker A earns \$40,000 a year before tax on the new pay equity rate. Their employer's on-costs are now calculated at \$8,680 per annum (\$40,000 x 21.7%).

The pay equity funding the employer receives for that employee is the increase in the salary (\$6,000) plus the increase in on-costs (\$1,574).

What happens if a provider hires a new employee after 1 July 2017? Will the provider still receive pay equity funding for that new employee and how will that be calculated?

Providers will receive pay equity funding for new employees hired on, or after, 1 July 2017. This funding will be calculated as part of the quarterly wash-up (see the wash-up section of this document for more information on the wash-up process).

All employees who start work with a new employer from 1 July onwards will be assigned to a pay band on the basis of their relevant qualifications (length of service with a previous employer isn't taken into account in most circumstances).

The funding providers receive for new employees will be calculated from a notional pay rate. The notional pay rate is what the employee would have earned if they had been employed before the pay equity rates came into effect on 1 July 2017. This will be based on what each provider paid employees of the same pay band as the new employee up to 30 June 2017.

Support for training

What support for training does MSD provide?

MSD will fund employers for two days per employee, per year as its contribution to supporting care and support workers to become more qualified.

This funding is calculated at 0.8% per year of the employee's salary or wages from 1 July 2017. This payment is included in the pay equity on-costs calculation for all employees not earning pay equity wage rates before 1 July 2017.

Do providers get training funding for employees who are already earning above the pay equity rate?

If a provider has any employees who are earning above the pay equity rate which they would be entitled to, the provider will still receive training funding for those employees.

The funding will be calculated at 0.8% of the applicable pay equity rate, not the rate the employee is currently earning. The training funding for employees earning above the pay equity rates will be paid quarterly with any other pay equity payments.

What can the training payment be used for?

The training payment is based on providing funding to enable an employee to receive two days' paid leave per year to attend training that contributes to a qualification.

In practical terms, it is up to the employee to agree how that funding is to be used, as long as it is contributing to a formal and relevant qualification.

What support do employers have to provide for training?

The MSD pay equity contract variation states that Providers "must take all reasonable steps to ensure that a disability care and support worker is able to attain" a level 2, 3 or 4 qualification within certain timeframes.

What “reasonable steps” are depends on the circumstances. MSD expects there will be a flexible approach suited to the needs of the workers and the clients.

This support will include things like facilitating online and on-the-job training, time off for training and examinations, and contributing to or covering the full cost of course fees.

Providers are required to support their care and support worker employees to enable them to reach the NZ Qualifications Authority Health and Wellbeing Certificate qualifications within the following time periods:

- Level 2 NZ Certificate – within 12 months of employment
- Level 3 NZ Certificate – within 3 years of employment
- Level 4 NZ Certificate – within 6 years of employment

For employees employed before 1 July 2017, the time periods apply from 1 July 2017, not their date of employment.

If an employee cannot attain a qualification within these time periods, their employer must take all reasonable steps to ensure the worker is able to attain the qualification as soon as possible.

Do employees have to complete these qualifications?

No, employees are not being compelled to complete these qualifications through the pay equity settlement. The aim is for care and support workers to have opportunities for up-skilling if they want to do so.

Annual Leave Liability

What is annual leave liability?

Annual leave liability is the cost employers will need to pay when employees take their annual leave entitlement. This includes when employees are paid out for their leave balances when they leave a job.

How is annual leave liability affected by the pay equity settlement?

When an employee’s pay rate increases, so does the cost of their annual leave. This change affects annual leave that employees have accrued (but not taken) before their pay increased as well as annual leave that they accrue after their pay increases.

This cost-increase also applies to any time-in-lieu that employees have owing to them for working on a public holiday before their pay increased.

Why are providers receiving separate funding for annual leave liability when annual leave is included in the on-costs?

The annual leave liability funding calculation is for annual leave days that employees have accrued *before* 1 July 2017 but haven’t taken before that date.

The funding for annual leave included in the on-costs percentage is for the increase in the cost of any annual leave accrued *after* 1 July 2017.

MSD is funding the actual cost increase for up to four weeks’ accrued annual leave per employee.

How do providers know how much to pay my employees for their annual leave?

Payment for holidays and leave must be calculated each time the employee goes on holiday or leave as the rate of payment may change from pay period to pay period.

Annual holidays are paid at whichever rate is the higher of:

- the employee's ordinary weekly pay at the beginning of the annual holiday, or
- the employee's average weekly earnings for the 12 months just before the end of the last pay period before the annual holiday.

Providers can get additional advice and support for calculating payments for leave and public holidays on the [employment.govt.nz website](http://employment.govt.nz).

How is the annual leave liability funding calculated?

The amount of funding providers received for the increase in their annual leave liability costs was calculated by completing the Leave Liability Collection Tool. This tool was distributed in August 2017. Providers were able to upload their completed Leave Liability Collection Tool until the end of September 2017.

Providers are no longer able to complete and upload the Leave Liability Collection Tool.

This was a one-off data collection exercise. All future annual leave and holiday pay costs are included in the on-cost percentages.

The wash-up process

What is the wash-up process?

The purpose of the wash-up is to collect the data to calculate the correct pay equity funding amount for providers.

Providers supply the same type of information as for the estimation process, but for the specified time period.

How does the wash-up process differ from the estimation process?

The purpose of the estimation phase was to calculate the approximate, expected cost of implementing the pay equity rates so that MSD could fund providers for this cost in advance through quarterly estimated payments.

The purpose of the wash-up phase is to calculate the actual cost of implementing the pay equity rates by collecting retrospective data for a time period. This will enable MSD to calculate and fund providers for the correct pay equity costs.

How often will the estimation and wash-up processes happen?

The wash-up process for the 2017/18 financial year is currently underway. The completed wash-up data collection tools are due back by 3 August 2018.

This wash-up data will be used to make ensure the 2017/18 payments were correct and to estimated payments for the 2018/19 financial year.

There will be another wash-up at the end of 2018/19.

What happens if the wash-up amount is more than the estimated payment we received?

If the payment calculated through the wash-up process is higher than the estimated payment, then MSD will make an additional payment to make up the difference.

What happens if the wash-up amount is less than the estimated payment we received? Will we have to pay money back to MSD?

If the payment calculated through the wash-up process is lower than the estimation payment amount, then MSD will deduct the difference from the next payment.

What happens if an employee changed their hours of work during the quarter?

If an employee increased or decreased their hours of work during the financial year, then providers will be able to record this in the data collection tool for the wash-up process and the calculated payment will reflect this.

Other questions

If you have a question that isn't answered here, contact the pay equity implementation team.

There is a dedicated pay equity implementation email address, payequity_implementation@msd.govt.nz, which you can send questions to at any time. Someone from our team will respond to you as soon as possible.