

Cabinet Paper material

Proactive release

Minister & portfolio	Hon Chris Hipkins, Minister of Education
Name of package	Settlement and Implementation of the Administration Support Staff and Kaiārahi i te Reo Pay Equity Claims
Date considered	29 August 2022
Date of release	19 January 2023

These documents have been proactively released:

Cabinet Minute: CAB-22-MIN-0336

Date considered: 29 August 2022

Author: Cabinet Office

Cabinet Minute: SWC-22-MIN-0152

Date considered: 24 August 2022

Author: Cabinet Office

Cabinet Paper; Ministry of Education: Settlement and Implementation of the Administration Support Staff and Kaiārahi i te Reo Pay Equity Claims.

Date Considered:

Author: Minister of Education

Material redacted

Some deletions have been made from the documents in line with withholding grounds under the Official Information Act 1982. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

The applicable withholding grounds under the Act are as follows:

Section 9(2)(f)(iv) to protect the confidentiality of advice tendered by Ministers of the Crown and officials

Section 9(2)(j) to avoid prejudice to negotiations

Some deletions have been made from the documents as the information withheld does not fall within scope of the Minister's portfolio responsibilities, and is not relevant to the proactive release of this material.

You can read the Official Information Act 1982 here:

<http://legislation.govt.nz/act/public/1982/0156/latest/DLM64785.html>



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet Social Wellbeing Committee: Period Ended 26 August 2022

On 29 August 2022, Cabinet made the following decisions on the work of the Cabinet Social Wellbeing Committee for the period ended 26 August 2022:

Out of scope

SWC-22-MIN-0152

**Settlement and Implementation of the
Administration Support Staff and Kaiārahi i te
Reo Pay Equity Claims**
Portfolio: Education

CONFIRMED

Out of scope

Rachel Hayward
Acting Secretary of the Cabinet



Cabinet Social Wellbeing Committee

Minute of Decision

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Settlement and Implementation of the Administration Support Staff and Kaiārahi i te Reo Pay Equity Claims

Portfolio Education

On 24 August 2022, the Cabinet Social Wellbeing Committee:

Agreed pay equity claim settlements

- 1 **noted** that pay equity claim settlements were reached for school Administration Support Staff and Kaiārahi i te Reo Pay Equity Claims (APEC and KPEC) on 4 July 2022, following mandating of the settlement agreements for the two claims by employees;
- 2 **noted** that the APEC and KPEC settlements include the following remuneration terms:
 - 2.1 work matrices to appropriately value the levels of skill, responsibility, demand, working conditions, and effort associated with the Administration and Kaiārahi i te Reo roles;
 - 2.2 corrected pay rates;
 - 2.3 a parental payment following a return to work from parental leave;
 - 2.4 an overtime provision (KPEC only);
 - 2.5 a process to review and maintain pay equity rates aligned with collective bargaining;
- 3 **noted** that the settlements are based on gender neutral work assessments completed for APEC and KPEC, which began in July 2020, and an effective date of 20 August 2021, when the Ministry of Education (the Ministry) and NZEI Te Riu Roa (NZEI) agreed that the work of the claimants had been subject to sex-based undervaluation based on the evidence from the assessment process;
- 4 **noted** that the claim processes for APEC and KPEC complied with Equal Pay Act 1972, and the parties agree that the settlements of APEC and KPEC fully correct the identified sex-based undervaluation and are a full and final settlement of APEC and KPEC under the Equal Pay Act 1972;

Previous Cabinet decisions on the relevant contingencies

5 **noted** that in November 2021, the Cabinet Government Administration and Expenditure Review Committee agreed to establish two tagged operating contingencies, as follows:

- 5.1 *Kaiārahi i te reo and Administration Pay Equity Claims contingency* of up to 9(2)(j) over the forecast period 2021/22 – 2025/26, for the Ministry to negotiate in good faith with the NZEI to settle APEC and KPEC, to meet unavoidable cost pressures associated with settlements;
- 5.2 *Kaiārahi i te reo and Administration Pay Equity Claims implementation contingency* of up to 9(2)(j) over the forecast period 2021/22 – 2023/26, for the implementation costs of APEC and KPEC, to be charged against the Between-Budget Contingency established as part of Budget 2021, and subject to Cabinet being presented with detailed costings for this contingency;

[GOV-21-MIN-0045]

6 **noted** that in May 2022, the Cabinet Business Committee:

- 6.1 9(2)(j) to conclude bargaining with the NZEI to settle APEC and KPEC, with an effective date for the pay equity rates of 20 August 2021;
- 6.2 invited the Minister of Education to report back following the final settlement of the claims to draw down the required funding, subject to:
- 6.2.1 the settlement terms and conditions being supported by and linked to a complete set of evidence on the existence and extent of sex-based undervaluation in the school Administration and Kaiārahi i te Reo workforces respectively;
- 6.2.2 the provision of options for baseline reprioritisation and/or business operating model changes to partially offset the fiscal impact of any settlement;

[CBC-22-MIN-0029]

7 9(2)(f)(iv)

8 **noted** that the Ministry has concluded that it is unlikely that any further contribution to the costs of APEC or KPEC or other pay equity settlements can be managed from existing Vote Education baselines without making adjustments to learning or other programmes;

Financial Implications

9 **agreed** that the further work described in recommendations 5.2 and 6.2 above has been satisfactorily completed;

- 10 **agreed** to increase funding to implement the settlement of the Administration Support Staff and Kaiārahi i te Reo Pay Equity Claims and associated implementation costs with the following impacts on the operating balance:

	\$ million				
Vote Education	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Administration Support Staff Pay Equity Claim	67.054	76.741	80.659	84.577	88.495
Kaiārahi i te Reo Pay Equity Claim	1.263	1.410	1.421	1.433	1.445
Implementation costs	-	8.213	3.917	-	-
Total Operating	68.317	86.364	85.997	86.010	89.940

- 11 **agreed** that the costs of the settlement of the Administration Support Staff and Kaiārahi i te Reo Pay Equity Claims between 20 August 2021 to 30 June 2022 will be offset against underspends within 2021/22 Supplementary Estimates appropriations;
- 12 **noted** that the underspends described above arose mainly due to lower than expected demand in teachers' salaries and schools operating grants during 2021/22 across those appropriations;
- 13 **approved** the following changes to appropriations to provide for the decision at paragraph 11:

	\$m – increase/(decrease)				
Vote Education Minister of Education	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
Multi-Category Expenses and Capital Expenditure:					
Outcomes for Target Student Groups (MCA)					
Non-departmental Output Expense:					
Learning Support and Alternative Education	-	7.034	7.387	7.741	8.095
Primary and Secondary Education (MCA)					
Departmental Output Expense:					
Support and Resources for Education Providers (funded by revenue Crown)	-	8.213	3.917	-	-
Non-departmental Output Expenses:					
Primary Education	-	46.890	49.248	51.606	53.964
Secondary Education	-	24.227	25.445	26.663	27.881
Total Operating	-	86.364	85.997	86.010	89.940

- 14 **agreed** that the annual expenses for settlements incurred under recommendation 11 above be charged against the *Kaiārahi i te reo and Administration Pay Equity Claims contingency*, the contingency be closed, and any remaining balance be returned to the centre, as follows:

	\$m – increase/(decrease)				
Administration and Kaiārahi i te Reo Pay Equity Claims contingency	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Administration claim	67.054	76.741	80.659	84.577	88.495
Kaiārahi i te Reo	1.263	1.410	1.421	1.433	1.445
Total contingency CBC-22-MIN-0029	9(2)(j)				
Settlement Drawdown					
Returned to the centre					

- 15 **agreed** that the annual expenses for implementation incurred under paragraph 11 above be charged against the *Kaiārahi i te reo and Administration Pay Equity implementation contingency*, the contingency be closed, and any remaining balance be returned to the centre, as follows:

	\$m – increase/(decrease)			
Kaiārahi i te Reo and Administration Pay Equity implementation contingency	2021/22	2022/23	2023/24	Total
Opening balance [GOV-21-MIN-0045]	9(2)(j)			
Administration claim implementation costs	-	(7.410)	(3.745)	(11.155)
Kaiārahi i te Reo implementation costs	-	(0.803)	(0.172)	(0.975)
Total Implementation	9(2)(j)			
Remaining contingency				

- 16 **agreed** that the changes to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

Rachel Clarke
Committee Secretary

Present:

Rt Hon Jacinda Ardern
Hon Grant Robertson
Hon Kelvin Davis
Hon Dr Megan Woods
Hon Chris Hipkins (Chair)
Hon Andrew Little
Hon Damien O'Connor
Hon Jan Tinetti
Hon Dr Ayesha Verrall
Hon Priyanca Radhakrishnan
Hon Meka Whaitiri

Officials present from:

Office of the Prime Minister
Officials Committee for SWC

Sensitive: Industrial relations

Legally privileged

Office of the Minister of Education

Cabinet Social Wellbeing Committee

Settlement and Implementation of the Administration Support Staff and Kaiārahi i te Reo Pay Equity Claims

Proposal

- 1 This paper seeks Cabinet's approval to draw down tagged contingency funding for settlement of the school Administration Support Staff Pay Equity Claim (APEC) and Kaiārahi i te Reo Pay Equity Claim (KPEC). Funding is also appropriated for implementing APEC and KPEC.

Relation to government priorities

- 2 This proposal contributes to Government commitments on improving access to pay equity. These settlements are a significant acknowledgement that women's contribution to society and economy is often poorly recognised and undervalued.
- 3 This Government also has an enduring focus on improving outcomes for wāhine Māori. The settlement of KPEC directly impacts a predominantly wāhine Māori workforce and acknowledges its cultural contribution to upholding Te Tiriti o Waitangi in the schooling sector.

Executive Summary

- 4 Pay equity claim settlements for APEC and KPEC were signed on 4 July 2022, following mandating of the settlement agreements for the two claims by employees. The settlements include the following remuneration terms: new work matrices to appropriately value the work of Administration and Kaiārahi i te Reo employees, corrected pay rates, a parental payment following a return to work from parental leave, an overtime provision (KPEC only), and a process to review and maintain pay equity rates aligned with collective bargaining.
- 5 On 20 August 2021, the Ministry of Education (the Ministry) and NZEI Te Riu Roa (the NZEI) agreed that the work of the claimants had been subject to sex-based undervaluation based on the evidence from the assessment process. Following mediation directed by the Employment Relations Authority, 9(2)(j) [REDACTED]
- 6 The claim processes for APEC and KPEC complied with Equal Pay Act 1972, and the parties agree that the settlements fully correct the identified sex-based undervaluation and are a full and final settlement of APEC and KPEC under the Act.
- 7 Cabinet has set aside two tagged contingencies for APEC and KPEC:

- 7.1 *Kaiārahi i te reo and Administration Pay Equity Claims contingency* - of up to 9(2)(j) over five years for the Ministry to negotiate in good faith with the NZEI to settle the claims [GOV-21-MIN-0045 & CBC-22-MIN-0029];
- 7.2 *Kaiārahi i te reo and Administration Pay Equity Claims implementation contingency* - of up to 9(2)(j) over the forecast period for the implementation of the settlements [GOV-21-MIN-0045].
- 8 Cabinet also invited the Minister of Education to report back following the final settlement of the claims to draw down the required funding, subject to [CBC-22-MIN-0029]:
- 8.1 The settlement terms and conditions being supported by and linked to a complete set of evidence on the existence and extent of sex-based undervaluation in the school Administration and Kaiārahi i te Reo workforces respectively
- 8.2 The provision of options for baseline reprioritisation and/or business operating model changes to partially offset the fiscal impact of any settlement.
- 9 I can confirm that the conditions required by Cabinet for the draw down of the two contingencies have been met and accordingly, seek agreement to draw down funding sufficient to meet the cost of the two settlements being 9(2)(j) over the forecast period 2021/22 – 2025/26 and related implementation.
- 10 The Ministry has concluded that it is unlikely that any further contribution to the costs of APEC or KPEC or other pay equity settlements can be managed from existing Vote Education baselines without making adjustments to learning or other programmes.

Background

- 11 In September 2018, the NZEI notified the Ministry of pay equity claims for school Administration Support Staff and Kaiārahi i te Reo. From July 2020, the Ministry and NZEI undertook a gender-neutral work assessment of Administration staff and Kaiārahi i te Reo to understand the skills, responsibilities, conditions of work, degrees of effort, and level of experience required to perform the work. Their work and terms and conditions of employment were compared to that of appropriate comparators to establish whether the work of the claimants was subject to sex-based undervaluation. The assessment methodology used was Pay Equity Aromatawai Mahi, jointly developed by the Ministry and NZEI and successfully used in the settlement of the Teacher Aides' Pay Equity Claim (TAPEC).
- 12 On 20 August 2021, the Ministry and NZEI agreed that the work of the claimants had been subject to historical and continued sex-based undervaluation, based on the evidence from the assessment process. Further details about the assessment process and the Ministry's bargaining strategy to settle the claims are in the Cabinet paper, Administration Staff and Kaiārahi i te Reo Pay Equity Claims: Contingency for Settlement [GOV-21-MIN-0045 refers].
- 13 On 25 November 2021, Cabinet agreed to establish two tagged operating contingencies [GOV-21-MIN-0045] as follows:
- 13.1 *Kaiārahi i te reo and Administration Pay Equity Claims contingency* - of up to 9(2)(j) over the forecast period 2021/22 – 2025/26, for the Ministry to

IN CONFIDENCE

negotiate in good faith with the NZEI to settle APEC and KPEC and to meet unavoidable cost pressures associated with settlements

13.2 *Kaiārahi i te reo and Administration Pay Equity Claims implementation contingency* - of up to 9(2)(j) over the forecast period 2021/22 – 2023/24, for the implementation costs of APEC and KPEC subject to Cabinet being presented with detailed costings for this contingency.

14 The Ministry and NZEI began bargaining on settlements for APEC and KPEC in December 2021. 9(2)(j)

Following mediation on 13 April 2022 directed by the Employment Relations Authority, 9(2)(j)

15 The cost of the settlements for both APEC and KPEC with an effective date of 20 August 2021 was estimated to be up to 9(2)(j)

to conclude bargaining with the NZEI to settle APEC and KPEC [CBC-22-MIN-0029]:

	\$m – increase/(decrease)					
Administration and Kaiārahi i te Reo Pay Equity Claims	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears	Total
Administration claim	9(2)(j)					
Kaiārahi i te Reo						
Final contingency [CBC-22-MIN-0029]						

16 Cabinet also invited the Minister of Education to report back following the final settlement of the claims to draw down the required funding, subject to:

16.1 The settlement terms and conditions being supported by and linked to a complete set of evidence on the existence and extent of sex-based undervaluation in the school Administration and Kaiārahi i te Reo workforces respectively

16.2 The provision of options for baseline reprioritisation and/or business operating model changes to partially offset the fiscal impact of any settlement.

[CBC-22-MIN-0029]

17 Throughout the claim process, the Ministry reported to the Central Agency Pay Equity Governance Group (Governance Group) in fulfilment of the milestone requirements of the Framework for the Governance and Oversight of State Sector Pay Equity Claims [CAB-19-MIN-0678]. On 27 May 2022, the Governance Group endorsed the completion of Milestone 6¹ in respect of APEC and KPEC. The Governance Group supports the draw

¹ Milestone 6 tests that the proposed settlement agreement is supported by sound evidence and analysis and reflects agreement between the parties.

down because APEC and KPEC have been progressed consistently with the Equal Pay Act, and the outcome of the claims' process is supported by sound evidence and analysis.

Agreed Pay Equity Claim Settlements

- 18 On 1 June 2022 the Ministry and NZEI reached in-principle agreement on the proposed pay equity claim settlements for APEC and KPEC. Settlement was reached on 4 July 2022, following an employee mandate process undertaken in line with the requirements of the Equal Pay Act.
- 19 The terms and conditions of the settlements are consistent with the bargaining strategy set out to the Cabinet ahead of bargaining [GOV-21-MIN-0045]. The cost of the settlements is within the revised tagged operating contingency agreed by Cabinet for the settlement of APEC and KPEC [CBC-22-MIN-0029].
- 20 The APEC and KPEC Settlement Agreements include the following remuneration terms:
 - 20.1 Work matrices to appropriately value the levels of skill, responsibility, demand, working conditions, and effort associated with the Administration and Kaiārahi i te Reo roles (please see Appendix A for APEC and Appendix B for KPEC).
 - 20.2 Corrected pay rates – the current and agreed levels of remuneration at each grade, along with the percentage increases these new rates will provide, are shown in the tables for APEC (Appendix C) and KPEC (Appendix D).
 - 20.3 A parental payment following parental leave, equivalent to six weeks' pay, to be paid to the employee six calendar months after return to work.
 - 20.4 An overtime clause (KPEC only) - any work required that is in excess of a 40-hour working week or an eight-hour working day or is outside Monday to Friday is to be paid at the rate of time and half or, by mutual agreement, taking time off in lieu.
- 21 Both settlement agreements include a process to review the pay equity rates to ensure that pay equity is maintained, consistent with the provisions of the Equal Pay Act. The reviews are aligned with the applicable collective bargaining round.
- 22 The parties agree that these settlement terms fully correct the sex-based undervaluation identified and are a full and final settlement of APEC and KPEC.
- 23 Both claim processes identified some non-remuneration elements of the employment conditions of Administration and Kaiārahi i te Reo staff, which the parties agreed to progress separately to the pay equity settlements, including consideration of the establishment of a professional learning and development fund similar to that established for the Teacher Aide Pay Equity Settlement (TAPEC), funding model, and research.

Giving effect to the settlements

- 24 Implementation of the APEC and KPEC settlements requires significant system and operational change management. This includes payroll system changes, delivery of the additional funding to schools, facilitating schools and school boards to implement the settlement and working with stakeholders to proactively communicate and manage the changes.

- 25 A critical outcome of implementation involves an understanding of the intention of pay equity and how schools and kura should adjust their employment practices to ensure that sex-based undervaluation does not continue to occur.
- 26 The implementation of the TAPEC settlement has highlighted areas where schools and kura will require support. The Ministry completed an independent quality assurance assessment to determine the areas of development needed for the project. The Ministry also carried out a service design approach to better understand needs of schools and kura during implementation and to design a change approach centred around what will work best for them.

Settlement funding

- 27 Funding will be provided to schools to cover the increased cost of the APEC and KPEC settlements. This funding will be paid quarterly as part of their operational grant instalments, with the first instalment scheduled for 1 October 2022.
- 28 In exceptional circumstances some employees may have been doing work prior to settlement which could fall into a higher grade as a direct result of the new pay equity work matrices. When this occurs schools and kura will be able to request additional funding to allow them to pay the correct rate to these employees. Schools and kura will be eligible for funding if the change in the employee's rate of pay is a direct result of the settlement and not for other purposes. Historical errors in pay rates, or routine changes in employee duties are not intended to be funded through these settlements.
- 29 Where employee's grade and rate of pay is changed as a direct result of these settlements, further remedial payments will be made to employees after the initial payment is made in November 2022. Funding to cover the ongoing cost of these changes will be provided to schools annually on 1 April as part of their operational grant instalment. An independent process has been designed to review applications for pay equity regrading funding.

Payment to affected employees

- 30 Education Payroll Limited (EPL) will use an automated tool to translate employees from their step immediately prior to the effective date to the new point-to-point translation. EPL will also calculate the amount owed to each employee from the settlements' effective date (20 August 2021) to the date payments commence. The Ministry expects employees will be paid their translation payment by EPL by 30 November 2022. The exact date of payment will be agreed with EPL once the settlement agreements have been mandated by employees and are binding.

Supporting the sector through change

- 31 To successfully manage these changes, schools require the tools, guidance and support to understand the reasons behind why these changes are made and navigate changes to administrative processes. This is even more important in a year where a pay equity settlement could easily be conflated with collective bargaining outcomes.

- 32 The schools and kura the Ministry have worked with have made it clear they need key supports² and, in partnership with the NZEI, the Ministry has designed an approach around these.
- 33 Now that the settlements have been mandated by employees, the Ministry, together with the NZEI and the New Zealand School Trustees Association (NZSTA), intend to provide written materials, webinars, and personalised support to schools and kura through various channels to support them to put the settlements into effect.
- 34 The Ministry will actively engage with sector associations, peak bodies, and through the standard Ministry communications channels, including social media, to make sure that schools and kura are aware of how they can access support. The Ministry has established a dedicated support team to lead these engagements and provide hands on support to schools and kura to make the required changes.
- 35 For the Kaiārahi i te Reo settlement, the Ministry has developed an approach to implementation consistent with the engagement principles of: kanohi ki te kanohi (face to face), he kanohi kitea (a familiar face), he ngākau Māori (with a Māori heart), he ngākau hūmārie (with humility), and te mīta o te reo (using te reo Māori). The Ministry will use supporting materials in te reo Māori and English and provide regional hui to explain the process to this point, as well as the settlement outcomes. Ministry staff will also connect regularly with schools and kura to support and answer their implementation questions.

Baseline reprioritisation options

- 36 The Ministry of Education advises that existing Vote Education baselines cannot contribute to these or future pay equity settlements without negatively impacting on learning or other programmes. This is because:
- 36.1 Vote Education appropriations (\$16,172 million for 2022/23 as at Budget 2022) represent a significant proportion of Government expenditure. Most of the funding is based on entitlements and agreements including collective agreements for teachers and principals, grants and subsidies for schools and early learning services, and other unavoidable but substantial commitments including depreciation and capital charge arising from school sector property.
- 36.2 Other policies and commitments from the Vote that carry a significant cost include: school transport; provision of free and healthy lunches; subsidising integrated schools' property and meeting the costs of public private partnerships; various learning support programmes, professional development and curriculum support; and the services of New Zealand Qualifications Authority, Network for Learning and Teaching Council of Aotearoa New Zealand.
- 36.3 The Ministry has been regularly reprioritising baselines toward unfunded priorities, including recently to support emerging priorities such as COVID-19 and digital equity. Freeing up further funding for reprioritisation, even if acceptable, could be

² The supports identified by schools and kura were: a detailed roadmap of the implementation process showing when schools and kura need to take action and the support available at each step, a personalised approach to working through any employment questions; and clear, consistent communications from all sources.

subject to complex negotiations and require significant changes in policy. This would be time consuming as well.

- 36.4 Some one-off flexibility can occasionally be found in the larger appropriations (such as Primary and Secondary Education MCA). However, additional funding was sought as part of the standard baseline updates in 2022 for some forecast items and therefore further options for reprioritisation from non-departmental baselines are likely to be limited. As a result, any requirement to absorb further costs will carry significant risks and may result in some unforeseen and negative consequences.
- 37 These issues have tightened the pressures within the Vote and make it more difficult to ascertain what underspends will be available in future. The Ministry will continue to look for opportunities for reprioritisation as the year progresses but has existing pressures and commitments to address from within its existing baselines first, including Budget announcements.
- 38 Furthermore, there are likely to be concerns within the sector if further funding contributions were required directly or indirectly from schools' operations grants, as pay equity settlements have been communicated as being funded by increased investment to address long-standing inequality and undervaluation for a relatively low-paid but critical workforce.
- 39 A proportion of the cost of the teacher aides pay equity agreement (TAPEC) in each school (an estimated \$29 million per annum) has already been met from within the annual increase to schools' operations grants. However, TAPEC is a more significant commitment than other pay equity claims.
- 40 In addition to the range of pay equity claims being worked through, a number of collective agreements will also be updated this financial year. This includes a range of agreements for support staff in the schooling sector that could also potentially impact on operations grants, although there is a contingency for any settlements from Budget 2021.
- 41 Given current pressures on appropriations and the risk of negative impacts I do not recommend that these costs are met through re-prioritisation of current appropriations, however Cabinet may choose that this occur.

Financial Implications

Settlement costs

- 42 The Ministry's fiscal model used to estimate the costs for settling the claims compares the results of the work assessment of claimants to that of comparators and their respective pay rates and provides an estimate of sex-based undervaluation of the remuneration for work. Appendix E provides further information on the assumptions made to estimate the settlement costs.
- 43 The estimated cost for settling APEC and KPEC based on the mandated settlement agreements is \$404.498 million over the forecast period 2021/22 – 2025/26, as follows:

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	\$m – increase/(decrease)					
Administration and Kaiārahi i te Reo Pay Equity Settlements	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears	Total
Administration claim	67.054	76.741	80.659	84.577	88.495	397.526
Kaiārahi i te Reo	1.263	1.410	1.421	1.433	1.445	6.972
Total costs	68.317	78.151	82.080	86.010	89.940	404.498

- 44 These costs include the application of the agreed work matrices for Administration (Appendix A) and Kaiārahi i te Reo roles (Appendix B) to the agreed pay equity rates for school Administrators (Appendix C) and Kaiārahi i te Reo (Appendix D).
- 45 The costs do not include the parental payment for APEC and KPEC and the overtime clause for KPEC. The costs for these provisions cannot be estimated with confidence because they are event-based with a range of unpredictable factors that impact on uptake by employees. However, these costs are expected to be small. For instance, the annual cost of the parental payment for APEC and KPEC is estimated to be less than \$1 million per annum. This is a conservative estimate as it is based on the parental grant provisions in the teachers' collective agreements which do not require an employee to return to work to be eligible for the grant.
- 46 The pay equity settlements will be offered to all Administration staff and Kaiārahi i te Reo employed by school boards, regardless of union membership.

Implementation costs

- 47 The initial estimate of implementation costs for the APEC and KPEC settlements is for \$12.130 million comprising \$8.213 million in 2022/23 and \$3.917 million in 2023/24. A breakdown of these costs is as follows:

	2022/23	2023/24	Total
	\$000	\$000	\$000
Personnel costs	5,034	2,070	7,104
Programme and other costs			
Support for boards of trustees	300	199	499
Changes to the Education Payroll	800	800	1,600
Applications for additional funding	200	200	400
External quality assurance	120	120	240
Information sessions for employees	252	0	252
Independent assessments panel	432	384	816
Change management/other services	556	455	1,011
Overheads and support costs	2,425	936	3,361
Total	5,085	3,094	8,179
Contingency	1,012	516	1,528
Estimated expenditure	11,131	5,680	16,811
Previous funding from Budget 2019	(2,918)	(1,763)	(4,681)
Additional funding required	8,213	3,917	12,130

- 48 The Ministry considered several options for implementation. The chosen model best delivers the outcomes of the project (at paragraphs 24-26) and provides greater efficiencies and retention of the basic Ministry workforce involved in the pay equity

programme of change. This should decrease any reliance on contract staff and ensure retention of institutional and process knowledge. It will also enable better relationships with the union, schools and kura over the course of these claims.

- 49 These costs will allow the Ministry and partner agencies to:
- 49.1 support schools to make changes to personnel management processes;
 - 49.2 update the Education Payroll to implement the new pay equity rates;
 - 49.3 pay arrears to any former employees who left since the effective date of the claim;
 - 49.4 update schools funding systems and communicate these changes to schools;
 - 49.5 prepare for implementation of the school librarians, science technicians and therapists pay equity claims which are being jointly assessed by the Ministry and NZEI.

Draw-down and conditions

- 50 I can confirm that the conditions required by Cabinet (see paragraphs 13.2 and 16) for the draw down of the two contingencies have been met and accordingly, seek agreement to draw down funding sufficient to meet the cost of the two settlements for the forecast period 2021/22 – 2025/26 [GOV-21-MIN-0045 and CBC-22-MIN-0029].

Legislative Implications

- 51 Legislation is not required to implement the proposals.

Regulatory Impact Analysis

- 52 A regulatory impact analysis does not apply to the proposals in this paper.

Climate Implications

- 53 There are no known climate implications associated with the proposals in this paper.

Gender Implications

- 54 The gender implications of the APEC and KPEC and proposed settlements are positive: identifying and correcting sex-based undervaluation of a female dominated workforce and introducing a rate of remuneration that reflects the skills, responsibilities, working conditions and degrees of effort of their work.

Human Rights

- 55 This proposal complies with the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

- 56 The Treasury, Te Kawa Mataaho Public Service Commission and the Department of the Prime Minister and Cabinet were consulted on this paper.

Communications

- 57 The Ministry and NZEI issued press releases in June 2022 after in-principle agreement on the proposed APEC and KPEC settlements was reached. After the settlements were mandated by employees, a signing ceremony was held on 4 July at Berhampore School with the Minister for the Public Service, Secretary for Education, National Secretary NZEI, and employees covered by the settlement in attendance. Further detail about the Ministry's engagement with the sector to support the effective implementation of the settlements is at paragraphs 31-35.

Proactive Release

- 58 I do not intend to proactively release this paper to enable the Ministry to carry on, without prejudice or disadvantage, bargaining currently underway for other pay equity claims in the Ministry and Education Service, and for future pay equity claims.

Recommendations

The Minister for Education recommends that the Committee:

Agreed pay equity claim settlements

- 1 **note** that pay equity claim settlements were reached for school Administration Support Staff and Kaiārahi i te Reo Pay Equity Claims (APEC and KPEC) on 4 July 2022, following mandating of the settlement agreements for the two claims by employees;
- 2 **note** that the APEC and KPEC settlements include the following remuneration terms:
 - 2.1 work matrices to appropriately value the levels of skill, responsibility, demand, working conditions, and effort associated with the Administration and Kaiārahi i te Reo roles;
 - 2.2 corrected pay rates;
 - 2.3 a parental payment following a return to work from parental leave;
 - 2.4 an overtime provision (KPEC only);
 - 2.5 a process to review and maintain pay equity rates aligned with collective bargaining;
- 3 **note** that the settlements are based on gender neutral work assessments completed for APEC and KPEC, which began in July 2020, and an effective date of 20 August 2021, when the Ministry of Education (the Ministry) and NZEI Te Riu Roa (the NZEI) agreed that the work of the claimants had been subject to sex-based undervaluation based on the evidence from the assessment process;
- 4 **note** that the claim processes for APEC and KPEC complied with Equal Pay Act 1972, and the parties agree that the settlements of APEC and KPEC fully correct the identified sex-based undervaluation and are a full and final settlement of APEC and KPEC under the Equal Pay Act 1972;

Previous Cabinet decisions on the relevant contingencies

- 5 **note** that on 25 November 2021, Cabinet agreed to establish two tagged operating contingencies [GOV-21-MIN-0045] as follows:
- 5.1 *Kaiārahi i te reo and Administration Pay Equity Claims contingency* - of up to 9(2)(j) over the forecast period 2021/22 – 2025/26, for the Ministry to negotiate in good faith with the NZEI to settle APEC and KPEC, to meet unavoidable cost pressures associated with settlements
- 5.2 *Kaiārahi i te reo and Administration Pay Equity Claims implementation contingency* - of up to 9(2)(j) over the forecast period 2021/22 – 2023/26, for the implementation costs of APEC and KPEC, to be charged against the Between-Budget Contingency established as part of Budget 2021, and subject to Cabinet being presented with detailed costings for this contingency;
- 6 **Note** that on 23 May 2022, Cabinet 9(2)(j) to conclude bargaining with the NZEI to settle APEC and KPEC, with an effective date for the pay equity rates of 20 August 2021 [CBC-22-MIN-0029];
- 7 9(2)(f)(iv)
- 8 **Note** that Cabinet also invited the Minister of Education to report back following the final settlement of the claims to draw down the required funding, subject to [CBC-22-MIN-029]:
- 8.1 The settlement terms and conditions being supported by and linked to a complete set of evidence on the existence and extent of sex-based undervaluation in the school Administration and Kaiārahi i te Reo workforces respectively
- 8.2 The provision of options for baseline reprioritisation and/or business operating model changes to partially offset the fiscal impact of any settlement;
- 9 **Note** that the Ministry has concluded that it is unlikely that any further contribution to the costs of APEC or KPEC or other pay equity settlements can be managed from existing Vote Education baselines without making adjustments to learning or other programmes.

Financial Implications

- 10 **Agree** that the further work described in recommendations 5.2 and 8 [GOV-21-MIN-0045 and CBC-22-MIN-0029] has been satisfactorily completed;
- 11 **Agree** to increase funding to implement the settlement of the Administration Support Staff and Kaiārahi i te Reo Pay Equity Claims and associated implementation costs with the following impacts on the operating balance:

IN CONFIDENCE

	\$ million				
Vote Education	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Administration Support Staff Pay Equity Claim	67.054	76.741	80.659	84.577	88.495
Kaiārahi i te Reo Pay Equity Claim	1.263	1.410	1.421	1.433	1.445
Implementation costs	-	8.213	3.917	-	-
Total Operating	68.317	86.364	85.997	86.010	89.940

- 12 **Agree** the costs of the settlement of the Administration Support Staff and Kaiārahi i te Reo Pay Equity Claims between 20 August 2021 to 30 June 2022 will be offset against underspends within 2021/22 Supplementary Estimates appropriations;
- 13 **Note** the underspends arose mainly due to lower than expected demand in teachers' salaries and schools operating grants during 2021/22 across those appropriations;
- 14 **Approve** the following changes to appropriations to provide for the decision at recommendation 11:

	\$m – increase/(decrease)				
Vote Education Minister of Education	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
Multi-Category Expenses and Capital Expenditure:					
Outcomes for Target Student Groups (MCA)					
Non-departmental Output Expense:					
Learning Support and Alternative Education	-	7.034	7.387	7.741	8.095
Primary and Secondary Education (MCA)					
Departmental Output Expense:					
Support and Resources for Education Providers (funded by revenue Crown)	-	8.213	3.917	-	-
Non-departmental Output Expenses:					
Primary Education	-	46.890	49.248	51.606	53.964
Secondary Education	-	24.227	25.445	26.663	27.881
Total Operating	-	86.364	85.997	86.010	89.940

IN C O N F I D E N C E

- 15 **Agree** that the annual expenses for settlements incurred under recommendation 11 above be charged against the *Kaiārahi i te reo and Administration Pay Equity Claims contingency* described in recommendations 5.1 and 6 above, the contingency be closed and any remaining balance be returned to the centre, as follows:

	\$m – increase/(decrease)				
Administration and Kaiārahi i te Reo Pay Equity Claims contingency	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Administration claim	67.054	76.741	80.659	84.577	88.495
Kaiārahi i te Reo	1.263	1.410	1.421	1.433	1.445
Total contingency CBC-22-MIN-0029	9(2)(j)				
Settlement Drawdown					
Returned to the centre					

- 16 **Agree** that the annual expenses for implementation incurred under recommendation 11 above be charged against the *Kaiārahi i te reo and Administration Pay Equity implementation contingency* described in recommendation 5.2 above, the contingency be closed and any remaining balance be returned to the centre, as follows:

	\$m – increase/(decrease)			
Kaiārahi i te Reo and Administration Pay Equity implementation contingency	2021/22	2022/23	2023/24	Total
Opening balance [GOV-21-MIN-0045]	9(2)(j)			
Administration claim implementation costs	-	(7.410)	(3.745)	(11.155)
Kaiārahi i te Reo implementation costs	-	(0.803)	(0.172)	(0.975)
Total Implementation	9(2)(j)			
Remaining contingency				

- 17 **Agree** that the changes to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

Authorised for lodgement

Hon Chris Hipkins
Minister of Education

Appendix A: Administration Support Staff Work Matrix Table

The Administration Support Staff Work Matrix Table sets out the most common skills, responsibilities and demands that apply to administration support staff working within Grades one to seven. It is based on the evidence and analysis from the assessment process completed for the claim, and provides a framework for role placement and informs the level of salary remuneration to be applied.

The Work Matrix Table applies from 20 August 2021 and is set out below:

Work Matrix Grade	General Description	Elements
1	Sufficient skills and knowledge required to perform work assignments which have substantial routine elements.	<ul style="list-style-type: none"> Operate office equipment such as a photocopier or scanner. Responsible for own work under general supervision. Problems to be solved will be clearly identified and solutions will fall into established patterns and procedures. Problems outside the norm will be referred on for guidance. Communicating with others includes cooperation with colleagues, the ability to request and provide information.
2	Skills and knowledge required to carry out general office work, involving varied routine and non-routine procedures.	<ul style="list-style-type: none"> Develops the experience to consider the most appropriate process or procedure to follow to take account of changing work circumstances. Responsible for own work under limited supervision. Applies interpretation and judgement to solve problems within established policies and procedures. The role has frequent interactions with others inside and outside the school. Active listening, patience, discretion and tact will be required and persuasion may be necessary from time to time. Difficult situations are generally referred up. Provides occasional mentoring or short-term supervision.
3	Specialised skills and in-depth knowledge of more complex methods and processes to provide multi-faceted or confidential services.	<ul style="list-style-type: none"> The role has substantial independence on a day-to-day basis and will use initiative to identify and resolve problems that may be complex or unusual. Receives or provides complex or sensitive information and may have to utilise a range of different approaches to ensure understanding. Persuasion, influencing and negotiation may be required to diffuse difficult situations. Mentors or trains colleagues. Supervises junior staff.
4	Provides advanced specialised technical services which are complex in nature within their area of expertise.	<ul style="list-style-type: none"> Analyses a wide range of problems before selecting the most appropriate solution/s and has the freedom to resolve these within established policy frameworks. Involves supervision of staff which may include contractors. Provides confidential executive secretarial services. Provides translation from one language to another. Communication skills are a critical element in determining success. Achieves outcomes through logical and reasoned arguments, negotiations or building on-going empathetic relationships.

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Work Matrix Grade	General Description	Elements
The positions in the next three grades require specialist and/or broad knowledge of school and/or kura practices and settings.		
5	<p>Positions at this grade tend to fall into two categories:</p> <ol style="list-style-type: none"> 1. Subject matter experts within a particular field. Operates independently and applies established principles in a particular field. The role requires either extensive practical experience or a tertiary level qualification plus experience. 2. The first level of “management” where planning, controlling, implementing plans and/or projects are required. <ul style="list-style-type: none"> • Staff supervision including the ability to develop, motivate and appraise performance is usually required. • Holds clear accountability for results. • Influence medium-term decisions through direct control or expert advice. 	
6	<p>Positions at this grade manage functions within the school.</p> <ul style="list-style-type: none"> • Responsible for short and long-term planning and the resulting outcomes for their function as well as a contribution to wider results. • Responsible for policy and business development for their function within the school’s overall business plans and objectives. • Strong collaboration with other areas is essential to align priorities and achieve successful results. 	
7	<p>Positions at this grade are senior management roles with multifunctional responsibilities.</p> <ul style="list-style-type: none"> • Integrates several business functions and resolve internal conflicts. • Assigns resources to optimise results rather than focusing on a single function typically with a medium- to long-term outlook. 	

Appendix B: Kaiārahi i te Reo Work Matrix Table

The Kaiārahi i te Reo Work Matrix Table sets out the most common skills, responsibilities and demands that apply to Kaiārahi i te Reo working within Grades 1 and 2. It is based on the evidence and analysis from the assessment process completed for the claim and provides a framework for role placement and informs the level of salary remuneration to be applied.

The Work Matrix Table applies from 20 August 2021 and is set out below:

Work Matrix Grade	Whakamana Tāngata <i>Uphold the dignity of people</i>	Whakarauora Te Reo me ōna Mātauranga Māori <i>Revitalise Māori language and knowledge</i>	Whakararau, Whakarahi Te Ao Māori <i>Embed and amplify a Māori Worldview</i>
Grade 1 Adapts programmes and supports colleagues	<ul style="list-style-type: none"> Provides pastoral care for students and/or whānau. Implements programmes for whānau to engage in their cultural identity. Provides professional development for staff. Works with external agencies / Māori communities to improve outcomes for students. 	<ul style="list-style-type: none"> Translates resources and materials into either Te Reo or English. Adapts programmes or lesson plans to suit Māori bilingual and immersion classes. Plans and delivers Toi Māori programmes such as raranga or kapa haka. Plans and delivers Te Reo Māori and Mātauranga programmes. Uses Mātauranga Māori and/or Māori pedagogical approaches to achieve learning outcomes. Implements learning programmes and/or lesson plans. 	<ul style="list-style-type: none"> Adapts tikanga to fit the context of the school environment. Uses appropriate cultural practice to ensure proper care for taonga. Leads cultural events such as noho marae.
Grade 2 Creates, leads and advises	<ul style="list-style-type: none"> Creates professional development programmes for staff. Works with external agencies / local Māori communities to effect organisational outcomes that benefit Māori. 	<ul style="list-style-type: none"> Creates learning programmes and/or lesson plans. Creates tools and/or resources in te reo Māori. Adapts curriculum to reflect Mātauranga Māori. Advises School Leaders on Mātauranga Māori or Māori Pedagogical approaches. 	<ul style="list-style-type: none"> Develops processes or guidelines to embed tikanga and/or kawa. Creates physical and intellectual taonga for kura including waiata composition.

Appendix C: APEC current and agreed rates of pay based on pay equity assessment

Current Grades		Previous Steps	Previous Rates		Agreed New Grades	Agreed top rate in grade	% Adjustment on current rate
A		1	\$21.78	\$45,421	1	\$47,320	4%
B		1			2	\$54,104	16 - 18%
	2	\$21.95	\$45,776	3			
C	2						
	3	\$22.72	\$47,405				
	4	\$23.59	\$49,215				
	5	\$24.46	\$51,024				
D	6	\$25.33	\$52,834	4	\$68,397	20 - 25%	
	7	\$26.20	\$55,665				
	7			5	\$86,616	15 - 44%	
	Range of Rates	-	-				
	8	\$35.72	\$74,494	6	\$94,661	17%	
Exec Management	Minimum entry point of \$79,567						
			7				\$115,688

*Current Grades, Steps and Rates in the above table are based off those in the Support Staff in Schools Collective Agreement.

For APEC, the remuneration undervaluation ranges between 4% and 44%. The application of pay equity rates equates to potential pay increases for individuals between the range of \$2,000 to \$18,500 per annum (excluding executive managers).

Appendix D: KPEC current and agreed rates of pay based on pay equity assessment

Previous Steps	Previous Rates	Agreed New Grades	Agreed top rate in grade	% Adjustment (at top step)
1	\$21.78	Grade 1	\$87,880 / \$42.25/hr	83%
2	\$21.97			
3	\$22.54			
4	\$23.03			
5	\$23.59			
6	\$24.11	Grade 2	\$97,640 / \$46.94/hr	82%
7	\$25.19			
8	\$25.79			

For KPEC, the calculated remuneration of sex-based undervaluation is more significant (approximately 80%) and would see new top of grade rates at \$87,880 and \$97,640 per annum. The proposed pay rates would see an individual at the top of *Grade 1* increase from \$23.03 per hour to \$42.25 per hour, and *Grade 2* increase from \$25.79 per hour to \$46.94 per hour.

Appendix E: Assumptions for the settlement costs of APEC and KPEC

The Ministry has developed a fiscal model to identify the likely costs for settling the claims which has applied the profile scores based on the work assessment of claimants relative to that of comparators and provides an estimate of sex-based undervaluation of the remuneration for work.

The Ministry's estimated cost for settling the pay equity claim is \$404.498 million (operating) over the forecast period (2021/22-2025/26). This estimate comprises \$397.526 million for the APEC and \$6.972 million for the KPEC, accordingly.

These settlement estimates are based on the following assumptions:

- a. The pay equity settlements will be offered to all Administration staff and Kaiārahi i te Reo employed by school boards, regardless of union membership.
- b. 5% of staff will be regraded due to APEC.
- c. Costs have been based on the difference between the point-to-point translations between the rates on the original grades and steps and the new pay equity rates multiplied by the hours worked in 2021 at each point on the pay matrix.
- d. Year 1 costs are based on the 2021 grade distribution. Year 5 costs assume 80% of staff will have progressed to the top of their band. The cost for Years 2, 3, and 4 are based on a linear interpolation between the Year 1 and Year 5 costs.
- e. Grades 2-4 are permeable (APEC only), meaning individuals can progress annually through these grades, and that after bargaining, the remuneration matrices will have the same number of grades as currently proposed.
- f. Employees in the administration executive management grades paid more than \$115,689 have been excluded from this costing.
- g. Some of the exceptional funding cost for regrading has been excluded from these calculations as further detail of the future grade matrix is required (however based on the TAPEC it is assumed that these costs will be relatively small).
- h. On-going costs for Kiwi Saver and ACC have been assumed at 3.33%.
- i. Effective date for payments was assumed to be 1 August 2021 (i.e. just over 11 months of the 2021/22 financial year).