# Variation of Contract: Social Work Pay Equity Extension: contracts with community and iwi organisations

**Variation to Outcome Agreement (Bilateral)**

**[Purchasing Agency]**

**and**

**[Provider]**

|  |  |
| --- | --- |
| **Contract Name** |  |
| **Contract Number (if relevant)** |  |
| **Commencement Date** |  |
| **Variation #** |  |
| **Effective date of Variation** |  |

**Parties**

[*Insert name of Purchasing Agency, e.g. “*The Sovereign in right of New Zealand acting by and through the Chief Executive of…”*]* (**Purchasing Agency**)

[*Full legal* *name of NGO services provider, include any relevant registration numbers (e.g. registered charity or incorporated society number) and registered address*] (**Provider**)

**1 Background**

* 1. On [*insert date*], the Provider and the Purchasing Agency entered into an Outcome Agreement (as part of the Streamlined Contracting with NGOs Framework) for the supply of [*describe the contracted services*] (the **Outcome Agreement**).
  2. In August 2019, The Public Service Association - Te Pūkenga Here Tikanga Mahi (PSA) raised a pay equity claim in five NGOs for social workers and people doing the same or substantially similar work (the **original claim**). The work assessment for this claim identified four categories of work. These categories are:
* Category 1: registered social workers
* Category 2: registered professionals employed in a social work role
* Category 3: professionals undertaking work substantially similar to social work
* Category 4: registered social workers or other registered professionals leading social work practice
  1. Sex-based undervaluation was identified for the claimant group and the parties agreed a new pay scale to settle the claim and appropriately reflect the level of skills, responsibility effort and experience required for the four different categories of employee (the **original settlement agreement**).
  2. The settlement also identified sex-based disparity in professional support costs and these inequitable terms and conditions of employment were corrected. The claim was settled and ratified by affected employees.
  3. In November 2022 Cabinet agreed to extend the benefits of the pay equity settlement to all social workers and those undertaking substantially similar work in community and iwi organisations (the **pay equity extension**). This means that components of the original settlement agreement that correct sex-based undervaluation are made available to social workers and those undertaking substantially similar work in community and iwi organisations. The components are:
* Introduction of a new step-based pay spine providing annual progression through steps
* Pay correction - translating employee salaries to the appropriate place on the new pay spine (based on years of experience)
* Access to a suite of professional support funding
  1. In February 2023 the Taskforce ran a data collection process to identify workers employed in community and iwi organisations undertaking social work whose roles fit within the 4 categories of work identified in the original claim. The data collection process also identified the government contracts for services, outputs, and outcomes that these workers are employed to service.
  2. In June 2023 Cabinet agreed to appropriate funding of $435.583 million over four years to 15 government Funding Agencies to effect the new social work pay equity extension (the **Funding**). Cabinet also directed Public Service chief executives to vary or update all current funding contracts as identified in the data collection process which support the employment of social workers and those in social work roles to implement the new pay equity rate, including relevant terms and conditions, as a minimum from 1 July 2023.
  3. The following contract variation provides an uplift in the value of your Outcome Agreement equal to the amount of Funding calculated by the Taskforce that you require to correct the salaries of your social workers identified through the data collection process and in line with the pay spine agreed in the original settlement agreement. In addition, the Funding amount is to cover the additional cost of professional support for these identified workers.

## Variation to effect new Social Work Pay Equity Extension Rate

* 1. There are four areas (categories) of work covered by the pay equity extension. These are:
* Category 1: registered social workers
* Category 2: registered professionals employed in a social work role
* Category 3: professionals undertaking work substantially similar to social work
* Category 4: registered social workers or other registered professionals leading social work practice
  1. The pay spine and rates applied to the pay equity extension for social workers and those in social work roles in the Funded Sector directly mirror the pay spine and rates included in the original settlement agreement. The original settlement agreement and the pay equity extension introduce a new pay system for social workers and those in social work roles in community and iwi organisations. This pay system provides annual progression through the steps within the pay spine. The starting step for any employee has been determined based on their years of relevant experience within their current category of work. These steps are the minimum level of pay. Organisations maintain freedom to pay workers more than the amount stated on the relevant step.
  2. The pay equity extension funding provides for the initial translation of affected employees in from their current salary to the appropriate step on the new pay spine in year one of this variation. Funding for subsequent financial years covered by this variation also provides for step-based pay increments for specified roles.

## Adjustments to the pay spine and Social Work Pay Equity Extension Rate

* 1. The pay spine and rates agreed to in the settlement of the original claim are subject to review under the Equal Pay Act 1972 at intervals of no less than every three years. The purpose of a review is to determine whether sex-based undervaluation has recurred. As such the pay spine for Specified Roles may increase over time.
  2. If parties to the original claim find that sex-based undervaluation has recurred, the pay spine and social work pay equity rates will be updated. Any updates to the pay equity rates for social work in the Funded Sector will be published on the Te Kawa Mataaho Public Service Commission website here: [Extension of pay equity settlement - Te Kawa Mataaho Public Service Commission (ssc.govt.nz)](https://www.talentexchange.ssc.govt.nz/system/public-service-people/pay-gaps-and-pay-equity/extension-of-pay-equity/) .

## Applying any adjustments to the pay spine and Social Work Pay Equity Extension Rate

* 1. The following table outlines what effect any adjustment to the pay spine and social work pay equity extension rate will have on current and future contracts.

|  |  |  |
| --- | --- | --- |
| **Existing contract with a term of 3 years or less** | **Existing contracts with a term longer than 3 years** | **New contracts and contract renewal agreements** |
| The current social work pay equity rate will be applied | Contracts with a term longer than 3 years will be reviewed prior to or on the three-year anniversary of the Effective Date (1 July 2026) by the Purchasing Agency. Any additional funding required to ensure the specified roles detailed in x.1 are remunerated according to updated Pay Spine will be applied to the contract via a variation. | When contracts are created or renewed, those serviced by Specified Roles will include Funding required to pay Specified Roles at the social work pay equity extension rate as published on the Te Kawa Mataaho website. |



* 1. In accordance with clause 15.2 (Variation process) of the Framework Terms and Conditions (3rd edition) of the Outcome Agreement, the Provider and Purchasing Agency agree to the change the terms of the Outcome Agreement.

1. **Changes to the Outcome Agreement**
   1. The parties agree to vary the Outcome Agreement as set out in the attached Schedule of Changes to reflect terms relating to the additional payment of social work pay equity extension funding further to the pay equity extension described above.
   2. This variation will be effective on 1 July 2023
   3. Subject to the changes made by this Variation, the terms and conditions of the Outcome Agreement remain in effect.
   4. Words used but not defined in this Variation have the same meaning as in the Outcome Agreement.

**Signatures**

**Signed as an agreement**

for and on behalf of the Purchasing Agency as follows:

Signed by [*insert name and title of signatory*] Date

**Signed as an agreement**

for and on behalf of the Provider as follows:

Signed by [*insert name and title of signatory*] Date

**Schedule of Changes**

*[Changes: Here are some suggested options. Choose the relevant option(s) and delete remaining option(s) that don’t apply; format as appropriate]*

**Changes**

**1.1 Change to clause [*reference*] ([*name*]):** clause [*x*] is deleted and replaced with the following:

“[*x*] [*new clause*]”.

**OR**

**1.1 Change to Appendix [*reference*] ([*name*])** is deleted and replaced with the following new Appendix [*x*] (**Social Work Pay Equity Extension Funding**).

**OR**

**1.3 Change to paragraph [*x*] of Appendix [x] ([*name*]):** a new paragraph [*x*] (Social Work Pay Equity Extension Funding) of Appendix [*x*] is inserted in alphanumerical order as follows:

**[Clause / Appendix / Paragraph [x] (Social Work Pay Equity Extension Funding)**

## **[*X*].1 Definitions**

For the purposes of [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding):

**"Annual Additional Payment”** has the meaning given to that term in clause [*X*].5 (Annual Additional Payment).

"**Extension Pay Equity rate**" means the annual rate as shown in the Pay Spine, pro-rated on per FTE (based on a 40-hour working week) at the appropriate level according to relevant experience and as updated from time to time.

**“Financial Year”** means the 12-calendar month period, or part period thereof, beginning on 1 July and ending 30 June.

**“Funding”** means the funding allocated to the Purchasing Agency to effect the Social Work Pay Equity Extension.

**“Funding Period”** means the period commencing on 1 July 2023 and ending on the earlier of the Outcome Agreement’s Expiry Date and 30 June 2028.

**"On-costs”** means the additional costs associated with an on-going employment relationship that are not accounted for in the remuneration costs. The On-costs calculation includes the expected cost of paying employee superannuation, unplanned leave and ACC payments. On-costs are calculated as 7.5% of the employee remuneration costs.

**“Pay Spine”** means the step-based remuneration framework agreed in the Social Work Pay Equity Settlement as laid out in the ‘Pay Spine and Translation Fact Sheet’ The Pay Spine considers 4 categories of social work roles and sets the basis for the minimum annual salary for employees. The relevant experience an employee has in a category of social work determines the which step sets their minimum annual salary.

**"Professional Support Allowance”** means the amount of funding in dollar terms to cover supporting social work roles supervision, development, practising certificates and membership fees. These costs are additional to the remuneration costs.

**“Remuneration Costs”** means the cost of making the salary changes that result from translating social workers onto the Pay Spine remuneration framework. Calculated as the change in salary from before the translation to the Pay Spine and after translation, pro-rated based on the proportion of full-time hours (40 hours per week) the employee is paid for.

**"Social Work Pay Equity Extension”** means the Government approved extension of the benefits of a pay equity settlement to all social workers and those undertaking substantially similar work in community and iwi organisations enabling the correction of sex-based undervaluation with the components being:

• the introduction of a new step-based pay spine providing annual progression through steps;

• pay correction – translating employee salaries to the appropriate place on the new pay spine (based on years of experience); and

• access to a suite of professional supports funding.

**"Specified Person"** has the meaning given to that term in clause X.2 (Use of Funding).

**"Specified Role"** means any functional role as a social worker covered by the pay extension as follows:

* Category 1: registered social workers
* Category 2: registered professionals employed in a social work role
* Category 3: professionals undertaking work substantially similar to social work
* Category 4: registered social workers or other registered professionals leading social work practice

**“Sub-Recipients”** means any person or body which the Provider pays in whole or in part from the Additional Annual Amount whether as a supplier, contractor or otherwise.

## **[*X*].2 Use of Funding**

(a) The Provider must only use the Additional Annual Amount in accordance with this [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding). The Agency may recover any Additional Annual Amount monies which are misappropriated or not spent in accordance with this [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding). In particular, the Provider shall:

(i) ensure that each person performing any Specified Role in connection with the Provider's performance of this Outcome Agreement ("Specified Person"):

(A) is paid, for each hour worked at a rate no less than the social work pay equity extension rate applicable at the time; and

(B) is being progressed through the annual pay steps as defined in the Pay Spine; and

(C) has access to relevant professional support consistent with the cost allowance (as defined in [*clause/Appendix/paragraph*] [*X*].3 (FTE professional support) below) value in accordance with [*clause/Appendix/paragraph*] [*X*].4 (Professional support payment); and

(ii) account for the Additional Annual Amount received under this Outcome Agreement in accordance with generally accepted accounting practices to ensure that the Additional Annual Amount is applied for the purposes of this Outcome Agreement.

(b) Non-compliance with this provision shall be deemed to be a material breach of the Outcome Agreement.

## **[*X*].3 Full Time Equivalent (FTE) Professional Support Allowance**

(a) The Social Work Pay Equity Extension ensures all Specified Roles have access to the same elements of professional support.

(b) The table below lists the value of the FTE professional support required for each social work category.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Professional Support Components | | | | | |
| Social Work Category | Professional Development | Cultural Supervision | Professional Supervision | Professional Membership | Practicing Certificate | Total |
| Category 1 | $1,000 | $2,000 | $1,500 | $225 | $605 | $5,330 |
| Category 2 | $1,000 | $2,000 | $1,500 | $225 | $605 | $5,330 |
| Category 3 | $1,000 | $2,000 | $1,500 | $0 | $0 | $4,500 |
| Category 4 | $1,000 | $2,000 | $1,500 | $225 | $605 | $5,330 |

## **[*X*].4 Professional Support Allowance**

(a) Further to [*clause/Appendix/paragraph*] [*X*].3 (FTE Professional Support Allowance), each person performing any Specified Role in connection with the Provider's performance of this Outcome Agreement is eligible for the FTE Professional Support Allowance. Such persons will be funded on a pro rata basis in accordance with the applicable categories and rates set out in the table above in [*clause/Appendix/paragraph*] [*X*].3.

(b) Based on the information provided by the Provider to Te Kawa Mataaho Public Service Commission, the Specified Roles covered by this Outcome Agreement are entitled to the following professional support allowances.

| **Specified Role** | **FTE Funded by this contract** | **Professional support allowance** |
| --- | --- | --- |
| Category 1 | 2.4 | $[insert] |
| Category 2 | 0.8 | $[insert] |
| Category 3 | 1.2 | $[insert] |
| Category 4 | 1 | $[insert] |

**[*X*].5 Annual Additional Payment**

(a) Based on the information provided by the Provider to Te Kawa Mataaho Public Service Commission, and as calculated by Te Kawa Mataaho Public Service Commission, the total annual increase to the Provider’s [*funding/payment for Services*] for the purposes of the Social Work Pay Equity Extension for Specified Roles (**Annual Additional Payment**) is as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Fiscal Year** | Remuneration Costs | Oncosts | Subtotal | Professional Support Allowance | Annual Additional Payment |
| 2023/24 | $[Insert] | $[Insert] | $[Insert] | $[insert] | $[Insert] |
| 2024/25 | $[Insert] | $[Insert] | $[Insert] | $[insert] | $[Insert] |
| 2025/26 | $[Insert] | $[Insert] | $[Insert] | $[insert] | $[Insert] |
| 2026/27 | $[Insert] | $[Insert] | $[Insert] | $[insert] | $[Insert] |

(b) The parties acknowledge that there may be no requirement for an Annual Additional Payment to the Provider for Specified Persons in the first Financial Year, as they may already be paid at or above the appropriate step for the Specified Role on the pay spine. However, based on the forecast step increase for Specified Persons, there may be a requirement to have an Annual Additional Payment initiating at a later date.

**[*X*].6 Payment schedule**

The Annual Additional Payment for each Financial Year (as detailed in the table at [*clause/Appendix/paragraph*] [*X*].5 (Annual Additional Payment)) will be paid in [*one annual/six-monthly/quarterly/monthly*] instalment[*s*] on the 1st of the month on the following [*date/dates*]:

[*insert date / table of dates*]

**[*X*].7 Subcontractors**

(a) The Agency acknowledges that the Provider may make any payment of the Provider’s Annual Additional Payment to its subcontractors where appropriate to do so.

(b) If the Provider makes any payment of the Annual Additional Payment to its subcontractors, the Provider continues to be responsible for compliance with [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding) and will remain wholly responsible for the work, acts and/or omissions of all Sub-Recipients.

(c) the Provider is responsible for ensuring the suitability of any Sub-Recipient and the Sub-Recipient’s capability and capacity to meet the relevant requirements of [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding).

(d) The Provider shall ensure that each of its subcontractors is fully aware of the Provider’s obligations under [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding) and any sub-contract arrangement the Provider enters into is on terms consistent with that clause.

(e) The Provider must inform the Agency (in writing) of any Sub-Recipients and the amount of Annual Additional Payment paid to each Sub-Recipient each Financial Year. The Provider must provide such information no later than [*30 days after the end of each Financial Year*]. The Provider must provide any further information the Agency may reasonably request to support the amount paid.

(f) Non-compliance with this provision shall be deemed to be a material breach of this Outcome Agreement.

**[*X*[.8 Annual review**

(a) The Provider will undertake an annual remuneration review of the pay rates of its employees working in Specified Roles.

(b) The Provider will progress those Specified Persons through the Pay Spine in accordance with the ‘Pay Spine and Translation Fact Sheet’ with progression through all steps in a band to be:

(i) on the basis of time and experience, unless there is a documented formal performance plan in place; and

(ii) through the next salary step in the band as a minimum, no less than annually.

**[*X*].9 Annual Additional Payment confirmation**

(a) Each Financial Year the Provider will provide written confirmation to the Purchasing Agency that the Provider has complied with its obligations in [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding). The Provider will provide the written confirmation no later than one month following the end of each Financial Year.

(b) At the Purchasing Agency’s written request, the Provider will promptly (but no later than *[10 Business Days/30 days)*], provide to the Purchasing Agency sufficient evidence of the Provider’s compliance with its obligations in [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding) to support the Provider’s written confirmation.

**[*X*].10 Funding audit**

(a) At any time during or after the Funding Period, the Purchasing Agency may (at its sole discretion) audit the Provider’s compliance with [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding). The audit may take the form of a full technical, financial and/or compliance audit, or a more informal assessment, of the Provider and/or its subcontractors. The purpose of an audit is to check compliance with the terms of [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding), the appropriate use of the Annual Additional Payment and/or review the Provider’s ability to perform any obligations under or in connection with that clause.

(b) The Purchasing Agency will inform the Provider of an audit; and

(i) Audits will usually be carried out either by a fully qualified accountant or technical specialist who is independent of the Purchasing Agency, or by Purchasing Agency staff.

(ii) The Provider shall assist the Purchasing Agency in a timely manner with any such audit, including by making its premises, personnel, systems, information, data, accounts, documents and records available to the Purchasing Agency or its nominee(s) as reasonably requested.

(iii) The Provider must promptly provide any records the Purchasing Agency may request as part of the audit prior to the agreed date and time of the on-site audit.

(c) If the Purchasing Agency is undertaking an audit under this Outcome Agreement for any other purpose, the Provider shall also offer to the Purchasing Agency access to the information, data, accounts, documents and records required to audit the Provider's compliance with [*clause/Appendix/paragraph*] [*X*] (Social Work Pay Equity Extension Funding). Such records may include records held by the Provider’s subcontractors in respect of their receipt of any portion of the Provider’s Annual Additional Payment monies.

(d) At the end of the audit, the Provider will receive a formal written document advising of the outcome.

(e) To avoid doubt, the Purchasing Agency will pay for the costs of an audit unless otherwise agreed with the Provider.

**[*X*].11 Recovery, reduction or suspension of Annual Additional Payment amounts**

(a) To avoid doubt, all other clauses relating to recovery, reduction or suspension of payments in relation to service provision remain in force.

(b) The Purchasing Agency may reduce, suspend, or withhold, or require repayment of all or part of, the Annual Additional Payment, if:

1. the Provider breaches clause [*X*].2 (Use of Funding) of this Outcome Agreement or fails to comply with any other term or condition of this clause [*X*] (Social Work Pay Equity Extension Funding) that the Purchasing Agency considers to be material;
2. the Outcome Agreement is terminated in accordance with clause [*X*] (Termination);
3. the Provider does not have any employees in the Specified Roles; or
4. any information provided by the Provider, further to the provisions of this clause X (Social Work Pay Equity Extension Funding), including subsequent documentation, is found to be incorrect or incomplete to an extent which the Purchasing Agency considers to be material.

(c) The Provider agrees that on receipt of notice requiring repayment of the Annual Additional Payment (or a portion thereof), it shall make such repayment within 20 Business Days of the date of the notice.