

Impacts of a pay equity settlement:

Summary of research findings



Te Kāwanatanga o Aotearoa
New Zealand Government

Two Rangahau Aotearoa Research New Zealand (Research NZ) surveys conducted in 2022 and 2023 assessed the social and economic wellbeing of almost 500 social worker employees both pre and post pay equity settlement. The results of these surveys provide a platform by which to track and measure changes that the settlement is having on employees, their whānau and communities, as well as on social sector employers and overall provision of services.

The research marks the starting point of a strong evidence base for in-depth and larger scale cost benefit analysis of pay equity settlements. Such research is important in building an understanding of the downstream economic and social impacts of pay equity.

Context of the Research New Zealand findings

Research NZ were commissioned to evaluate the impact of the settlement both on employees and employers via a range of social and economic indicators including:

- the overall impact on employees and specifically their
 - professional costs
 - socio-economic impact
 - self-esteem and mental wellbeing
 - willingness to stay in the sector and
- on employers, including the ability for employers to
 - meet their staffing needs
 - provide employees with appropriate benefits
 - maintain staffing levels
- organisations' ability to cover their current caseloads and meet the level of community need.



Methodology

To quantify how a pay equity settlement impacts employees and their whānau, employers and the service delivery, it was important to understand the workforce both before and after settlement. To date, two surveys have been conducted, one prior to settlement and one nine months post settlement. The first survey established a baseline- the point at which things were prior to any changes to pay or terms and conditions through pay equity. The second survey looked at changes to this baseline after employees received the pay correction. The data was collected via an online anonymous survey with the option of filling it out on a paper copy.

Engagement

The 'Pay Equity Settlement Review, Baseline, September 2022,' survey was conducted with the employers and approximately 500 employees of five non-government organisations involved in the pay equity claim for social work roles in the community sector. All employers and 73 percent of employees responded. The 'Impacts of Pay Equity Settlement August 2023' survey mirrored the earlier baseline survey, involving a total of 443 employees on the basis that they had received the benefits of the settlement.

Baseline survey

The baseline survey measured

- the impact of employees' pay and conditions on their livelihood and wellbeing, their attitude to their work and their willingness to continue working in their job and in the sector and
- employers' ability to employ and retain the staff needed to provide the services funded by the government. It also collected opinions about the feedback they receive from staff, directly and indirectly, relating to their pay and conditions.

Baseline survey results show that amongst employees:

“

I have often thought that being on the benefit would be better. In terms of having more time with my children, less stress, and most likely the same income. Without the stress of paying for childcare, after school care and holiday programmes.

”

“

After paying rent and other essential bills such as power, internet and gas, my whānau is often left with under \$50 for kai for the week. I can hardly make ends meet and I feel as vulnerable as the whānau we support and serve.

”

- few employees agreed they are fairly paid for the work they do (13 percent)
- nearly all the employees reported they have struggled to afford basic costs of health care, housing and transport
- those who identified as 'negatively impacted' by their pay pre-settlement -
 - had lower levels of drive and motivation
 - had struggled to afford housing, basic essentials and health care
 - 80 percent had thought about leaving their job in the last 12 months, because of their pay and
 - only 34 percent would have recommended their job.

Employer feedback agreed with the above challenges, and focused on how the challenges that employees experienced pre-settlement affected the organisation's ability to respond to the community's need for services.

Post-settlement survey

Results on Impacts of Pay Equity

The October 2022 social employee pay equity settlement included:

- new equitable pay rates
- a new step-based pay progression system
- professional support allowances, including funding for professional development, and annual practicing certificate fees.

The pay correction

Remuneration

Waged employees

Average pay increased by 36%

the average hourly rate **increased by \$10.96 per hour**, from \$29.88 to \$40.84.

Salaried employees

Average pay increased by 37%

the average annual salary increased by \$24,156 per annum, **from \$66,696 to \$90,852.**

Professional costs

Employees reported a:

34% increase in paid access to cultural supervision

14% increase in paid access to professional external supervision

14% increase in access to the costs of relevant professional association membership

Impact on employees

Highlights of the findings

The research shows that the settlement provided a boost to employees' self-esteem and positively impacted their mental wellbeing. In comparing pre- and post-settlement results, data reported the following from employees:

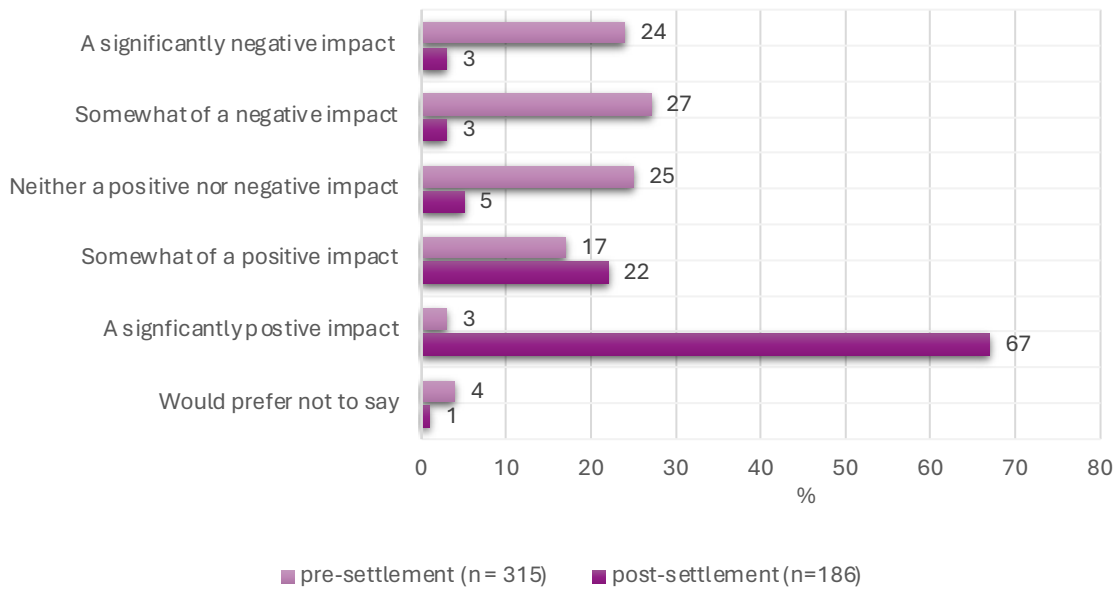
- The belief they were '*fairly paid*' for the work they do **had increased by 400 percent**, from 13 percent to 65 percent
- '*given what they're paid*' they '*sometimes lose drive and motivation*' had **decreased by 63 percent**, from 48 percent to 18 percent
- pay negatively impacting their '*ability to maintain their health and wellbeing*' had **decreased by 63 percent**, from 49 percent to 18 percent and;
- the '*strain to relationships and family life*' had **decreased 79 percent**, from 42 percent to 9 percent.

“

I'm able to breathe. The burden and stress of stretched finances has been alleviated.

”

The impact of current level of pay on workers and their whānau - pre- and post-settlement



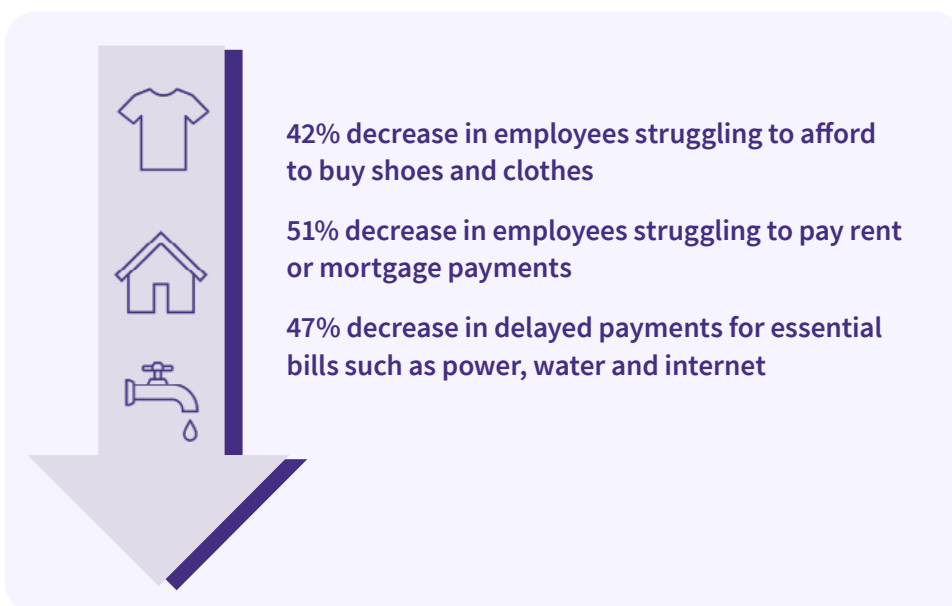
Socio-economic impacts for employees and their whānau

Survey results indicate a positive impact on socio-economic indicators for employees. Pre-settlement, over fifty percent of employees considered their current level of pay negatively impacted them and their whānau, whilst post-settlement ninety percent reported the corrected pay and other benefits positively impacted them and their whānau. There were other tangible indicators that show positive impacts on employees and their whānau such as access to health and dental care, home heating and the ability to afford groceries.

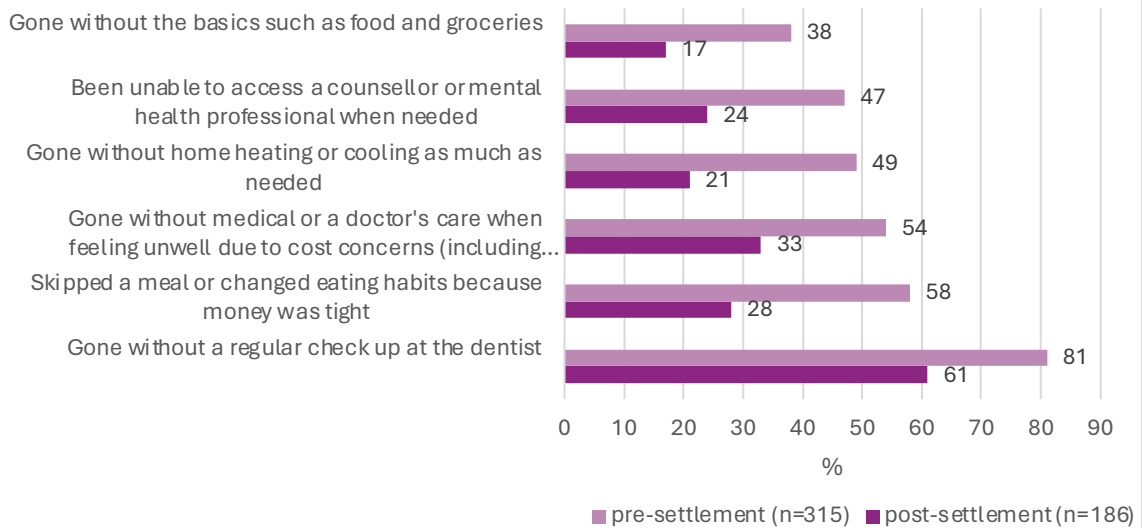
“

I have finally been able to buy my first home due to my pay increase, I get the keys in 2 weeks!

”



The effect of pay on paying for/accessing basic commodities and services - pre-and post-settlement



The research found a significant increase in disposable income. For example,

- 47 percent increase in employees who reported having enough disposable income to do some things they want to do
- more than three-quarters have at least 'some' disposable income, a 91 percent relative increase from the pre-settlement data
- 40 percent of employees reported they could 'save more' in their KiwiSaver post-settlement
- 91 percent increase in employees who reported they now had 'other savings' post-settlement and
- there was a 37 percent decrease in employees who required other sources of income and support (for example Working for Families tax credits and assistance from community support organisations).

“

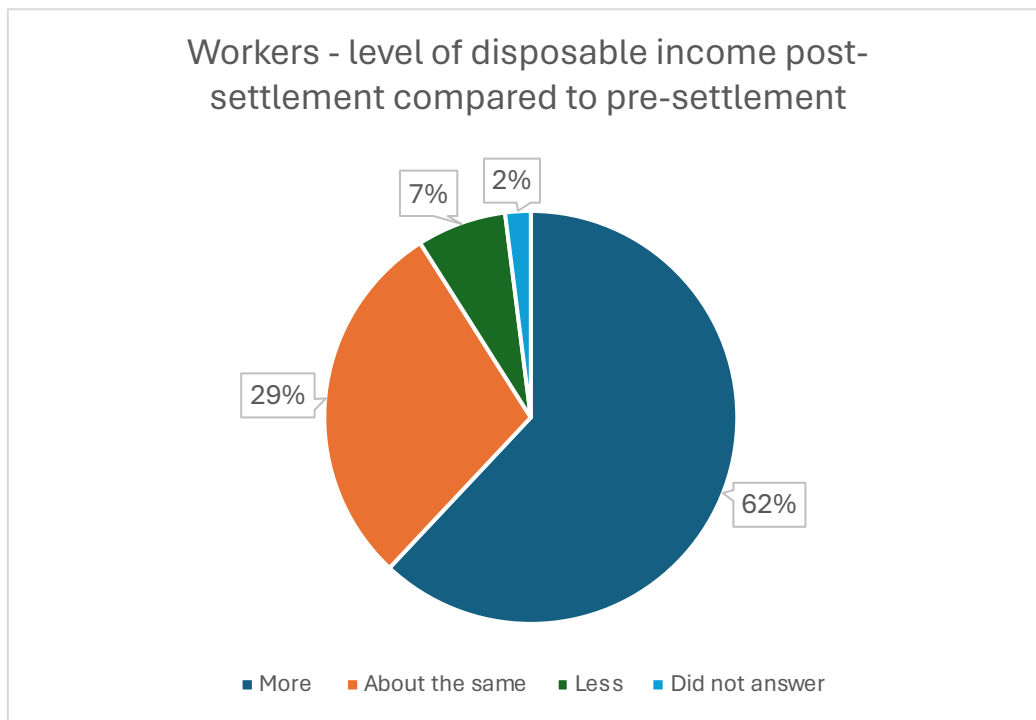
...I can regularly purchase necessities for my children rather than once a year. I can afford to take them to enjoy more activities, whereas previously was only every birthday. We have been able to increase our kai budget so that there is more than enough kai for all in the household.

”

“

We have been able to buy wood for our fireplace as we need it, rather than only one lot per winter. HUGE impact and truly grateful!

”



Employees also noted more ability to engage in social activities and social connections with significant reductions in struggles associated with the cost of engaging with these aspects of life.

Professional costs

The settlement provided professional financial benefits, that is, covering the cost of professional supervision, cultural supervision, professional development, annual practicing certificate and professional association membership. Employees were asked to identify which of these their employer now paid. Employees reported a

- 34 percent increase in paid access to cultural supervision
- 14 percent increase in paid access to professional external supervision and
- 14 percent increase in access to the costs of relevant professional association membership.

Impact on employers

“

Staff have greatly benefited from the settlement and the additional training opportunities that we have been able to make available.”

”

The settlement has made it easier for employers to meet their staffing needs. In an increase from one employer pre-settlement, all five employers reported it was “easy” to

- “employ staff with suitable experience/qualifications”
- “remunerate employees at a rate that is fair”
- “recruit staff to fill vacancies” and “retain experienced employees.”

Four of five employers reported it was “easy” to “employ an appropriate number of staff to meet requirements of Government contracts.” This is an increase from one employer pre-settlement.

The settlement made it easier for employers to provide employees with appropriate professional benefits. All five employers indicated that it was easy to “cover the costs of professional registration where required.” This is an increase from one out of five employers’ pre-settlement.

All five employers indicated that it was easy to provide adequate “professional development opportunities and professional supervision and cultural supervision for employees.” This is an increase from one out of five employers’ pre-settlement.

Impact on the delivery of social services

The research shows that the settlement has allowed employers to better respond to community need in the following ways:

- all five employers reported the ability to employ enough staff to ‘cover their current caseload’. This has increased from one employer pre-settlement
- four of five employers reported they had the capacity to respond in a ‘timely manner’ to client needs. This has increased from one employer pre-settlement.
- three of the five employers reported staff turnover reduced from 30 percent to 15 percent or less.
- four out of the five employers reported that as a result of the settlement it was ‘easy’ to ‘employ an appropriate number of staff to meet requirements of Government contracts.

Employers reported that staff feedback on the impact of their remuneration has improved since the settlement. Post-settlement, four of the five employers reported that staff said

- “because of their remuneration” staff no longer have “difficulties making ends meet financially” and
- they feel their organisation “remunerates them fairly for the type of work they do,” and they view their job as a “long-term prospect”.

Three employers agreed that staff feedback indicated “the benefits of the settlement, like annual registration fees, professional body membership and professional and cultural supervision, have made a real difference to them.”



The employment situation for our organisation as a result of the settlement has been awesome! ... Staff report being able to attend to their health needs and wellness – particularly dental, visual and dietary needs, for both themselves and their whānau. We have seen an increase in professional capability and confidence – staff report an increased sense of purpose, I have heard some staff talk about a return of their sense of vocation, or what drew them to the profession in the first place returning, i.e. believing that social justice and empowerment is possible (Pay Equity) increased the motivation for achieving equity.



Challenges identified by the research

The research identified a number of challenges arising from the pay equity settlement, some of which speak to broader issues facing this sector and others which may benefit from further research to understand the impacts of pay equity and what could be done to mitigate unintended adverse outcomes.

- Unintended loss in net income: One employee reported that ‘due to being a single mum, because of my pay increase and back pay, I got into IRD debt and actually lost money, due to losing the top-up of Accommodation Supplement and Childcare Subsidy.’ Similarly, one employer reported that ‘some staff did not end up as well off as they expected, as they went into a new tax bracket or lost their Working for Families Tax Credits. A few have received large tax bills (those who were receiving WFF Tax Credits).’
- Staffing numbers: When employers were asked if they had sufficient numbers of staff in the roles covered by the settlement, three of the five reported that they do not have enough staff one stating that they ‘continue to find hiring into some positions difficult despite the increased funding’. Two employer representatives said they did have the right number of staff. One of the smaller organisations reported they would ideally have a 52% relative increase in staff.

“

While funding has helped with staffing costs there is still significant pressure in operational delivery and in being able to provide more services to tamariki, rangatahi, whanau and community across the motu... the workforce pressure of insufficient qualified and experienced staff continues despite the improvement in pay and conditions.

”

- Meeting community need: The results were divided on whether the funding for pay equity now allows their organisations to ‘respond to the need for services in the community’ as one agreed, two were neutral and two disagreed.

“

While we do not need to increase staff numbers based on current contracts, we would like to deliver more to the communities we support. We also continue to find hiring into some positions difficult despite the increased funding.

”

“

We have the number of staff ... we are contracted for i.e. we have most vacant positions filled now ..., but due to funding cuts that began on 1 April 2023 we lost 6 FTE positions which were previously included in the settlement. Due to waitlists for our services throughout the country we cannot meet the need/demand for our services with the contracted FTE workers, and we certainly can't do it in a timely way. There is also a difficulty in some regions to recruit social workers, e.g. Auckland, East Coast even with Pay Equity.

”

These responses from employers seems indicative of wider funding and contracting issues experienced in the social service sector, many of which cannot be resolved by a pay equity settlement on its own. Examples of these issues include:

- an aging workforce
the Annual Social Work Workforce Survey 2023 found that 50% of the social work workforce is 50 or older meaning eve with increased retention there may be skill shortages in the social work area.
- underfunding of overhead costs.
A Martin Jenkins report in 2019 estimated that the underfunding of overheads for NGOS amounted to 130 million dollars per annum
- underfunding of actual demand for services
In the same report described above Martin Jenkins also estimated underfunding of approximately 200 million per annum of ‘absorbed demand’ in social work services.

Ongoing monitoring and research will be needed in the future to further understand these issues.

