

## **Improving the Quality of Work for Women in Homecare, Residential and Cleaning Sectors**

*Summary Report of Project conducted by NACEW 2005-2006*

In 2005, the National Advisory Council on the Employment of Women (NACEW) identified government contracting as one area where there may be potential for government as a funder to influence improvements in the quality of work for women currently in precarious working situations or low paid work in the homecare, residential and cleaning sectors. Given NACEW's longstanding interest in pay and employment equity, it sought also to consider what action might support this outcome and initiatives that were also present in these sectors.

The purpose of this project was not to explore the existence of these conditions, but rather to examine how the government's contracting/funding processes could be used to improve precarious employment with a view to provide recommendations (attached) to the Minister of Labour by December 2006. The project focused primarily on the homecare, residential care and cleaning sectors, where precarious employment is relatively common.

This project adopted the definition of precarious employment established by previous Department of Labour (DoL) research.<sup>1</sup> It is defined as employment generally at the "lower end" of the non-standard work continuum<sup>2</sup>. The employment is, "...low quality and ...encompasses a range of factors that put workers at risk of injury, illness and/or poverty (from low wages, low job security, limited control over workplace conditions, little protection for health and safety risks in the workplace and less opportunity for training and career progression)."<sup>3</sup>

### **Overview**

NACEW began its research at the beginning of 2005 with the aim of providing advice to the Minister of Labour by the end of 2006. The research has two parts. The first part focuses on the contracting policy currently operating in New Zealand and the second part on international interventions to improve quality work outcomes.

The research on the New Zealand context describes the process of government contracting and whether precarious work or pay and employment equity outcomes for the provider's employees are considered when contracts are

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<sup>1</sup> 'Precarious' Non-Standard Employment – A Review of the Literature, Deborah Tucker, Labour Market Policy Group, Department of Labour, Wellington, New Zealand, December 2002

<sup>2</sup> The "higher end" being characterised by self-employed and part time workers who are more likely to have a reasonable income, job security and workplace autonomy and the "lower end" by unpredictable, irregular or insufficient hours.

<sup>3</sup> Tucker, op cit p.5

awarded. The international research investigates interventions used overseas that may address precarious work and pay and employment issues and the potential applicability and relevance for the contracting environment in New Zealand.

It is estimated that there are around 40-50,000 support workers in New Zealand and around 18-20,000 of these may work in home based care services with an annual staff turnover in the homecare sector of 39 percent. Currently, home based support services are delivered by independent providers under contract to multiple funders – District Health Boards (DHBs), Ministry of Health and ACC. They number about 110 nationally and are a mixture of not-for-profit and for-profit agencies. Very few DHB's employ these workers directly. There are only a small number of collective agreements in the sector.

Providers deliver services over a 24 hour seven day period, and vary in size from large national providers (four to five), to small owner-operated local enterprises. The Public Service Association continues to have representation of approximately 3,000 cover home care workers in disability settings who were previously employed in psychopaedic institutions. Overall, union density in the home based sector is low. The home based nature and dispersal of the workforce, very low pay, high turnover, high levels of casual and part time employment as well as insecurity of hours make for difficulties in building union density.

Care workers working in the residential care are employed in a variety of facilities in for-profit and not-for-profit organisations. Union density is higher in this sector and collective bargaining is common. The New Zealand Nurses Organisation and the Service and Food Workers Union (SFWU) provide union representation for care workers in the residential sector, with union density estimated to be around 20 – 30 percent.

In the cleaning sector, the SFWU estimates that there are more than 20,000 commercial cleaners in New Zealand. Private sector organisations contract with government agencies to provide cleaning services. Some only provide cleaning and other larger organisations provide full building or facility management services. Sixty large and medium sized companies belong to the umbrella group, the Building Service Contractors NZ Ltd. All of the large and some of the medium sized companies are parties to a multi-employer collective agreement with the SFWU. Providers believe that about 12-15 percent of workers in the cleaning sector are unionised, however, the union believes it may be as low as 5 percent.

Funding of these services has a direct impact on business profits and pay rates, therefore poor funding of all three services impact directly on pay rates, turnover/ staff retention, recruitment, career opportunities, employment conditions and quality of services delivered.

There is a widely accepted need to improve wages and employment conditions in all three sectors. This will not only result in improved economic and social outcomes but also improved reliability and service quality. A skilled, motivated and committed workforce will result from employment relationships and

structures that are founded on the principles of fairness, equal opportunity, access to training, good faith and respect.

## **Research methodology**

### *New Zealand Context*

NACEW commissioned research into the New Zealand context in 2005 to describe the process of government contracting and any impacts this may have on the precarious nature of the work or access to pay and employment equity outcomes for the provider's employees in these sectors. The research consisted of:

- A brief examination of literature provided by Department of Labour on the impact of purchasing frameworks on employment outcomes;
- An examination of government procurement policy and practice documents; and
- Interviews with key stakeholders: policy organisations; purchasing agencies; national provider organisations and the SFWU.

In particular, this work considered:

- (a) the quality of employment for women in highly casualised and low paid work in the homecare, residential and cleaning sectors in New Zealand;
- (b) the linkages between the conditions that are prevalent in precarious employment and government contracting and funding processes
- (c) key policy issues affecting workers, purchasing and the delivery of appropriate contracting services in the homecare, residential care and cleaning industries
- (d) appropriate measures aimed at addressing funding levels and contract prices to improve wage rates and job security of those actually providing the services.

Findings from this investigation led to the conclusion that there is inadequate consideration of pay and employment equity and precarious work outcomes in government contracting policy and practices. All funders are aware that as the main, only or significant funders of the residential, home based support and cleaning sectors that their funding decisions, especially around prices, do have a direct impact on business profits and pay rates.

Government expectations with respect to government contracting are well documented and each agency is expected to develop their own procurement policies, in line with those core requirements. Consideration of the employment practices of provider organisations is referred to in one of the key government guidelines but this is neither actively promoted nor monitored.

There is little disagreement amongst government agencies and providers about the negative impact of low paid and precarious work in the homecare, residential and cleaning sectors. The level and nature of government funding and

contracting processes is acknowledged, however, as one of the key drivers of the precarious nature of the working conditions that can be found in these sectors.

Government procurement advice to funders suggests that the contracts should be let to encourage or support other government objectives such as environmental sustainability, support of SMEs, or business innovation. These precedents for “intervention” also suggest that more could be done to positively influence the employment practices of the provider organisations.

### *Examination of international practice*

An international literature review was undertaken to examine the experience of governments’ positive intervention to improve pay and employment equity and quality work outcomes for people in precarious work and to assess the potential applicability to the New Zealand context. The countries and regions considered (on the basis of available literature) were the United States of America; Canada; England; Wales; Scotland; Northern Ireland; Ireland; Europe; Scandinavia and Australia.

The initiatives that may impact on positive outcomes that were considered included:

- Minimum wage laws
- Prevailing wage law
- Living wage ordinances
- Contract compliance requirements
- Industrial awards
- Transfer of Undertakings (protection of employment) Regulations (TUPE)
- Pension/superannuation protection
- Positive duties
- European Union directives
- Equality impact assessments
- Codes of practices
- International Labour Organisation conventions
- Decent work programmes.

Findings from the literature review confirmed that the recognised outcomes from precarious work, in particular those concerning inadequate income and a lack of security of working terms and conditions, has been an issue of policy around the world. Prompted by concerns for quality tenders, public money funding poverty level wages, sustainable quality services and social equity, the solutions adopted have generally focussed on setting wage floors and requiring quality labour practices to be part of the procurement conditions.

### **Recommendations**

While the issue in New Zealand is somewhat different to situations overseas, the consequences of precarious work are very similar and could well be addressed by similar style interventions here. NACEW has specifically focused on addressing precarious work issues in the homecare, residential care and cleaning sectors. While the attached recommendations for change are specifically designed to

resolve issues in these sectors, it is envisaged that these could work as a pilot for a more general public contracting policy.

In its recommendations, NACEW identifies concerns which have been raised throughout the course of the research into improving precarious employment conditions in the homecare, residential care and cleaning sectors. The key focus on advice to the Minister of Labour is to obtain government agreement and support for the recommendations and as such, NACEW has prioritised key recommendations which it believes will be effective in change and also observes that some recommendations may take longer to implement than others. It has also identified mechanisms for delivery in its recommendations realising that delivery does not necessarily need to focus on a wholly legislative solution to be effective.

From the research findings NACEW wanted to address the following issues in its advice to the Minister:

- Public Sector commitment to good employer practices should be extended to those businesses receiving public money through contracting for services;
- Government procurement policies include an explicit commitment that public money should not support workplace practices that result in precarious work outcomes for employees of service providers;
- Decisions about the level of funding for the contracting of public services includes an explicit calculation of adequate (and required) minimum income levels for their employees;
- Public sector procurement processes include quality and equitable labour practices as part of the selection criteria and procedures for ensuring compliance are in place;
- Quality labour practices include:
  - observing all legal employment obligations
  - actual wage levels<sup>4</sup> above the current minimum adult wage
  - adequacy of working hours
  - predictability of income; and
- Transparency of employee wage levels and working conditions.

The proposed recommendations have five key principles which address the above concerns and include:

- 1) Government contracting policy be based on principles of fairness, equity and responsibility;
- 2) Government will only contract with providers in the sector who can demonstrate a commitment to good labour relations, pay and employment equity and training;

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<sup>4</sup> This takes into account any 'hidden' cost to the employee such as location of work, unpaid travel or training time, split shifts, consideration of holiday/leave pay etc

- 3) Government will sufficiently fund provision of services so as to enable providers to pay a living wage which also consider 'hidden costs' such as training;
- 4) Appropriate unions will be notified of and have a role in enforcing the terms of contracts between Government and providers designed to benefit their members;
- 5) Government will provide financial and other assistance to other stakeholders to build capacity and develop improved relationships.

Changes to the funder/provider relationship, the way in which the services are purchased and the nature of the services provided are all crucial. However, fundamental to the success of these changes will be the raising of funding levels and contract prices specifically targeted at improving the wage rates and job security of those actually providing the services.

Most importantly, for change to be effective the government must address the precariousness of these sectors, ensure that good labour relations prevail, that social and economic justice imperatives of pay and employment equity are supported and that training is encouraged to satisfy the requirements of the consumer and to contribute to the up-skilling of the workforce, which also benefits the economy.

In summary, NACEW's recommendations seek to improve the quality of services provided in the homecare, residential care and cleaning sectors; improve the self-esteem and well-being of staff; improve efficiency and productivity through increased skill levels, reduced turnover and the elimination of any discrimination and/or barriers to equality of opportunity; and to lessen the need for state support to workers in these sectors.

The proposed recommendations outline the five key principles that NACEW recommends and are supported through interpretations justifying each principle. For further reference, the two research reports examining both the New Zealand and international context into improving the quality of work for women in the homecare, residential care and cleaning sectors are also available for background material from NACEW, which give further context to the recommendations.