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David Goddard QC
WELLINGTON

By Email

Dear Sir

Comment on ACC Employed Staff Salary Position

Introduction

1. The purpose of this letter is to respond to the "possible scenario" part of ACC's paper dated 5 September 2007, which deals with salaries for employed staff. NZSP considers that ACC has not engaged in a substantial manner on these issues during the course of the review, and NZSP has not seen this justification or similar from ACC at any time. NZSP therefore seeks the opportunity to comment.
2. NZSP makes three primary points about the ACC approach. They are:
 - 2.1. ACC provides no justification for the percentage of staff who are expected to be at each experience level;
 - 2.2. ACC also uses an assumed 2-3 year gap between salary progressions, without any justification in particular as to why progression increases to a 3 yearly basis towards the end of the experience levels; and
 - 2.3. When deflated in accordance with modelling practice, this comes out to just over \$50,500 in 2004/2005 terms. This appears to be self reinforcing of the current Deloitte accepted \$50,000 cost allocation for employed staff wages in 2004/2005 terms, but still does not in NZSP's view show any logical justification.
3. NZSP accepts the reviewer's current approach, which identifies a conservative minimum approach, subject to further research where necessary. Whilst we do not accept the ACC methodology above, if it is to form a robust minimum position, then it should be based on facts as they appear, on a clear and logical basis.

NZSP Approach

4. In this paper NZSP therefore identified what it considers it to be the minimum conservative position justified for employed clinical staff, using ACC's methodology. NZSP therefore:

- 4.1. adopts (for these purposes only) a 2 yearly increment between steps in the salary scale. The Society does not believe that the extension of this to a 3 year gap towards the end of the experience levels is justified, and does not incorporate that aspect of ACC's approach;
- 4.2. uses experience level percentage which are still extremely conservative, but are more reflective of the experience levels of the physiotherapy population.
5. The most important of these considerations is the percentage of the physiotherapy population at the various experience levels.
6. NZSP provides a table attached which compares the ACC approach with both use of the physiotherapy workforce demographics for 2004 (refer page 11, NZSP Second Submission), and an approach using the NZSP experience level survey (refer KPMG First Submission, page 27). Even if one wishes to be conservative and take a longer period between merit progression steps, then the NZSP workforce survey is much more robust than the experience data adopted by ACC, whose identification of staff seniority profiles is flawed.

Methodology using NZHIS figures

7. NZSP considers that the alternatives provided are both extremely conservative.
8. The weighting method incorporating NZHIS figures has, for the sake of greatest conservatism:
 - 8.1. excluded the 36% of the physiotherapy population who are 45 years plus, and therefore likely to beyond 20 years' experience, treating them as generally equivalent to business owners;¹
 - 8.2. incorporated ages 20-24 and 25-29 (17% of total, or 28.3% of under 45s) as all sitting within the year 1-5 experience levels, and apportioned these evenly across years 1-5.
9. The ages 30 – 34 are treated as 5 – 9, and so on up to age 44. The percentage in each 5 year category are apportioned evenly across the years within each relevant age band. These are:
 - 9.1. 20 – 34: 23.3%
 - 9.2. 35 – 39: 25%
 - 9.3. 40 – 44 23.3%.

Methodology Using NZSP Survey

10. In regard to use of the NZSP demographic survey, the practitioners with 0-4 years experience have been divided evenly across years 1-5, and similar approach taken for years 5-9. Those with 10 years plus experience have been

¹ The number of business owners in practice can be calculated as roughly 25% using the NZSP survey at KPMG initial submission page 27 (94 out of 373 practitioners), so the figure of 36% excluded from these NZHIS figures is extremely conservative.

divided evenly across solely years 10-20 experience level, not pushing any of those practitioners beyond the year 20 experience level. Under this system of 2 yearly merit increments, means that those paid at year 20 on \$74,460 are equivalent to step 12 on the PSA/DHB scale.

11. This methodology places 5% of the physiotherapy population on each of the years 1 – 20 experience levels. Again, it should be noted that this is conservative, as it does not account for those non-business owners beyond the ages of 40 – 45, who are likely to have had more than 20 years' experience.

Results and Conclusion

12. The outcomes of these methodologies are shown in the attached table.
13. NZSP considers that the best method is use of NZSP survey data, as that uses actual feedback from practices as to the relative experience levels of practitioners. This is applied on an extremely conservative basis. The result is closely corroborated by use of the NZHIS-based analysis, and is therefore robust in its assessment of experience levels. Both of these approaches conflict with and show the flaws in the experience levels used by ACC, the basis for which NZSP is not able to discern.
14. While this analysis only makes a net difference of approximately \$3,000 per annum per employed staff member, this has a cumulative effect on the business. Further more, business owners are concerned to ensure that their staff are able to be remunerated adequately, and the more that this is acknowledged within the model, the better this will be able to be achieved by business owners in practice.
15. NZSP reiterates that it does not accept the position outlined in this paper as a fair basis for calculating these salaries of employed clinical staff. However, if such a methodology is to be adopted using 2 yearly progression within DHB/PSA salary scale merits levels, then NZSP considers it important that this be applied using known demographic information about the profession.

Yours faithfully



Martin Taylor
Barrister

year	DHB salary with 2 yearly merit progression	ACC % at Exp level	ACC Weight / Salary	% at Exp level using NZHIS 04	NZHIS weight / salary	% at Exp level using NZSP survey	NZSP survey weight / salary
1	40000	7.2	2880	5.7	2280	5	2000
2	43300	7.2	3117.6	5.7	2468.1	5	2165
3	46000	7.2	3312	5.7	2622	5	2300
4	48600	7.2	3499.2	5.7	2770.2	5	2430
5	54000	7.2	3888	5.7	3078	5	2700
6	54000	5	2700	4.7	2538	5	2700
7	56304	5	2815.2	4.7	2646.288	5	2815.2
8	56304	5	2815.2	4.7	2646.288	5	2815.2
9	59636	5	2981.8	4.7	2802.892	5	2981.8
10	59636	5	2981.8	4.7	2802.892	5	2981.8
11	61472	5	3073.6	5	3073.6	5	3073.6
12	61472	5	3073.6	5	3073.6	5	3073.6
13	64177	5	3208.85	5	3208.85	5	3208.85
14	64177	5	3208.85	5	3208.85	5	3208.85
15	67911	5	3395.55	5	3395.55	5	3395.55
16	67911	3.5	2376.885	4.7	3191.817	5	3395.55
17	71308	3	2139.24	4.7	3351.476	5	3565.4
18	71308	2.5	1782.7	4.7	3351.476	5	3565.4
19	74460	2.5	1861.5	4.7	3499.62	5	3723
20	74460	2.5	1861.5	4.7	3499.62	5	3723
20 +							
TOTAL SALARY			56973.075		59509.119		59821.8

* ACC Salary level incorporating 3 year progression at yrs 12 - 15 & 16 - 18 =\$56442

Year Bands	ACC	NZHIS*	NZSP Survey#
1-5 years	36%	28.30%	25.10%
6 - 10 years	25%	23.30%	24.70%
10 - 15 years	25%	25.00%	25.10%
15 - 20 years	14%	23.30%	25.10%

* NZHIS in fact records 36% of total staff beyond the 20 year experience level who are excluded from above
NZSP records 50% of employed staff at 10 years plus. These have been split equally across yrs 10 - 20.