



Summary

Beginning April 2020, the Public Service Commissioner asked Public Service chief executives to exercise pay restraint in line with the Government's Workforce Policy Statement.

The objectives of the pay [guidance](#) issued are to hold the pay of higher earners (over \$100,000), target pay increases to lower earners, and continue to address gender and ethnic pay gaps.

Has pay restraint worked?

Yes, the pay guidance has been effective. Those earning less than \$100,000 have received the bulk of pay increases in the last couple of years, which is consistent with the Government's policy to lift pay for the lowest paid and hold pay levels at the top end.

What evidence do you have that it's been effective?

- In 2021 the number of public servants who earn less than \$60,000 fell 19.2 percent (2,803 FTE) to 11,780 FTE. Staff earning less than \$60,000 now comprise 19.3 percent of the public sector workforce, down from 25.5 percent in 2020.
- Average salaries increased significantly for a number of our lowest paid staff – up 5.0 percent for social, health and education workers and 4.4 percent for contact centre workers.
- Relative well-paid occupations increased at much smaller rates – 1.7 percent for policy analysts, 1.5 percent for information professionals, and 1.2 percent for ICT professionals and technicians.
- In the year to June 2021, the increase in average salaries for managers was 0.6 percent compared with 4.3 percent for staff in non-managerial occupations.
- Average salaries for public servants increased at a lower rate (3.7 percent) compared to private sector (4.4 percent) in 2021.
- The gender pay gap decreased from 9.6 percent to 8.6 percent in 2021.
- The Māori pay gap decreased from 9.3 percent in 2020 to 8.3 percent in 2021.
- The Pacific pay gap decreased from 19.5 percent to 17.9 percent.
- The Asian pay gap decreased from 12.8 percent in 2020 to 11.6 percent in 2021.

Have people earning more than \$100,000 per year received increases?

About 18,000, or 28 percent of 62,000 public servants, earn more than \$100,000. Those earning over \$100,000 have felt the effect of pay guidance.

Of those earning over \$100,000, only 802 (or about 1.3 percent of all public servants) received a pay increase based on exceptional circumstances in the last two years. This does not mean other public servants earning over \$100,000 have not received an increase for two years. Agencies have been supported to provide contractually required increases (such as those committed to in collective agreements), for legislative reasons, to close unjustifiable pay gaps, and to operate promotion processes as usual.



What are exceptional circumstances?

Exceptional circumstances can be used to justify an increase to higher earners, and include things like the skills shortage, exacerbated by border closures. This has been a significant factor. Recruitment and retaining workers has been a challenge. In some cases, jobs needed to be resized or an anomaly in pay rates needed to be corrected.

Is pay restraint a pay freeze?

It is pay restraint. It is not a pay freeze. Many staff received increases through existing commitments in employment agreements, including progression to higher pay steps or built-in increases that had been negotiated. There was always flexibility built into the guidance to allow for moderate increases in exceptional circumstances. Wage bargaining still occurred, and agencies were encouraged to continue work to close historical pay gaps. The guidance was about managing wage growth in an environment of restraint.

Whom does the guidance apply to?

The guidance applies to the 36 Public Service ministries, departments and departmental agencies. Other public sector agencies such as Crown agents are asked to take the guidance into account in their pay decisions.

How long will pay restraint be applied?

The guidance was first issued in April 2020, replaced in mid-2021, and will next be reviewed at the end of 2022.