



Te Kawa Mataaho

Public Service Commission

15 June 2021

Crown Entities “have regard”

Tēnā koe

Government Workforce Policy Statement on the Government’s expectations for employment relations in the public sector and Public Service Pay Guidance

I am writing to you to formally convey the Government Workforce Policy Statement (Workforce Policy) on the Government’s expectations for employment relations and Public Service Pay Guidance (Pay Guidance), copies attached. The Workforce Policy and Pay Guidance are the same as your chief executive received as an embargoed copy on 4 May 2021, except the review date of the Pay Guidance has been brought forward six months to the end of 2022.

As you will be aware, since the release of the Workforce Policy and Pay Guidance there have been discussions between ministers and unions. Copies of correspondence about those discussions are attached for your information.

The fiscal context and the focus on equity in employment relations outcomes continues. The recent Budget outlined the fiscal pressures on the Government arising from COVID-19, and therefore we need to think very carefully about what spending we commit to. Improving the pay of the lowest paid workers in the public sector has to be our primary focus for employment relations during this period.

I have provided the following advice to Public Service departments and Departmental Agencies. I provide it here for your information to assist you to apply the Workforce Policy and Pay Guidance appropriately in the specific context of your own agency and workforces.

Equity priority

The Government intends to accelerate pay equity and pay parity processes to settlement, positively impacting on gender and ethnic pay imbalances.

As guidance to you, I emphasise Priority 1 (Equitable Employment) of the Government Workforce Policy Statement and the importance of accelerating reductions in pay gaps faced by Māori, Pacific, Asian and low paid workers.

Addressing pay claims in bargaining

Unions may raise cost of living claims in bargaining. The Pay Guidance supports agencies to engage in good faith on any cost of living claims unions bring to the table and to steer outcomes toward lifting low pay.

The guidance was always intended to offer flexibility. Many workforces will straddle the salary thresholds of \$60,000 and \$100,000, and they should be considered as a guide to those who are low, middle and high earners.

If cost of living for higher earners (over \$100,000) is raised in bargaining you should hold pay bands and consider offering alternatives or payments that do not result in ongoing increases to salaries, e.g. one-off payments. If you do propose to increase pay bands at this level there should be a special and distinct rationale such as the pay bands have not been adjusted for a number of years, or there are significant retention issues affecting the agency's delivery of service.

To advance the goal of making the Public Service an exemplar of modern, progressive employment practice and a great place to work, you are encouraged to explore areas for bargaining that make for a better job, a better place to work, and to support better service delivery. Wellbeing and workload issues should be addressed as a priority.

Salary progression

I am asking Public Service departments that will be in bargaining during the period of the Pay Guidance, to advance the goal of implementing step-based progression where the criteria are transparent, recognise experience and minimise discretion. They are asked to ensure low paid jobs are prioritised in this work.

As the Pay Guidance makes clear, all settled agreements will be honoured, including across the board base rate increases and salary progression in those agreements.

Contextual considerations

You should be aware that the Government has indicated a preference for collective bargaining and I have agreed to work with relevant agencies and unions on finding ways to encourage and maximise the number of employees covered by collective agreements.

You are reminded that the law provides that following initiation of bargaining prior to expiry, collective agreements continue in force for a further 12 months after expiry. Should settlement not be reached in that time, consistent with the Government's preference for collective bargaining, you should agree to treat the collective agreement as though it is in force for a longer agreed duration while you continue bargaining.

Finally, the advice in this letter should inform your approach if you are entering into bargaining. I ask that you continue your usual practice and ensure collective bargaining is conducted in good faith without pre-determined outcomes.

Application of the Government Workforce Policy Statement and Public Service Pay Guidance

This is the first time that employment relations expectations have been issued as a Government Workforce Policy Statement (Workforce Policy) under the Public Service Act 2020, rather than being conveyed as a decision of Cabinet. This is relevant to you because under the Public Service Act, you are required to have regard to the Workforce Policy.

As referenced above, I have issued operational guidance on pay for Public Service agencies¹ to accompany the Workforce Policy – the Public Service Pay Guidance. I ask that you and your Board

¹ Departments, Departmental Agencies, Interdepartmental Executive Boards and Interdepartmental Ventures

consider taking the same approach to pay decisions across your organisation. The advice in this letter is intended to assist you with this.

I will be applying the Public Service Pay Guidance to my decisions on the pay of Public Service departmental secretaries and chief executives and to our guidance for reviews of your chief executive's remuneration. We will send you individual advice, as usual, prior to your chief executive's next remuneration review.

Should you require assistance or more information on how you have regard to the Workforce Policy or Public Service Pay Guidance, the Workforce and Employment Relations team here at Te Kawa Mataaho is available to provide advice at employmentrelations@publicservice.govt.nz.

Nāku noa, nā

Peter Hughes (he/him)
Te Tumu Whakarae mō Te Kawa Mataaho
Public Service Commissioner | Head of Service

Copies to:

Encl.

1. Government Workforce Policy Statement
2. Public Service Pay Guidance
3. Letters to PSA and CTU from Minister Hipkins