

Ministerial consultation on implementing a living wage for cleaners, caterers and security guards working under Public Service contracts

Date: 7 July 2021

Security Level: IN CONFIDENCE

Report No: 2021/0190 (Te Kawa Mataaho)

2122-0058 (MBIE)

Contact: Dale Farrar – Deputy Commissioner,
Workforce, Equity and Talent,
Te Kawa Mataaho

Laurence Pidcock – General Manager,
Government Procurement, MBIE

Telephone: 9(2)(a) privacy

9(2)(a) privacy

	Actions Sought	Due Date
Hon Chris Hipkins, Minister for the Public Service	Agree to circulate the appended draft Cabinet paper for Ministerial consultation.	7 July 2021
Hon Stuart Nash, Minister for Economic and Regional Development		

Enclosure: Yes

Minister's Office Comments

Comments:	
Date returned to Te Kawa Mataaho and MBIE:	

Recommended Action

We recommend that you:

- a **note** that on 30 June 2021, the Ministerial Oversight Group for State Sector Employment Relations considered draft Cabinet proposals to extend a living wage to cleaners, caterers and security guards employed under Public Service contracts
- b **note** that the Ministerial Oversight Group for State Sector Employment Relations indicated its preference to provide an on-going wage uplift in which the minimum rate for these workers is adjusted annually within the contract, according to a government-set formula, to anticipate changes to the independently calculated Living Wage
- c **note** that the Ministry of Business, Employment and Innovation is progressing work to implement this preferred approach ahead of the new commencement date of 1 December 2021
- d **agree** to circulate the appended draft Cabinet paper for Ministerial consultation, with feedback due by 23 July 2021, in order for the paper to be considered at the 12 August 2021 meeting of the Cabinet Government Administration and Expenditure Committee.

☒ Agree/☐ Disagree



Hon Chris Hipkins
Minister for the Public Service

Hon Stuart Nash
Minister for Economic and Regional Development

Ministerial consultation on implementing a minimum living wage rate for cleaners, caterers and security guards working under Public Service contracts

Purpose of Report

- 1 This report seeks your agreement to circulate the draft Cabinet paper *Implementing a minimum living wage rate for cleaners, caterers and security guards working under Public Service contracts* for Ministerial consultation.

MOGSSER has indicated its preference around the minimum wage rate that should be stipulated in Public Service contracts for cleaning, catering and security services

- 2 Te Kawa Mataaho Public Service Commission (Te Kawa Mataaho) and the Ministry for Business, Innovation and Employment (MBIE) have been developing Cabinet proposals to implement Government's commitment to extend a living wage to cleaners, caterers and security guards working under Public Service contracts. Officials sought departmental feedback on a draft Cabinet paper for this work in March 2021. Departments supported the proposals overall. Some departments reported that they have already implemented, or are in the process of implementing, a living wage into some of the contracts in scope.
- 3 On 30 June 2021, the Ministerial Oversight Group for State Sector Employment Relations (MOGSSER) considered options for the minimum wage rate that should be stipulated in contracts in scope for this policy.¹ MOGSSER indicated its preference for Option 3A, in which:
 - 3.1 as a contract is tendered, negotiated or renewed, there is an initial uplift to a minimum rate equivalent to the independently calculated Living Wage at that time; and
 - 3.2 the minimum rate is then adjusted within the contract annually according to a government-set formula (to be developed), to anticipate increases to the Living Wage since the contract date.
- 4 This option reflects a change from the policy approach MOGSSER indicated a preference for in December 2020, which was for the contracts in scope to receive a one-off wage uplift. The draft Cabinet paper that departments provided feedback on in March 2021 reflected this earlier approach.

MBIE is progressing work to implement this approach ahead of the policy's commencement on 1 December 2021

- 5 MBIE is developing a formula that will allow the minimum living wage rate set for cleaners, caterers and security guards working under Public Service contracts to anticipate changes to the independently calculated Living Wage rate over time. This government-set rate should:
 - 5.1 provide as much certainty as possible to departments in setting contract prices over the term of the contract
 - 5.2 provide a clear, transparent rationale for its methodology

¹ MOGSSER considered four options: **Option 1** is a one-off uplift to a minimum rate of \$22.75 per hour, equivalent to the 2021 Living Wage; **Option 2** is a one-off uplift to a minimum rate equivalent to the Living Wage at the time the contract is tendered, negotiated or renewed; **Option 3** is an on-going uplift in which the minimum rate is adjusted annually within the contract to match the annual Living Wage; and **Option 3A** is an on-going uplift in which the minimum rate is adjusted annually within the contract, according to a government-set formula, to anticipate changes to the Living Wage.

5.3 be fiscally responsible, in mitigating disproportionate fiscal risk in its adoption of variables and data.

- 6 MBIE is also developing guidance for departments to implement this policy. This will be a living document, with changes made over time to respond to feedback from departments and suppliers and reflect any changes to the policy. This guidance will be released by 1 December 2021 at the latest, to align with the proposed commencement date for the Policy.
- 7 Te Kawa Mataaho and MBIE will provide a separate update briefing on the implementation and details on a government-set rate once options for these have been more fully considered and developed.

We recommend that you circulate the attached draft Cabinet paper for Ministerial consultation

- 8 We have amended the attached draft Cabinet paper to reflect MOGSSER's new preferred approach (see **Appendix 1**).
- 9 We propose that the draft Cabinet paper be circulated for Ministerial consultation on 9 July 2021 with feedback due by 23 July 2021. This would enable it to be lodged on 5 August 2021 for the 12 August 2021 meeting of the Cabinet Government Administration and Expenditure Committee (GOV). This timeline is set out in the table below.

When	What
9 July 2021	Cabinet paper circulated for Ministerial consultation (two weeks)
23 July 2021	Feedback due from Ministers
5 August 2021	Officials submit final Cabinet paper to Ministers' offices for lodging
12 August 2021	Cabinet paper considered at GOV

Next steps

- 10 Following Ministerial consultation, we will prepare the Cabinet paper to be lodged for the 12 August 2021 GOV meeting.
- 11 In discussion with the Office of the Minister for the Public Service, Te Kawa Mataaho is reviewing Public Service wage rates since the 2018 wage uplift for Public Servants and will provide the Minister with advice by the end of August 2021 on whether this wage uplift should be refreshed.