



Joint Te Kawa Mataaho / Treasury Report: PSPA Issues Report for Week of 14 November

Date: 16 November 2022 **Security Level:** SENSITIVE

Report No: 2022/0278

Alex Chadwick, PSPA Taskforce Lead, Te Kawa Mataaho Public Service Commission

Contact: Warwick White, Deputy Head of Government Finance Profession, Te Tai Ōhanga The Treasury

Alex Chadwick, 9(2)(a) privacy

Telephone: Warwick White, 9(2)(a) privacy

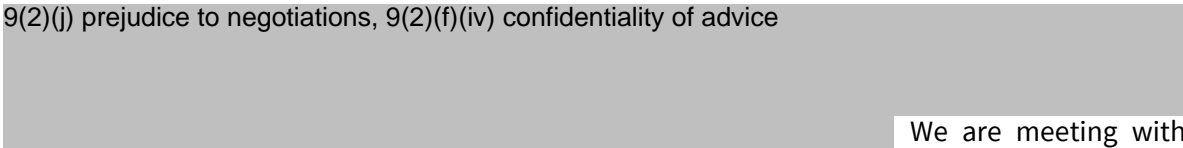
	Actions Sought	Due Date
Rt Hon Jacinda Ardern, Prime Minister	Agree / Note	17 November 2022
Hon Grant Robertson, Minister of Finance	Agree / Note	17 November 2022
Hon Chris Hipkins, Minister for the Public Service	Agree / Note	17 November 2022
Hon Andrew Little, Minister of Health	Agree / Note	17 November 2022

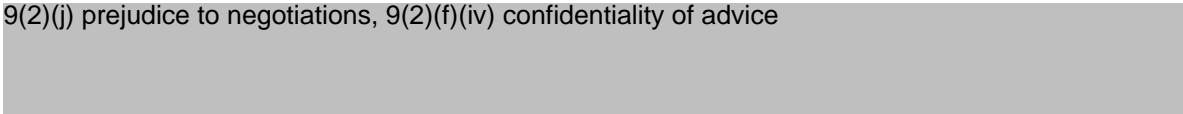
Enclosure: Yes

Minister’s Office Comments


Comments:	
Date returned to Te Kawa Mataaho:	

Executive Summary

- 1 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice



We are meeting with representatives next week to take stock of progress and design next steps. The New Zealand Council of Trade Unions' (NZCTU) is also engaging through its networks.
- 2 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice


Offers would still be consistent with Cabinet's preference for prioritising the low-paid, a longer term of settlement, and not aligning expiry dates.

9(2)(j) prejudice to negotiations

- 3 Time is now critical as the end of the school year is rapidly approaching: primary schools will start to close for the year from the week of 12 December.

Recommended Action

We recommend that you:

- a 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice


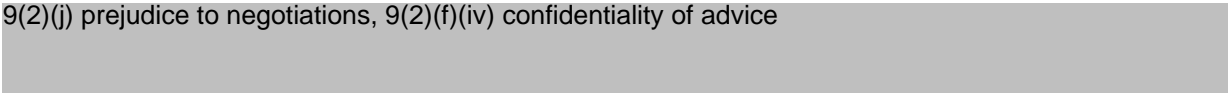
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f 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice



Rt Hon Jacinda Ardern
Prime Minister

Hon Grant Robertson
Minister of Finance

Hon Chris Hipkins
Minister for the Public Service

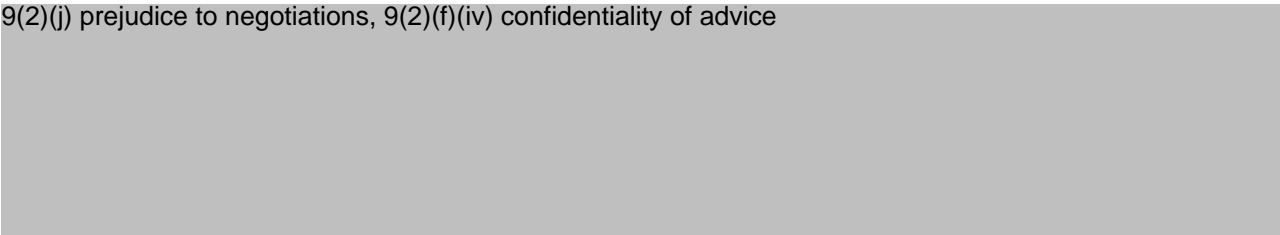

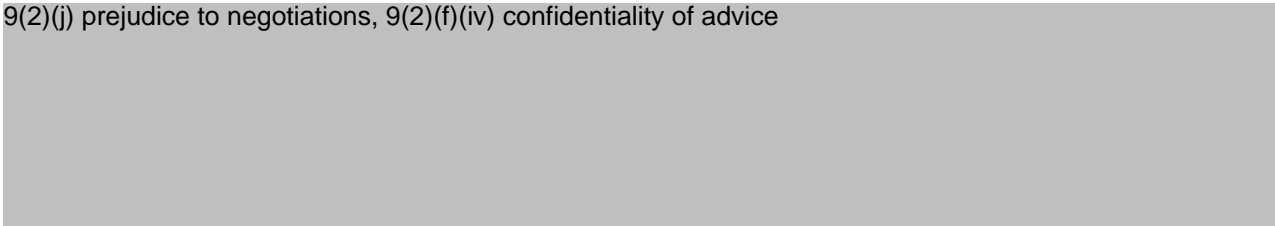
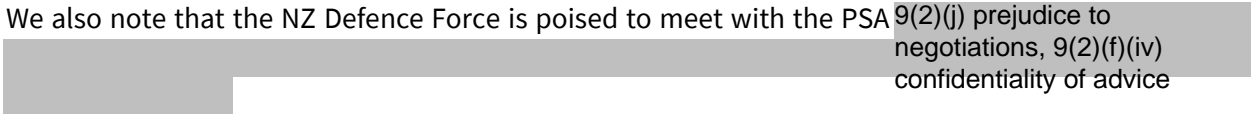
Hon Andrew Little
Minister of Health

Joint Te Kawa Mataaho / Treasury Report: Issues Report for Week of 14 November 2022


Purpose of Report

- 4 This is the second of a series of reports on the PSPA process where we raise awareness of key issues with you.
- 5 The PSPA is at an important juncture, and we are seeking your feedback on our proposed approach in the lead up to the holiday break. We suggest a focussed and accelerated approach within the parameters agreed by Cabinet. You are meeting at 5:15pm on Thursday 17 November 2022 to discuss this report.
- 6 This report also provides additional information about lump sum payments (as requested at MOGSSER on 10 November 2022).

The PSPA needs a catalyst and an anchor

- 7 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice

- 8 Negotiations with primary school teachers and support staff (represented by NZEI) in the Education sector and those with the PSA and other NZCTU-affiliated public sector unions for the Public Service sector, are the furthest advanced. 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice

In turn the NZCTU will engage with the NZEI, PSA and other public sector affiliates.
- 9 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice

- 10 We also note that the NZ Defence Force is poised to meet with the PSA 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice

- 11 The flexibility and steps needed in the immediate term, if we are to proceed, are set out below.

We need to use the envelope flexibly to make the PSPA tangible

- 12 Cabinet has provided clear parameters for the PSPA and we now need to use the full extent of the flexibility they provide. 9(2)(j) prejudice to negotiations


13 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice
[Redacted]

14 Flexibility will give lead negotiators the most potential for structuring settlements that prioritise the lower-paid (consistent with Cabinet’s preferences) while also being sufficiently attractive to middle and higher earners. Negotiations would remain within the fiscal and other parameters agreed by Cabinet.
9(2)(f)(iv) confidentiality of advice, 9(2)(j) prejudice to negotiations
[Redacted]

9(2)(f)(iv) confidentiality of advice, 9(2)(j) prejudice to negotiations
[Redacted]

[Redacted]

[Redacted]

15 In terms of prioritising the low-paid, we note that in the Education sector one of the most low paid groups are support staff (represented by NZEI). 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice
[Redacted] For the Public Service there has been a focus on weighting increases to the low paid for the last few years. The proposed options for a PSPA settlement would continue that emphasis.

16 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice
[Redacted]

17 [Redacted]

We need to move quickly and will need unions to do likewise

18 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice
[Redacted] Progress in bargaining over the next week would allow unions to take a firm offer to members before schools close/end of year absences. We are meeting with representatives on Tuesday 22 November to take stock of progress and design immediate next steps.

19 Particular speed will be needed in respect of primary teachers under the NZEI as primary schools start to close from the week of 12 December and the NZEI will not have ready access to its network after this time. The NZEI is also currently in paid union meetings with its members, so is unlikely to be available to formally meet until after the results are known on 28 November 2022. Any revised offer would need to be made to the NZEI in that week. 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice
[Redacted]

20 Further information on timing is in Attachment One.

Risk

- 21 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice
[REDACTED] Care will be needed to ensure the process is consistent with the requirements to make offers to all parties in the same timeframe. This will be an issue for Crown agents (this sector is further behind the others because of the need for the Crown agents themselves to opt into the process), non-NZCTU unions in the Public Service, and may be challenging to manage within the Education sector as the NZEI is only one of the Education unions.
- 22 Timing is a key risk. We will provide further advice if the meetings next week indicate that settlement does not look likely by the holidays. 9(2)(f)(iv) confidentiality of advice, 9(2)(j) prejudice to negotiations
[REDACTED]

Lump Sum Payments (LSPs)

- 23 MOGSSER Ministers discussed the potential for LSPs to settle PSPA agreements and you sought further information about the costs, and dates when LSPs could potentially be paid.

- 24 **Costs:** 9(2)(f)(iv) confidentiality of advice, 9(2)(j) prejudice to negotiations
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- 25 9(2)(f)(iv) confidentiality of advice, 9(2)(j) prejudice to negotiations
[REDACTED]

- 26 **Timing:** LSPs could be paid out from the new year. 9(2)(j) prejudice to negotiations, 9(2)(f)(iv) confidentiality of advice
[REDACTED]

[REDACTED] We also reiterate the issues surrounding the timing of LSPs. That is, the tax impacts of LSPs are able to be better smoothed over the tax year if an LSP is made early in the new tax year. Payments at the end of a tax year can mean that recipients need to repay some entitlements as, for tax purposes, they will have been 'overpaid' in a tax year.

Next Steps

27 You are meeting at 5:15pm on Thursday 17 November to discuss the content of this paper.

9(2)(g)(i) free and frank

