



Update on discussions with NZCTU regarding public sector pay - 8 July 2022

Date: 9 July 2022

Security Level: IN CONFIDENCE

Report No: 2022/0148

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	Actions Sought	Due Date
	Hon Chris Hipkins, Minister for the Public Service	11 July 2022

Enclosure: No

Executive Summary

- 1 This report updates you on the progress being made with the NZCTU in relation to its Public Sector pay proposal.

Recommended Action

We recommend that you:

- a **note** that the NZCTU and the Public Service Commission have begun to engage on the NZCTU's public sector pay proposal
- b **indicate** any concerns with the draft Statement of intent; noting that NZCTU intends to circulate it to affiliated unions on Monday 11 July

Concerns indicated/no concerns.

- c **note** the NZCTU will update its affiliates with a statement on Monday 11 July
- d **note** that the Commissioner will also update public service chief executives; but that employers in the funded sector and private firms that contract to the public sector may not have visibility
- e **refer** to the Minister of Finance for his information

Refer/not referred.

- f **agree** that this briefing is not published due to its impact on public sector bargaining.

Agree/disagree.

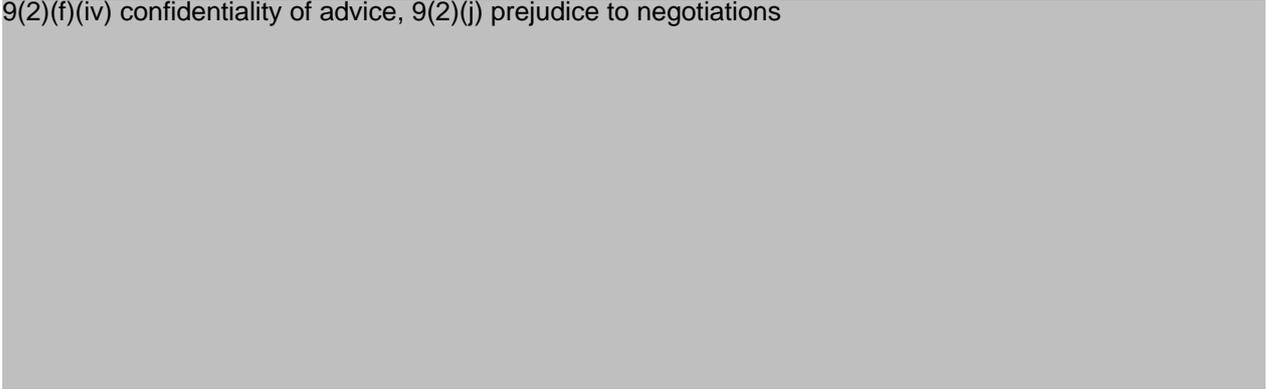
Hon Chris Hipkins
Minister for the Public Service

Te Kawa Mataaho Report: Update on discussions with NZCTU regarding public sector pay - 8 July 2022

Update on Engagement with the NZCTU

- 2 We have now meet with the NZCTU twice to progress discussions on its Public Sector pay proposal.
- 3 The Public Service Commission is represented by two chief executives (Gaye Searancke (LINZ) and Paul James (DIA)); and has public sector, health and education representation.
- 4 At the second meeting, the NZCTU widened the membership of its bargaining team. Representation is now the General Secretaries (or equivalents) from six unions¹, rūnanga representation from two unions, and the NZCTU.
- 5 Engagement has been positive, and all parties have made themselves available now to meet at least weekly.
- 6 When we met on Friday 8 July, we discussed the issues arising under the headings in your letter to the NZCTU of 10 June 2022. The NZCTU has indicated that it understands these four issues to be the only concerns Ministers have with the proposal and are not expecting engagement on issues that do not fall under the following heads:

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



- 7 Note that at today's meeting the NZCTU indicated an unwillingness to discuss the effect of built-in increases (or progression) on any proposal, and how equitable outcomes could be achieved across different pay structures. They indicated an expectation that any rate agreed would be applied on top of any existing contractual entitlements, including allowances.
- 8 The NZCTU raised concerns about the impact of any proposal on collective agreements which are close to settlement. It indicated that it is considering telling its affiliates not to settle collective agreements while these discussions are underway and intends to meet this week with affiliates to decide on that stance.
- 9 NZCTU has indicated that it will engage two NZCTU economists to model cost of living increases for different workers and sectors, and that this will inform its position on the final rates. We will of course engage with that modelling, and will work with Treasury to produce similar analysis and advice.
- 10 It would appear unions had a reasonably simplistic view of how any proposal would be implemented, expecting it to be implemented for all parts of the public sector (including funded and contracted

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staff) from the centre. We will work with them over the next few weeks to help them understand the legislative and contractual options and implementation levers for different parts of the sector.

Considerations

- 11 The NZCTU has begun to clarify its scope, and we note that there are three areas of additional cost not included in the modelling in our earlier report [2022/0116, T2022/1279].
- 12 9(2)(f)(iv) confidentiality of advice, 9(2)(j) prejudice to negotiations
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- 14 9(2)(f)(iv) confidentiality of advice, 9(2)(j) prejudice to negotiations
- 15 The NZCTU also referred several times to an expectation that the claim covers members of NZCTU affiliated unions, rather than (just) those covered by collective agreements. While it is not yet clear that this is a change in position, rather than a figure of speech, it may add cost and complications if correct.

Next Steps and communications

- 16 The NZCTU has indicated that it will send a communication out to its affiliated members on Monday 11 July. We were expecting a draft to be shared quickly, but none has been forth coming at time of writing.
- 17 It will also attach a draft statement of intent that the parties have worked on. That statement is attached as appendix 1.
- 18 We will communicate to Public Sector chief executives to update them but will not be able to anticipate the private sector and contracted firms included in scope.
- 19 We are currently scheduled to meet seven times over the next seven weeks.
- 20 Our next meetings will cover the scope of the proposal, as discussed in paragraph 6a (above); followed by sessions on pay and non-pay elements, treatment of different collective agreements, equity and the low paid and the rate of adjustment.
- 21 We have indicated to the NZCTU that we expect to be in a position to advise Ministers on the detailed aspects of the proposal and associated options after those sessions.

Appendix A – Draft Public Sector Pay Adjustment Scope and intent.

The parties have jointly committed to explore a proposal for a public sector wide pay adjustment. We are progressing discussions within the context of Te Tiriti O Waitangi and the Te Takawaenga Whakamana / Accord for the public sector. In doing so we are committing ourselves to work in good faith on the proposal and on how to achieve a successful outcome. We envisage that a successful outcome is one that is comprehensive in scope and effectively addresses the cost of living pressures for workers and contribute to reducing inequalities, while providing certainty and consistency for both Government and workers affected. The process will also provide for other issues to be addressed outside of a core pay adjustment.

We recognise the need to move at pace, and balance carefully the tension that may occur between the urgency of the exercise and the limited time we have, in an effort to get the job done. We will use our best efforts and resources to turn up well prepared and ready to make progress. We expect that the process will demonstrate and build our confidence and capacity to engage constructively.

A key milestone will be met by 1 August, once discussions have taken place around scope of coverage, pay vs non pay issues, implementation timing and addressing low pay have taken place. By that time we will be in a position to advise the Government on the proposal, and whether there remains any significant barriers before we can bargain the actual rate of adjustment.

In committing to this initiative, we recognise that business as usual must continue, and no party should use this process to delay or divert from responding to existing commitments and responsibilities.