



28 April 2020

Chief Executives
Public Service Departments and Departmental Agencies

Dear colleagues

Pay restraint in the public sector

I am writing to you to set out key principles and guidance on how to apply pay restraint in the Public Service as previously discussed.

Following the Prime Minister's announcement of a pay reduction for senior leaders in Government and the Public Service, Cabinet has agreed that visible pay restraint in the public sector is an appropriate response to the COVID-19 context.

Pay restraint in the Public Service and Crown Entities is the right thing to do in these unprecedented times when many in the private sector are losing their jobs or facing significant pay reductions.

I recognise these are difficult times and public servants are stepping up to serve New Zealand in the best way they can. We also need to show empathy with the challenges facing the wider community, so I am asking that you exercise restraint in the management of pay for your workforces through this period.

It is important that together we work within the same broad framework for managing pay restraint across the Public Service. I set out below the key principles and my expectations of how you can give effect to this approach.

The key principles in the approach to pay restraint are:

- the voluntary pay reductions agreed by chief executives will not be extended beyond the chief executive level, nor will they be requested of staff below that level
- the approach to restraint applies through to June 2021
- retaining people in jobs is a priority
- no pay increases for senior leaders and high paid staff and no or minimal increases below that level
- current employment agreement obligations to be complied with where they require an increase to pay
- any discretionary provisions should be operated to target low paid and frontline roles, and continue to address gender and ethnic pay inequities
- exceptional and urgent recruitment and retention pressures may need to be addressed
- outcomes across individual employment agreements and collective agreements covering the same roles should be equitable.

In applying these principles my expectations of you are:

Senior leaders

I would not expect to see any pay increases occurring through this period for your tier 2 and 3 leaders. I expect that for these employees:

- you pause annual remuneration and/or other discretionary reviews to June 2021
- where an agreement obliges you to conduct a remuneration review, you apply your discretion in the operation of those provisions to achieve a nil increase.

Staff paid over \$100,000

I would not expect to see pay increases occurring through this period for staff paid over \$100,000 on individual employment agreements whose remuneration does not mirror a collective agreement. I expect that for these employees:

- you pause annual remuneration and/or other discretionary reviews to June 2021
- where an agreement obliges you to conduct a remuneration review, you apply your discretion in the operation of those provisions to seek a nil or minimal increase.

Employees on current collective agreements and individual employment agreements whose remuneration mirrors a collective agreement

Current collective agreement obligations must be complied with where they require an increase to pay and where this is mirrored in an individual employment agreement it must be complied with. Where you have discretion, rather than an obligation, within these agreements I expect you to apply that discretion to:

- have nil or minimal increases
- target your lower paid and frontline roles
- continue to address gender and ethnic pay inequities.

Employees (other than senior leaders and staff paid over \$100,000) on an individual employment agreement whose remuneration does not mirror a collective agreement

Current employment agreement obligations must be complied with where they require an increase to pay. Where you have discretion, rather than an obligation, within these agreements I expect you to apply that discretion to:

- have nil or minimal increases
- target your lower paid and frontline roles
- continue to address gender and ethnic pay inequities.

Upcoming bargaining

When you are preparing for bargaining, or if you are currently in bargaining for a collective agreement, I now expect your bargaining strategy to recognise the changed environment and impacts on the wider labour market. You will need to reconsider your current or planned financial parameters for bargaining. You may need to take a low or no change approach to collective agreements and remuneration. Your strategy will need to:

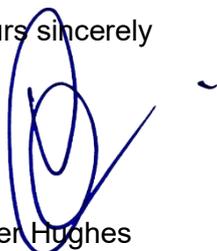
- seek to rollover agreements for nil across the board pay increases where possible
- acknowledge increases available to employees through existing pay progression
- ensure where you have discretionary rather than mandatory progression that discretion is applied to target your lower paid and frontline roles and continue to address any gender and ethnic pay inequities
- outline how you will meet your good faith obligations in executing the strategy.

In the context of the delegation I have given you under section 68 of the State Sector Act to negotiate collective agreements, the points above are “additional specific and relevant guidance”.

I intend to discuss these expectations with the PSA, CTU and NUPE. You may wish to consider how you communicate with any other unions representing your employees. Our Employment Relations team can work with your HR team on how you might do this.

The Employment Relations team will also be providing more detailed guidance and advice for your HR team on these expectations and how to apply them in the context of issues in your agency such as any work programme commitments you have with unions or exceptional recruitment and retention issues you may be facing for roles critical to your business.

Yours sincerely



Peter Hughes
State Services Commissioner