



IN CONFIDENCE

Managing remuneration pressures in the State services

Date: 2 April 2020

Report No: SSC2020/0057

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	Actions Sought	Due Date
Hon Chris Hipkins, Minister of State Services	Note the proposal for management of remuneration pressures across the State services Agree to discuss with your colleagues and officials	As soon as possible

Enclosure: No

Purpose

- 1 This report details a strategy for management of remuneration across the Public Service in the context of the COVID-19 pandemic.
- 2 It also identifies how these measures might be extended across the broader State services where it makes sense to do so.

Minister's Office Comments

Comments:	
Date returned to SSC:	

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Recommendations

We recommend that you:

- a **note** that, as a result of the COVID-19 pressures, the New Zealand economy is anticipated to be under enormous pressure for the foreseeable future with a corresponding effect on wage levels and job security for the New Zealand workforce
- b **note** that State servants have a greater degree of job and wage security than many New Zealanders at this time and that continuing with established remuneration practices in the Public Service at this time does not appear tenable given fiscal and economic pressures
- c **note** that the State Services Commission has developed a broad strategy for managing remuneration pressures in the State services and that this strategy will require the cooperation of chief executives, workforce and unions
- d **agree** that the State Services Commission will seek to effect freeze on salary increases in the State services for a defined period to 1 July 2021, thereby halting any increase in direct personnel costs to agencies and government while the economic impacts of the pandemic are managed

Agree / Disagree

- e **agree** to the application of the approach in preference to the Government Expectations on State Sector Employment Relations for the duration of the COVID-19 global pandemic

Agree / Disagree

State services employees on Individual Employment Agreements

- f **note** that the State Services Commissioner will request chief executives of all Public Service and other agencies covered by this strategy to implement a salary freeze until 1 July 2021 for all employees on individual employment agreements, not subject to coverage of a collective agreement
- g **note** that, in most cases, eligibility for pay increases will not be an employment agreement entitlement so no further action will be required by agencies. In a small number of cases an agreement to vary an employee's individual agreement may be required to remove an existing commitment to an explicit remuneration increase
- h **note** that the State Services Commissioner's ability to direct chief executives in the wider State services is limited and he will seek to use influence to achieve this outcome and ensure consistency of approach

State services Employees covered by Collective Agreements

- i **note** that there are a number of agreements in the Public Service and other State services agencies that are expired and in bargaining, or that are due to expire before the end of the calendar year

j 9(2)(g)(i) free and frank, 9(2)(f)(iv) confidentiality of advice
[Redacted]

k **note** that there are at least 56 current collective agreements not due for bargaining within the agencies covered by this strategy and that many of those agreements contain commitments made to further remuneration increases to staff in 2020 or 2021

l 9(2)(g)(i) free and frank, 9(2)(f)(iv) confidentiality of advice
[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

q **note** the State Services Commission providing an employment relations strategy to Ministers on the Ministerial Oversight Group on State Sector Employment Relations at a future date that provides for State sector bargaining and remuneration reviews from 1 July 2021.

Hon Chris Hipkins
Minister of State Services

PROACTIVELY RELEASED BY THE KAWA MATAAHO PUBLIC SERVICE COMMISSION

SSC Report: Managing remuneration pressures across the State services

Purpose of Report

- 3 This report:
 - 3.1 Details a proposal for management of remuneration pressures across the State Services resulting from the COVID-19 pandemic.
 - 3.2 Outlines how this could be extended across the wider State services.
 - 3.3 Seeks direction from you on next steps.
 - 3.4 Proposes early action to be taken.

Context

- 4 At a time when the economy is under enormous pressure and many New Zealanders face losing their jobs and are struggling to meet financial commitments, continuing with established remuneration practices in the State Services at this time does not appear tenable.
- 5 These are unprecedented times and compared to other workforces, public servants have a greater degree of job security. It is important that public servants are not seen to be benefiting financially or otherwise in the current environment particularly when many private sector employees will lose their jobs and livelihoods. If this happened, it could undermine public confidence in the Public Service at a time when that confidence is needed more than ever.
- 6 The New Zealand economy and therefore the working population will feel the effects of this pandemic for several years to come.

Proposal and approach

- 7 9(2)(g)(i) free and frank
[Redacted]
- 8 In developing this strategy, we have considered the nature of the different employment arrangements that exist at different levels within the State services. Further analysis of the proposal for each of these groups, together with how it might be applied across the wider State services, is set out below.
9 9(2)(g)(i) free and frank
[Redacted]
- 10 Details and analysis of the proposal follow.

Coverage and effect

- 11 This strategy is directly applicable to the Public Service, and we will seek to apply it to the wider State services (see Appendix 2).
- 12 This strategy may also influence the same approach across parts of the wider State sector, including in Tertiary Education Institutions, State-owned Enterprises and Mixed Ownership Model Companies.
- 13 The strategy does not extend to Local Government (Regional, City and District Councils). This sector will be notified and encouraged to replicate the strategy.

The strategy in detail

Section 1: Public Service chief executives

- 14 The proposal for the Public Service chief executives and wider State Services chief executives will be the subject of separate advice.

Section 2: Employees on Individual Employment Agreements in roles not covered by a Collective Agreement

- 15 This group encompasses senior leader, managers, and all employees not covered by a collective agreement.

16 9(2)(g)(i) free and frank
[Redacted]

17 9(2)(g)(i) free and frank
[Redacted]

18 9(2)(g)(i) free and frank
[Redacted]

19 9(2)(g)(i) free and frank
[Redacted]

Application to the wider State services

- 20 For employees on IEAs in the wider State sector, the State Services Commissioner will seek agreement from the relevant Chief Executives to take the same or similar approach.

Recommendation

21 9(2)(g)(i) free and frank

[Redacted]

Section 3: Collective Agreement (CEA) covered roles (including employees on individual employment agreements that mirror a CEA)

- 22 CEA covered roles are more complex and comprise two main groups:
 - 22.1 **Group 1** – CEAs covered by this strategy where bargaining is currently either underway, or due to be initiated in the next 180 days.
 - 22.2 **Group 2** – Existing CEAs covered by this strategy which have previously been ratified and settled and which may provide for:
 - 22.2.1 salary progression increases (i.e. entitlement to a defined movement up a salary scale), and/or
 - 22.2.2 across the board increases (e.g. 3% increase as at 1 July 2020).
- 23 In addition, there are employees on IEAs that mirror a collective agreement, including out-year commitments to increases. Employers may need to seek a variation to these IEAs as well.

Proposal for Group 1

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


[Redacted]

PROACTIVELY RELEASED BY TE Kaitiaki Take Kōwhiri

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

PROACTIVELY RELEASED BY TE KAWA MATAAHO PUBLIC SERVICE COMMISSION


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



Application to the wider State services

- 35 For employees in the wider State services covered by CAs other than the Health and Education sectors, we recommend that the approach adopted is shared and that employers and unions are encouraged to consider how they might take a similar approach to wage increases for their workforces, in particular for upcoming bargaining.

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



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

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Appendix 2

