

Government's Expectations for Pay and Employment Conditions in the State Sector

May 2012

Introduction

This document sets out Government policy and expectations for all pay and employment conditions in the State sector. These Expectations apply to all State sector agencies except State Owned Enterprises. For the purposes of these expectations "pay and employment conditions" include all processes for adjusting remuneration and conditions, including collective bargaining.

These Expectations continue to apply in the context of a fragile economy, with ongoing uncertainty in the international economic environment. The fiscal situation for State sector agencies remains constrained.

These Expectations will form the framework for all State sector agencies to work within when submitting bargaining and remuneration strategies and settlement proposals to the State Services Commission (SSC) or the Director General of Health for consultation or approval. Boards of Crown entities will be required to have regard to these Expectations when establishing and adjusting their pay and employment conditions.

These Expectations update and replace the Government's Expectations agreed by Cabinet in 2010. They will be revised from time to time and may be supplemented by additional specific expectations.

Government Priorities

One of the Government's priorities is to deliver better public services to the people of New Zealand, within the tight financial constraints the Government is operating under. All decisions about pay and employment conditions are expected to support this priority.

Government Policy for Employment and Workplace Relations

Government's overarching policy for employment and workplace relations is that:

- all parties are treated fairly and with respect
- workplace relations are based on good faith, natural justice, human rights, good employer practice and requirements, and relevant legislation
- there is flexibility and opportunity for all
- bargaining is efficient, effective and focussed.

Pay and Employment Conditions

State sector agencies must meet the following criteria when adjusting pay and employment conditions, including through collective bargaining and remuneration adjustment processes:

- 1 Adjustments to pay and conditions must support achievement of the Government's priorities for the State sector. Bargaining outcomes should deliver organisational and sector performance improvement, foster continuous improvement and productivity enhancement, support effective employee engagement and achieve results, as identified in the organisation's and sector's Budget Plan and Workforce Strategy (or equivalent).
- 2 Adjustments must be affordable and sustainable within baseline funding and should not lead wider labour market movements and trends.

- 3 Agencies must identify flow-on implications of settlements, both within and beyond the agency and sector, and have plans in place to manage these.
- 4 Pay structures and other conditions must be demonstrated as necessary to support an organisation's business and workforce objectives.
- 5 Market relativity and/or cost of living adjustment will not suffice as the sole basis for pay adjustment – specific business imperatives (such as improved performance and demonstrable recruitment and retention difficulties) are required.
- 6 The cost of all adjustments to pay and conditions, including built-in progression through pay scales, and performance-based pay increases, as well as any changes to other conditions such as leave entitlements, must be taken into account when setting the financial envelopes for both bargaining and remuneration strategies.
- 7 Backdating of any or all components of adjustments to pay and conditions (either through effective date or lump sum payment) is not generally favoured.

Implementation

Application

All State sector organisations except State Owned Enterprises must have regard to these Expectations when setting bargaining and remuneration strategy, and determining other employment relations policies.

Public Service Departments must have a bargaining strategy that meets these Expectations approved by the State Services Commissioner (the Commissioner), and must not commence bargaining or commit to an outcome (including final Terms of Settlement) without this approval.

Outcomes of Remuneration Forums and reviews should reflect these Expectations. Public Service Departments must consult SSC before committing to an outcome.

Other agencies required to consult either the Commissioner or a monitoring department must have bargaining and remuneration strategies that meet these Expectations as the basis for that consultation.

Where an agency wishes to pursue a course of action that the Commissioner or monitoring department considers is at odds with these Expectations, approval of the agency's responsible Minister, the Minister of State Services and the Minister of Finance is required.

Information Sharing

SSC will retain a whole-of-sector overview of trends in pay and conditions, bargaining outcomes and drivers of these. To facilitate this, all agencies must provide their Minister, monitoring department, Treasury and SSC with:

- Up-to-date information on the progress and potential risks associated with bargaining.
- Aggregated information on an annual basis (as at 30 June) on remuneration levels and personnel cost movement over the year, including detail on:
 - the component of direct personnel cost movement attributable to the outcome of individually or collectively negotiated pay settlements or remuneration forum outcomes
 - the components of direct personnel cost movement attributable to other forms of pay increase, such as built-in progression through pay scales or discretionary performance-based pay increases
 - the component of direct personnel cost movement attributable to changes in the number of employees.