

Background

On 28 April 2020 the Public Service Commissioner issued guidance on the application of pay restraint through to June 2021 following a Cabinet decision that visible pay restraint in the public sector was an appropriate response to the impact of COVID-19.

This guidance is issued under s.95(c) of the Public Service Act 2020 as operational guidance on the Workforce Policy and should be read alongside the Government Workforce Policy Statement (GWPS) on expectations for employment relations [link].

It applies to Public Service agencies¹ decision making on pay, other public sector agencies are asked to take this guidance into account in their decision making.

This guidance replaces the Public Service Commissioner's guidance of April 2020 regarding pay restraint. It comes into effect with the GWPS on employment relations expectations for the public sector and will be reviewed in mid-2023.

New Zealanders still acutely feel the impacts of COVID-19 in their day to day lives, and Treasury has forecast that the financial impacts of COVID-19 will continue to be felt for some time. This guidance reflects the ongoing COVID-19 response and recovery environment and the Government's fiscal strategy.

It is important that we work together within a consistent framework for managing remuneration decisions for staff in the Public Service.

Purpose

This guidance assists agencies to support the Government's fiscal strategy through continuing to show restraint in decisions on remuneration, particularly for higher paid staff.

This guidance brings greater consistency of approach to remuneration decisions across the Public Service. It recognises that the specific context of agencies may vary but ensures there is a common framework within which agencies make remuneration decisions.

It assists agencies to have a wage environment that:

- Recognises the challenges of the COVID-19 response and recovery by targeting pay increases to low paid roles and holding the pay for higher earners and senior leaders.
- Builds on gains made to date in reducing the gender pay gap to make further progress and accelerating reductions in pay gaps faced by Māori, Pacific and Asian employees.

Key principles

Departmental secretaries and chief executives in the Public Service should ensure that pay increases do not occur unless they meet the following principles:

1. Pay adjustments required by statute or unequivocal, enforceable contractual obligations in current employment agreements must be complied with.
2. Where any other adjustments to pay are being considered, they should be made according to the following priorities:

2.1. lifting pay for low paid staff

Beyond legal obligations, ensure a minimum pay rate that provides a liveable wage. Further to this provide modest pay increases for staff in low paid roles. As a guide – low paid roles are those where the average pay of people in the role is less than \$60,000.

¹ Departments, Departmental Agencies, Interdepartmental Executive Boards and Interdepartmental Ventures

2.2. **adjusting pay for lower to middle earners in restricted circumstances**

The default position is that there are to be no increases to bands for lower to middle earners; pay adjustments may be considered only where they meet the following criteria:

- modest progression within a band; or
- demonstrable recruitment pressures that cannot be addressed solely through modest progression increases; or
- the increase is related to the introduction of a remuneration system consistent with this guidance; and
- whatever increase is proposed is comparatively less than those for low paid staff (less than \$60,000).

If an agency is considering providing increases on this basis, it must be agreed with Te Kawa Mataaho. As a guide lower to middle earners are those where the average pay of people in their role is above \$60,000 and they are paid below \$100,000.

2.3. **holding pay for higher earners and senior leaders**

The default position is that there are to be no increases to bands and no pay adjustments for those paid over \$100,000. In exceptional circumstances agencies may seek agreement of Te Kawa Mataaho to proposals that are outside the default position.

2.4. **addressing gender and ethnic pay inequities**

Continue to fund implementation of plans to close gender and ethnic pay gaps.

2.5. **addressing acute recruitment and retention issues demonstrably impacting frontline service delivery**

Address acute recruitment and retention issues that are creating risks to frontline service delivery. Initiatives in this area should be of limited scale.

3. Staff whose role is within the coverage of a collective agreement and the terms and conditions of their individual employment agreement mirror the collective agreement should receive equitable outcomes that are consistent with the obligations of good faith bargaining for individual and collective agreements.
4. Universal across the board pay increases are not consistent with this guidance.
5. Current processes for pay adjustments resulting from promotion to higher paid roles or significant changes in job size should be maintained.

Considerations when preparing strategies for bargaining

- ❖ If obligations under your current remuneration provisions are not consistent with this guidance, identify any changes to include in your bargaining strategy.
- ❖ If you are seeking to introduce previously agreed changes to your remuneration system (whether in bargaining or as a result of joint work with unions) ensure these resolve demonstrable organisational issues and consider how to phase any cost impacts to ensure consistency with this guidance.
- ❖ Ensure that salary increases remain low averaged across all staff. The cost of built-in pay increases in remuneration systems and policies must be taken into account when ensuring that the overall increase across the agency remains low.