



30 April 2021

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Tēna koe Minister

Public Service pay restraint

We understand that the Government will soon issue letters to public service chief executives with a renewed expectation of pay restraint for the coming year. We have not, as a key stakeholder and the representative of public servants, been engaged in the development of this. We expect to be fully engaged before the letters of expectation are issued.

This letter records our concerns about the impacts of ongoing pay austerity on our members and their families, and its impact on public service capability and the economy. It concludes with three measures that we are seeking your agreement on.

Pay austerity in 2020

Over the last year, people working to deliver public services to New Zealanders have truly demonstrated their commitment and spirit of service. While the Government has shown strong leadership in its response to the pandemic, it could not have achieved what it has without this. Trust in public services is at an all-time high.

A year ago, as the country moved through the Level 4 Lockdown, the Government issued an expectation of pay restraint. Public servants accepted this as they well understood the unprecedented circumstances and pressures on public finances; and because while many of their jobs were even busier and more pressured, they felt empathy and responsibility towards those in their families and communities who were losing jobs or income as a result of the pandemic.

Within this context, your 2020 pay restraint expectations included sufficient flexibility for us to address low pay and unequal pay issues through bargained pay increases for some. Higher paid public servants have shown support and solidarity for their lower paid colleagues by voting to accept zero% pay increases for themselves to enable this.

Public servants have a deep understanding of the ways in which the pandemic continues to impact, both on their local communities and on the country as a whole. Their commitment to their work continues.

Our concerns about continued public service pay austerity

We understand that you are soon to issue letters of expectation to public service chief executives of ongoing pay restraint, including a continued effective pay freeze for a significant number of public servants. We want to strongly signal that while public servants understand the constraints the Government is under, and the challenge before it, we expect that public servants will be dealt with fairly and not subject to unnecessarily zealous austerity measures.

The cost of living has increased for people working in public and community services. In particular, the cost of housing. A higher proportion of people working in public and community services rent than the

general population¹ and the cost of housing has risen considerably over the past year and continues to rise. With no or very low rates of pay increase over the last year this is putting individuals and families under increasing financial pressure. Over this same year, public servants have risen to the challenge of increased work pressures.

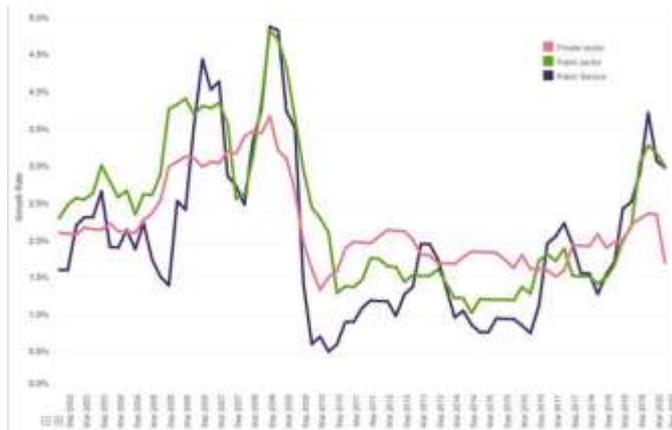
The message that continued pay austerity sends to public servants is that their dedication and contribution is expected but is not valued.

As the union for public servants, the PSA has a deep institutional memory of how public servants have, over the more than a century of its existence, responded to crises facing New Zealand. At each of these crises, the Government of the day has responded by either freezing or cutting public servants' pay. We understand that this is part of working for the public.

However, we are also aware that periods of public service pay austerity have in most if not all of these incidences, exceeded the period for which that restraint was required and that the difference in pay has not been made up in more settled times.

Pay austerity also impacts beyond the affected workers, reducing consumer spending (right when the economy needs more) and tax revenues. When the largest employer in the economy restricts wages, it has a powerful effect for other employers².

The PSA, and we hope the Government, wants to avoid what happened with public service pay following the Global Financial Crisis. Te Kawa Mataaho's data shows that following the pay austerity expectation put in place by the then Key/English administration, the rate of public servants' pay increase was impacted more strongly and for longer than that of other sectors. This was not necessary but rather a political choice.



Continuation of restraint on public service pay rates for such a substantial period distorts pay relativities and risks creating unintended and undesirable consequences, both for individuals and their families, and for the public service as a system.

Your decisions about continued pay austerity should be informed by robust evidence, including modelling, of:

- How continued pay austerity will affect the wellbeing of the people working in public and community services, including how many more of these workers will need to apply for supplementary assistance from Work and Income or via transfers including Working for Families and the family tax credit.

¹ 2018 Survey of PSA members on housing affordability and transport to and from work.

² Austerity Threatens Women's Access to Paid Work. Alison Pennington. The Australia Institute: Centre for Future Work. June 2020.

- How this will impact on recruitment and retention of the different occupations across the public service. Our experience from previous rounds of austerity is that this increases recruitment difficulties for jobs with skills shortages or in-demand skills, particularly in the regions and for jobs where skills are in demand internationally.
- Any impact on the number of contractors engaged, in the place of employees. Experience shows that when the pay rates of employees in hard to staff roles like IT are kept down then employers are incentivised to engage people as contractors (so avoiding pay restraint expectations for employees) so that they can recruit or retain them by paying them more.
- Whether this will disproportionately impact on women and Māori. We note that those working in public services are predominately women, with the sector supporting fuller female participation than in the private sector. And that there is a higher proportion of Māori working in the public sector than in the general economy. Public service pay austerity disproportionately affects women and Māori. Even temporary wage freezes (of one or two years) compound into tens of thousands of dollars in lost wages compounding over a woman or Māori worker's working life.

We are not aware that you have sought or received advice on these matters. We understand that it would be difficult for officials to provide this advice, and in particular to generate any modelling, because of the total lack of consistency in how pay is treated across the public service. There is no system-level approach to pay; there is no common and agreed occupational classification structure; there is no transparency of pay rates across the different departments; information about pay rates is not shared but rather kept confidential and then purchased from private remuneration consultancies; and there is no system-level workforce planning. These are all matters that need addressing before officials can provide you with robust advice about the impact of your decisions about pay austerity.

Our asks

We ask that you do not simply repeat your pay austerity expectations. It is time to be bold. We ask that you replace your pay austerity expectations of chief executives with expectations that they will:

- Address work pressures for public servants, including through agreeing as a common term of employment measures like reduced working time (e.g., a 35 hour week) for the same pay.
- Agree through bargaining increases in pay that acknowledge the increase experienced by public servants in the cost of living and in particular the cost of housing, and also address low pay and unequal pay issues.
- Work with the Public Service Commission, other agencies and with us to develop a system-level approach to pay across the public service that includes: sharing of information about occupational rates of pay; pay transparency; and a common occupational classification system.
- Work with the Public Service Commission, other agencies and us to move towards a more coordinated and whole of public service approach to workforce planning.

Yours sincerely



Kerry Davies



Erin Polaczuk

PSA national secretaries