

7 May 2021



Hon Chris Hipkins
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Tēna koe Minister

Government's pay restrictions

A week ago today we wrote to you with our strong concerns about your intention to impose restrictions on public workers' pay. On Wednesday you issued these restrictions without engaging or responding to us.

Public workers around the country have responded to your announcement with resounding and unprecedented strength. They have asked us to provide you with a clear message from them: That your pay restrictions at this time are unacceptable and show that your government does not value them. That this does not acknowledge the work they are doing to support New Zealand through the pandemic and to address the pressing policy priorities your government has tasked them work working on, including: reducing child poverty; the cost and supply of housing; health inequities and New Zealand's infrastructure deficit. Given this, we are asking you to amend the Public Service Pay Guidance.

We have collated the thousands of messages public workers have sent through to us and these are provided so that you can read them directly.

We are clear that your guidance does not mean that pay is frozen and that inequities, gender and ethnic pay gaps and low pay can still be addressed with urgency. This is a priority for our members also. It is our view that the pay of other public workers does not need to be restricted to achieve this and that these restrictions will unnecessarily cause hardship for many thousands of workers and their families, and undesirable unintended consequences for services and system capability.

Agencies have a legal obligation to negotiate with us and the Public Service Act requires every employer of public service workers to operate policies that allow for the fair and proper treatment of employees; this includes fair and proper wages. We believe the Pay Guidance is unlawful on this basis. You have directed the approach agencies must take in bargaining. Our bargaining strategy is not chosen by the government, it is not chosen by union officials, it is chosen by our members.

Tens of thousands of workers will soon collectively negotiate new employment agreements. These workers have watched house prices and rents skyrocket around them, and they have a right to expect appropriate compensation after a difficult year.

We are seeking the amendment of your Guidance to ensure that collective agreements:

- Include increases in the cost of living, and in particular of housing, that all public workers are experiencing and will continue to experience over the coming two years.
- Address work pressures and improve other non-pay terms and conditions.

- Where in Budgets 2019 and 2020 agencies with long-standing pay issues were allocated money over outyears to address these issues, they can proceed with this.
- Enable people to progress from starting salaries to the rate for the job. Yesterday in the House your colleague the Minister of Finance said that most public workers earning between \$60, 000 - \$100, 000 will have access to ongoing pay increases as they have step-based progression. This is not correct. The minority of people working for public service departments and Crown entities have access to this. We expect that it is consistent with your guidance that agencies will agree with us to institute step-based progression that gives people access to increases.

We object to the restriction on pay increases for higher-paid workers, these people also have families and costs. They often hold higher-paid roles because they have spent time and deferred income to study and gain experience which gives them skills that public services and New Zealanders sorely need. Your prohibition to increases to bands for these workers sends a clear message that they are not valued and that they are welcome to take their skills elsewhere. They may do so.

We know what happens when pay restrictions are imposed on public workers by government. We have seen this many times. We know that the consequences include:

- Exacerbation of the problem that some agencies are already winners, and some are losers in terms of pay – their historic baselines dictate this. There is no equity in this, and it creates an unhelpful churn of people across the system as they move to gain any pay increase.
- Significant increases in the number of contractors engaged, as agencies seek to avoid frozen pay rates for employees with in-demand skills.
- Increasingly inconsistent approaches to pay across agencies that undermine equity and whole-of-government cohesion. More co-ordinated, including multi-employer collective bargaining, and pay transparency are solutions to this.

For those working for Public Service departments, we suggest that a constructive way to address the wide-ranging and deeply felt concern about the Pay Guidance would be for the Public Service Commission to enter into bargaining with us for a multi-employer collective agreement with transparent pay rates and a consistent approach to progression.

Regardless of what your Guidance provides, we will be pursuing pay increases and improvements to our members' collective agreements.

We seek a meeting with you to discuss this, and the other amendments to the guidance we have detailed above and will be raising this with the Prime Minister when we meet with her on Tuesday.

Nāku noa, nā




Erin Polaczuk

Kerry Davies

PSA national secretaries

CC Prime Minister, Deputy Prime Minister and Minister of Workplace Relations