



MP for Wellington Central

Minister of Finance

Minister for Sport and Recreation

Associate Minister for Arts, Culture and Heritage

- 3 APR 2018

Mr Murray Sherwin CNZM
Chairperson
New Zealand Productivity Commission
PO Box 8036
Wellington 6143

Dear Mr Sherwin

Government Expectations on Employment Relations in the State Sector

Cabinet has agreed to replace the previous Government's Expectations for Pay and Employment Conditions in the State Sector issued in 2012 with new *Government Expectations for Employment Relations in the State Sector* (the Expectations). A copy is attached.

The Expectations are a strong statement of Government policy. They set out how all State sector agencies can reflect the current Government's employment relations priorities in their approaches to employment and workplace relations generally, and in the negotiation of collective agreements, individual employment agreements, policies on pay and conditions in particular.

They are designed to ensure that State sector employers have high standards in workplace relations and that employment relations outcomes uphold the Government's objective to maintain government expenditure according to agencies' strategic plans, within existing baselines and indicated operating allowances.

These expectations promote key areas of the Government's interest in:

- Encouraging agencies to collaborate to contribute to system goals
- Ensuring fiscal sustainability
- Respecting the role of unions and promoting collective bargaining
- Seeing the core Public Service take a leading role in some key areas:
 - closing gender pay gaps
 - narrowing the gap between highest and lowest earners
 - best practice worker involvement in health and safety
 - pay in collective agreements
 - a move away from performance pay.
- Signalling some broadly based benefits to employees to consider in the context of ensuring fiscal sustainability while seeking to make progress on priorities
- Enabling mobility of employees across the system through greater consistency and collaboration across agencies.

The Government has identified some priorities particular to the core Public Service. You are not obliged to make these your priorities. However, you may want to consider the relevance of these to your organisation and develop plans to make progress in these areas as circumstances and strategic choices allow.

The Expectations emphasise the importance of:

- 1 Employment relations outcomes supporting agencies' organisational strategies and their contribution to wider system goals and delivery of results.
- 2 Fairness and affordability of adjustments to pay and conditions.
- 3 Looking for opportunities to build greater consistency across agencies to support employment security and manage common pressures.
- 4 Taking a holistic approach to setting financial parameters for bargaining and remuneration strategies to ensure all costs are taken into account including pay progression.
- 5 Avoiding backdating of bargaining outcomes through efficient and effective negotiations.

Accordingly, I expect you and your board to take into account the attached Expectations in your approach to employment relations for New Zealand Productivity Commission. Under the principle of no surprises as set out in your enduring letter of expectations, I also expect you to inform me if you are considering any action that could be seen to be at odds with the Expectations. Similarly, if your approach to employment relations generates risks to your delivery of services and organisational objectives I expect you to inform me along with your mitigations and continuity plans.

Should you require assistance or more information on how you take account of the Expectations, please contact the State Services Commission at commission@ssc.govt.nz.

Yours sincerely



Hon Grant Robertson
Minister of Finance

Encl.

CC: Mr Daiman Smith
General Manager, New Zealand Productivity Commission

Government Expectations on Employment Relations in the State Sector

Purpose

This statement of Government policy sets out the Government's expectations of State sector employers in relation to employment and workplace relations generally, and the negotiation of individual employment agreements, collective agreements and agency policies on pay and conditions.

Introduction

The Government has an ambitious workplace relations agenda and has signalled its intention to introduce legislative change. These Expectations guide State sector employers on how to apply Government policy under current legislative settings.

These Expectations may be reviewed in light of any legislative change or developments from possible tripartite discussions between Government, State sector employers and unions.

These expectations are designed to ensure that State sector employers have high standards in workplace relations, create safe and healthy places of work, and to foster consistency on employment matters in the State sector. Improved consistency in pay and conditions supports employment security through greater workforce mobility across the system and provides the opportunity to manage common pressures.

It is important that parties to employment negotiations recognise the Government's objective for fiscal sustainability. It is expected that employment relations outcomes uphold the Government's objective to maintain government expenditure according to agencies' strategic plans, within existing baselines and indicated operating allowances.

Government Policy for Employment and Workplace Relations

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

- State sector employers recognise and give effect to the Object of the Employment Relations Act¹ (see footnote below) in their employment relations practice and policies; and
- all parties are treated fairly and with respect; and
- workplace relations are based on good faith, natural justice, human rights, good employer practice and requirements; and
- employees have a voice in their workplace, particularly through effective and productive relationships with unions; and
- where a collective agreement exists employees will have a clear choice to join the relevant union when being employed; and

¹ 3 Object of this Act

The object of this Act is—

- (a) to build productive employment relationships through the promotion of good faith in all aspects of the employment environment and of the employment relationship—
 - (i) by recognising that employment relationships must be built not only on the implied mutual obligations of trust and confidence, but also on a legislative requirement for good faith behaviour; and
 - (ii) by acknowledging and addressing the inherent inequality of power in employment relationships; and
 - (iii) by promoting collective bargaining; and
 - (iv) by protecting the integrity of individual choice; and
 - (v) by promoting mediation as the primary problem-solving mechanism other than for enforcing employment standards; and
 - (vi) by reducing the need for judicial intervention; and
- (ab) to promote the effective enforcement of employment standards, in particular by conferring enforcement powers on Labour Inspectors, the Authority, and the court; and
- (b) to promote observance in New Zealand of the principles underlying International Labour Organisation Convention 87 on Freedom of Association, and Convention 98 on the Right to Organise and Bargain Collectively.

- Providing minimum redundancy protections.
- Recognition of employees' cultural contribution in recruitment and job descriptions and associated pay.
- Clarified provisions covering leave at times of civil emergencies.
- Consistent application of changes as a result of the Government's legislative programme in workplace relations.

In order to support greater consistency in pay and conditions, approaches to some of these areas will need to be developed collaboratively across agencies.

Application

These Expectations apply to all State sector agencies except State Owned Enterprises and Mixed Ownership Model companies.

These Expectations replace the document *Government's Expectations for Pay and Employment Conditions* agreed by Cabinet in 2012.

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

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

Outcomes of Remuneration Forums or other mechanisms that review pay rates should reflect these Expectations. Public Service departments must consult with the SSC before committing to an outcome.

Other agencies with a statutory requirement to consult with 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, the Minister of Finance and the Minister of Workplace Relations and Safety is required.