

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

May 2010

1 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 (excluding State Owned Enterprises). For the purposes of these expectations "pay and employment conditions" include all processes for adjusting remuneration and conditions, and collective bargaining.

These Expectations update and replace the Government's Expectations agreed by Cabinet in 2009. They will be revised from time to time, and they may be supplemented by additional specific expectations.

These Expectations are written within the context of a recovering, but still fragile economy with continuing uncertainty in the international economic environment. The fiscal situation for state sector agencies will remain constrained.

Government's priorities for the state sector are improving service delivery, and fiscal responsibility. We expect all decisions about pay and employment conditions to support these priorities, and that any decisions to increase employment cost are tied to service improvement.

2 Government policy

The Government requires state sector agencies to:

- run efficiently and without waste, being focused, effective, and productive
- deliver high quality, trusted, relevant and accessible services to citizens.

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.

3 Principles

Pay and employment conditions for state sector agencies including collective bargaining strategies and settlements, must:

- contribute to the achievement of the strategic business outcomes of the agency, the overall improvement of front-line services, cost effectiveness and efficiencies
- foster continuous improvement and productivity enhancement; support effective employee engagement; and recognise and reward individual and collective contributions
- be fiscally sustainable within baselines, and without recourse to additional cost recovery or charging parameters; be responsible; and demonstrate value for money
- be managed to avoid flow-on implications across the State sector
- be fair to employees and to taxpayers:
 - fairness to taxpayers means the value of all conditions, including remuneration, is taken into account, will not be extravagant and will not lead the wider labour market

- fairness to employees (in this context) means that retention of employment is a key consideration and that all conditions, including remuneration, should be fair to the individual.

4 Implementation

The Government anticipates the State Services Commissioner will determine that these Expectations will form part of the conditions of delegation of responsibility for the negotiation of collective agreements to Public Service chief executives, under s.70 of the State Sector Act. Where consultation with the State Services Commissioner or the Director-General of Health is required, these Expectations will form the basis of advice to those agencies.

Responsible Ministers will require boards of Crown entities to have regard to these Expectations when establishing their pay and employment conditions as defined in the Introduction above.

4.1 Remuneration and conditions

- all agencies must provide their Minister, monitoring department and the State Services Commission (SSC) each year (by 30 June) with aggregated information on remuneration, remuneration movement over the year, and future remuneration plans
- pay adjustments must not lead private sector movements and trends and must take into account the total cost and value of employment conditions
- outcomes of Remuneration Forums and reviews should reflect these Expectations. Public Service Departments must consult SSC before committing to an outcome
- all agencies must have regard to these Expectations when setting employment relations policies
- Public Service Departments should consult SSC before implementing conditions that will result in increased costs of employment
- all agencies should try to target any recruitment and retention issues that arise without fuelling wage inflation and must have regard to potential flow on implications
- the Government expects efficient, effective and focussed bargaining, therefore does not generally favour backdating terms of settlement, or parts of them
- where appropriate, approval of an agency's responsible Minister, the Minister of State Services and Minister of Finance is required where the agency wishes to pursue a course of action which could be seen to be at odds with these Expectations. Other agencies must inform their responsible Minister in those circumstances.

4.2 Bargaining Strategies

- The SSC has, and recommends, a guide to preparing a good bargaining strategy. In brief, a bargaining strategy should:
 - incorporate the elements of these Expectations
 - cover effective risk identification, mitigation and management
 - include full costings and approvals; and demonstrate continuing affordability
 - clearly address the principles contained in these Expectations.
- Public Service Departments must have a collective bargaining strategy approved by the State Services Commissioner, and must not commence bargaining without SSC approval
- other agencies required to consult either the State Services Commissioner, or a monitoring department, must have a bargaining strategy as the basis of that consultation

(refer CAB Min (10) 18/7)