

# The Treasury

## Treasury Advice on Public Service Pay Guidance Information Release

July 2021

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<https://treasury.govt.nz/publications/information-release/treasury-advice-public-service-pay-guidance>

Additional information has been released and can be found on the Public Service Commission's website at

<https://www.publicservice.govt.nz/our-work/information-releases/advice-seen-by-our-minister/> and

<https://www.publicservice.govt.nz/assets/SSC-Site-Assets/OIA-Releases/Update-on-the-State-Sector-Employment-Relations-Environment-September-2020-Joint-Report.pdf>

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9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

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**From:** Richard Baird [TSY]  
**Sent:** Monday, 29 March 2021 4:43 PM  
**To:** ^Parliament: Talei Pasikale  
**Cc:** Nick Carroll [TSY]; @AMoFSecondees  
**Subject:** RE: Ministerial Consultation on Cabinet Paper

Hi Talei

Here is the Treasury feedback on the consultation – please note sensitivity [Staff-in-confidence]

As a reminder, there is separate noting report coming from PSC (with number-QA-support from Treasury) this week to provide context around potential inclusion of middle earners (\$60k-\$100k) within pay restraint expectations.

Will provide you with some points on that once the paper has been finalised.

Cheers,  
Richard

[IN-CONFIDENCE]  <b>Title of paper</b>	This consultation relates to two linked papers: <ul style="list-style-type: none"><li>Paper One: Government Workforce Policy Statement for the Public Sector</li><li>Out of scope</li></ul>
<b>Minister and agency</b>	Minister for the Public Service Te Kawa Mataaho, Public Service Commission
<b>Description</b>	<ul style="list-style-type: none"><li>Paper One is seeking Ministerial feedback on updated employment relations expectations for the public sector, including draft pay restraint guidance to be issued by the Public Services Commissioner</li><li>Out of scope</li></ul>
<b>Consulting Minister's due date</b>	Close of play, Tuesday 30 <sup>th</sup> March
<b>Comments</b>	<ul style="list-style-type: none"><li>We are generally supportive of the first paper – it is largely an update of the previous Government Expectations for State Sector Employment Relations, but using the new policy statement vehicle provided by the Public Service Act.</li><li>s9(2)(j) :<ul style="list-style-type: none"><li>We support the broad intent of managing wage expectations, and the potential contribution to managing fiscal cost (even if there are more significant levers – e.g. health or superannuation spending)</li><li>We are concerned about the potential distortion of the labour market that may be created over time by restraining wages in the public sector relative to the private sector. While this may be manageable in the short-term, over-time this may have implications for retention, recruitment and ultimately delivering Government priorities. Apart from a review point planned for June 2023, there is no clear monitoring arrangement or exit strategy.</li></ul></li></ul>

	<ul style="list-style-type: none"> <li>○ The Treasury has had high-level visibility of pay restraint, but has not been involved in policy and option development, or analysis of expected impacts or implementation risks – under the Public Service Act and policy statement, this guidance is ultimately at the Commissioner’s discretion.</li> <li>● Out of scope</li> </ul>
<b>Cabinet or Cabinet Committee</b>	Unclear – we understand that the Minister is aiming for Cabinet consideration of 6 April.
<b>Fiscal implications</b>	No direct implications, but part of the intent of pay restraint envisaged under the Government Workforce Policy Statement is to manage cost of bargaining/remuneration outcomes.
<b>Recommended action</b>	We recommend you request the Minister provide additional analysis – around impacts, implementation risks (and mitigations), exit strategy and ongoing monitoring arrangements – to support informed consideration by Cabinet



**Richard Baird** | Senior Analyst | Skills and Work | **Te Tai Ōhanga – The Treasury**

Tel: s9(2)(k) | [Richard.Baird@treasury.govt.nz](mailto:Richard.Baird@treasury.govt.nz)

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out of scope