

# 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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**From:** s9(2)(g)(ii)  
**Sent:** Thursday, 18 March 2021 5:49 PM  
**To:** ^Parliament: Talei Pasikale  
**Cc:** Nick Carroll [TSY]; Richard Baird [TSY]  
**Subject:** Advice on pay restraint

[SEEMAIL][SENSITIVE]

*Please note sensitivity*

Hi Talei,

As discussed by phone, we understand there may be an **upcoming meeting between Ministers of Finance and for the Public Service on pay restraint**.

This email is to ensure the Minister has access to timely advice should he seek it. We have not provided the Minister with advice on pay restraint to date, as we understand there has been substantial movement in the Public Service Commission's draft advice in recent weeks.

We'd be grateful if you could run this past the Ministerial advisors as needed, to confirm whether a meeting is going ahead, and whether the Minister wishes to receive our advice.

- **We understand the Public Service Commissioner intends to issue further pay restraint guidance** to Public Sector executives, taking effect from 1 July 2021 with an indefinite period. The key features of the draft advice we have seen (noting substantial recent movements) is to target pay increases to low-paid workers (defined as less than \$60,000 per annum), and limit and manage increases for higher-earners (further detail below).
- **We understand the draft guidance is likely to be appended to a separate Cabinet paper on a proposed Government Workforce Policy Statement.** Under the Public Service Act 2020, the Commissioner has the authority to issue operational guidance (including pay restraint guidance) to give effect to any Government Workforce Policy Statements (GWPS) issued by the Minister for the Public Service. The proposed restraint guidance would operationalise a proposed GWPS that we understand the Minister will soon inform Cabinet on (timing to be confirmed), prior to issuance in late March/early April. The draft pay restraint guidance will be appended to this paper as a secondary matter. We understand the timing is driven by agency remuneration rounds to take effect from 1 July.
- **Treasury is supportive of the need for managing the growth in public sector wage costs** in response to the current fiscal conditions, particularly in view of upcoming pressures on public wages such as pay equity, pay parity, Fair Pay Agreements, collective bargaining, and FTE growth. **We expect pay restraint to have a modest fiscal impact** especially in the short term due to pay progression commitments in existing collective agreements, and commitments to increase pay through policy such as pay equity and pay parity. Restraint will not remove the need to consider other levers for managing pressures on forecast Budget allowances.
- **We have not yet seen a full set of analysis** around expected impacts (benefits and impacts for recruitment and retention), implementation risks (ie, gaming), an exit strategy, or ongoing monitoring arrangements. We understand the Commission will be taking a case-by-case management of any issues that arise and is providing for exceptions to restraint, e.g. in case of recruitment and retention concerns. We are aware the PSC are working on quantifying some of the fiscal benefits of restraint, and may be able to provide further advice on this at a later date.

- **We recommend the Minister of Finance seeks assurance on the intended approach to the issues above, particularly the monitoring and exit strategy arrangements.** You may wish to ask the Minister if these issues could be considered and reported on when GOV considers the GWPS.

Additional information on the nature of pay restraint.

The exact formulation of the pay restraint guidance is still to be finalised, but from draft material we understand that it is likely to require public service agencies, and encourages the wider public sector (excluding local government) to:

- Target pay increases to low paid roles (we understand this to be specified as earning \$60,000 or less)
- Limit and carefully manage the pace of growth for higher earners, with differing treatment for those earning between \$60,000-\$100,000 and those earning higher than \$100,000 (noting this is likely to apply for more than one remuneration round).
- Continue to apply increases that are part of existing agreements (including progression steps that are in many collective agreements); but to seek change in future bargaining rounds where current obligations are not consistent with pay restraint
- Continue to close gender and ethnic pay gaps where they exist
- Ensure agencies pay increases remain low when averaged across all staff.

Kind regards



s9(2)(g)(ii)

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