

Reference: 20220021

11 April 2022



Dear [REDACTED]

Thank you for your Official Information Act request, received on 14 January 2022. You requested the following:

- *All advice, analyses, risk assessments, forecasts, reports or any other such similar documents/information (in their final format) Treasury has produced or received regarding FPA that are not publicly available.*

*This includes:*

- *any information/advice provided directly to any Government Minister regarding FPA*
- *any information/advice produced/held by Treasury for internal use/consideration of FPA*
- *any information/advice produced/held by Treasury for other Government departments, officials, organisations or people*
- *any assessments/analyses/advice about the impact on wages, costs to business, costs to consumers and the overall economic impact of FPA*

*I have not stated a time frame for this request because the reasonably recent announcement/proposals to introduce FPA means a natural time scope for the request exists.*

On 14 February 2022, we extended the date for making a decision on your request by 40 working days.

### Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	3 July 2020	Ministerial Consultation – Fair Pay Agreements July 2020	Release in full
2.	19 February 2021	Assessment Template – Vote Labour Market – Implementing Fair Pay Agreements and screen industry bargaining systems	Release in part
3.	2 February 2021	Summary of decisions FPAWG's model and Minister Wood's decisions	Release in part
4.	18 March 2021	Treasury Report – Fair Pay Agreements	Release in part
5.	1 Apr 2021	Ministerial Consultation – Fair Pay Agreements	Release in part
6.	10 May 2021	Fair Pay Agreements 101	Release in part
7.	14 May 2021	Union analysis for FPAs	Release in full

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<https://treasury.govt.nz>

8.	25 June 2021	Fair Pay Agreements – Talking Points and Background	Release in part
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I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- names and contact details of officials, under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials, including Budget Sensitive information,
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

### **Information to be withheld**

There is an additional document covered by your request that I have decided to withhold in full under the following section of the Official Information Act, as applicable:

- section 9(2)(j) – to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations);

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Thomas Parry  
**Manager, Communities Learning and Work**

# OIA 20220021

## Information for Release

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1.	<a href="#"><u>Ministerial Consultation - Fair Pay Agreements July 2020</u></a>	1
2.	<a href="#"><u>Assessment Template - Vote Labour Market - Implementing Fair Pay Agreements and screen industry bargaining systems</u></a>	3
3.	<a href="#"><u>Summary of decisions FPAWG's model and Minister Wood's decisions</u></a>	5
4.	<a href="#"><u>T2021 676 Fair Pay Agreements</u></a>	9
5.	<a href="#"><u>Ministerial consultation - Fair Pay Agreements April 2021 - Copy</u></a>	14
6.	<a href="#"><u>10 May 2021 - Fair Pay Agreements slides</u></a>	15
7.	<a href="#"><u>14 May 2021 - Union analysis for FPAS</u></a>	40
8.	<a href="#"><u>25 June 2021 - Email - Fair Pay Agreements - talking points and background notes ahead of Monday's Weekly Agency Meeting</u></a>	48

<b>Title of paper</b>	<b>Fair Pay Agreements: Approval of core features of the system</b>
<b>Minister and agency</b>	Minister of Workplace Relations and Safety, Ministry of Business, Innovation and Employment
<b>Description</b>	This paper reports back on progress made in the policy development of a Fair Pay Agreement (FPA) system, and seeks agreement to core elements of the system.
<b>Comments</b>	<p>This paper recommends that Cabinet agree to an FPA system that will include core elements which are broadly in line with the key policy features recommended by the Working Group in 2019 and also take account of feedback following public consultation in late 2019.</p> <p>In 2018, Cabinet agreed in principle to introduce a legislative system that allows employers and workers to create FPAs that set minimum employment terms and conditions across an industry or occupation, subject to a report back on the details of this system (DEV-18-MIN-0100 refers).</p> <p>In 2019, Cabinet noted that the FPA system recommended by the FPA Working Group included certain key policy features, and invited the Minister to seek Cabinet decisions of the proposed FPA model in 2020 following public consultation (DEV-19-MIN-0266 refers).</p> <p>The Treasury has previously provided advice highlighting the risks of an FPA system, and recommended that the policy would benefit from further departmental policy development to enable Cabinet to make decisions with a clearer view of the purpose, scope, and impacts of the proposals (T2018/957 refers).</p> <p>Due to the COVID-19 pandemic, the labour market is currently facing difficulties and uncertainties not previously considered by Cabinet in 2018 and 2019. With unemployment forecast to continue increasing, the risks of an FPA system increasing uncertainty for workers and employers may now be heightened.</p>
<b>Consulting Minister's due date</b>	14 July
<b>Cabinet or Cabinet Committee</b>	Cabinet Economic Development Committee
<b>Fiscal implications</b>	There are no fiscal implications of this paper. There will likely be fiscal implications arising from a future Cabinet paper that presents detailed design and implementation plans for the FPA system.

<b>Recommended action</b>	<p>Note that the Minister of Workplace Relations and Safety intends to bring the paper to DEV on 22 July.</p> <p>Suggest that, to be consistent with previous Cabinet decisions and acknowledge the labour market uncertainty, the paper be amended to seek agreement <i>in principle</i> to core elements of the system.</p>
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## Initiative Assessment Template

### Implementing Fair Pay Agreements and screen industry bargaining systems

#### Overview

Initiative type	Manifesto commitment		
Was the initiative invited?	Invited		
Lead Minister	Minister for Workplace Relations and Safety (Hon Michael Wood)	Lead agency	Ministry of Business, Innovation and Employment.

#### Funding Sought

Operating funding (\$m)	2020/21		2021/22		2022/23		2023/24		2024/25 & outyears		Total
			6.898		11.697		12.720		12.953		44.268
Capital funding (\$m)	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	Total
		1.242	0.190	-	-	-	-	-	-	-	1.432

#### Funding Recommended

Operating funding (\$m)	2020/21		2021/22		2022/23		2023/24		2024/25 & outyears		Total
			6.898		11.697		12.720		12.953		44.268
Capital funding (\$m)	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	Total
		1.242	0.190	-	-	-	-	-	-	-	1.432

#### Overall Comment

Support	<p>Provide a brief explanation of the rationale behind your recommendation, and any other information worth noting (for example if the initiative could be further scaled). Limit answer to 800 characters.</p> <p>Cabinet has yet to agree to implement FPAs; decisions on design and legislation will be taken in April 2021 with the FPA system expected to be enacted in early-mid 2022. We recommend funding be established as a tagged contingency until Cabinet has considered this initiative.</p> <p>The funding sought is for an open-access system that cannot prioritise or triage FPA applications once threshold triggers have occurred (either 10% of a workforce or 1,000 workers, whichever is the lesser, or by meeting a public interest test). s9(2)(f)(iv)</p>
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#### Impact Analysis

Priority alignment	Strong		Moderate		Weak	
	<p>Provide a brief comment on the rationale for this rating.</p> <p>The importance of delivering a FPA system has been reinforced in the Speech from the Throne, DPMC's forum on Government priorities, and Minister Wood's work programme. Fair Pay Agreements are a Government priority this term. As FPAs require legislation to be established and are estimated to take at least a year to enact an agreement (once legislation is in place), Cabinet will be taking decisions to implement FPAs this April to achieve completed FPAs before the end of 2022.</p>					
Value for money	Strong		Moderate		Weak	
	<p>Provide a brief comment on the rationale for this rating.</p> <p>Wellbeing Alignment – Poor alignment / impact. The intervention logic and domains lack evidence of the problems and benefits asserted. They exclude or minimise possible costs and negative impacts (including a risk of high transaction costs). While alternative options are noted in the template, these are not assessed; we consider some of the alternative options may deliver the intended outcomes with more certainty, or with less costs and risks.</p> <p>CBA impacts: Moderate – Poor. ROI is 1.2 in the submission; this does not cite evidence for the assumptions, such as 246,300 workers receiving the benefits of an FPA agreement each year. Furthermore, the costs to businesses (expected to be the same as the benefits to workers as the CBA is measuring a transfer of money from employers to employees) is not included in the CBAX analysis. The CBAX considers only the cost to Government of establishing the system, it does not consider direct costs to business (increase in labour costs) or indirect costs (transaction costs of negotiating and implementing an FPA).</p>					

	A regulatory impact analysis was previously prepared by the agency to assess FPAs; this sets out a more even-handed assessment of costs, benefits, and alternative options.				
<b>Implementation readiness</b>	<b>Green</b>		<b>Amber</b>		<b>Red</b>
	<p><i>Provide a brief comment on the rationale for this rating.</i></p> <p>The biggest risk to implementation is the current FPA system proposal underpinning the bid, which does not include mechanisms to prioritise or limit applications to FPAs. Without such mechanisms there could be an unlimited number of applications received, but only a limited amount of resourcing to process and progress applications.</p> <p>The agency is carefully planning in identifying roles and resources required to implement a FPA system. Many, but not all, of the roles are similar or identical to existing roles within the Employment Relations / Employment Standards (ERES) workforce. The bid has factored in lead-in times for roles so that personnel have time for training and preparation to enact the system by the time it is rolled out in 2022.</p> <p>The proposed bid does represent a 29% increase on the current appropriation for Employment Relations Services – a sizeable increase. There are also some new job functions proposed to be created (e.g. navigators) that don't currently exist. MBIE advise they are confident the labour market is deep enough that recruitment of intended roles should not be a significant barrier to implementation.</p>				

### Other comments

<b>Scaling</b>	<p><i>What are the implications if the initiative was to be scaled?</i></p> <p><i>If you support a scaled version, what components do you support and why?</i></p> <p><i>If you are not supporting the initiative but it was to go ahead, which components (if any) would you support?</i></p> <p>s9(2)(f)(iv)</p>
<b>Urgency</b>	<p><i>Are you convinced that the initiative needs to be funded in Budget 2021? Why or why not?</i></p> <p><i>What are the implications if the initiative was to be deferred?</i></p> <p>This is a high priority deliverable for the Government, with work to being implementing a new FPA system commencing as soon as Cabinet considers the final proposal in April 2021. If the initiative is deferred, it risks non-delivery of FPAs during this term of Government.</p>
<b>He Ara Waiora alignment (if applicable)</b>	<p><i>If you are applying He Ara Waiora to the initiative, briefly explain how well the initiative aligns with the guiding principles of He Ara Waiora (manaakitanga, kotahitanga, tikanga, tiakitanga, and whanaungatanga).</i></p>
<b>Distributional impacts</b>	<p><i>Identify any population groups or communities that the initiative particularly impacts on – e.g. gender implications, disability, ethnic and migrant communities, rainbow communities etc.</i></p> <p>Fair Pay Agreements are intended to improve the terms and conditions of low-paid workers and workers vulnerable to exploitation. Such workforces are over-represented by demographics such as Māori, Pasifika, women, youth, migrant and ethnic communities, and people with lower levels of education and skills.</p>
<b>Child poverty impacts</b>	<p><i>If your agency has identified that the initiative has an impact on child poverty, identify whether these are direct or indirect impacts. You may still fill out this field if your agency did not identify these impacts, if you consider it appropriate.</i></p> <p>There may be positive indirect impacts on child poverty levels through increasing the incomes of workers, particularly those in low paid and who are vulnerable to exploitation.</p>

**Operating funding comments:** s9(2)(f)(iv) and s9(2)(g)(i)

s9(2)(f)(iv) and s9(2)(g)(i)

s9(2)(f)(iv) and s9(2)(g)(i)

Summary of decisions: FPAWG’s model and Minister Wood’s decisions

Last updated: 8 February 2021

Design feature		FPAWG recommendation	s9(2)(g)(i)
Overview	Legislative structure for FPAs	-	
	What is the precise objective of the FPA system	-	
	Any time limits on legislative functions	Clear timelines are needed to prevent lengthy processes	
Initiation	What threshold/s for initiation of bargaining	Representation OR public interest test	
	When to do the public interest test	On-demand	
	What representation threshold	a) 10% or 1,000 workers, whichever lower b) Covering both union and non-union workers	
	What the public interest test will assess	a) Conditions to be met set in legalisation b) Whether there are harmful labour market conditions in that workforce (with a list of possible indicators provided)	
	How will the <u>representativeness</u> initiation test be met, in practice (eg what evidence, from who)	-	
	How will the <u>public interest</u> initiation test be met, in practice (eg what evidence, from who)	-	
	Who will check whether the trigger conditions have been meet	An independent body	
	Who can initiate bargaining for an initial FPA	Unions	
Representation and communication	Who should represent employers	a) Employer organisations b) If there is disagreement about who a representative/s should be, first step is mediation, then an independent third party should determine who should be the representatives	
	Who should represent workers	Unions	
	Are there any requirements that bargaining parties must meet	a) Must be incorporated entities b) Must have relevant expertise and skills	
	Any limit on numbers within each bargaining team	Different groups' wishes to have own representatives should be accommodated within reason.	
	Is a lead advocate required	Both sides should elect a lead advocate to ensure an orderly process and be responsible for communication between the parties and with the independent body	



	Is there a coordination role required	National level social partners (Business NZ, NZCTU) should coordinate bargaining representatives	s9(2)(g)(i)
	How should union delegates participate in bargaining	-	
	How should representative bodies represent non-member workers and employers	Must represent non-members in good faith	
	Who should notify affected parties that bargaining has been initiated	An independent body should inform all affected parties that bargaining will commence	
	Who should communicate with affected parties	a) Bargaining representatives have primary responsibility b) Coordination support from peak bodies	
	How should bargaining representatives communicate with parties	a) Representatives should consult non-members throughout bargaining. b) Workers should have paid meetings to instruct representatives	
	How should worker representatives gain access to workers	-	
	Whether other interests should be represented in bargaining	-	
	Any joint obligations on bargaining parties (eg to reach agreement)	-	
	Any obligations on bargaining parties in relation to the other side	Duty of good faith (as part of general principle that ER Act bargaining processes should apply)	
Coverage	Whether (and if so, how) to limit parties' choice about coverage	Occupation or sector to be covered by an FPA defined and negotiated by the parties	
	Can parties negotiate changes to coverage	a) Parties can negotiate changes to coverage b) New coverage must meet the initiation tests	
	Can other groups choose to join bargaining	-	
	Any restrictions on when coverage can be changed	-	
	Coverage of employers	All employers should, by default, be covered (majority view)	
	Coverage of workers - should contractors be included	Include all workers in the defined workforce, subject to any exemptions (majority view)	
	Whether exemptions are allowed	Parties can agree time-limited exemptions within limits set in law	
	Whether regional differences are allowed and how they will work in practice	Parties can include regional differences by agreement	
Bargaining process	Who should pay for the costs of bargaining	Costs should not disproportionately fall on bargaining parties. Government should consider financial support, a levy, or bargaining fee	

	How should bargaining capability be built	Government should support parties to build their bargaining capability and capacity	s9(2)(g)(i)
	Should there be support for parties during bargaining	A neutral facilitator should be available to support parties during the bargaining process [Noting: Resourcing levels for support services will need to be considered]	
	Who will be navigator, and what roles/ responsibilities do they have		
	Timeframes for bargaining	Clear timelines needed to prevent lengthy processes	
	What topics can be negotiated during bargaining	a) The FPA law should specify minimum topics b) Minimum topics: Objectives of the FPA, coverage, wages and how pay increases will be determined, terms and conditions (namely working hours, overtime and/or penal rates, leave, redundancy, and flexible working arrangements), skills and training, duration (eg expiry date), and governance arrangements c) Parties should be able to bargain on additional terms to be included	
	What counts as a term having been 'discussed'	N/A	
	Any limits on what can be agreed on any of the mandatory/permissible terms	Duration of FPA: max 5 years	
	Are differential terms allowed within an FPA		
	What general bargaining process rules apply	As a default, existing bargaining processes in ER Act should apply	
	Interface with enterprise-level collective agreements	Any enterprise-level collective agreement must equal or exceed terms of relevant FPA	
	What offences / penalties apply to failure to comply with any bargaining process rules		
Dispute resolution	How disputes over coverage resolved	Determined by Employment Relations Authority	
	Should mediation be required first	Yes – mediation required	

	Should there be a binding determination process	a) Yes – binding determination process b) Where bargaining is referred to determination of terms of agreement, the final agreement should not need ratification	s9(2)(g)(i)
	What should trigger a determination, and is there a time limit on bargaining	Parties should be able to apply for a determination	
	Who should perform dispute resolution functions	a) Mediation: Mediation Services b) Determination: Employment Relations Authority or Employment Court c) Appeals: Existing appellate courts	
	Should the determining body be able to seek expert advice	Yes – determining body can seek expert advice	
	Should appeal rights be limited	Appeal rights on procedural matters only	
Conclusion of an FPA	How the ratification vote should be conducted	a) Process should be set in law. b) Silent about who should run the vote. c) Workers should be allowed to attend paid ratification meetings	
	What votes are required for ratification to pass	A majority of employers and workers	
	How employers should be counted in ratification	-	
	What if an FPA does not pass a ratification vote	-	
	How to give effect to an FPA	a) Parties must register the FPA b) FPAs should be publicly available	
	Should agreements be vetted before enactment	-	
	What is the process for renewal / renegotiation	Before an agreement expires, either party should be able to initiate a renewal of the agreement, or for variation of some or all terms	
Operation of the FPA	How should FPAs be enforced	The Employment Relations Act 2000 approach should be applied, including the Labour Inspectorate and Court system	
	Once in force, how are disputes over terms of an FPA resolved	Using standard dispute resolution processes	
	Do unions have any ongoing rights/obligations during lifespan of FPA (eg access to workplace)	N/A	



TE TAI ŌHANGA  
THE TREASURY

## Treasury Report: Fair Pay Agreements

Date:	18 March 2021	Report No:	T2021/676
		File Number:	SH-2-0

## Action sought

	Action sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<b>Refer</b> a copy of this report to the Minister for Workplace Relations and Safety	Before the Cabinet paper is lodged on Thursday 8 April 2021

## Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Shannon Tyler	Senior Analyst, Skills and Work	s9(2)(k)	N/A (mob) ✓
Nick Carroll	Manager, Skills and Work	s9(2)(g)(ii)	

## Minister's Office actions (if required)

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

## **Treasury Report: Fair Pay Agreements**

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### **Recommended Action**

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We recommend that you:

- a **note** that you will shortly be consulted on a paper seeking Cabinet agreement to establish a Fair Pay Agreements system
- b **note** that while fiscal costs of the proposal are uncertain, there will be costs to establish and maintain a new Fair Pay Agreements system as well as ongoing costs to the Government as the employer and funder of workers within coverage of Fair Pay Agreements
- c **note** that there are system design features that, if added to the current proposal, can increase the likelihood of containing the costs of a Fair Pay Agreements system and ensure the successful implementation of Fair Pay Agreements for vulnerable and low paid workers
- d **note** that we consider that given the uncertainty about implementation and the net benefits of the proposal that a monitoring and reporting approach be developed
- e **indicate** whether you would like to discuss this report with officials  
  
Yes / No
- f **refer** a copy of this report to the Minister for Workplace Relations and Safety  
  
Refer / Not referred

Nick Carroll  
**Manager, Skills and Work**



Hon Grant Robertson  
**Minister of Finance**  
21/03/2021

## Treasury Report: Fair Pay Agreements

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### Purpose of Report

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1. Cabinet will shortly be considering a detailed proposal to establish a Fair Pay Agreements system. Fair Pay Agreements (FPAs) have the potential to significantly alter the employment relations landscape in New Zealand, and impact on how our labour markets will function.
2. Ahead of Ministerial consultation on the FPA proposal we are drawing to your attention system design choices that we consider can increase the likelihood of success in implementation and delivery of a new FPA system as well as better manage fiscal risks.

### Analysis

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#### **Fair Pay Agreements are a Government priority**

3. Cabinet has noted New Zealand's weak collective bargaining at the sectoral level and the pressure for employers to compete for business by lowering wages or working conditions. In May 2018 the Government agreed in principle to a new system in the employment relations and standards landscape – FPAs – to let employers and workers bargain to set unique minimum employment terms and conditions for a sector or occupation.
4. The importance of delivering an FPA system this term was reinforced in the Speech from the Throne in November 2020. We understand that the Minister for Workplace Relations and Safety is aiming to achieve initiation, bargaining, ratification and implementation of at least one FPA during this term of Government.

#### **Cabinet can make choices to increase the likelihood of delivering successful FPAs and better control fiscal costs**

5. The Minister for Workplace Relations and Safety is proposing new FPA features since Cabinet last considered the proposal. The new proposal will reduce the threshold criteria for FPA initiation by allowing any union to initiate an FPA if an industry or occupation meets either a representation test **or** a public interest test. The public interest test would require that at least one criterion be met from a broad variety of measures.
6. We consider there are choices that Cabinet can agree to that will increase the likelihood of success of the FPA system. These choices include:
  - a *Agreeing to prioritise FPAs for workforces which are widely considered to be deserving of receipt of better terms and conditions.* Examples publicly cited include cleaners, supermarket workers, security workers, and transport drivers. Cabinet could agree to prioritise FPAs in conjunction with the Future of Work Tripartite Forum (as an established mechanism to collaborate with social partners) or achieve this through increasing the threshold criteria of the public interest test.
  - b *To limit the number of FPAs that can be progressed at any one time through expectations on the delivery of FPAs.* This will ensure the new FPA system will have the capacity to progress and complete FPAs in a timely manner, especially if this is agreed in conjunction with prioritising workforces for FPAs. The limit could be

revised or removed when the FPA system is next reviewed<sup>1</sup>, once the system is embedded and there is more certainty about its capacity.

- c *To require that FPA bargaining accounts for different worker and employer perspectives* (particularly from small businesses, from regional and rural locations, and from key industries and occupations within coverage of an FPA). Union density is estimated to be around 17.7 per cent, and small business makes up 97 per cent of all businesses in New Zealand.<sup>2</sup> The system will primarily rely on unions to notify employers of FPA initiation, and bargaining teams will be limited to no more than 10 people. As FPAs are intended to have nation-wide coverage once they are established, making a requirement *to account for* the perspectives of workers and employers who are at risk of being overlooked (for example, a small business in a rural location) during an FPA process will help reduce that risk and increase the likelihood FPAs are inclusive and account for the objectives and perspectives of all affected workers and employers.
7. There is currently little information on the scale of the likely costs and benefits of the FPA proposal. Because of the potential scale and impact of the FPA system, *we recommend Ministers consider requiring a monitoring and reporting approach* so that Cabinet can be kept apprised of the progress of FPA implementation and embedding into the labour market landscape.
8. We also recommend that Ministers consider *requiring a market impacts assessment be undertaken* prior to finalising an FPA agreement. More detail on how this feature could increase the likelihood of successful FPAs is in paragraph 16.

## Risks

### **We consider there is high risk that the FPA system as currently proposed is unlikely to contain fiscal costs, nor will it successfully progress and implement FPAs**

9. The Government will incur costs from establishing and maintaining an FPA system, and flow-on costs from the Government's role as an employer and funder of workers within coverage of FPAs.
10. The new system design proposing to reduce threshold criteria for FPA initiation removes features that would have assisted with the targeting of workforces, and increases the possibility that more initiations occur each year than the proposed system is capable of progressing.<sup>3</sup> This possibility risks a failure to deliver any FPA benefits to vulnerable and low paid workforces in a timely and comprehensive manner.
11. The proposed system will also reduce the amount of fiscal control the Government currently has in its role as an employer and funder of workers. The proposed system will require the Public Service Commissioner and Chief Executives of Government departments to bargain alongside private sector employers, and to be bound by the terms and conditions either agreed upon or determined by the Employment Relations Authority. FPAs may interact with and amplify the impacts of pay equity and collective negotiations. We understand agencies with workforces considered likely to be affected (for example,

<sup>1</sup> The Minister for Workplace Relations and Safety intends to review the FPA legislation as soon as it is established, in order to include contractors in the system and establish a standalone FPA authority.

<sup>2</sup> Union density estimates from the Centre for Labour, Employment and Work - <https://www.wgtn.ac.nz/clew/news/union-membership-in-new-zealand-shows-further-growth>  
Report of the Small Business Development Group - <https://www.mbie.govt.nz/assets/90fcb52f9f/small-business-development-group-2016-report.pdf>

<sup>3</sup> s9(2)(f)(iv)

health, transport, education and social sector agencies) have concerns around FPA terms and conditions exceeding what they can afford.

### **Other significant risks could negatively impact workers, employers, and consumers**

12. While there is limited information on the scale of the likely benefits and costs of the proposal at this stage, including how many people and workplaces may be covered, there are some general relevant risks. We note more information may be provided through the Regulatory Impact Statement that is under development and will accompany the Cabinet paper.
13. Treasury has provided advice on earlier Cabinet proposals on Fair Pay Agreements [T2018/957 refers]. In our previous advice, we noted that:
  - a there has been minimal identification of empirical evidence for the problem or policy response; and
  - b the proposed system could make structural changes to the labour market and have negative effects on worker conditions, employment, and productivity.
14. We consider there will initially be high transaction and bargaining costs for unions, employers and Government, especially as the system is initially tested and implemented. These costs will increase where the same parties are participating in a number of different FPAs, and capacity could be stretched where unions and employers are also negotiating pay equity, pay parity and collective bargaining processes.<sup>4</sup> Prioritising workforces and limiting the number of FPAs (at least until the system is embedded and New Zealanders are familiar with how to effectively participate) can help manage these costs for the Government, unions, employers, and workers.
15. As FPAs are nation-wide in coverage, there are risks that workers and employers in regions, small businesses, and diverse communities may be excluded from participating in FPA processes that they are within coverage of. This is because the system will rely on unions to notify employers, although MBIE will also be required to publish a notice notifying the FPA. Bargaining teams will be restricted to ten people. We consider the current design insufficiently ensures that all workers and employers will know about their inclusion in an FPA, and can have their needs, perspectives, and objectives sufficiently represented during the bargaining process.
16. FPAs risk inadvertently introducing or increasing barriers to entry in industries and occupations, particularly if the system is not prioritised for vulnerable and low paid workforces. Requiring a market impacts assessment could be a useful inclusion for understanding the wider impacts of an FPA beyond the direct impacts on affected workers and employers.

### **Next Steps**

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17. Under proposed timelines, Cabinet will consider final policy decisions and commission legislative drafting from 14 April. Cabinet is expected to consider a draft Bill giving effect to FPAs in October or November 2021.
18. Ministerial consultation is expected to occur from early April. We will provide your office with our advice on the Cabinet paper when this occurs.

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<sup>4</sup> The Cabinet paper sets out an example where a supermarket operator would be in coverage of both an industry-wide FPA (Supermarkets and Grocery stores) and an occupational FPA (retail and checkout operators). We consider this scenario could realistically be expanded by other likely FPAs such as cleaners and security workers.



<b>Title of paper</b>	<b>Fair Pay Agreements: Approval to draft</b>
<b>Minister and agency</b>	<b>Minister for Workplace Relations and Safety (Hon Michael Wood) Ministry of Business, Innovation and Employment</b>
<b>Description</b>	<p>This paper seeks agreement to the key features of the Fair Pay Agreement (FPA) system, which would enable unions and employers in an industry or occupation to bargain new minimum standards.</p> <p>Since Cabinet last considered FPAs, the Minister for Workplace Relations and Safety (the Minister) is proposing new changes. The most significant change reduces the threshold criteria for FPA initiation by allowing any union to initiate an FPA if an industry or occupation meets either a representation test <b>or</b> a public interest test.</p>
<b>Comments</b>	<p>We recently advised you on the current FPA proposal [T2021-676 refers]. We recommended changes that would mitigate the implementation, economic and employment risks of the FPA system. In particular, our advice noted the risks to the Government as a funder and employer of large numbers of workers. These risks were echoed by a number of other agencies during the departmental consultation period. Both MBIE and your office have advised the Minister of the Treasury's concerns.</p> <p>The proposal does not address the concerns we raised in our recent advice. <b>Without further changes, we consider there is high risk that the FPA system is unlikely to contain fiscal costs, nor will it successfully progress and implement FPAs.</b></p> <p>A tagged contingency is expected to be established through Budget 21 to support the handling of 4 FPAs per annum. s9(2)(f)(iv) a number we considered likely to be exceeded (if changes are not made to prioritise FPA initiations). The expected funding amount for 4 FPAs increases the risk that demand for the system will exceed its capacity to deliver FPAs in a successful and timely manner.</p>
<b>Consulting Minister's due date</b>	7 April
<b>Cabinet or Cabinet Committee</b>	DEV on 14 April
<b>Fiscal implications</b>	<p>[Budget Sensitive]</p> <p>A tagged contingency is expected to be established through Budget 21 of \$37.136m (\$35.801m operating, \$1.335m capital). This is expected to support the initiation, progression and conclusion of 4 FPAs per annum.</p>
<b>Recommended action</b>	Our concerns do not appear to have been responded to through the latest version of the paper; <b>we recommend reiterating to the Minister our concerns and suggestions for improvement ahead of the paper being lodged for DEV consideration.</b>



# Fair Pay Agreements

What it means – *and why you should care*

Presentation for SaW team, 7 May 2021

# A comprehensive slide pack to test with you

## This pack covers:

1. The employment relations system
2. The objectives and mechanics of FPAs
3. Impacts, costs, and risks
4. The role of Te Tai Ōhanga

Fun for SaW! Fact  
checking this  
presentation

# Employment Relations and Standards: A refresh

The objectives of the employment relations and standards system are:

- Employment rights and standards that:
  - provide minimum requirements and obligations in employment relationships. These minimum requirements satisfy expectations New Zealanders have about the conduct of employment relationships
  - ensure employment relationships are structured in ways that meet labour market outcomes while still enabling other societal benefits, such as cohesion, stability, and well-being.
- Labour market flexibility enabling employers and workers to enter and leave employment relationships and to agree the terms and conditions to apply in these relationships (subject to minimum requirements).
- Efficient markets, by addressing market failures such as power and information asymmetries in employment relationships which can lead to the exploitation of workers.

# Employment Relations: A refresh



MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT

EMPLOYMENT  
NEW ZEALAND

- Courts of New Zealand
- Registrar of Unions



The ERES provides:

- a **contracting regime** for employers and employees emphasising a duty of good faith
- a **dispute resolution framework** encouraging lower-level interventions in the first instance
- a **minimum set of employment standards**
- **enforcement** activity to maintain regulated minimum standards.

- Labour inspectorate
- Employment Services Contact Centre
- Employment mediation services
- Employment relations authority
- Employment court

# Workplace Relations (*and Safety*)



## Ministerial portfolio and key statutes

Portfolio	Key statutes
Workplace Relations and Safety <a href="#">🔗</a>	<ul style="list-style-type: none"><li>• Employment Relations Act 2000</li><li>• Equal Pay Act 1972</li><li>• Holidays Act 2003</li><li>• Human Rights Act 1993 (administered by the Ministry of Justice)</li><li>• Minimum Wage Act 1983</li><li>• Parental Leave and Employment Protection Act 1987</li><li>• Remuneration Authority Act 1977</li><li>• Sharemilking Agreements Act 1937</li><li>• Shop Trading Hours Act 1990</li><li>• Trade Unions Act 1908</li><li>• Union Representatives Education Leave Act Repeal Act 1992</li><li>• Volunteers Employment Protection Act 1973</li><li>• Wages Protection Act 1983</li></ul>

# Unions in New Zealand: A refresh

- As at 1 March 2018, there were 132 registered unions in New Zealand.
- Total union membership was 351,769. This represents 13.29% of employees in the labour force. Total union membership decreased by 1.05% compared to the previous year.

Industry	Membership
Health Care and Social Assistance	102, 252
Transport, postal and warehousing	26, 638
Retail trade	17,619

Table 5: Public/private sector union density – international comparisons 2017

Country	Union density	Public sector	Private sector
New Zealand <sup>1</sup>	17.3%*	59.5%	10.3%
Australia <sup>2</sup>	15.5%	38.0%	9.0%
UK <sup>3</sup>	23.2%	51.8%	13.5%
USA <sup>4</sup>	10.7%	34.4%	6.4%
Canada <sup>5</sup>	30.4%	75.5%	16.4%

Union	Membership
PSA	58,336
NZEI	45, 146
NZPPTA	17,005

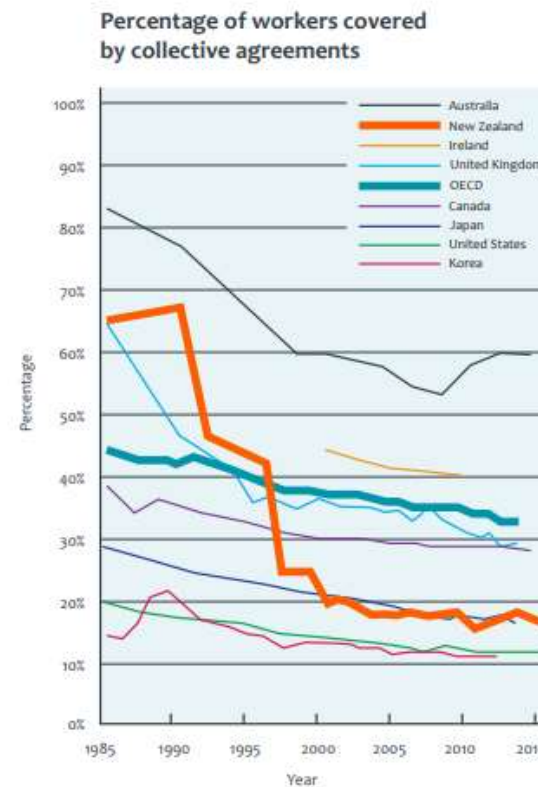
# Collective Agreements

- A collective employment agreement is ratified and signed after collective bargaining. The agreement sets the terms and conditions of employment of union members whose work comes within the coverage clause of the agreement.
- Collective employment agreements:
  - cover at least two employees and are between at least one employer and at least one registered union
  - can cover permanent, full-time, part-time, fixed-term and casual employees and may cover all or some of the employees in a workplace
  - have a coverage clause saying exactly what type of employees and types of jobs are covered
  - can be joined by extra unions and employers if the collective agreement specifically lets this happen.
- Non-union members may bargain collectively with an employer or employers, but their negotiations can't end in a collective employment agreement.
- And MECAs!



# What's the problem to be solved?

- Per capita productivity is low and has grown weakly.
- Growth in the economy is largely based on record rates of net migration rather than workplace productivity growth.
- Real wages growth has been concentrated at the top and bottom of the labour market.
- Wages have not kept pace with labour productivity increases.
- New Zealand's system of collective bargaining is weak, particularly at the multi-employer and industry level.
- A reduction in employers and workers in an industry jointly problem solving.



Occupation	% below \$20/h (2017)	Total workers
Food preparation assistants	91%	21,900
Checkout operators	91%	15,600
Hairdressers	73%	9,900
Sales assistants	72%	107,000
Midwifery and nursing	2%	57,700
Education, Health and Welfare Services managers	1%	14,500

# FPAAs will save the day(s)(?)

- “The objective of the FPA system is to improve labour market outcomes by enabling employers and employees to collectively bargain industry- or occupation-wide minimum employment terms.”
- “Fair Pay Agreements will improve wages and conditions for employees, encourage businesses to invest in training, as well as level the playing field so that good employers don’t get undercut and disadvantaged.
- “Fair Pay Agreements will help good employers by stopping the race to the bottom we’ve seen in various industries and encourage competition that isn’t based on low wages, but on better products, services, and innovation.

# Fair Pay Agreements Working Group + Process

- Labour Party manifesto
- Cabinet paper
- Fair Pay Agreements Working Group
- Public consultation
- **Cabinet paper**
- **Legislation**
- Enactment

# FPAAs – the Detail

- Initiation – how will an FPA begin?
- Coverage – who is in, who is out?
- Representation – who gets to have a say?
- Notification – how will anyone know?
- Bargaining process
- Dispute resolution
- Vetting
- Ratification
- Finalising
- Compliance and enforcement

# THE EVIDENCE BASE

- The evidence is clear of low levels of collective bargaining, particularly multi-employer bargaining, and union coverage. There is also some evidence of low and stagnant wages in some industries and deteriorating terms and conditions of employment
- However, there are limitations with available data on whether there is a 'race to the bottom' of terms and conditions of employment, and in which sectors this is most likely to occur. Data on non-wage terms and conditions is scant at the sector or industry level, and wages data is inconclusive in itself. For example, where wages grow slowly over time, the data is not able to identify if this reflects low or no productivity growth or depression of wages signalling a 'race to the bottom'.

-

# Options considered

Option 1	Lightly modified Fair Pay Agreements (FPA) Working Group (FPAWG) model. Unions and employers bargain to set minimum pay and terms and conditions for workers across a sector or occupation.	The approach chosen
Option 2	Modified FPAWG model which only allows specified sectors or occupations with labour market problems to use the bargaining framework.	
Option 3	Empower a government body to introduce a limited set of sector-based minimum standards where it establishes that there is a labour market problem, in consultation with employers and unions.	MBIE's preferred approach (options combined)
Option 4	Strengthen existing collective bargaining mechanisms to improve employee bargaining power, and proactively assess workforces to see if they meet the criteria to be added to Part 6A of the Employment Relations Act.	

# Options Analysis: How options were compared

	FPAWG Model	Modified FPAWG	Set targeted standards	Strengthen existing mechanisms
Effectiveness in Improving outcomes for workers	++	+	+	+
Effectiveness in preserving adaptability of employers in labour Market	--	-- to -	-	- to 0
Efficiency of the System	--	-	0 to +	0 to +
Consistency with the existing ERES system and domestic/ international obligations	-	-	0	0

# THE COST

- s9(2)(f)(iv)
- Direct costs to employers (corresponding benefits to employees)
- Bargaining and transaction costs to all parties
- ↑ risk of displacement
- ↑ risk of reduced flexibility in the labour market
- ↑ possibility of increased contracting



# Public Sector implications

- “For the Government as an employer and funder of workforces, the proposed system represents a reduction in its ability to bargain and manage employment costs, terms and conditions. “

# How it interacts with other LM shifts

- Immigration changes
- Minimum wage changes
- Equal Pay Act
- Pay Parity
- Review of the Holidays Act

# In the future...

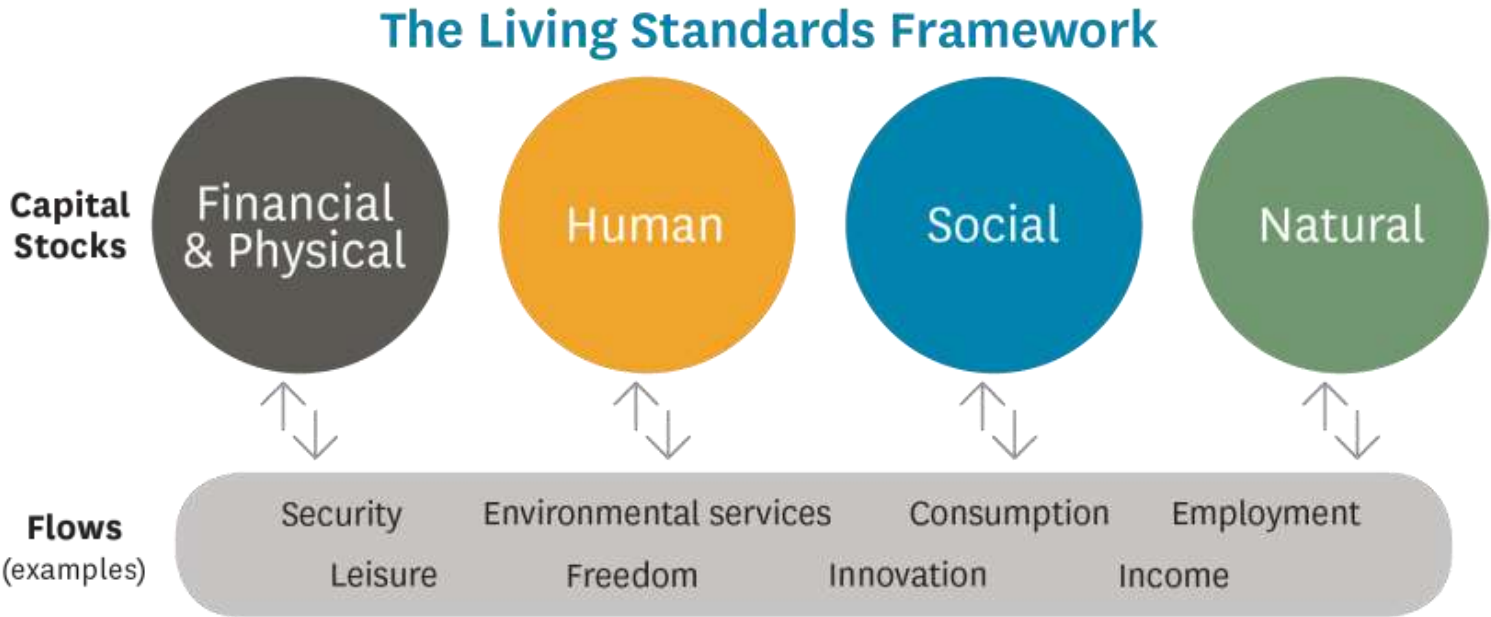
- New FPA institution
- Contractors to be included

# A role for Te Tai Ōhanga

- What is Treasury's value add here?
- Commissioning to understand broader impacts

# What more would you want to see covered?

{Heading}



{Heading}



{Chapter title}



{Heading}

# {Heading}

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Name of Union	Membership at 01/03/19	Percentage of total	Public Sector?	Notes and context
New Zealand Public Service Association Te Pukenga Here Tikanga Mahi	59685	16.02%	Yes	
				Previously known as: NEW ZEALAND AMALGAMATED ENGINEERING & RELATED TRADES INDUSTRIAL UNION OF WORKERS INCORPORATED
E Tū	53447	14.35%		THE NEW ZEALAND AMALGAMATED ENGINEERING PRINTING & MANUFACTURING UNION INCORPORATED
The New Zealand Nurses Organisation	48549	13.03%	Yes	
New Zealand Educational Institute Te Riu Roa	47559	12.77%	Yes	
				Previously Known As
First Union	27823	7.47%		NORTHERN DISTRIBUTION UNION INCORPORATED
New Zealand Post-Primary Teachers Association	18760	5.04%	Yes	NATIONAL DISTRIBUTION UNION INCORPORATED
				Retail, finance and commerce division, Transport, logistics, and manufacturing division - inc textile, clothier, laundry and wood
				2019 - membership expanded to other food processing sectors - seafood, vegetable, the cultured (laboratory) meat and/or protein processing
New Zealand Meat Workers and Related Trades Union	14417	3.87%		
New Zealand Police Association	12058	3.24%	Yes	
				Previously Known As
The New Zealand Tertiary Education Union Te Hautu Kahurangi o Aotearoa	9422	2.53%	Yes	ASSOCIATION OF UNIVERSITY TEACHERS OF NEW ZEALAND
New Zealand Dairy Workers Union - Te Runanga Wai U	8032	2.16%		INCORPORATED
			80.46%	
Unite	5900	1.58%	No	Previously Known As ADMINISTRATIVE AND GENERAL WORKERS UNION INCORPORATED
Association of Salaried Medical Specialists	4901	1.32%	Yes	
Rail and Maritime Transport Union	4847	1.30%	Transport	
Association of Professionals and Executive Employees	4503	1.21%	Yes	Also known as APEX
				Industries include: St John Ambulance; Infrastructure; council; transport, public transport; construction trades; tourism; agriculture, horticulture; school bus drivers
Amalgamated Workers Union New Zealand Southern	3860	1.04%	Unknown	
				Previously Known As
Corrections Association of New Zealand	3480	0.93%	Yes	NEW ZEALAND PRISON OFFICERS ASSOCIATION INCORPORATED
New Zealand Resident Doctors Association	3426	0.92%	Yes	
Maritime Union of New Zealand	2991	0.80%		Previously Known As
				NEW ZEALAND WATERFRONT WORKERS UNION INCORPORATED
				Was previously the Central Amalgamated Workers, the Northern Amalgamated Workers, will include the Southern Amalgamated Workers and the New Zealand Ambulance Association
Amalgamated Workers Union New Zealand	2890	0.78%	Unknown	
Te Uniana o NSNZ	2821	0.76%	Yes	Office at the Nurses Society of New Zealand
				Previously Known As
Aviation and Marine Engineers Association	2765	0.74%		THE NEW ZEALAND ASSOCIATION OF MARINE AVIATION AND POWER ENGINEERS INCORPORATED
New Zealand Air Line Pilots Association Industrial Union of Workers	2499	0.67%	Transport	
Central Amalgamated Workers Union	2264	0.61%	Unknown	
New Zealand Professional Fire Fighters Union	1890	0.51%	Yes	
MANUFACTURING & CONSTRUCTION WORKERS UNION (INCorp. SHIPWRIGHTS,MOULDER COACHWORKERS,BOILERMAKERS,PULP & PAPER	1696	0.46%	No	
				Also known as NUPE.
National Union of Public Employees	1409	0.38%	Yes	Membership open to wage and salary workers who work for an organisation that is wholly or partly publicly funded.
Specialty Trainees of New Zealand	1394	0.37%		
Midwifery Employee Representation and Advisory Service	1390	0.37%		
Tertiary Institutes Allied Staff Association	1314	0.35%		
Northern Chemical Workers Union	1081	0.29%		
Equity New Zealand	968	0.26%		
Taxpro	883	0.24%		
The Independent Schools Education Association	868	0.23%		
New Zealand Merchant Service Guild Industrial Union of Workers	721	0.19%		
New Zealand Fishing Industry Guild	718	0.19%		
The Amalgamated Stevedores Union	644	0.17%		
				Previously known as Bay Union Group
				To promote the collective employment interests of those members that are employed within New Zealand.
				OG membership includes: fitter welder, checkout operator, organiser, sales consultant, events management, mother, meatpacker, contractor, prep worker, chef, factory hand, storeman, team leader, factory worker
Mates Union	565	0.15%	No	
Foreign Service Association	486	0.13%		
Combined Employees Association Incorporated	485	0.13%		
The Customs Officers Association	463	0.12%		
New Zealand Tramways and Public Passenger Transport Employees Union	460	0.12%		
The Pulp & Paper Workers Union - Kawerau	436	0.12%		
IAG NZ Staff Association	397	0.11%		
Tuia Union	360	0.10%		
New Zealand Writers Guild	353	0.09%		
New Zealand Furniture Manufacturing and Associated Workers Union	333	0.09%		
New Zealand Ambulance Association	261	0.07%		
Bay of Plenty Regional Council Staff Association	246	0.07%		
Ara Academic Staff of Canterbury	221	0.06%		
The Surfside Employees Association	217	0.06%		
The Federation of Air New Zealand Pilots	205	0.06%		
Reunited Employees Association	179	0.05%		
New Zealand Professional Footballers' Association	173	0.05%		
The New Plymouth District Council Staff Association	165	0.04%		
Central Staff Collective	159	0.04%		
Saint Kentigern Teachers' Association	153	0.04%		
Professional Verifiers' Institute	150	0.04%		
Nelson Collective Union	144	0.04%		
Southern Coastal Employees' Association	143	0.04%		
Bureau Staff Association	142	0.04%		
The Rugby Players Collective	140	0.04%		
North Island Mussels Employees Union	136	0.04%		
Secondary Principals' Association of New Zealand	131	0.04%		
Taranaki Regional Council Staff Association	131	0.04%		
The Caregivers and Related Employees Independent Association of Staff	125	0.03%		
Western Bay of Plenty District Council Employees' Association	121	0.03%		
Whakatane District Council Employees Association	121	0.03%		
Promina Group Staff Association NZ	119	0.03%		
New Zealand Police Managers' Guild	116	0.03%		
Northern Totalisator and Allied Employees Association	115	0.03%		
Electrical Union 2001	113	0.03%		
Border Ops Association	111	0.03%		
H H B Workers Union	111	0.03%		
J Ballantyne Staff Association	110	0.03%		
Napier City Council Staff Association	105	0.03%		
St Cuthbert's College Teachers' Association	99	0.03%		
Canterbury and Regions Totalisator Employees Association	98	0.03%		
Hastings District Council Employees Society	98	0.03%		
				The objective of the ASG is to act as the bargaining agent between members and the employer at Waikato Regional Council
Alternative Staff Group	97	0.03%	Local Government	
TIG - The Independent Group	96	0.03%		
TIG - HW	96	0.03%		
King's College Teachers Association	86	0.02%		
The Clutha District Council Officer's Association	85	0.02%		
Aotearoa Tech Union	82	0.02%		
Southland Enterprises Union of Workers	77	0.02%		
WSA	76	0.02%		
The New Zealand Fire and Rescue Commanders Association	75	0.02%		

M.E.U. Society	69	0.02%		
The Hawke's Bay Regional Council Staff Union	65	0.02%		
Work and Income Northland Staff	65	0.02%		
The Grey District Council Union of Employees	64	0.02%		
New Zealand Netball Players Association	60	0.02%		
Eastern Bay Independent Industrial Workers Union 1995	59	0.02%		
Qantas Employees Collective	59	0.02%		
United Fisheries Workplace Union	58	0.02%		
DTA Staff Association	55	0.01%		
Portpro	53	0.01%		
Associated Council Employees	49	0.01%		
New Zealand Professional Drivers and Transport Employees Association	45	0.01%		
Shorecare Staff Society	45	0.01%		
Independent Electrical Workers Union 1995	38	0.01%	Unknown	
Unison Networks Employees Association	35	0.01%	No	Unison owns and manages the electricity lines network and the fibre optic network in the Hawke's Bay, Rotorua and Taupo regions.
The Westland District Council Union of Employees	26	0.01%	Local Government	
The Southland District Council Officers Association	19	0.01%	Local Government	
Aotearoa Legal Workers Union	15	0.00%	No	Created 2019 (in response to media reports of sexual assault in law firms)
CIE Workers Union	15	0.00%	Yes	Corrections Inmate Employment - membership for those employed by the department of corrections
				Created 2018. Objective to "promote its members' collective employment interests".
The Association of Marine Professionals	15	0.00%	Local Government	For Ports of Auckland employment / association
The South Waikato District Council Staff Association	5	0.00%	Local Government	
School Business Managers' Association	0	0.00%	Yes	Was known as "School Executive Officers Association" The union filed a return but no membership figures were disclosed. The Registrar will contact the union to see if it wishes to apply to have its registration cancelled. Objective to promote the development of Business Managers' skills, qualifications and leadership, and to improve opportunities for the professional and personal development of Business Managers.



Name of Union	Membership at 01/03/19	Percentage of total	Cumulative	Cumulative percentage	HQ / Regional offices	Industry	Public Sector?	Notes and context
								Was known as "School Executive Officers Association" The union filed a return but no membership figures were disclosed. The Registrar will contact the union to see if it wishes to apply to have its registration cancelled. Objective to promote the development of Business Managers' skills, qualifications and leadership, and to improve opportunities for the professional and personal development of Business Managers.
School Business Managers' Association	0	-	-	-	Hamilton	Education	Yes	
The South Waikato District Council Staff Association	5	0.00%	5	0.00%	Tokoroa		Local Government	
Aotearoa Legal Workers Union	15	0.00%	20	0.01%	National (Wellington HQ)	Legal	No	Created 2019 (in response to media reports of sexual assault in law firms)
CIE Workers Union	15	0.00%	35	0.01%	Te Awamutu		Yes	Corrections Inmate Employment - membership for those employed by the department of corrections Created 2018. Objective to "promote its members' collective employment interests".
The Association of Marine Professionals	15	0.00%	50	0.01%	Auckland	Maritime	Local Government	For Ports of Auckland employment / association
The Southland District Council Officers Association	19	0.01%	69	0.02%	Invercargill		Local Government	
The Westland District Council Union of Employees	26	0.01%	95	0.03%	Hokitika		Local Government	
Union Networks Employees Association	35	0.01%	130	0.03%	Hastings	Electricity	No	Union owns and manages the electricity lines network and the fibre optic network in the Hawke's Bay, Rotorua and Taupo regions.
Independent Electrical Workers Union 1995	38	0.01%	168	0.05%	Tokoroa	Electricity	Unknown	
New Zealand Professional Drivers and Transport Employees Association	45	0.01%	213	0.06%				
Shorecare Staff Society	45	0.01%	258	0.07%				
Associated Council Employees	49	0.01%	307	0.08%				
Portpro	53	0.01%	360	0.10%				
DTA Staff Association	55	0.01%	415	0.11%				
United Fisheries Workplace Union	58	0.02%	473	0.13%				
Eastern Bay Independent Industrial Workers Union 1995	59	0.02%	532	0.14%				
Qantas Employees Collective	59	0.02%	591	0.16%				
New Zealand Netball Players Association	60	0.02%	651	0.17%				
The Grey District Council Union of Employees	64	0.02%	715	0.19%				
The Hawke's Bay Regional Council Staff Union	65	0.02%	780	0.21%				
Work and Income Northland Staff	65	0.02%	845	0.23%				
M.E.U. Society	69	0.02%	914	0.25%				
The New Zealand Fire and Rescue Commanders Association	75	0.02%	989	0.27%				
WSA	76	0.02%	1,065	0.29%				
Southland Enterprises Union of Workers	77	0.02%	1,142	0.31%				
Aotearoa Tech Union	82	0.02%	1,224	0.33%				
The Clutha District Council Officer's Association	85	0.02%	1,309	0.35%				
King's College Teachers Association	86	0.02%	1,395	0.37%				
TIG - The Independent Group	96	0.03%	1,491	0.40%				
TIG - HW	96	0.03%	1,587	0.43%				
Alternative Staff Group	97	0.03%	1,684	0.45%	Hamilton		Local Government	The objective of the ASG is to act as the bargaining agent between members and the employer at Waikato Regional Council
Canterbury and Regions Totalisator Employees Association	98	0.03%	1,782	0.48%				
Hastings District Council Employees Society	98	0.03%	1,880	0.50%				
St Cuthbert's College Teachers' Association	99	0.03%	1,979	0.53%				
Napier City Council Staff Association	105	0.03%	2,084	0.56%				
J Ballantyne Staff Association	110	0.03%	2,194	0.59%				
Border Ops Association	111	0.03%	2,305	0.62%				
H H B Workers Union	111	0.03%	2,416	0.65%				
Electrical Union 2001	113	0.03%	2,529	0.68%				
Northern Totalisator and Allied Employees Association	115	0.03%	2,644	0.71%				
New Zealand Police Managers' Guild	116	0.03%	2,760	0.74%				
Promina Group Staff Association NZ	119	0.03%	2,879	0.77%				
Western Bay of Plenty District Council Employees' Association	121	0.03%	3,000	0.81%				
Whakatane District Council Employees Association	121	0.03%	3,121	0.84%				
The Caregivers and Related Employees Independent Association of Staff	125	0.03%	3,246	0.87%				
Secondary Principals' Association of New Zealand	131	0.04%	3,377	0.91%				
Taranaki Regional Council Staff Association	131	0.04%	3,508	0.94%				
North Island Mussels Employees Union	136	0.04%	3,644	0.98%				
The Rugby Players Collective	140	0.04%	3,784	1.02%				
Bureau Staff Association	142	0.04%	3,926	1.05%				
Southern Coastal Employees' Association	143	0.04%	4,069	1.09%				
Nelson Collective Union	144	0.04%	4,213	1.13%				
Professional Verifiers' Institute	150	0.04%	4,363	1.17%				
Saint Kentigern Teachers' Association	153	0.04%	4,516	1.21%				
Central Staff Collective	159	0.04%	4,675	1.25%				
The New Plymouth District Council Staff Association	165	0.04%	4,840	1.30%				
New Zealand Professional Footballers' Association	173	0.05%	5,013	1.35%				
Reunited Employees Association	179	0.05%	5,192	1.39%				
The Federation of Air New Zealand Pilots	205	0.06%	5,397	1.45%				
The Surfside Employees Association	217	0.06%	5,614	1.51%				
Ara Academic Staff of Canterbury	221	0.06%	5,835	1.57%				
Bay of Plenty Regional Council Staff Association	246	0.07%	6,081	1.63%				
New Zealand Ambulance Association	261	0.07%	6,342	1.70%				
New Zealand Furniture Manufacturing and Associated Workers Union	333	0.09%	6,675	1.79%				
New Zealand Writers Guild	353	0.09%	7,028	1.89%				
Tuia Union	360	0.10%	7,388	1.98%				
IAG NZ Staff Association	397	0.11%	7,785	2.09%				
The Pulp & Paper Workers Union - Kawerau	436	0.12%	8,221	2.21%				
New Zealand Tramways and Public Passenger Transport Employees Union	460	0.12%	8,681	2.33%				
The Customs Officers Association	463	0.12%	9,144	2.45%				
Combined Employees Association Incorporated	485	0.13%	9,629	2.58%				
Foreign Service Association	486	0.13%	10,115	2.72%				
								Previously known as Bay Union Group To promote the collective employment interests of those members that are employed within New Zealand. OG membership includes: fitter welder, checkout operator, organiser, sales consultant, events management, mother, meatpacker, contractor, prep worker, chef, factory hand, storeman, team leader, factory worker
Mates Union	565	0.15%	10,680	2.87%	Havelock North		No	
The Amalgamated Stevedores Union	644	0.17%	11,324	3.04%				
New Zealand Fishing Industry Guild	718	0.19%	12,042	3.23%				
New Zealand Merchant Service Guild Industrial Union of Workers	721	0.19%	12,763	3.43%				
The Independent Schools Education Association	868	0.23%	13,631	3.66%				
Taxpro	883	0.24%	14,514	3.90%				
Equity New Zealand	968	0.26%	15,482	4.16%				
Northern Chemical Workers Union	1081	0.29%	16,563	4.45%				
Tertiary Institutes Allied Staff Association	1314	0.35%	17,877	4.80%				
Midwifery Employee Representation and Advisory Service	1390	0.37%	19,267	5.17%				
Specialty Trainees of New Zealand	1394	0.37%	20,661	5.55%				
National Union of Public Employees	1409	0.38%	22,070	5.92%	National (Christchurch HQ)		Yes	Also known as NUPE. Membership open to wage and salary workers who work for an organisation that is wholly or partly publicly funded.
MANUFACTURING & CONSTRUCTION WORKERS UNION (INCORP. SHIPWRIGHTS, MOULDER COACHWORKERS, BOILERMAKERS, PULP & PAPER	1696	0.46%	23,766	6.38%	National (Wellington HQ)	Manufacture	No	
New Zealand Professional Fire Fighters Union	1890	0.51%	25,656	6.89%	National (Wellington HQ)	Public safe	Yes	
Central Amalgamated Workers Union	2264	0.61%	27,920	7.49%	Wellington	Mix	Unknown	
New Zealand Air Line Pilots Association Industrial Union of Workers	2499	0.67%	30,419	8.16%	National (Auckland HQ)	Transport	Transport	
Aviation and Marine Engineers Association	2765	0.74%	33,184	8.91%	National (Auckland HQ)			Previously Known As THE NEW ZEALAND ASSOCIATION OF MARINE AVIATION AND POWER ENGINEERS INCORPORATED
Te Uniana o NSNZ	2821	0.76%	36,005	9.66%	National (Auckland HQ)	Healthcare	Yes	Office at the Nurses Society of New Zealand
Amalgamated Workers Union New Zealand	2890	0.78%	38,895	10.44%	National (Wellington HQ)	Mix	Unknown	Was previously the Central Amalgamated Workers, the Northern Amalgamated Workers, will include the Southern Amalgamated Workers and the New Zealand Ambulance Association
Maritime Union of New Zealand	2991	0.80%	41,886	11.24%	National (Wellington HQ)	Maritime		Previously Known As NEW ZEALAND WATERFRONT WORKERS UNION INCORPORATED
New Zealand Resident Doctors Association	3426	0.92%	45,312	12.16%	National (Auckland HQ)	Healthcare	Yes	
Corrections Association of New Zealand	3480	0.93%	48,792	13.10%	National (Napier HQ)	Public safe	Yes	Previously Known As NEW ZEALAND PRISON OFFICERS ASSOCIATION INCORPORATED Industries include: St John Ambulance; Infrastructure; council; transport, public transport; construction trades; tourism; agriculture, horticulture; school bus drivers
Amalgamated Workers Union New Zealand Southern	3860	1.04%	52,652	14.13%	Christchurch	Mix	Unknown	
Association of Professionals and Executive Employees	4503	1.21%	57,155	15.34%	National (Auckland HQ)	Healthcare	Yes	Also known as APEX
Rail and Maritime Transport Union	4847	1.30%	62,002	16.64%	National (Wellington HQ)	Transport	Transport	
Association of Salaried Medical Specialists	4901	1.32%	66,903	17.96%	National (Wellington HQ)	Healthcare	Yes	
Unite	5900	1.58%	72,803	19.54%	National (Auckland HQ)	Unknown	No	Previously Known As ADMINISTRATIVE AND GENERAL WORKERS UNION INCORPORATED
New Zealand Dairy Workers Union - Te Runanga Wai U	8032	2.16%	80,835	21.70%	National (Hamilton HQ)	Food proc	No	
The New Zealand Tertiary Education Union Te Hautu Kahurangi o Aotearoa	9422	2.53%	90,257	24.23%	National (Wellington HQ)	Education	Yes	Previously Known As ASSOCIATION OF UNIVERSITY TEACHERS OF NEW ZEALAND INCORPORATED
New Zealand Police Association	12058	3.24%	102,315	27.46%	National (Wellington HQ)	Public safe	Yes	
New Zealand Meat Workers and Related Trades Union	14417	3.87%	116,732	31.33%	National (Christchurch HQ)	Food proc	No	2019 - membership expanded to other food processing sectors - seafood, vegetable, the cultured (laboratory) meat and/or protein processing
New Zealand Post-Primary Teachers Association	18760	5.04%	135,492	36.37%	National (Wellington HQ)	Education	Yes	
								Previously Known As NORTHERN DISTRIBUTION UNION INCORPORATED NATIONAL DISTRIBUTION UNION INCORPORATED Retail, finance and commerce division, Transport, logistics, and manufacturing division - inc textile, clother, laundry and wood
First Union	27823	7.47%	163,315	43.84%	National (Auckland HQ)	Manufacture	No	
New Zealand Educational Institute Te Riu Roa	47559	12.77%	210,874	56.60%	National (Wellington HQ)	Education	Yes	
The New Zealand Nurses Organisation	48549	13.03%	259,423	69.63%	National (Wellington HQ)	Healthcare	Yes	
								Previously known as: NEW ZEALAND AMALGAMATED ENGINEERING & RELATED TRADES INDUSTRIAL UNION OF WORKERS INCORPORATED THE NEW ZEALAND AMALGAMATED ENGINEERING PRINTING & MANUFACTURING UNION INCORPORATED
E Tū	53447	14.35%	312,870	83.98%	National (Wellington HQ)		No	

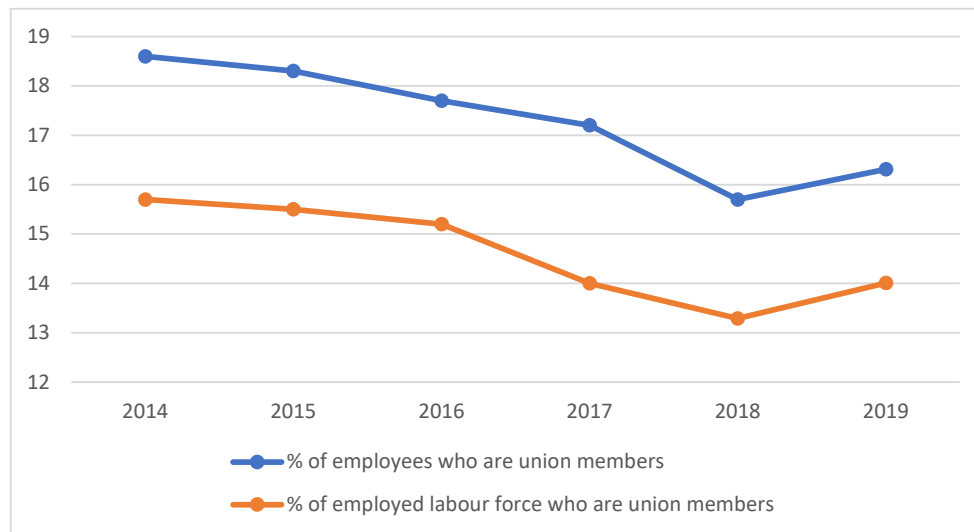
New Zealand Public Service Association Te Pukenga Here Tikanga Mahi	59685	16.02%	372,555	100.00%	National (Wellington HQ)	Yes	
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Name of Union	Membership at 01/03/19	HQ / Regional offices	Industry	Public Sector?	Notes and context
Aotearoa Corrections Union	NR				
Christ's College Academic Staff Association	NR				
Combined Hospital Individual Contract Union	NR				
Eastern Civil Engineers Union	NR				
Featherston Mill Workers' Union	NR				
Hawkes Bay Workers Union	NR				
Hutt Valley Society of Independent Bus Drivers	NR				
Legal Workers Union of New Zealand	NR				
New Zealand Central Baking Trades and Related Trades Employees Union	NR				
Northern Amalgamated Workers Union	NR				Merged with AMALGAMATED WORKERS UNION NEW ZEALAND INCORPORATED.
Number One Manufacturing Association	NR				
Omnibus Workers Union	NR				In Liquidation.
Slgou Associates	NR	Christchurch		Local Government	The associated incorporated society has been dissolved. Was Southern Local Government Officers Union
Tasman Staff Association	NR	Kawerau	Wood prod	No	Membership shall be open to... Employees of any wood products manufacturing organisation or allied industry.
Te Kuiti Beef Workers Union	NR	Te Kuiti	Meat proc	No	
Waingawa Workers' Union	NR	Masterton	Wood prod	No	To promote the collective employment interests of those members that are employed by Juken Nissho Ltd or similar organisations.
New Zealand Public Service Association Te Pukenga Here Tikanga Mahi	59685	National (Wellington HQ)		Yes	
E Tū	53447	National (Wellington HQ)		No	Previously Known as: NEW ZEALAND AMALGAMATED ENGINEERING & RELATED TRADES INDUSTRIAL UNION OF WORKERS INCORPORATED THE NEW ZEALAND AMALGAMATED ENGINEERING PRINTING & MANUFACTURING UNION INCORPORATED
The New Zealand Nurses Organisation	48549	National (Wellington HQ)	Healthcare	Yes	
New Zealand Educational Institute Te Riu Roa	47559	National (Wellington HQ)	Education	Yes	
First Union	27823	National (Auckland HQ)	Manufactu	No	Previously Known As NORTHERN DISTRIBUTION UNION INCORPORATED NATIONAL DISTRIBUTION UNION INCORPORATED Retail, finance and commerce division, Transport, logistics, and manufacturing division - inc textile, clother, laundry and wood
New Zealand Post-Primary Teachers Association	18760	National (Wellington HQ)	Education	Yes	
New Zealand Meat Workers and Related Trades Union	14417	National (Christchurch H	Food proc	No	2019 - membership expanded to other food processing sectors - seafood, vegetable, the cultured (laboratory) meat and/or protein processing
New Zealand Police Association	12058	National (Wellington HQ)	Public safe	Yes	
The New Zealand Tertiary Education Union Te Hautu Kahurangi o Aotearoa	9422	National (Wellington HQ)	Education	Yes	Previously Known As ASSOCIATION OF UNIVERSITY TEACHERS OF NEW ZEALAND INCORPORATED
New Zealand Dairy Workers Union - Te Runanga Wai U	8032	National (Hamilton HQ)	Food proc	No	
Unite	5900	National (Auckland HQ)	Unknown	No	Previously Known As ADMINISTRATIVE AND GENERAL WORKERS UNION INCORPORATED
Association of Salaried Medical Specialists	4901	National (Wellington HQ)	Healthcare	Yes	
Rail and Maritime Transport Union	4847	National (Wellington HQ)	Transport	Transport	
Association of Professionals and Executive Employees	4503	National (Auckland HQ)	Healthcare	Yes	Also known as APEX
Amalgamated Workers Union New Zealand Southern	3860	Christchurch	Mix	Unknown	Industries include: St John Ambulance; infrastructure; council; transport, public transport; construction trades; tourism; agriculture, horticulture; school bus drivers
Corrections Association of New Zealand	3480	National (Napier HQ)	Public safe	Yes	Previously Known As NEW ZEALAND PRISON OFFICERS ASSOCIATION INCORPORATED
New Zealand Resident Doctors Association	3426	National (Auckland HQ)	Healthcare	Yes	
Maritime Union of New Zealand	2991	National (Wellington HQ)	Maritime		Previously Known As NEW ZEALAND WATERFRONT WORKERS UNION INCORPORATED
Amalgamated Workers Union New Zealand	2890	National (Wellington HQ)	Mix	Unknown	Was previously the Central Amalgamated Workers, the Northern Amalgamated Workers, will include the Southern Amalgamated Workers and the New Zealand Ambulance Association
Te Uniana o NSNZ	2821	National (Auckland HQ)	Healthcare	Yes	Office at the Nurses Society of New Zealand
Aviation and Marine Engineers Association	2765	National (Auckland HQ)			Previously Known As THE NEW ZEALAND ASSOCIATION OF MARINE AVIATION AND POWER ENGINEERS INCORPORATED
New Zealand Air Line Pilots Association Industrial Union of Workers	2499	National (Auckland HQ)	Transport	Transport	
Central Amalgamated Workers Union	2264	Wellington	Mix	Unknown	
New Zealand Professional Fire Fighters Union	1890	National (Wellington HQ)	Public safe	Yes	
MANUFACTURING & CONSTRUCTION WORKERS UNION (INCorp. SHIPWRIGHTS,MOULDER COACHWORKERS,BOILERMAKERS,PULP & PAPER	1696	National (Wellington HQ)	Manufactu	No	
National Union of Public Employees	1409	National (Christchurch HQ)		Yes	Also known as NUPE. Membership open to wage and salary workers who work for an organisation that is wholly or partly publicly funded.
Specialty Trainees of New Zealand	1394				
Midwifery Employee Representation and Advisory Service	1390				
Tertiary Institutes Allied Staff Association	1314				
Northern Chemical Workers Union	1081				
Equity New Zealand	968				
Taxpro	883				
The Independent Schools Education Association	868				
New Zealand Merchant Service Guild Industrial Union of Workers	721				
New Zealand Fishing Industry Guild	718				
The Amalgamated Stevedores Union	644				
Mates Union	565	Havelock North		No	Previously known as Bay Union Group To promote the collective employment interests of those members that are employed within New Zealand. OG membership includes: fitter welder, checkout operator, organiser, sales consultant, events management, mother, meatpacker, contractor, prep worker, chef, factory hand, storeman, team leader, factory worker
Foreign Service Association	486				
Combined Employees Association Incorporated	485				
The Customs Officers Association	463				
New Zealand Tramways and Public Passenger Transport Employees Union	460				
The Pulp & Paper Workers Union - Kawerau	436				
IAG NZ Staff Association	397				
Tuia Union	360				
New Zealand Writers Guild	353				
New Zealand Furniture Manufacturing and Associated Workers Union	333				
New Zealand Ambulance Association	261				
Bay of Plenty Regional Council Staff Association	246				
Ara Academic Staff of Canterbury	221				
The Surfside Employees Association	217				
The Federation of Air New Zealand Pilots	205				
Reunited Employees Association	179				
New Zealand Professional Footballers' Association	173				
The New Plymouth District Council Staff Association	165				
Central Staff Collective	159				
Saint Kentigern Teachers' Association	153				

Professional Verifiers' Institute	150				
Nelson Collective Union	144				
Southern Coastal Employees' Association	143				
Bureau Staff Association	142				
The Rugby Players Collective	140				
North Island Mussels Employees Union	136				
Secondary Principals' Association of New Zealand	131				
Taranaki Regional Council Staff Association	131				
The Caregivers and Related Employees Independent Association of Staff	125				
Western Bay of Plenty District Council Employees' Association	121				
Whakatane District Council Employees Association	121				
Promina Group Staff Association NZ	119				
New Zealand Police Managers' Guild	116				
Northern Totalisator and Allied Employees Association	115				
Electrical Union 2001	113				
Border Ops Association	111				
H H B Workers Union	111				
J Ballantyne Staff Association	110				
Napier City Council Staff Association	105				
St Cuthbert's College Teachers' Association	99				
Canterbury and Regions Totalisator Employees Association	98				
Hastings District Council Employees Society	98				
Alternative Staff Group	97	Hamilton		Local Government	The objective of the ASG is to act as the bargaining agent between members and the employer at Waikato Regional Council
TIG - The Independent Group	96				
TIG - HW	96				
King's College Teachers Association	86				
The Clutha District Council Officer's Association	85				
Aotearoa Tech Union	82				
Southland Enterprises Union of Workers	77				
WSA	76				
The New Zealand Fire and Rescue Commanders Association	75				
M.E.U. Society	69				
The Hawke's Bay Regional Council Staff Union	65				
Work and Income Northland Staff	65				
The Grey District Council Union of Employees	64				
New Zealand Netball Players Association	60				
Eastern Bay Independent Industrial Workers Union 1995	59				
Qantas Employees Collective	59				
United Fisheries Workplace Union	58				
DTA Staff Association	55				
Portpro	53				
Associated Council Employees	49				
New Zealand Professional Drivers and Transport Employees Association	45				
Shorecare Staff Society	45				
Independent Electrical Workers Union 1995	38	Tokoroa	Electricity	Unknown	
Unison Networks Employees Association	35	Hastings	Electricity	No	Unison owns and manages the electricity lines network and the fibre optic network in the Hawke's Bay, Rotorua and Taupo regions.
The Westland District Council Union of Employees	26	Hokitika		Local Government	
The Southland District Council Officers Association	19	Invercargill		Local Government	
Aotearoa Legal Workers Union	15	National (Wellington HC)	Legal	No	Created 2019 (in response to media reports of sexual assault in law firms)
CIE Workers Union	15	Te Awamutu		Yes	Corrections Inmate Employment - membership for those employed by the department of corrections
The Association of Marine Professionals	15	Auckland	Maritime	Local Government	Created 2018. Objective to "promote its members' collective employment interests". For Ports of Auckland employment / association
NZ Tour Drivers Union	12				Dissolved as of 2021
The South Waikato District Council Staff Association	5	Tokoroa		Local Government	
NZ Employees Union	0				Dissolved as of 2021
School Business Managers' Association	0	Hamilton	Education		Was known as "School Executive Officers Association" The union filed a return but no membership figures were disclosed. The Registrar will contact the union to see if it wishes to apply to have its registration cancelled. Objective to promote the development of Business Managers' skills, qualifications and leadership, and to improve opportunities for the professional and personal development of Business Managers.
Median membership	153				
Average membership	3328				



	2014	2015	2016	2017	2018	2019
% of empld	18.6	18.3	17.7	17.2	15.7	16.31
% of empld	15.7	15.5	15.2	14	13.29	14.01



Industry	Female	Male	Not known	Total
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**From:** Shannon Tyler [TSY]  
**Sent:** Friday, 25 June 2021 11:33 am  
**To:** Caralee McLiesh [TSY]  
**Cc:** Michael Thomson [TSY]; Andrew Rutledge [TSY]; Bryan Chapple [TSY]; Vicki Plater [TSY]; Nick Carroll [TSY]  
**Subject:** Fair Pay Agreements - talking points and background notes ahead of Monday's Weekly Agency Meeting  
**Attachments:** 4448746\_Fair Pay Agreements 101 May 2021.PPTX

[ ]

Tēnā koe Caralee

This is following up on your email to Nick yesterday afternoon about Fair Pay Agreements and the Public Service Commission. Some key talking points and background are below. I'm also attaching an internal presentation used for our team about FPAs last month, around the time they were publicly announced.

Please let Nick or myself know if further information would be helpful.

Nāku iti nei, nā  
 Shannon

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#### Key talking points for Monday

- Fair Pay Agreements (FPAs) have been agreed to by Cabinet and are now in the legislation drafting and implementation phase. The Public Service Commission and MBIE will need to continue to work together to ensure that it is efficiently implemented in the public sector in a way consistent with overall Cabinet decisions and public sector bargaining frameworks.
- There are some fiscal costs associated with the application of FPAs to public sector bargaining in the short run, but these are difficult to quantify because of uncertainty about how the policy will be implemented. In the long run, there are potentially more significant costs through a reduction in the Public Sector's ability to bargain and manage employment costs, terms and conditions. This is an area that we need to monitor during the establishment phase and manage risks as they arise.

#### Fair Pay Agreements are intended to address gaps in the employment relations framework in New Zealand

- FPAs have been a longstanding Labour party manifesto commitment, with proponents noting that many other countries use FPA style mechanisms as part of their employment relations frameworks (e.g. awards systems, sector agreements). While New Zealand has collective bargaining and multi-employer collective bargaining, it does not have provisions for sectoral or workforce agreements that are binding on all employers in scope.
- FPAs aim to enable minimum standards to be reflective of the needs of the relevant sector, improve labour market outcomes for workers through addressing competition based on labour costs, and to improve workers' ability to collectively improve their working conditions.
- Discussion on FPAs as a policy is in the attached internal presentation. In brief:
  - **Initiation** is needed to begin an FPA negotiation. This can be done either by having a sufficient representation of workers in support, or a public interest test.
  - The **bargaining process** will see union representatives and employer representatives work through a list of mandatory-to-agree topics, a list of mandatory-to-discuss topics, and anything else both sides agree to bargain.
  - **Support** to implement and deliver FPAs is a substantial component of the Budget funding for FPAs, including support for peak bodies (the CTU and Business NZ) to build capability, as well as expanding and strengthening the labour inspectorate and Employment Relations Authority

**Treasury advice on Fair Pay Agreements is in the context of recognising this as a Government priority**

- Recent Treasury advice has been in the context of recognising FPAs as a commitment in the [2020 Speech from the Throne](#), and the substantive work progressed during the previous Government's administration to establish a FPA system in New Zealand. While internal and cross agency discussions have identified a wide range of risks and uncertainties of the FPA proposal, we have focused our advice to Ministers on the biggest areas of risk, and the best improvements to make the proposal successful.
- The Treasury provided advice to the Minister of Finance on 18 March 2021, before the Minister for Workplace Relations and Safety began Ministerial consultation [T2021/676 refers]. This advice raised three substantive issues:
  - that the fiscal costs of the proposal are uncertain; but that there are costs to establish and maintain a new FPA system; and that there would be ongoing costs to the Government as the employer and funder of workers within coverage of FPAs
  - that Ministers should consider using system design features to increase the likelihood of containing the costs of a FPA system and ensure the successful implementation of FPAs for vulnerable and low paid workers. These features include mechanisms to prioritise selected workforces and to include a market impacts assessment before an FPA is implemented.
  - that given the uncertainty about implementation and the net benefits of the proposal, a monitoring and reporting approach be developed
- s9(2)(g)(i) The regulatory impact analysis records that MBIE preferred a different option to what Cabinet has agreed.
- Our advice ahead of the DEV consideration of the FPA proposal in April was that without further changes, we consider there is high risk that the FPA system is unlikely to contain fiscal and economic costs, nor will it successfully progress and implement FPAs. **We recommended "do not support, unless further changes are agreed to help mitigate the implementation, economic and employment risks of the proposal."**

**Fiscal implications are uncertain and we are concerned they could be significant**

- Because the affected workforces and number of affected employers and workers are unknown, the content and timing of any agreements are unknown, and flow-on impacts on industries, markets and consumers are unknown, **we have not quantified estimates of fiscal impact.** The uncertainty forms part of our rationale for advice that the system be targeted to workforces that are widely considered to be deserving of improved terms and conditions that an FPA could offer (such as cleaners and security guards).
- For the Government as an employer and funder of workforces, **the system represents a reduction in its ability to bargain and manage employment costs, terms and conditions.**
- We are cautious that FPAs, especially if they become widespread, will have significant flow on costs and implications to the economy and the public sector beyond the direct fiscal impacts of wage increases.**

s9(2)(g)(i)

s9(2)(g)(i)

**Current state of play and next steps for implementing Fair Pay Agreements**

- Budget 2021 set aside a tagged contingency of \$37.136m to establish a Fair Pay Agreements system. The Minister of Finance and Minister of Workplace Relations are currently considering a paper that will authorise the drawing down of this funding. Treasury has cautioned that the open access system and lack of prioritisation features means there is a risk this funding will be insufficient to successfully establish the new system.
- The immediate priority for MBIE is to complete the remaining detailed design that will allow legislation to be drafted. Drafting was meant to have started in May to allow a November introduction of legislation to the

House but has been delayed as it has become clear the current level of detail is insufficient. It may be weeks or months before the detail is complete to allow drafting to begin.

- The Minister for Workplace Relations and Safety intends to pursue the establishment of a new institution for FPAs, and to include contractors in the scope of FPAs, in time. These two developments are expected to be costly and complex, and have been delayed to prioritise progress of the current FPA proposal (which excludes contractors and makes use of MBIE, the Labour Inspectorate and the Employment Relations Authority). MBIE anticipate they will begin work on these features from early 2022.

**Shannon Tyler** | Senior Analyst | Skills and Work | **Te Tai Ōhanga – The Treasury**

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Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

