



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

**Submission of the
New Zealand Council of Trade Unions
Te Kauae Kaimahi**

to the

Ministry of Business, Innovation and Employment

on the

Fair Pay Agreements Public Consultation

Document

P O Box 6645

Wellington

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1. Introduction

- 1.1. This submission is made on behalf of the 27 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With over 310,000 members, the CTU is one of the largest democratic organisations in New Zealand.
- 1.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.

2. CTU Policy

- 2.1. The CTU has been a driving force behind the establishment of support for an Industry Standard Agreements policy. The Fair Pay Agreement (FPA) policy development process is the expression of this proposal.
- 2.2. Significant work on establishing the FPA policy has been undertaken by the expert tripartite Fair Pay Agreement Working Group (FPAWG) chaired by Jim Bolger, with representatives from the social partners, business and other sectors, and supported by the Ministry of Business, Innovation and Employment as Secretariat. The FPAWG released its report and recommendations in December 2018.
- 2.3. As the bulk of the research and options analysis has already been undertaken by the FPAWG and outlined in its report and recommendations, primarily the CTU endorses the position of the FPAWG and adopts the FPAWG report and recommendations.
- 2.4. Research undertaken by Business and Economic Research Limited (BERL) on sector bargaining – the framework by which working people and employers in a single industry negotiate employment terms and conditions on a nationwide basis – shows that this model of setting wages and conditions is neutral in its effect on productivity.

- 2.5. The wide-reaching literature review also shows that a return to a modern form of sector bargaining will significantly improve the wellbeing of working New Zealanders and fairness in the distribution of income in society while maintaining economic growth. It is a call-to-action for New Zealand and the New Zealand Government to make better working lives possible for all Kiwis.
- 2.6. The introduction of sector bargaining in the form of FPAs is the single biggest intervention this Government can implement in the area of wellbeing. FPAs will be critical to reducing New Zealand's high level of income inequality and unacceptable levels of child poverty as well as contributing to tackling sector specific problems around skill development and health and safety. The economic rationale for the current individualised bargaining framework was said to be higher productivity and that has comprehensively failed to eventuate. New Zealand has a well-documented problem of low productivity, low productivity growth and low wages. However there is a strong social wellbeing rationale for sector bargaining. It would encourage new and more effective approaches to the productivity problem.
- 2.7. New Zealand's existing employment law model - of individual and enterprise bargaining - has failed over the last 30 years. Its primary legacy is the transfer of tens of billions of dollars of productivity gains away from working people to corporate interests. The OECD is clear that globally this approach has helped cause social and economic woes such as inequality, undermining of social mobility, the holding back of progress in living standards, and political instability.
- 2.8. Fair Pay Agreements can be the foundation for a better way of doing business that supports good employers to compete on quality and innovation instead of constantly cutting corners and undercutting wages. FPAs can also be an important sector governance mechanism, helping individual workers and small firms that have limited capacity or capability to support such structures.
- 2.9. Fair Pay Agreements will provide an environment which encourages improvements in productivity and economic growth which can lift pay and conditions across an entire sector, give working people a fair return of the value they create in businesses, and stop bad employers undercutting people's wages. BERL's work shows this is a political decision not an economic one. This Government has a choice between the current employment system that has created disparities and inequality, or one that grows the economy and provides the benefits of that growth more fairly to all New Zealanders.

3. Format of Submission

- 3.1. The Ministry of Business, Innovation and Employment (MBIE) has opted to present the public consultation document in the form of ninety-eight questions. The CTU has adopted the MBIE prescribed consultation submission form and attaches it to this submission.
- 3.2. As mentioned, as the bulk of the research and options analysis has already been undertaken by the FPAWG and outlined in its report and recommendations, primarily the CTU endorses the position of the FPAWG in almost all aspects and adopts the FPAWG report and recommendations. The only significant difference between the CTU's position and the Working Group report is the CTU's long held view that regional variations to FPAS are undesirable.
- 3.3. The CTU considers that the public consultation document should have been consistent with the report and recommendations of the expert tripartite FPAWG. Where the public consultation document seeks to re-traverse established ground and departs – significantly in some respects - from the recommendations, the CTU provides comment on those untested policy suggestions.

4. Conclusion

- 4.1. Significant work on establishing the Fair Pay Agreement policy has been undertaken by the expert tripartite FPAWG which released its report and recommendations in December 2018. Primarily the CTU endorses the position reached by the FPAWG and adopts its recommendations. There is insufficient research or analysis conducted to support the policy suggestions which depart – significantly in some respects - from the work of the FPAWG and such options should not proceed to Bill stage of development.