

PSA Briefing to the Government



October 2005

PARTNERSHIP FOR QUALITY

Contents

Page	
3	Introduction
4	Strategic Priorities
5	Three Areas of Work
5	1 Recognition of the Role of the PSA and Unions as Social Partners
	1.1 Partnership Resource Centre
	1.2 Tripartism
	1.3 Employment Relations Act
8	2 Building Quality Public Services
	2.1 Productivity
	2.2 State Sector Reform / Legislation
	2.3 Capability Development and Remuneration Pressures
	2.4 Workplace Culture
12	3 Investing in People
	3.1 Bargaining
	3.2 Pay and Employment Equity
	3.3 Retirement Savings
	3.4 Future State Sector
	3.5 Delegate Development
17	Appendix

Introduction

The Public Service Association Te Pūkenga Here Tikanga Mahi (PSA) is New Zealand's largest state sector union. We have a growing membership – more than 51,000 members working in government departments and in other state and community organisations, in the health sector, and in local government.

Through our Partnership for Quality strategy, the PSA organises to influence the social, political, economic and industrial environment experienced by our members. We recognise our common interest with the government and with employers in building highly successful public services for a modern economy.

We have worked constructively with the government in the last six years to help repair some of the damage wrought in the 1990s and to create a working environment that genuinely recognises and values workers. We are justifiably proud of our achievements and commend the Labour-led governments for the policy programme they have pursued since 1999.

The PSA has been instrumental in developing and advancing policy initiatives in a number of areas:

- the 2002 Review of the Centre (government's review of its management system)
- the establishment of the State Sector Retirement Savings Scheme
- the focus on capability and capacity building in the state sector
- the development of a five year plan of action to close the gender pay gap, and
- the establishment of the Partnership Resource Centre.

While each of these initiatives has direct implications for PSA members, each in fact goes wider and contributes to the government's agenda for change and to improving the lives of all working people.

In the lead-up to the general election PSA members campaigned on the key issues that are critical to us as workers and to the quality of the services we provide. The three key areas of work we now seek to advance are drawn from our election agenda, Valuing Public Services, and form the basis of this briefing:

1. Recognition of the role of the PSA and unions as social partners
2. Building quality public services, and
3. Investing in people.

The PSA has a strong commitment to creating an effective public service which is good to work in. We look forward to working with the government to achieve this outcome.

Strategic Priorities

The PSA is beginning dialogue on a strategic development programme for the next ten years, for consideration and adoption by the PSA Congress in October 2006. We will be building and developing our Partnership for Quality strategy for the future through:

- ◆ Developing the structures and approaches to partnership in the workplace, in enterprises and across the public sector, health and local government sectors
- ◆ Developing a PSA agenda around work, workplaces and organisations.

We will be working over the next year with Demos, a UK-based think-tank, to develop a vision for the public sector of the future and the role of the PSA within it. This will involve a focus on a number of issues, such as:

- ◆ a third Partnership for Quality agreement
- ◆ productivity in the public sector
- ◆ reform of the state sector, and
- ◆ 'decent work and decent workplaces'.

Some of our initial thinking on these matters is set out later on in this paper.

Key issues

The PSA seeks a continuation of the genuine and effective relationship we have with the government, including regular and open dialogue on government and union initiatives.

We would like to engage fully with the government as we develop our strategies in consultation with our membership.

Three areas of work

1. Recognition of the role of the PSA and unions as social partners

The PSA has advocated, both through the CTU and in the Partnership for Quality agreement with the government, its commitment to a social partnership model where union and employers have defined and active roles in national economic and social development.

We were pleased to see the Labour Party affirm in its 2005 State Sector policy its commitment to working in partnership with the PSA. We would note, however, that there has been uneven progress in implementing the current agreement, *Broadening and Deepening Partnership for Quality*, signed in 2003. In some organisations progressive management approaches have seen the partnership approach widely adopted leading to demonstrable benefits¹, but this is not the case in other public service organisations.

We believe it is now necessary for the government to take further steps to embed Partnership for Quality as its preferred model for engaging with unions. This will require political leadership and transparent ways to measure progress. We believe the government needs to recognise the strong link between building a strong outcomes focus for the public sector and including unions in the resolution of issues.

Key Issue

We seek a commitment from government to emphasise to state sector employers its expectation that they actively support Partnership for Quality within their organisations.

1.1 Partnership Resource Centre

We commend the government for its establishment of the Partnership Resource Centre as a semi-autonomous unit attached to the Department of Labour in 2004. We recognise that the establishment of the Centre was a significant step in developing a social partnership approach. We look forward to the continued work of the Centre in supporting constructive union/employer engagement in workplaces in both the private and public sectors.

Key Issue

The PSA would like to see increased government support for the Partnership

¹ See for example SSC (2005) Partnership for Quality: Stocktake of Projects Reported in Departments.

Resource Centre and commitment to its utilisation to showcase the application of the partnership approach within the wider New Zealand economy.

1.2 Tripartism

1.2.1 Public Service Tripartite Forum

The Public Service Tripartite Forum – regular meetings between the government, the PSA, and public service employers - enables those parties to work together to discuss and advance common interests and issues concerning the delivery of quality public services.

The Tripartite Forum is an advisory body and an opportunity for testing ideas on a “without prejudice” basis and for making the connections between various initiatives that impact (or have the potential to impact) on the public service working environment and people capability. We acknowledge the increased contribution being made to the Forum by the State Services Commission and we believe its utility could be further enhanced by the development of a collective chief executive approach to the Forum.

Key Issues

The PSA would like to see increased institutional support given to the Tripartite Forum, so that it can play a more proactive role in exploring and driving the issues of concern to the parties.

The extension to the State Services Commissioner’s mandate in relation to the wider state sector presents an opportunity for the Forum to assume a broader mandate, and this should be explored by the parties.

Issues considered by the Public Sector Tripartite Forum

Work productivity	Achieving a high-performing public service
Remuneration pressures	Pay and employment equity
Bargaining	Future of work
Partnership for Quality	State Sector Retirement Savings Scheme
Capability development	Review of the Centre
Human Resources Framework	Multi-union workplaces

1.2.2 Health and University Tripartite Forums

The PSA also engages (alongside other unions) in tripartite forums in the health and university sectors. While these are not as fully developed as the Public Service Tripartite Forum, we believe that there is significant potential for them to make a greater contribution to identifying and advancing common interests. We also believe that the potential for engagement in the local government sector should be explored, bringing the PSA, the Minister of Local Government, Local Government New Zealand and the Society of Local Government Managers together. There is potential for a science forum, drawing on PSA expertise as the union for scientists in the state sector.

Key Issue

We would like to see government leadership to support the further development of tripartite structures in the health and university sectors, and to consider instituting engagement structures for local government and science.

1.3 Employment Relations Act (ERA)

The PSA supported the Government's amendments to the Employment Relations Act in 2004, in particular its promotion of collective bargaining, but we believe further change may be necessary to fully realise the object of the Act.

Since the passage of the Employment Relations Act in 2000, there has been little change in the coverage of collective bargaining in the public service. Instead there has been at best a passive response by departments to embrace the ERA and collective bargaining. Currently, 46% of public servants are on individual employment agreements.

The PSA supports a mix of enterprise and multi-employer collective agreements (MECAs) where it is appropriate for an industry or sector.

Key Issues

We seek the government's commitment to work with the PSA in identifying options for improving the coverage of collective employment agreements.

We seek a commitment to evaluate employment relations practices and emerging case law to determine if further amendment to the Act is required in order to realise the objectives of the legislation.

Government leadership is needed to encourage union/employer dialogue about the possibilities for multi-employer bargaining.

2. Building quality public services

The PSA is clear that there is still a substantial way to go in restoring the capacity of the public service and pressures are evident. There are examples of under-funding of departments, and there are significant wage pressures that we will address in more detail in the section on bargaining.

Designing and delivering quality public services relies on a common understanding and commitment to the broad notion of 'public service'. It necessarily focuses on the quality of engagement and relationships between Ministers and departments, across and within departments, between management and employees and unions, and on the quality and responsiveness of policy advice, support and information across the spectrum from Ministers to citizens.

2.1 Productivity

Productivity has emerged as a key issue to be tackled in an economy faced with the significant challenges of skills shortages and a tight labour market. The Department of Labour has been tasked with leading the response to this issue. Its focus has now been extended to include aspects of productivity in the public sector and the PSA has met with the Department of Labour and SSC to work out how to develop the thinking and progress project work. There is a need to progress this work with some urgency, especially in light of the planned review of government expenditure.

Careful attention needs to be paid to defining what productivity means in a public sector context. It is not a simple input/output equation, and requires a sophisticated analysis.

The PSA is clear that any discussion of public sector productivity should be within a context of focusing on the quality of public services. It does not mean job losses, cost cutting or reducing the quality of services.

There are clear connections between the workplace productivity agenda and other areas of work, such as a work programme for Partnership for Quality, the SSC development goals, capability planning, and the relationship with innovation.

Key Issues

The PSA would like to work with the government to determine the meaning and application of productivity as it relates to the public sector:

- ◆ How to motivate and engage public servants by drawing on their inherent aspirations, for example their commitment to the public service ethos.

- ◆ How to incorporate notions of public value into the productivity debate through finding out what citizens value (which is likely to include issues such as trust, fairness and quality, just as much as 'value for money').

2.2 State Sector Reform / Legislation

A core objective must be to further strengthen the state sector so that it can continue its role in building a modern economy and contributing to the well being of society and communities, through delivering better integrated and more responsive services centrally and at the local level.

The State Sector Act has been in force since 1988. While it has encouraged greater clarity about outputs, it supports and reinforces a culture of individualism and separatism. The government has signalled, however, that it is seeking a cohesive and collaborative public service to deliver the outcomes it is seeking.

It can be argued that the State Sector Act, through its support for the operational autonomy of chief executives, is sufficiently flexible to allow for the style of adaptive public management necessary to deliver integrated and responsive services. But this flexibility also allows chief executives to operate separately if that is their preference, and therefore a way of embedding the principles underpinning a connected public service into legislation needs to be found.

Key Issues

A review of the State Sector Act should be undertaken, with the aim of amending it so that it explicitly requires of the state sector an outcomes focus, collaboration, co-ordination and whole of government consideration.

We look forward to continued tripartite engagement on the future of the state sector.

2.3 Capability Development and Remuneration Pressures

The SSC, PSA and Treasury worked together successfully to create the 'System for Identifying Remuneration Pressures and Priorities Across the Public Service' as part of the HR Framework. The System is a two phased process:

- ◆ a structured information gathering and analysis process involving departments, unions, and Ministers aimed at identifying economy-wide and generic public service-wide remuneration pressures
- ◆ prioritising these pressures, and department specific pressures, against competing

priorities through the wider Managing for Outcomes and budget processes.

The first phase of this year's process has been completed involving the SSC, Treasury and the PSA.

The System also provides an opportunity for consideration of capability issues across the public service, and the role that remuneration plays in that. It recognises that capability pressures may manifest themselves as remuneration pressures. Indeed, the SSC's Human Resources Capability Survey has confirmed that remuneration was the most common factor departments expected would have a significant impact on their future capability.

The ability to consider the needs of the public service as a whole, in addition to departmental needs, is the major strength of the System. Without such a whole-of-government approach, an individual department's approach to remuneration could undermine public service wide capability. There is no advantage to the government if one department corners the market in, for example, policy analysts with statistics expertise.

The PSA sees the Remuneration Pressures System as an entry into the wider budget setting process, given the links between remuneration and capability. We continue, however, to experience significant difficulties in bringing together our involvement in the initial advice to Ministers and engagement with departments over their remuneration and capability development budget bids.

A gap occurs in the budget process between our involvement in the preparation of overview advice to Ministers on remuneration and capability pressures, and how departments prepare their budget bids, as the PSA is invariably excluded from this process on the grounds of budget secrecy. This also leads to difficulties and risks in situations where we engage with departments on agreed projects such as remuneration working parties, which are intended to lead to budget bids and collective bargaining outcomes, but are then excluded from the process of bidding to fund the result of such bargaining. This often results in bargaining being far more difficult than it might otherwise be.

While we fully understand both Budget secrecy matters and that Ministers make final spending priority decisions, we are concerned that, despite having engaged in the first phase of identifying generic capability and remuneration pressures, and contributing to the advice to Ministers on this, there is no equivalent opportunity to provide advice to Ministers in the later stages of the budget process.

We believe the process should enable us to contribute to advice to Ministers about the size of the envelope required by departments to address identified capability gaps and remuneration pressures.

Key Issue

We seek a commitment that in this year's and subsequent budget process Treasury and SSC work with the PSA to maintain oversight and co-ordination

of capability bids. This would enable the provision of advice to Ministers on the shape and implications of the whole package of bids for the development of the public service as a whole.

We also wish to discuss the place of public sector-wide bargaining and the role of MECAs to support this.

2.4 Workplace Culture

2.4.1 Work / Life Balance

The demand and need for work/life balance and in the wider state sector is well documented.² The PSA was a member of the working party that developed the publication *Work/Life Balance: A Resource for the State Sector*. This work was an HR Framework project which was part of the work programme as a result of the Review of the Centre. Some state sector employers are to receive funding from the Department of Labour for consultants to assist them to develop work/life balance policies.

Key Issues

The PSA looks forward to working with employers on the development of comprehensive work/life balance policies in the public sector as recommended in the *Work/Life Balance* resource.

The PSA expects that the process undertaken by the pilot projects will be consistent with the guidelines promulgated in the *Work/Life Balance* resource.

2.4.2 Decent Work, Decent Workplaces

Another project within PSA's strategic development programme is the Decent Work, Decent Workplace project. We plan to develop our thinking on what we mean by "decent work", i.e. quality jobs, the relationship between decent work and quality services, the relationship with healthy work and work design. We plan to identify the key elements of "decent workplaces" including the role of the union in this. We will also be considering what kind of management culture and practices contribute to a decent workplace and the role of unions in quality management.

Key Issue

The PSA seeks tripartite engagement on these issues.

² For example DoL, *Achieving Balanced Lives and Employment: What New Zealanders are saying about work-life balance* (July 2004) and the annual *SSC Career Progression and Development Survey*.

3 Investing in people

3.1 Bargaining

The PSA launched a clear and deliberate public sector bargaining strategy in February 2005, and, since then, we have developed a strategy for bargaining in local government and continued with a co-ordinated bargaining approach in the health sector. These strategies take a 'whole of union' approach. They reflect the PSA's desire, amongst other things, to improve the terms and conditions of employment for all members, and do not discriminate department by department.

Features of these strategies include:

- ◆ An acknowledgement that as public services move toward greater integration and cohesiveness, a greater level of commonality of employment conditions is required to support this
- ◆ Seeking enhanced opportunities for the direct collective participation of members, through the PSA, in decision-making
- ◆ Seeking improvements in pay, career development, health and safety, leave and coverage.

The PSA has made a determined effort to consistently apply our strategy in public sector bargaining. While progress has been made, there appears to be a significant gap in expectations between many employers and the PSA about what constitutes reasonable terms of settlement. After around eight months of implementation of our bargaining strategy, tensions have arisen at the bargaining table, leading to conflict and industrial action in several instances.

Perhaps more so than any other issue, the negotiations regarding pay and pay setting have caused the greatest debate.

Under the Employment Contracts Act and the 'cost neutral' bargaining parameters of the 1990's some public sector employers managed to get the issue of pay off the bargaining table and out of many collective agreements altogether. We are seeking to negotiate all elements of remuneration - adjustments to pay and also the pay systems and methods of pay setting and progression. We assert that bargaining over pay is a basic right for workers.

Other issues on which there are difficulties include:

Employers and unions hold quite different views about what a reasonable pay adjustment is in 2005/2006 and beyond. In our view, the low level of wage movement across the economy at a time of high economic growth fuelled the recent demand for tax cuts. The question of pay levels is exacerbated in the public service where often increases have not kept up with wage movements in other parts of the state sector or the private sector over the past decade.

Attitudes towards individual performance-based pay systems. We are determined to reduce the reliance on performance based pay in public service remuneration systems. This is consistent with a finding of the Pay and Employment Equity Taskforce that the emphasis on individual performance-based pay contributes to the gender pay gap.

In our view the advice from the SSC to employers over the introduction of the new bargaining parameters has taken a narrow view of the degree of change in approach sought by the government.

“Freeloading” - where the results of a union negotiation for a collective agreement are simply passed on by the employer to non-union members - is a significant inhibitor to the growth of collective bargaining and union membership in public services (including local government). To grow collective bargaining we need to eliminate the incentives that encourage freeloading.

Health

The PSA is pleased to have moved to regional multi-employer collective agreements (MECAs), which we aim to finalise and follow up with the establishment of national MECAs for our members in the district health board sector.

Key Issues

A commitment to undertake a significant review of bargaining parameters to set out expectations that:

- ◆ pay and pay systems are negotiated between employers and unions; the levels of pay in the public service will be addressed;
- ◆ state sector employers support the government's aim of reducing the gender pay gap by reducing the reliance on individual performance-based pay systems;
- ◆ state sector employers support the object of the Employment Relations Act by increasing the coverage of collective bargaining.

A commitment to work with the PSA to develop and implement a common framework of employment conditions and practice across the state sector, including consideration of the place of MECAs in the overall bargaining framework.

3.2 Pay and Employment Equity

The PSA has been actively involved in the development of the government's five year plan of action for pay and employment equity and we appreciate the positive support for union involvement in this process.

The government decided against legislation to ensure the delivery of pay and employment equity. Instead, the mechanism favoured was a commitment to increase the accountability of employers. The PSA remains unconvinced that a light hand is sufficient. Already work on Phase II and Phase III is behind schedule. None of the public service departments in the first tranche of the roll out for pay and employment equity audits³ has begun the audit itself. Planning has, however, begun in some departments.

The current position of the Ministerial Reference Group, that any additional funding required to address pay and employment equity disparities should be part of the regular cycle of budget bids, will delay and possibly deny the achievement of equity.

The PSA believes that there is a need to develop policy beyond the five-year plan of action. The current government bargaining parameters refer to pay and employment equity. A commitment to pay and employment equity should be included in all government policy work in addition to the mechanisms developed by the Department of Labour pay and employment equity unit.

Key Issues

Greater accountability is needed to ensure time frames are met

Additional funding to meet pay and employment targets, as and when they arise, needs to be made available

Continued expectations on employers, from government, that pay and employment equity is standard employment policy

Reference to pay and employment equity in such documents as capability bids, remuneration reviews and productivity discussions.

Pay and employment equity audits planned for 2005-06:

Child, Youth and Family Service	Department of Labour
Department of Prime Minister and Cabinet	Education Review Office
Ministry of Education	Ministry of Foreign Affairs and Trade
Ministry of Health	Ministry of Pacific Island Affairs
Ministry of Women's Affairs	National Library
State Services Commission	The Treasury

³ The pay and employment audits have been renamed reviews. The PSA preference is to call them audits because this signals a greater level of accountability for the outcomes.

3.3 Retirement Savings

The State Sector Retirement Savings Scheme (SSRSS) was launched on 1 July 2004 with a centrally funded employer matching contribution of 1.5% of base salary. On 1 July 2005 that rate of contribution increased to a maximum of 3% of base salary.

The scheme is available to employers in the wider state sector, but the centrally funded employer contribution is currently only available to employers in the 35 public service departments, the 6 non-public service departments, to schools and to kindergartens, for their teachers only. Some 8 small agencies outside this catchment have joined the scheme and funded their contribution out of baselines.

Uptake among eligible employees has been good and the scheme has developed as something of a market leader, establishing a benchmark for workplace retirement savings schemes. Many workers within the public service now have access to a workplace retirement savings scheme for the first time since the Government Superannuation Fund was closed off in 1992. For these reasons it can safely be described as a success.

Workers outside the current catchment, however, have a sense of grievance that they are excluded from the scheme. A lack of retirement savings is as big an issue for workers in areas such as health, the Crown Research Institutes, other crown entities and state owned enterprises. Many of these work closely with colleagues from "home" departments who do have access to the scheme, and the difference is felt strongly. There are now high expectations that they will also have access to the scheme, and this is a priority issue for the PSA.

The original working party that established the SSRSS signalled an aspiration to increase the level of savings beyond the 6% (3% from employer and 3% from employee), possibly to a total of 12% of base salary. This is obviously important for those in the scheme but also important given the leadership role of the SSRSS.

The announcement about Kiwisaver in the 2005 budget is welcome for our members working in sectors where the SSRSS is unlikely to extend, but it also raises issues as to how the two schemes will interact. Kiwisaver is both an issue in its own right, and one that has major implications for the SSRSS.

Key Issues

Establish the working party on broadening the application of the centrally funded employers' contribution beyond the current catchment as a matter of priority.

Implement the report of the working party on increasing the employer contribution beyond 3%. If there are concerns about its recommendations then the PSA (and other affected unions) need the opportunity to engage with



the government about how to progress this matter.

Engage with the PSA about the implications of Kiwisaver.

3.4 Future State Sector

At the PSA conference Working the Future, held in 2003 and addressed by Trevor Mallard and Margaret Wilson, an event to broaden out the discussion to include other departments and unions was mooted. It was proposed, in discussion with Trevor Mallard and a number of public service chief executives, that this be advanced through the Public Service Tripartite Forum.

As a result, the Department of Labour in conjunction with the PSA and the State Services Commission has organised a series of seminars on work, workers and workplaces of the future designed to culminate in a symposium to be held in February 2006. At the time of writing two of the three seminars have been held and planning for the third seminar and symposium are under way. A planned outcome of the symposium is the development of networks and shared opportunities to work together on futures strategies.

The PSA's strategic development programme, including our work with Demos, will contribute to this. We will also be developing our views on state sector reform.

3.5 Delegate Development

The role of the union delegate in the workplace, as part of the interface between the employer, the union members, and the union, is a key one. The PSA has made a major investment in capacity building through training and supporting delegates, and recognises that a robust delegate structure is a vital part of our success. For this, we seek a shared commitment from management to the delegate as a workplace leader. This has worked well in a number of workplaces where joint programmes to support the delegate role have been developed.



Key Issue

We would like to discuss how government would support improved union/ employer engagement to sustain productive partnership approaches.

Delegate Development

The PSA runs five NZQA-accredited courses for delegates, which have been approved for employment-related education leave.

Course	Participants in 2004	Participants in 2005 (to Sept)
Orientation	472	501
Democracy and Planning	427	224
Problem Solving	301	164
Building Participation	194	79
Employment Relations Act	142	95

These courses form part of the PSA/Public Sector Training Organisation National Certificate in Public Sector Employment Relations – Partnership for Quality.

Appendix

1. Partnership for Quality
2. PSA bargaining strategy
3. PSA membership



PARTNERSHIP FOR QUALITY