



COVERSHEET

Minister	Hon Michael Wood	Portfolio	Workplace Relations and Safety
Title of Cabinet paper	Fair Pay Agreements System: Peak Body Funding Timing and Scope.	Date to be published	20 October 2021

List of documents that have been proactively released		
Date	Title	Author
11 August 2021	Fair Pay Agreements System: Peak Body Funding Timing and Scope.	<i>Office of the Minister for Workplace Relations and Safety</i>
11 August 2021	Fair Pay Agreements System: Peak Body Funding Timing and Scope.	<i>Cabinet Office</i>

Information redacted

NO

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In Confidence

Office of the Minister for Workplace Relations and Safety
Cabinet Economic Development Committee

Fair Pay Agreements system: peak body funding timing and scope

Proposal

- 1 This paper seeks agreement to:
 - 1.1 Make the Government's first \$250,000 per annum funding contribution available to the peak bodies New Zealand Council of Trade Unions (NZCTU) and BusinessNZ in 2021/22, ahead of the Fair Pay Agreements (FPA) system coming into force;
 - 1.2 Allow the NZCTU and BusinessNZ to apply their funding to also support occupation-level bargaining under the Screen Industry Workers Bill, if they so choose.

Relation to government priorities

- 2 This is a routine operational adjustment that requires Cabinet approval.

Background

- 3 On 12 April 2021, as part of Cabinet Budget 2021 decisions, Cabinet approved a tagged operating contingency of \$35.801 million and a tagged capital contingency of \$1.335 million in Vote Labour Market to provide for the implementation of the Fair Pay Agreement (FPA) and screen industry bargaining systems [CAB-21-MIN-0116.18 refers].
- 4 Cabinet also authorised the Minister of Finance and the Minister for Workplace Relations and Safety to jointly approve draw-downs from the contingencies, subject to Cabinet design decisions.
- 5 The relevant design decisions for the FPA system were made on 19 April 2021, recorded in CAB-21-MIN-0126. Paragraph 36 states Cabinet agreed that "peak bodies New Zealand Council of Trade Unions and BusinessNZ be given \$250,000 each per annum, for three years, with funding conditions attached (...), *once the FPA system comes into force*" (italics added).

Analysis

Endorsement of decision to make peak body funding available from 2021/22

- 6 Further FPA policy development has identified that funding peak bodies ahead of the FPA system coming into force would better achieve FPA system objectives by allowing the NZCTU and BusinessNZ to capitalise on the high level of public and

employer interest in the FPA system and begin building capability before FPA legislation is expected to be enacted in mid-2022.

- 7 In line with this further policy development, joint Ministers approved on 28 June 2021 that funding for peak bodies would be made available from 2021/22.
- 8 While bringing forward the funding was in line with rules around proposals with financial implications, this decision failed to take into account the Cabinet-agreed design decision that funding for peak bodies would be provided “once the system comes into force”.
- 9 I therefore seek Cabinet’s endorsement of the decision by joint Ministers on 28 June 2021 to make funding available to NZCTU and BusinessNZ from 2021/22, in order to support the smooth implementation of the FPA system.

Peak body funding may also be used to support occupational-level bargaining under the Screen Industry Workers Bill

- 10 As part of FPA system design decisions, Cabinet noted that the Screen Industry Workers Bill (SIWB) and FPA systems are similar, as both allow for sector-wide bargaining, and a decision to provide some funding to the FPA system would create inconsistency between them [CAB-21-MIN-0126 para 31 refers]. Cabinet agreed that the same bargaining support provided to FPA bargaining sides would be provided to bargaining sides under the SIWB [CAB-21-MIN-0126 para 32 and 33 refer]. The paper was silent on whether the separate funding for peak bodies could also be used for both bargaining systems.
- 11 While the primary purpose of the \$250,000 per year funding contribution to NZCTU and BusinessNZ is to support the FPA system, I consider those entities should also be able to apply these resources to support occupation-level bargaining under the SIWB, if they so choose. This is because both the SIWB and FPA systems allow for sector-wide bargaining, and much of the skills and infrastructure needed for sector-wide bargaining could apply in both systems.

Financial Implications

- 12 None.

Legislative Implications

- 13 None.

Impact Analysis

Regulatory Impact Statement

- 14 The impact analysis requirements do not apply to this paper.

Population Implications

- 15 None.

Human Rights

16 None.

Consultation

17 The Treasury has been consulted on this paper.

Communications

18 The NZCTU and BusinessNZ will be notified of the decisions made by Cabinet on this paper.

Proactive Release

19 The Minister for Workplace Relations and Safety intends to release this Cabinet paper proactively in whole within 30 working days.

Recommendations

The Minister for Workplace Relations and Safety recommends that the Committee:

- 1 note that as part of Budget 2021, Cabinet approved contingency funding to implement a new Fair Pay Agreements (FPA) system in New Zealand, and authorised the Minister of Finance and the Minister for Workplace Relations and Safety (joint Ministers) to approve draw-downs from the contingencies, subject to Cabinet's decisions on FPA design [CAB-21-MIN-0116.18];
- 2 note that on 19 April 2021, Cabinet:
 - 2.1 agreed to the key features of the proposed FPA system;
 - 2.2 agreed that peak bodies New Zealand Council of Trade Unions and BusinessNZ be given \$250,000 each per annum, for three years, with specified funding conditions, once the FPA system comes into force
[CAB-21-MIN-0126];
- 3 note that further policy development has identified that offering funding to peak bodies ahead of the FPA system being enacted and coming into force will better achieve FPA system objectives;
- 4 note that in line with this further policy development, joint Ministers approved on 28 June 2021 that funding for peak bodies would be made available from 2021/22;
- 5 agree to amend paragraph 36 of CAB-21-MIN-0126 (referred to in paragraph 2.2 above) by omitting the words "once the FPA system comes into force";
- 6 endorse the decision made by joint Ministers, as outlined in paragraph 4 above;
- 7 note that on 19 April 2021, Cabinet also:

IN CONFIDENCE

- 7.1 noted that the Screen Industry Workers Bill and Fair Pay Agreement systems are similar, as both allow for sector-wide bargaining, and a decision to provide some funding to the FPA system would create an inconsistency between them;
- 7.2 agreed that a one-off bargaining support of \$50,000 is offered to each bargaining side, on initiation of bargaining for occupational-level collective contracts under the Screen Industry Workers Bill;
- 7.3 agreed that an additional contribution of up to \$25,000 is offered to each bargaining side, on initiation of bargaining for occupational-level collective contracts under the Screen Industry Workers Bill, if less than 20% of those in coverage on their side is a member of a union or industry group (as relevant);

[CAB-21-MIN-0126];

- 8 agree that in addition to its primary purpose of supporting the Fair Pay Agreement system, the \$250,000 per annum contribution to NZCTU and BusinessNZ may also be used for the purposes of supporting occupation-level bargaining under the Screen Industry Workers Bill, if those entities so choose.

Authorised for lodgement

Hon Michael Wood

Minister for Workplace Relations and Safety