

## **PUBLIC FINANCE (PUBLIC SECTOR REMUNERATION) REFORM BILL**

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### **EXPLANATORY NOTE**

IN the public sector the two relevant pieces of legislation that bear on the employment relationship are the State Sector Act 1988 and the Public Finance Act 1989.

In other areas of the public sector other statutes also affect the employment relationship, for example, the Health and Disability Services Act 1993 in the health sector.

The current legislative arrangements have the effect of treating employees of the public sector unfairly when it comes to the negotiation of their terms and conditions of employment.

Consequently, this bill amends various pieces of legislation that affect employment in the public sector.

These amendments are necessary because the fair and reasonable treatment of employees is inextricably part of the effort to develop motivation, enhance skills, and maintain efficient and effective services to the public.

Under the present arrangements employees of the public sector, and their representative organisations, enter into negotiations with their immediate employer. The employer is the particular enterprise or organisation that they work in. This can be a government department, Crown health enterprise, or one of a range of other public sector entities.

However, before the negotiations commence the range of possible outcomes has been determined by the overall budgetary decisions made by the Government. For example, over the past few years wage movements in the public sector have been held to a level below comparable movements in the private sector by the arbitrary application of budget cuts.

As the ultimate employer, the Government must be involved. However, the present system is one in which the negotiation of terms and conditions of employment are tightly constrained by central parameters which are not negotiated, are frequently kept secret, and which are established without reference to standards of fair and reasonable treatment of employees.

This system does not even deliver the Government's stated goals in respect of the public sector. As the overall employer, the Government has demanded improved efficiency and productivity in the provision of public services but there

is no incentive offered to employees other than vague assurances that productivity increases will not go unrewarded. These assurances are given alongside arbitrary reductions in funding allocations and, in the public sector, by a virtual wage freeze.

This bill seeks to ensure a system whereby the Government's budgetary decisions concerning remuneration are negotiated and are made with due consideration to the need to treat employees fairly and to provide staff with incentives to improve the performance of public sector organisations.

#### CLAUSE BY CLAUSE ANALYSIS

*Clause 1* relates to the Short Title and provides for the bill to be brought into force on 1 October 1997.

*Clause 2* imposes an obligation on the Minister of Finance and the Secretary to Treasury to consult with employees or their authorised representatives in the preparation of the Budget to ensure that the principle or objective of being a good employer is taken account of in relation to public sector employees.

*Clause 3* adds to the definition of "good employer", which is found in the specified enactments, an obligation to take into account certain criteria in respect of employee remuneration.

*Clause 4*, to ensure consistency, places the same obligation as in clause 3 on Crown entities not referred to in the specified enactments.

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REMUNERATION) REFORM**

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ANALYSIS

Title  
1. Short Title and commencement

2. Requirement to consult  
3. Specified enactments  
4. Other Crown entities

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A BILL INTITULED

5 **An Act to reform the law relating to public sector employees' remuneration negotiation, and to amend the Public Finance Act 1989 and other specified enactments**

BE IT ENACTED by the Parliament of New Zealand as follows:

10 **1. Short Title and commencement**—(1) This Act may be cited as the Public Finance (Public Sector Remuneration) Reform Act 1997, and is part of the Public Finance Act 1989 (“the principal Act”).

(2) This Act comes into force on **1 October 1997**.

**2. Requirement to consult**—The principal Act is amended by inserting, after section 9B, the following section:

15 “9C. The Minister and the Secretary shall, in the preparation of—

“(a) The Estimates referred to in section 9; and

“(b) The Supplementary Estimates referred to in section 9A,—

20 consult employees or, if the employees so desire, the authorised representatives of those employees, to ensure that the principle or objective of being a good employer is taken account of in relation to—

“(c) Every Crown entity named or described in the Fourth Schedule:

“(d) Every department specified in the First Schedule to the State Sector Act 1988:

“(e) Every State enterprise specified in the First Schedule to the State-Owned Enterprises Act 1986.”

**3. Specified enactments**—(1) The enactments specified in subsection (2) (“the specified enactments”) shall be read as if there were added to them the following words: 5

“The remuneration levels for employees must take into account:

“(i) The need to attract and hold enough employees of sufficient competence to deliver the services required from that employer; and 10

“(ii) The need to maintain a level of remuneration appropriate in relation to economic developments; and 15

“(iii) The contribution made by employees to the efficiency and productivity of operation of the agency conducted by the employer; and”.

(2) The specified enactments are:

(a) The Local Government Act 1974: section 119F (2): 20

(b) The Fire Service Act 1975: section 83A (2):

(c) The Commerce Act 1986: section 18A (2):

(d) The State-Owned Enterprises Act 1986: section 4 (2):

(e) The Environment Act 1986: section 11 (3):

(f) The State Sector Act 1988: section 56 (2) and section 77A (2): 25

(g) The New Zealand Symphony Orchestra Act 1988: section 8 (2):

(h) The Broadcasting Act 1989: First Schedule: clause 5 (2):

(i) The Education Act 1989: section 337 (2): 30

(j) The Reserve Bank of New Zealand Act 1989: section 168:

(k) The Social Welfare (Transitional Provisions) Act 1990: Third Schedule: clause 13 (2):

(l) The Defence Act 1990: section 59 (2):

(m) The Foundation for Research, Science, and Technology Act 1990: First Schedule: clause 11 (2): 35

(n) The Business Development Boards Act 1991: Schedule: clause 13 (2):

(o) The New Zealand Tourism Board Act 1991: First Schedule: clause 13: 40

(p) The Accident Rehabilitation and Compensation Insurance Act 1992: Second Schedule: clause 21 (2):

- (q) The Museum of New Zealand Te Papa Tongarewa Act 1992: First Schedule: clause 4 (2):
- (r) The Crown Research Institutes Act 1992: section 5 (4):
- (s) The Housing Restructuring Act 1992: section 4 (2):
- 5 (t) The Health and Disability Services Act 1993: section 2: definition of “good employer”:
- (u) The Films, Videos, and Publications Classification Act 1993: First Schedule: clause 7 (2):
- (v) The Southland Electricity Act 1993: section 4 (3):
- 10 (w) The Arts Council of New Zealand Toi Aotearoa Act 1994: First Schedule: clause 11 (2):
- (x) The New Zealand Sports Drug Agency Act 1994: Schedule: clause 9 (2):
- (y) The Radio New Zealand Act 1995: section 9 (2):
- 15 (z) The Hazardous Substances and New Organisms Act 1996: First Schedule: clause 34.

**4. Other Crown entities**—In the case of any Crown entity which is named or described in the Fourth Schedule to the principal Act but which is not referred to in any specified enactment within the meaning of section 3 (1), the following principles must be taken into account in relation to the remuneration levels for employees:

- 20 (a) The need to attract and hold enough employees of sufficient competence to deliver the services required from that employer; and
- 25 (b) The need to maintain a level of remuneration appropriate in relation to economic developments; and
- (c) The contribution made by employees to the efficiency and productivity of operation of the entity conducted
- 30 by the employer.