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# Working Life in NZ: The Big Issues Symposium

## Fair Pay Agreements

**Stephen Blumenfeld**  
Director, Centre for Labour, Employment and Work



# Who benefits from productivity growth? – The labour income share in New Zealand

New Zealand Productivity Commission Working Paper 2015/1

February 2015

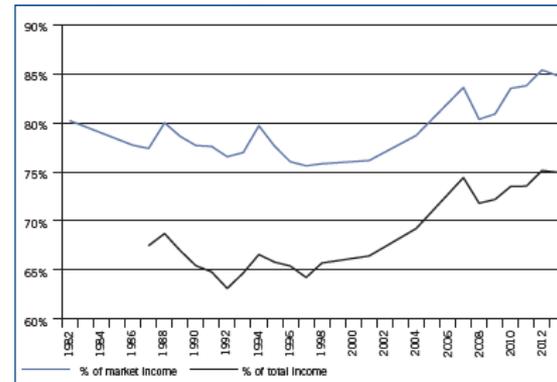
Authors: Paul Conway, Lisa Meehan & Dean Parham

Bill Rosenberg

# Wages and Inequality

Wages and salaries are a vital part of the picture of income inequality in New Zealand because so many people depend on them as their principal or only source of income, although it is important to remember that the greatest extremes of inequality most frequently come from investment income

Figure 1: Wages and salaries as a proportion of household income

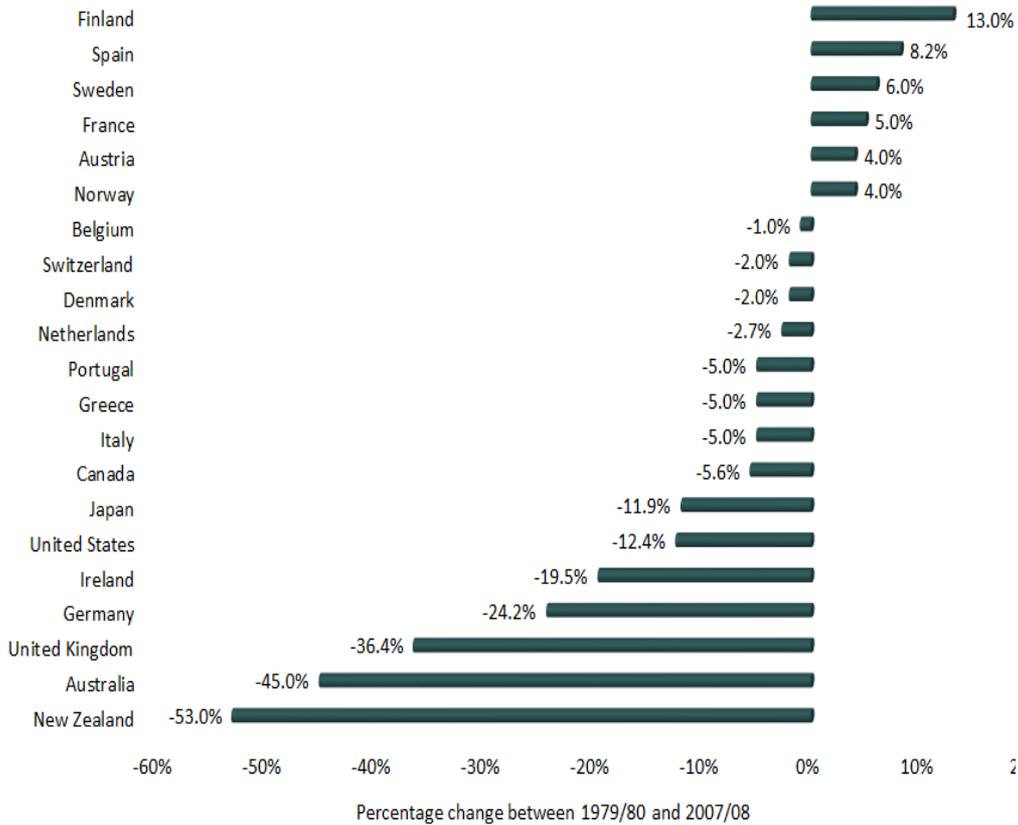


Source: Household Economic Survey, SNZ

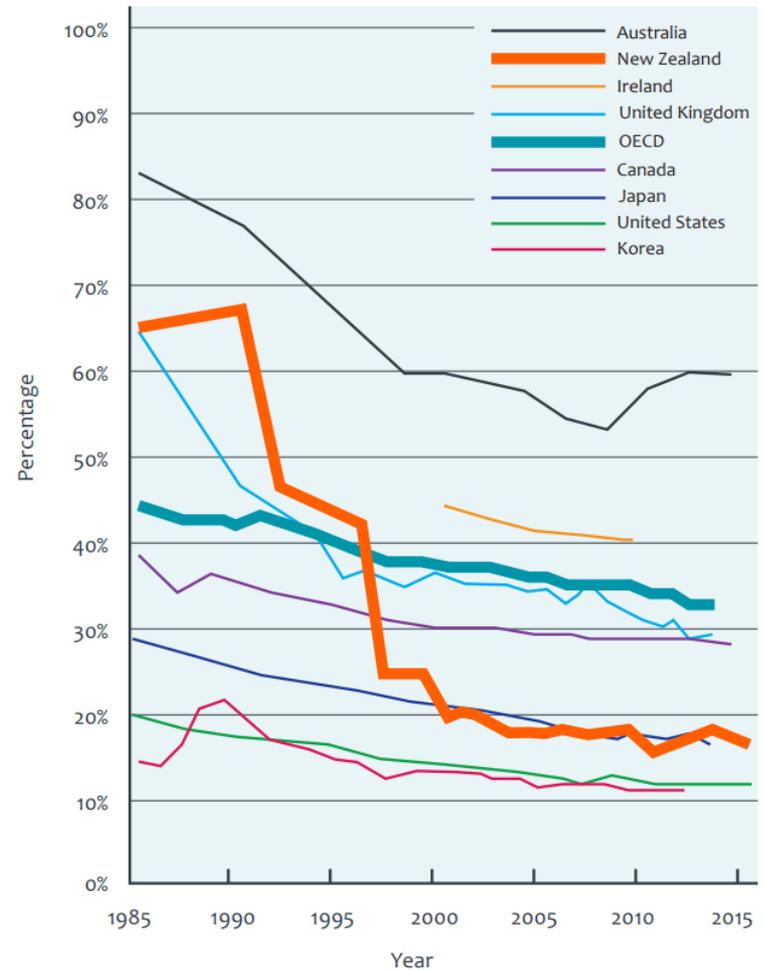
Bill Rosenberg was appointed Economist and Director of Policy at the New Zealand Council of Trade Unions in May 2009. He holds a B.Com in Economics, a BSc in Mathematics and a PhD in Mathematical Psychology.

(for very high incomes) and from social welfare benefits (for poverty). Wages and salaries are market incomes – that is, before taxes, tax credits like Working for Families, and other government assistance. ‘Market’ incomes include income from capital (real estate, investments, financial assets and other unearned income) as well as wages, but here we are looking only at wages and salaries (henceforth ‘wages’). Market income is distributed much more unequally than even New Zealand’s relatively high inequality of disposable incomes, let alone after also taking into account the provision of government services (or ‘final income’: see, for example, Aziz et al., 2012). It is, therefore,

## Collective Bargaining Coverage, selected countries, 1980-2008

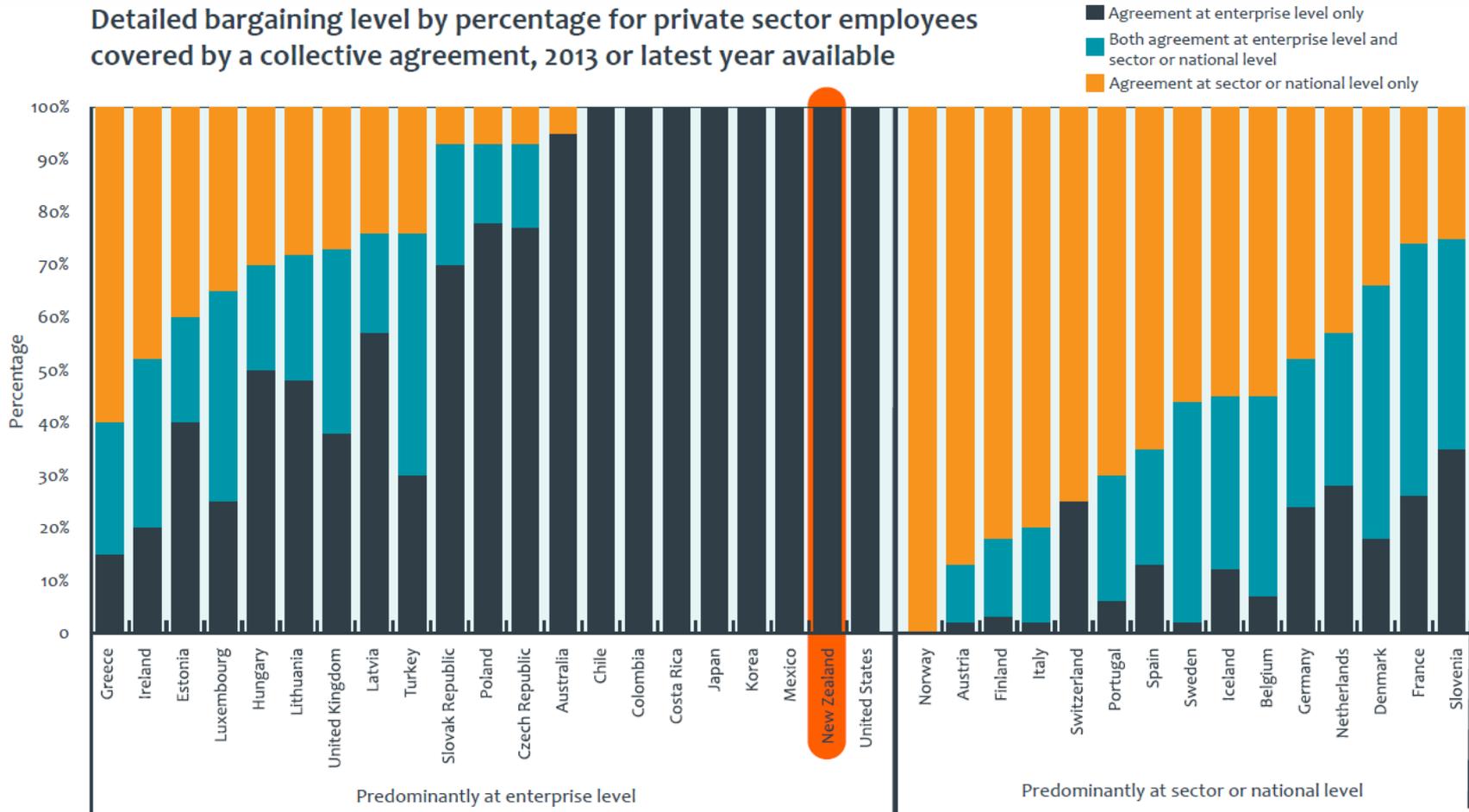


## Collective Bargaining Coverage, selected countries, 1985-2015



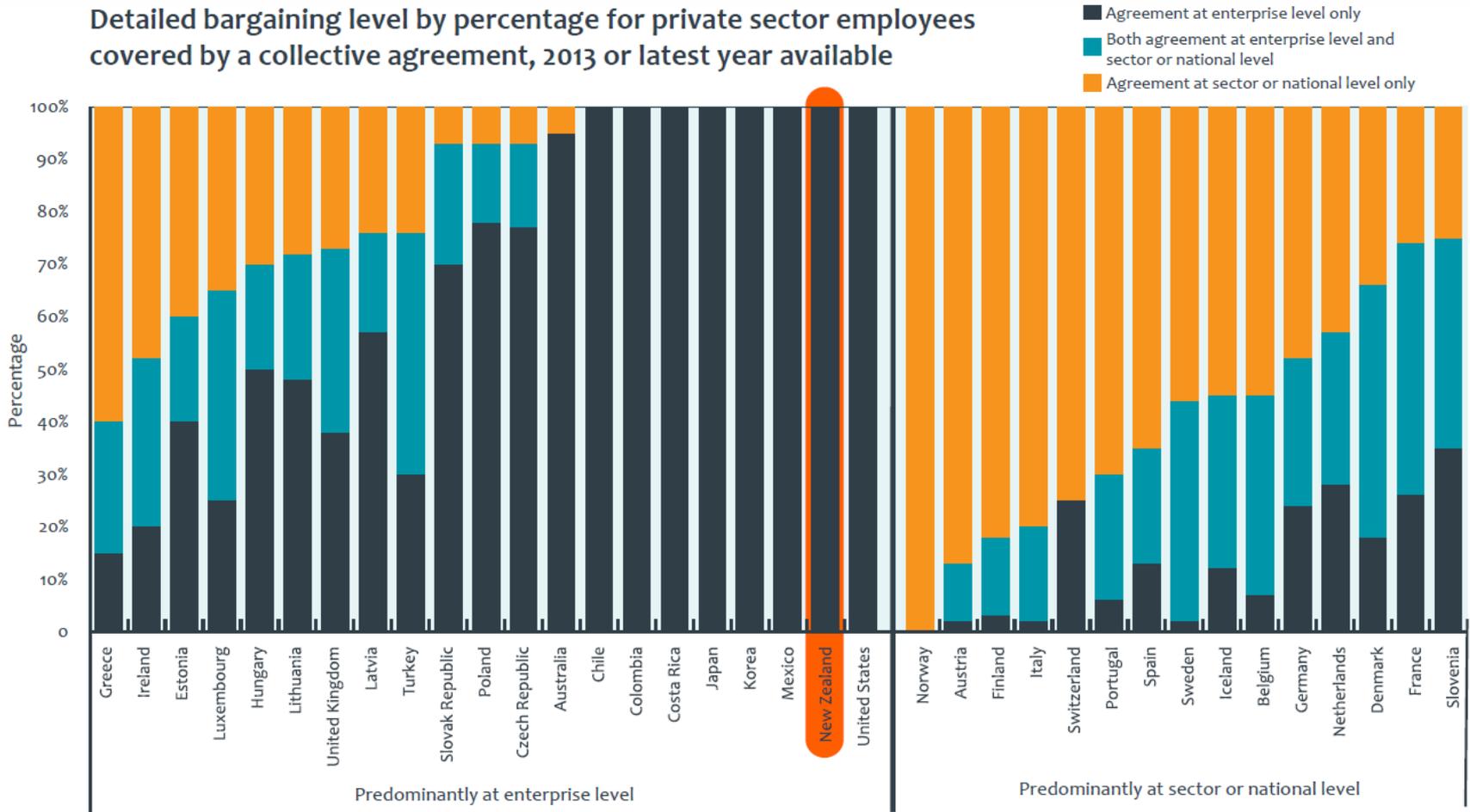


### Detailed bargaining level by percentage for private sector employees covered by a collective agreement, 2013 or latest year available



“New Zealand sits at the far end of the decentralised spectrum. Although our current system permits voluntary sector bargaining, in practice most bargaining takes place at the enterprise level, although there is some bargaining among groups of employers within a sector (through a MECA).”

Detailed bargaining level by percentage for private sector employees covered by a collective agreement, 2013 or latest year available



“According to the OECD, centralised bargaining systems can be expected to have less wage inequality relative to systems with mostly enterprise level agreements. Centralised systems tend to experience smaller wage differences, within firms, across firms, or even across sectors.”

## FAIR PAY AGREEMENTS

Supporting workers and firms  
to drive productivity growth  
and share the benefits



Recommendations from  
the Fair Pay Agreement  
Working Group, 2018

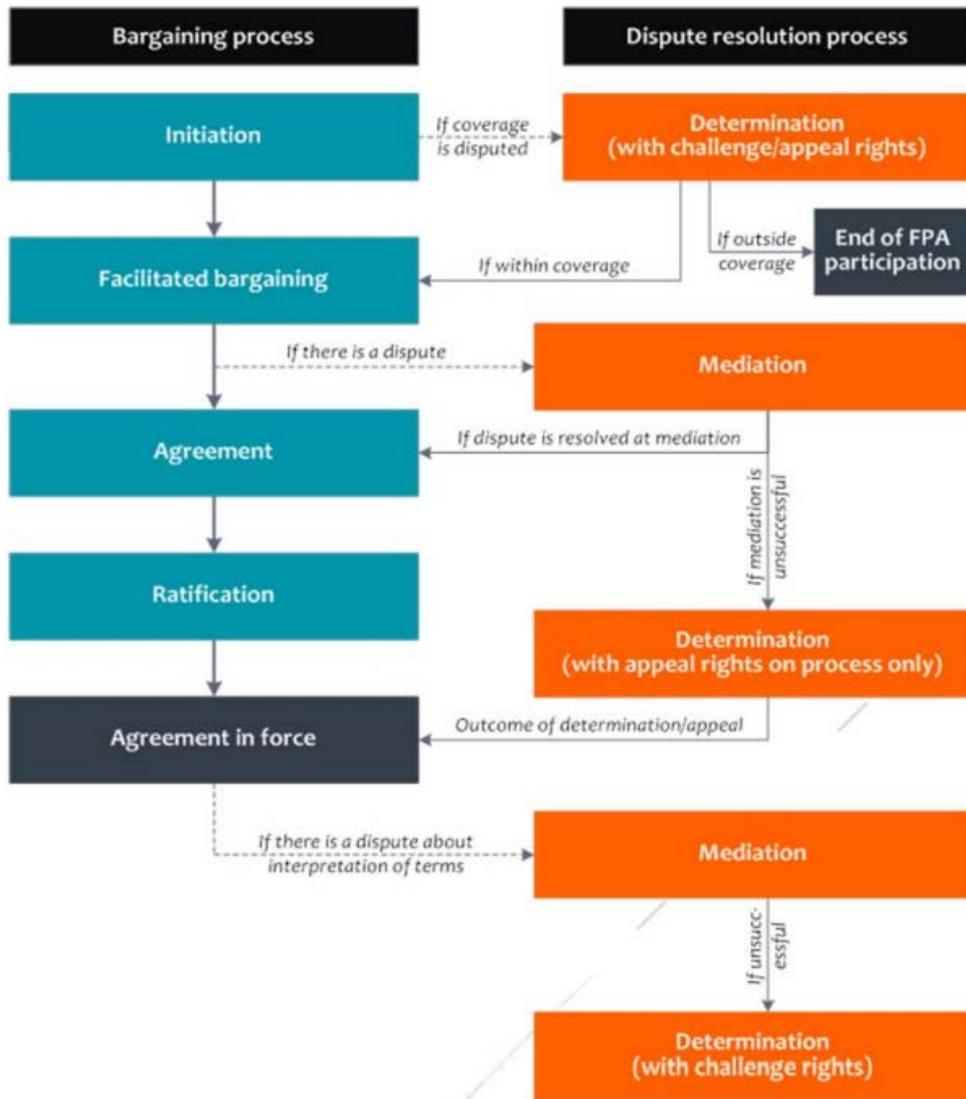
## Designing a Fair Pay Agreements System Discussion Paper

October 2019



New Zealand Government

## FPAWG's Proposed Bargaining & Dispute Resolution Process



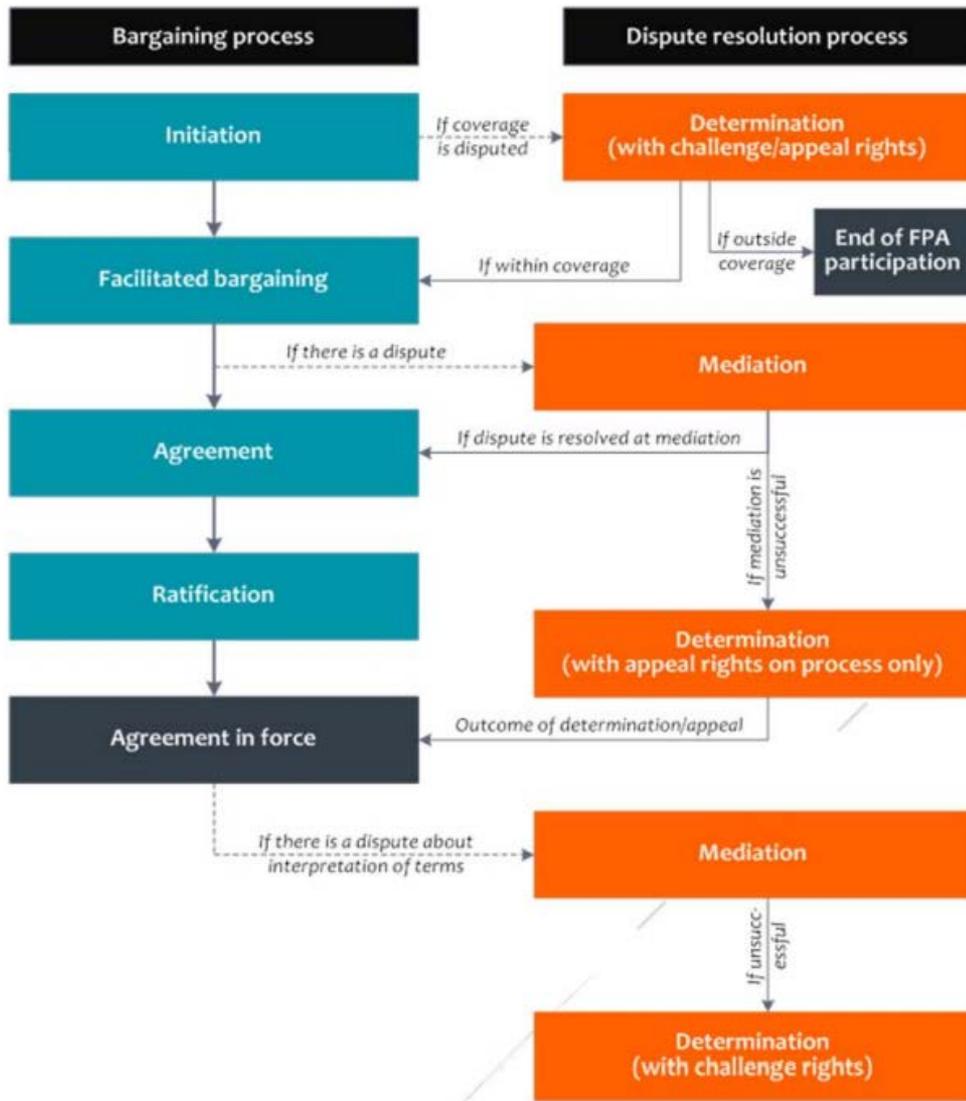
Group of workers defines an occupation or sector to be covered by an FPA.

Need to demonstrate:

- Support of 1,000 workers or 10% of the workers in this defined group, or
- 'Public interest test' – harmful enough conditions in the defined occupation or sector to justify an FPA.

If either test is met, employer and employer bargaining reps chosen through election in the sector or occupation.

## FPAWG's Proposed Bargaining & Dispute Resolution Process



FPA ratified by a majority vote of all affected workers and employers.

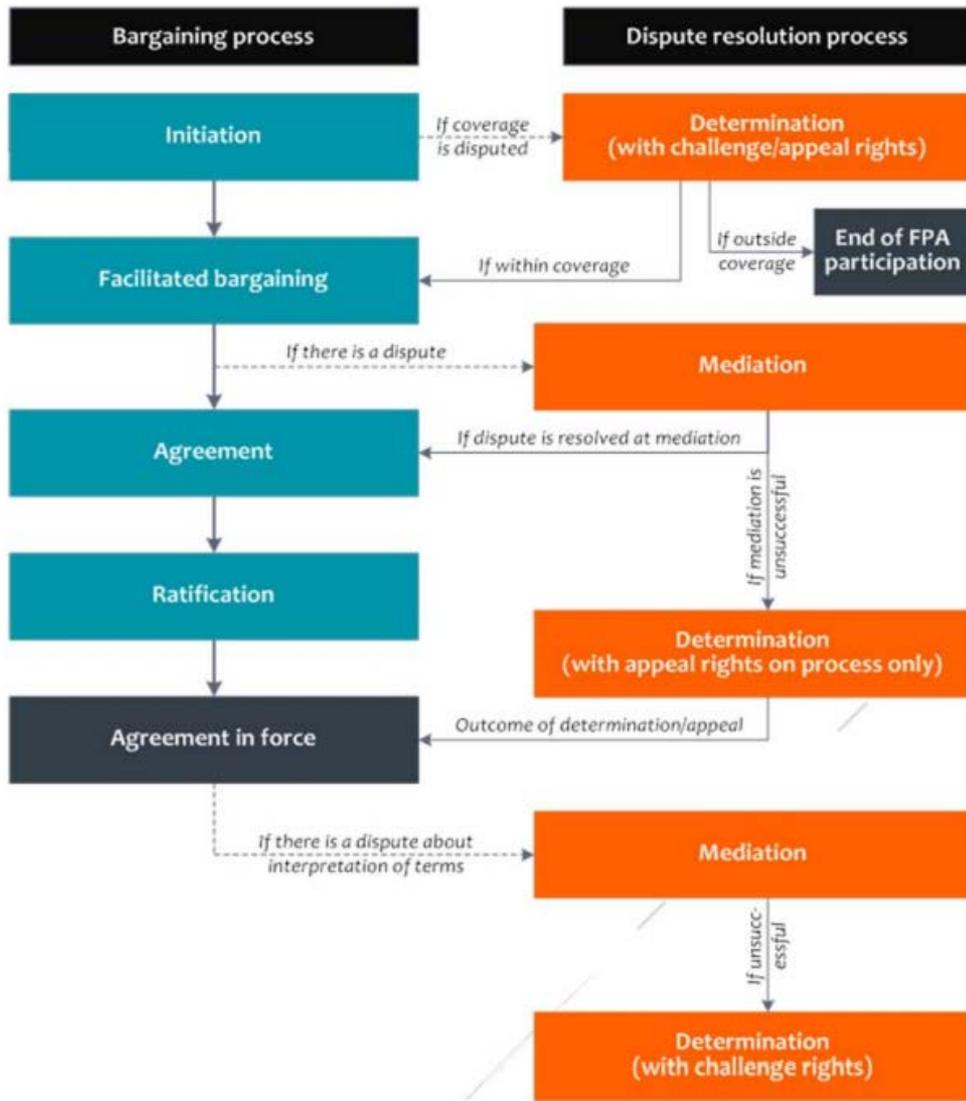
If unable to reach an agreement:

- no strikes
- mediation
- ER Authority or Employment Court

FPA would then apply to all workers - both employees and contractors - in the defined coverage.

WG agreed exemptions should be allowed for special circumstances (e.g., likelihood of business failure), but that exemptions should have a maximum time limit (e.g., <=12 months).

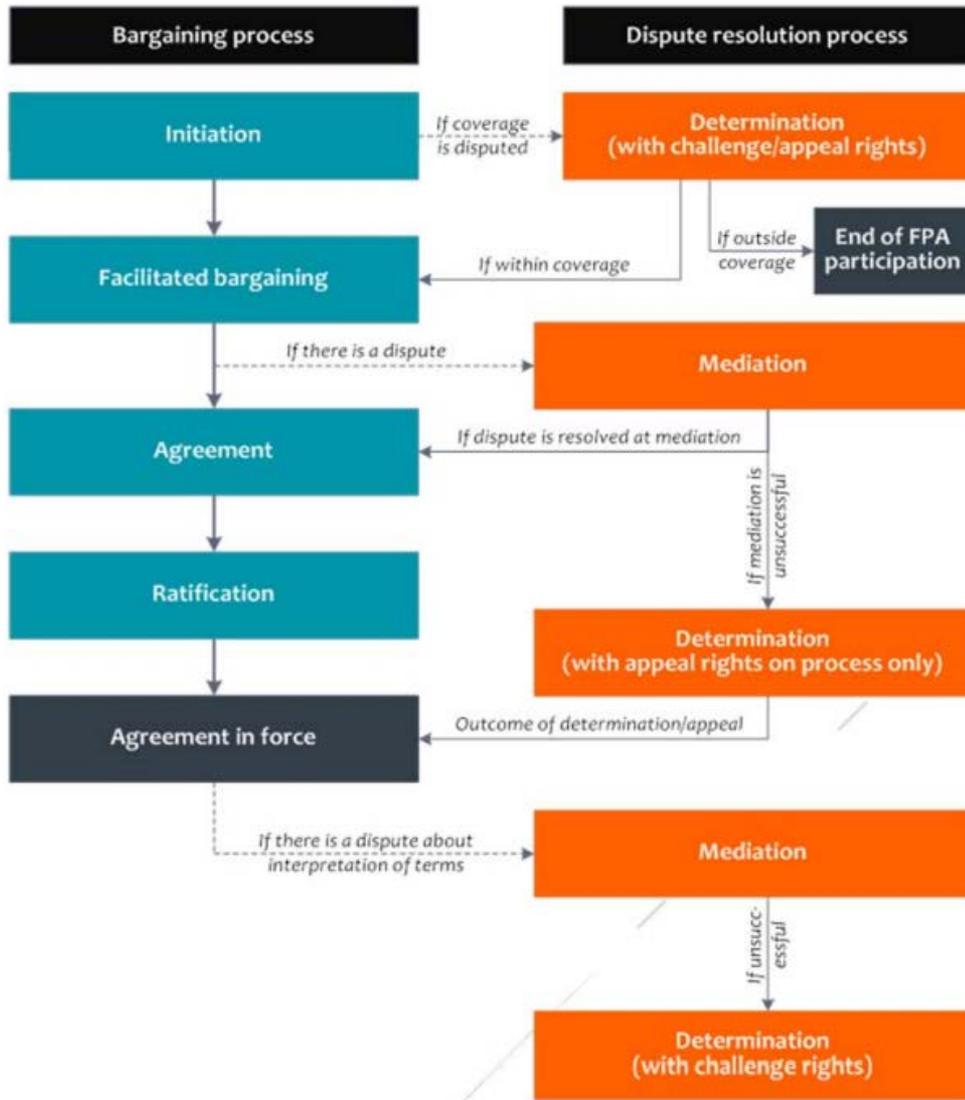
## FPAWG's Proposed Bargaining & Dispute Resolution Process



Majority of WG agreed FPAs should bind all employers by default; employer reps argued that participation should be voluntary.

- Employer representatives concerned that compulsory system would force uniform standard across a large diversity of employers.
- Majority of WG considered that if the system were not compulsory, it could not truly address the 'race to the bottom'.

## FPAWG's Proposed Bargaining & Dispute Resolution Process



New Zealand is bound by ILO Convention No 98 (Right to Organise and Collective Bargaining) to “encourage and promote the full development and utilisation of machinery for voluntary negotiation between employers or employers’ organisations and workers’ organisations, with a view to the regulation of terms and conditions of employment by means of collective agreements.”

“As a group, we recognised there is value in the process of collective bargaining as a participatory mechanism to provide collective voices for both employers and employees. It can encourage participation and engagement by employers and employees in actively setting the terms of their relationship. In contrast to minimum standards set in legislation at the national level, which apply across the entire workforce uniformly and are imposed by a third party (the Government), collective bargaining may enable the parties who know their particular circumstances best to set the terms that work for them.

“We noted shared dialogue between employees and employers across a sector or occupation leads to wider benefits and other forms of collaboration between firms or workers. This is possible when bargaining involves groups of employers or unions with a common interest or shared problem to solve...”

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