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**Taskforce on Pay and Employment Equity
in the
New Zealand Public Service, Public Health
and Public Education sectors**

**Project 11: Identify and Explore the Impact of
Current Pay Fixing and Bargaining Structures and Relevant Pay Systems
in the Public Service on the Gender Pay Gap**

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1 INTRODUCTION

The aim of this report is to provide an overview of the current structure of bargaining arrangements and nature of relevant pay systems as they operate for workers in the public service, and to link this discussion with the gender pay gap and gender pay inequity. The report is Part 1 of a 2-part approach to the task required for project 11. Part 2, due to be completed in January 2004, will add to and expand analysis in this report. Specifically it will look in detail at pay setting mechanisms and use of market rates for the three chosen occupations of office clerk, policy analyst and corporate manager, in five selected departments. Recommendations flowing from this report may be added to or expanded upon by the results drawn from project 2.

The report contained herein does not consider the historical development of bargaining structures in the public service nor how the current system came about. The historical account is the subject of another report. This report contains an analysis of the current bargaining and pay fixing systems in terms of their impacts on women workers. A review of the literature is used to gain an understanding of the way bargaining and pay fixing impacts on women workers and in particular how the gender pay gap may be explained and is affected.

A variety of sources of information have been used in the production of this report. A fairly wide-ranging literature review was undertaken. Statistical information about the Public Service was gained from the State Services Commission (SSC) Human Resource Capability Survey 2003 (HRC), various HRC reports and the SSC Career Progression and Development Survey. More qualitative information was gained from analysis of SSC materials, discussions with SSC staff and with Public Service Association (PSA) officials, including a focus group of PSA Organisers. Information about the nature and content of public service collective agreements was obtained from Victoria University's Industrial Relations Centre database of collective agreements. As this information and that obtained from the SSC has confidentiality protocols, all reporting is in aggregate form and individual departments are not identified.

For the purposes of this report the Public Service comprises the 36 departments, excludes the Chief Executives group and includes Parliamentary Services and The Office of the Clerk (for a full list see Appendix One). In total this group covers an estimated 31,500 full time equivalent staff, all of whom have open term contracts of employment. Statistical analysis from the SSC's HRC covers 31,000 full time equivalent workers and does not include Parliamentary Services and Office of the Clerk. The Office of the Clerk and Parliamentary Services are included when the collective agreements are discussed. The term 'department' is used to describe each of the 38 organisations that form the basis of this report.

2 LITERATURE REVIEW

'... systems to establish minimum labour standards and to integrate and centralise pay determination may be more important in promoting and maintaining women's pay than explicit pay equity policies.' (Rubery, 1992:617).

'... women's pay position is influenced more by the overall system of pay determination than by the specific policies for gender equality...' (Rubery, 1992:619)

Unions make a difference to women at work. The literature shows that unions have an impact in a number of key areas:

- Unions have an impact on wage levels and wage dispersion
- Unions play a role in improving minimum standards
- Unions tend to broaden the bargaining agenda
- The structure and framework of bargaining is also important and the impact of centralised bargaining as compared to decentralised bargaining is considered
- Performance related pay systems and their impact on women workers are also briefly considered.

A range of international research is considered in the literature review. Where there has been New Zealand specific research it is included, however the reality is that there is very little by way of New Zealand specific research in these areas of study.

2.1 Union impact on wage levels and wage dispersion

Unions obtain a premium on pay for their members. Often referred to as the union 'mark-up', this has been measured in various countries. In the UK it has been found to be in the order of 5% (Metcalf, 2000), while in the US the figure is much larger, amounting to around 15% (Blanchflower & Bryson, 2003). In Canada in 1995, the average wage of unionised women was 31% higher than that of women in non-union jobs (Jackson and Schellenberg, 1999). The union mark-up has not been calculated for New Zealand, although the Victoria University Collective Bargaining Database has tracked annualised wage change in collective agreements against the Labour Cost Index over the past decade and found that wage movement for the collectivised sector (which under the ERA means unionised) typically has a superior margin of at least 0.5% (Thickett et al, 2003).

It has been found in the UK that, unions tend to narrow the pay dispersion amongst workers, and that they achieve this both within the firm, and across the whole unionised workforce. Unions also improve the pay of unionised workers at the bottom of the pay distribution (Metcalf, 2000:2). Women in particular are likely to benefit from this effect as women tend to be at the lower end of the pay scale, hence the union wage differential is larger for women than for men in the UK (Heery, 2000). Narrowing of the pay dispersion is achieved through the pursuance of a 'rate for the job'. As Freeman and Medoff (1984) argue, the union takes wages out of competition for workers, thereby providing employers in the industry with a standard rate while also enhancing union solidarity and fairness by ensuring workers doing the same jobs are paid similarly. Unions also reduce the impact of gender discrimination on earnings. In Canada the earnings gap for the period 1981-1988 was found to be greater in the non-union sector than in the unionised sector (Dioron & Riddell, 1994). Blau and Kahn (2003)

examining data for 22 countries over the period 1985-1994 found that the 'extent of collective bargaining coverage is negatively related to the gender pay gap'

2.2 Minimum Standards

Unions pursue improvements in minimum standards benefiting all workers. In New Zealand improvements to the legislated minimum annual leave were recently announced by government; that has been preceded by strong lobbying by unions for 4 weeks annual leave. Unions through collective bargaining endeavour to lift minimum rates of pay. In the UK it was found that the incidence of low pay was much less in unionised workplaces than in the unorganised sector (Metcalf, 2000).

2.3 Broadening the Bargaining Agenda

Unions will often engage in 'equality bargaining', paying attention to issues of discrimination, pursuing cases, and negotiating conditions that benefit women. Broadly speaking, unions provide worker voice, enabling the enforcement of rules. Unions have been described in the UK as 'defenders of egalitarian pay structures' (Machin, 1999 in Metcalf, 2000:2). Unionised workplaces in the UK were found to be much more likely to provide 'family-friendly' provisions (Ferne & Gray, 2000). Because unions bring to bargaining an industry and often, societal context, they are in a position to tackle sources of inequality that may operate at the workplace level. Union presence will tend to increase distributive justice at the workplace as unions play a strong role in 'enforcing the rules'. One way this will occur is through unions pursuing grievances on behalf of members (Metcalf, 2000). Dickens (1998) notes that even though unions and collective bargaining has often reinforced inequality, women are better off with unions than without (Booth, 1995).

2.4 The impact of centralised bargaining

The structure and level of collective bargaining, is important for women at work as well. Research by Zetterberg (1994) examines the gender wage differential in the public and private sectors in Sweden, noting that historically the differential tended to be smaller in the public sector. However since the 1980's, a widening of the public sector pay gap had occurred at the same time as the framework for wage determination in the public sector changed dramatically, becoming more similar to the decentralised framework operating in the private sector. Zetterberg concludes that 'the shaping of institutional conditions for wage setting has important implications for wage discrimination between males and females (p355).

As the locus of bargaining shifted away from industry or multi-employer level, towards the workplace, in many countries including New Zealand, so has the dispersion of pay increased. Blau and Kahn (1996) looking at this phenomenon across countries found that those countries with decentralised bargaining had greater pay dispersion than those with centralised bargaining. The impact of this trend tends to be harshest on women as they tend to be employed at the lower ends of the pay scale.

In the UK Colling and Dickens (1998) look at the implications of decentralisation and deregulation on gender equality through the case study of British Gas, a formerly state-owned monopoly privatised in 1986. Whilst a male dominated organisation, British Gas collective agreements had significant equality bargaining aspects and these came under serious pressure during the deregulation process (p395). The researchers make some interesting points about how

decentralisation and deregulation force a 'business case' approach to equality that has significant impact for women, and they summarise this as follows:

- Organisation based equality agendas are unable to encompass those outside the organisation for example, they are less likely to be about broad issues such as low pay and more about more about specifics such as improving the numbers of women in management
- The 'business case' discussion does not allow consideration of societal benefits versus organisational benefits
- Decisions become pragmatic rather than universal, for example, access to family friendly provisions, and therefore allow treatment of different groups differently depending their perceived 'worth' to the organisation
- Organisation specific programs can be 'fair weather' and withdrawn during hard times
- Narrowing the environment within which the case for 'equality bargaining' is put, necessarily sharpens the 'cost-benefit' debate to the sacrifice of the wider agenda (p404-5)

In a study of the Western Australian Public Service Brown and Ridge (2002) conclude that in a 'deregulated IR system, male dominated agencies have been able to secure larger wage increases overall than both gender neutral agencies and female dominated agencies' (p9). This study was in the context of a series of legislative changes in the state that established a highly decentralised industrial relations regime and the study indicated that departments or agencies with gender overrepresentation were associated with particular wage bargaining effects. Essentially, high levels of gender segregation came at a high cost for women.

2.5 The gender pay gap

The most recent and most comprehensive discussion of the gender pay gap in New Zealand has been carried out by Dixon (2000) who examines the changes in the gender pay gap in New Zealand during 1984-1998. Her study notes that the widening income dispersion during this period, the improvements in women's levels of education and the worsening position of lower paid men have all contributed to the narrowing of the gender pay gap during this period. Unfortunately, she could not measure the impact of unionization on the gender pay gap due to data limitations. Interestingly, she has found that the pay gap stayed larger and decreased more slowly for higher paid women (Dixon, 2000:9). This finding underscores that women do not represent a homogenous group in the labour market and that a variety of measures need to be considered in relation to pay and employment equity.

Michelle Gosse and Siva Ganesh (2002) conducted a detailed study of the gender pay gap in the New Zealand Public Service. Their results show a raw gender pay gap of 13.8%, indicating that female full-time public servants earned on average 86.2% of the male public servants' earnings in 2002. They analyzed how much employees' age, tenure with the department, occupation, ethnicity, the department they work for, region they work in and type of employment agreement - individual or collective and fixed versus open - explain the pay gap between males and females.

In the relevant literature the raw gender pay gap is usually divided in two parts: the "explained" gap, which shows how much the differences in the mean values for females and males of the same explanatory variables contribute to the pay gap; and the "unexplained" gap, which shows how much the differences in returns (e.g. the regression coefficients) for females

and males for the same variables contribute to the gap. In an ideal world where no gender discrimination in pay exists, there should be no differences in the returns to the same characteristics. For example, males and females should receive similar returns for having worked 10 years for the same department. Consequently, usually the “unexplained” part of the wage gap is considered to be the result of discrimination, although its size is also dependent on whether all the variables that affect wage determination are included in the equations and how well those variables are measured. At the same time, being part of the “explained” pay gap does not automatically mean that no gender discrimination is involved, the best example being the horizontal and vertical segregation of female employees into lower paid occupations, an issue we will return to later (Hakim, 1996).

In the New Zealand Public Service sixty-nine percent of that pay gap (9.5%) could be explained by the differences in the distribution of males and females by occupation, age, tenure and employers in the public service, with occupation accounting for around half of the explained gap. The results show no discernable differences in the unionization rates between males and females and, as a result, unionization has almost no impact on the “explained” part of the pay gap.

The “unexplained” gap in the Public Service amounts to 4% and appears to be mainly a function of age. However, differences in the returns to unionization between males and females in the public service also contribute to this “unexplained” portion of the pay gap with males receiving somewhat higher returns for being unionized, than females.

When job size is also included as an explanatory variable in the wage equations – for a much more limited sample of employees – then 58.4% of the “explained” gap is due to differences in job size for males and females with occupation accounting for another 18.4% and employer differences to another 10% of the “explained” gap. The “unexplained” gap in this instance is reduced to an almost negligible 1.1%. The separate male and female wage equations also seem to indicate that there appear to be no differences in the returns (e.g. regression coefficients) to job size points for males and females. So while there may be gender bias in how job sizes are set - issues that will be addressed in Part 2 of the overall report - there appear to be no systematic gender differences when those job points are translated into salaries.

The fact that some variables in the pay gap are ‘explained’ does not mean they are free of any gender bias or discrimination. Gosse and Ganesh (2002) notes that ‘male employees tend to be in more senior positions and their occupations appear to attract earnings premia’. The SSC’s HRC Survey for 2003 explains that, ‘one-fifth of the gender pay gap was due to occupations with similar requirements being paid differently’ (SSC, 2003:6). Unravelling the role of attitudes, preferences, individual bargaining power and perceptions of the use of that power is critical to developing some understanding the processes that lead to the pay gap. The SSC’s Career Progression Survey (2002:80-1) notes that 1 in 10 women reported that they believed they had been treated less favourably because they were women and, significantly, 21% of women managers reported that they had been treated less favourably as a result of their gender. Whilst the nature of the less favourable treatment is not spelled out, it can reasonably be assumed that pay and promotion would figure in the calculations.

2.6 Performance Pay

The following is a preliminary analysis of the literature concerning one aspect of performance management and relates to this report’s specific discussion of annual performance review processes as provided for within the context of collective bargaining. A more thorough discussion of this, performance evaluation, job evaluation and use of market rates in relation to gender pay equity will be contained in Part 2 of the overall report.

Critics of Human Resource Management (HRM) argue that the rise of Performance Related Pay (PRP) relate the rise of HRM with the concurrent decline in union influence and increased deregulation, particularly in the UK (Sisson, 1993). Increased managerial control over pay determination and the move to individualised pay has been found to ‘perpetuate rather than challenge gender inequality (Dickens, 1998:1). In particular, a major problem of PRP is that it may not capture and reward all work. There is evidence that ‘women’s work’, work that involves an emotional input, is not considered or not recognised in performance pay systems (Dickens, 1998). Metcalf (2000; 3) notes that, ‘British unions have normally been antagonistic to subjective individual merit PRP schemes and guarded about company wide PRP schemes’. Bevan and Thompson (1992) found in the UK that managers valued different attributes in men than in women and where women received high ratings in performance evaluation this did not necessarily translate in the same way as it did for men. Rubery explains that managers ‘ may use this discretion consciously in favour of men, or alternatively may simply apply performance and pay through the discriminatory veil of their own social attitudes and expectations’ (Rubery, 1995:637)

Research in Sweden has shown that gender wage inequality has been driven by every-day decision making in organisations, and that these decisions are more likely to be taken by men. Men will tend to act upon gender bias in reward and make decisions based on personal preferences, loyalty and contacts (Hultin & Szulkin, 2003). British research has found that men are better at ‘impression management’ as they are more able to take part in activities that are important for visibility (Bowles and Coates, 1993; Coe, 1992). Further, gender stereotypes can be reinforced when managers (usually men) value different attributes in men than in women (Bevan and Thompson, 1992).

Bryson et al (1999), in a study of performance related pay systems and equity in New Zealand, found in their public service case study that women were indirectly disadvantaged by PRP. This occurred because performance pay rewarded senior staff and higher income earners with greater increases and as women were more likely to be employed in lower paid positions they did less well (Bryson et al, 1999:27). The study noted that the performance assessment process required staff to ‘sell’ themselves and that women, Maori, and Pacific Island staff in particular, found this uncomfortable and, as a result were potentially disadvantaged (Bryson et al 1999:34). The indirect disadvantage suffered by women through performance pay systems are summarised as follows:

- Access to higher amounts of performance pay is limited for women due to vertical and horizontal occupational segregation
- Non-recognition of skills in jobs performed by women, skills therefore not considered in performance assessments
- Management discretion in the appraisal process can leave it open to bias.

(Bryson et al 1999:44)

2.7 In summary

- Unions make a difference to women at work
- Centralised bargaining systems are of critical importance to women as women do less well when bargaining systems become decentralised
- British research has found that the presence of unions associated with more use of ‘family-friendly’ work practises

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- The presence of unions has been found to narrow the pay gap in part due to the impact of unions in improving low wages
 - Individualised pay determination processes such as performance related pay systems or performance management, hold a number of pitfalls for women and specifically New Zealand research has found that women suffer indirect discrimination through these processes.

3 UNIONS AND BARGAINING IN THE PUBLIC SERVICE

As at 30 June 2003, 56% of all Public Service employees were covered by collective agreements and 58% were members of a trade union. Specifically 58% of all women employed in the public service and 55% of all men were covered by collective agreements. Women comprise 56% of the public service workforce and 46% of the total New Zealand labour force (SSC, 2003; Stats NZ, 2002)

3.1 Overview

The level of unionisation and collective bargaining coverage in the Public Service is high by New Zealand standards. In 2002, 21.7% of all wage and salary earners in New Zealand belonged to a trade union (May et al 2003). However the division between the public sector and private sector unionisation is stark, 2002 figures show only 12.4% of private sector workers belong to unions compared with 62% of public sector workers (including health, education, local government, essential services, public service). By public sector standards the high Public Service unionisation rate is not unusual. It is consistent with international trends particularly in the UK, US, Canada and Australia where the public sector is the mainstay of unionism. Women comprise 52% of all union members in New Zealand, reflecting the public sector dominance of the New Zealand union movement (May et al. 2003).

Of the 38 departments that form the basis of this report, 10 have no collective agreements in operation for their staff at the current time. In each of these departments there may be some very limited union presence by way of a small number of union members, however for these departments the union plays no role in the setting of wages and conditions. These 10 departments are predominantly small and policy-based and the vast majority have a mixed gender profile (meaning that it does not employ more than two-thirds of either gender). In total these departments employ an estimated 4% of the overall Public Service workforce.

A further 12 departments have 60% or more of their staff covered by a collective agreement, which is considered high coverage. Across these departments, collective coverage ranges from 60% to 75%. These departments are mostly large or medium sized service based organisations, four are female dominated (that is more than two-thirds of all staff are female) and three are male dominated (with more than two-thirds of all staff male). These 12 departments overall employ an estimated 61% of the overall Public Service workforce. Given that a majority of staff are collectively covered in these departments, it would be reasonable to suggest that the terms and conditions of these agreements by and large set the standard for the non-unionised equivalent staff in the departments.

The majority of departments (16 in total) have less than 60% of their staff covered by collective agreement/s. Five of these 16 departments have 30% or less of their staff covered by collective agreement/s, this is considered low coverage. Those with between 31%-59% collective bargaining coverage are considered medium coverage. The 16 departments are mostly medium sized departments, are a mix of policy, service and both and the majority have a mixed gender profile. In some cases the collective agreement/s in these departments may set the trends for the individual departments' pay and conditions but overall it is likely that the collectives for these departments may simply be reflecting overall department standards rather than leading them.

Table 1. Levels of collective bargaining coverage

Description of bargaining coverage	No. of departments	% of overall w/force	Types of departments	Gender profile
High (60% or greater)	12	61%	Large & medium sized service based	4 female, 3 male, rest mixed
Medium (31%-59%)	11	29%	Large and medium service and mixed	Mixed gender profile
Low (10% - 30%)	5	6%	Policy and mixed	2 female, 1 male, rest mixed
Individualised	10	4%	Small policy based	Mixed gender profile

Source: HRC Survey 2003, SSC

3.2 Historical context and the setting for bargaining

At this point a short discussion on the historical context of bargaining in the Public Service is appropriate. Bargaining in the Public Service is decentralised. Unlike for many other sectors in New Zealand this was not simply a feature of the Employment Contracts era; rather decentralisation was in train by the mid-late 1980s in the Public Service. The first move away from occupational based bargaining, to departmental based bargaining, occurred in 1987, with the changes bedded in by the State Sector Act 1988. The Employment Contracts Act 1991 combined with a strict stance of fiscal neutrality in relation to funding public sector pay rises, meant an extremely harsh bargaining environment for unions. In 1992 the SSC delegated employer party status to each of the Chief Executives of the Public Service departments, an arrangement that continues to date. Strong pressure, usually by way of financial inducement was put on senior (highly paid, highly skilled) and managerial public servants to leave collective agreements, thereby breaking down the collective power of those agreements and setting up a scenario for differential outcomes by occupational grouping. The fact that bargaining was already decentralised meant that unions were not in a strong position to resist these changes. Essentially a gap began to open up between the more senior, highly skilled or specialised public servants and those in the lower paid occupations, a gap highly detrimental to women as they were more likely to occupy the lower paid positions. Unions, particularly the PSA were left in the invidious position of desperately hanging onto collective agreements and often this was at the price of seeing remuneration removed from those agreements.

The historical context very much sets the scene for the structure of bargaining in operation at the present time. Of those 28 departments who are currently party to collective agreements, half of the departments have one collective agreement and half of the departments are party to more than one agreement. Whilst a large number of agreements are multi-union there are no multi-employer agreements, although the larger departments have substantial bargaining units, for example, three departments have more than 4000 staff each. The embedded decentralisation of Public Service collective bargaining is in contrast with recent trends in the wider public sector where multi-employer bargaining is a common and growing feature, covering some 45% of collectivised workers in the sector (Thickett et al 2003:22). This reflects the occupationally based nature of these parts of the public sector, and the impact of active union strategies for multi-employer bargaining.

The Employment Relations Act 2000 (ERA) actively promotes collective bargaining and has removed the restriction placed by the Employment Contracts Act 1991 (ECA), on strike action in support of multi-employer collective agreements. The recently announced Employment Relations Law Reform Bill plans to strengthen support for collective bargaining, in particular for

multi-employer bargaining, focussing on requirements to conclude bargaining and mechanisms to deal with breaches of good faith. The ERA also introduced a system of statutory recognition for unions, gave unions a monopoly over collective bargaining, and also promotes the concept of 'good faith' bargaining. In short, the legislation represents a 're-balancing' rather than a radical change to the industrial relations regime and thus far any changes in the scope and detail of collective bargaining have been more environmental than structural or substantive (see Thickett et al, Harbridge, 2003). The same applies for the Public Service, whilst the Partnership for Quality agreement between the PSA and government represents a change to the environment in which bargaining is conducted, thus far the bargaining structure and practises that emerged during the 1990s remain in good part unchanged. In the Public Service each department retains primary control over the determination of wages and conditions for its staff, within the constraints of the government's bargaining parameters.

The State Services Commissioner is responsible for negotiating collective agreements in the Public Service (s68 of the State Sector Act 1988), and under s70 of the Act SSC has delegated this responsibility to Chief Executives whose duties and responsibilities are specified in ss.32, 33,56 and 59 (SSC: 2003). The government sets its policies and expectations for collective bargaining in a document entitled 'The Government's bargaining parameters' (SSC, 24/6/03). Some of the requirements under these parameters are that departments:

- Acknowledge unions and the contributions unions make and endeavour to have constructive relations with unions
- Respect employee choice to be covered by a collective agreement
- Work closely with the SSC in planning collective bargaining and keep SSC informed of progress
- Liaise with Treasury and SSC about future wage pressures
- Look to fund future wage increases from within current baselines (point 10)
- Where wage settlements cannot be funded from existing baselines the department must 'present a case through the budget initiatives process' providing a series of detailed information about how, why and other options considered (point 11)
- SSC must be consulted before developing proposals to improve leave, including parental leave, introduce open ended sick leave, or other proposals which may set a precedent and flow onto other departments

In relation to remuneration specifically:

- 'Remuneration systems need to be tailored to the specific needs of each department'
- Remuneration should be 'fair but not extravagant'
- Government does not favour remuneration systems which 'allow salary progression solely for time spent in the job'
- Factors to take into account when setting remuneration levels include,
 - Market demand for skills, experience etc
 - Recruitment and retention
 - Ability to pay within approved baselines
 - Comparisons with other groups within the department

- Future government policies, equitable outcomes for certain groups
- Other factors relevant to the particular department.

The government's bargaining parameters reinforce the structure of bargaining described earlier. Whilst there have been some important changes to the bargaining parameters since 1999, these have made little practical difference to the entrenched culture of bargaining that exists in the Service. Specifically, the current parameters require departments to tailor remuneration systems to their own specific needs and departments are given very clear criteria about what factors to consider when setting wages. These factors relate only to the individual department and include; ability to pay within current baseline, recruitment and retention issues, and comparisons with others within the department. Any coordination that might exist is only via the requirement that SSC be involved in being informed about the planning and progress of bargaining. The only reference to other departments is where departments are advised to avoid setting precedents or implementing proposals that have a likelihood of flow-on. It is precisely through this 'flow-on' effect that unions are able to improve minimum standards and improve wages and conditions for members, particularly as research suggests women members. However the bargaining parameters set out to deliberately circumvent this process.

3.3 Decentralised bargaining and the impact on women

Decentralisation of bargaining has significant implications for women, as highlighted by the literature and has been noted already in the discussion on the historical context. This becomes clearer when we look at who is collectivised within the public sector, and who earns the higher rates of pay. Table 2 shows the clear link between salary and gender. Specifically, the higher the salary, the lower the likelihood that a woman will be occupying the job and the lower the salary the higher the likelihood that a woman will occupy the job. The highest concentration of women is in the \$30-39K salary band (45%), with a further 22% of women earning between \$40-49K. Three quarters of all women working in the Public Service earn less than \$49K. The male distribution of pay is more even and three quarters of all men earn less than \$59K. Twice as many men as women earn salaries at the highest end of the pay scale, over \$80K, and twice as many women as men earn at the lowest end of the salary scale, under \$29K. As the data in Table 2 is for full time equivalents, the concentration of women at the low end of the pay scale is not a reflection of the higher numbers of women who work part-time. As a result this data actually understates women's concentration at the lower end of the pay scale.

The impact of a long period where departments have had to fund wage increases within current baselines has meant a compounding of disadvantage for larger female dominated departments and for women staff more generally. Such a regime forces departments to focus salary rewards on smaller numbers of specialised staff, where recruitment and retention is acute. For the more expendable generic staff where labour market pressures are not so pronounced, salary increases become harder to obtain. Under these conditions we would expect the gender wage gap to increase not decrease. Martin, Jenkins and Associates in their report on collective bargaining in the state sector note that, 'there are signs that the operation of the fiscal neutrality requirement since the early 1990's is beginning to compromise the quality and quantity of outputs in some parts of the public service' (Martin Jenkins and Ass; 2003:10). The SSC recognises and acknowledges that the practise of fiscal neutrality has had a negative impact on wages, similarly the PSA notes that pay movement in the Public Service is lagging behind the private sector as a result of 'under-funding and government attempts to impose a virtual wage freeze during the 1990s' (PSA, 2003).

Table 2. Female representation and collectivisation by salary band

Salary band	Female representation	% of women employed (totals to 100%)	% of men employed (totals to 100%)	% of women collectivised	% of men collectivised
\$20-29K	70%	8%	5%	64%	63%
\$30-39K	67%	45%	28%	71%	72%
\$40-49K	50%	22%	28%	62%	75%
\$50-59K	53%	11%	13%	55%	54%
\$60-69K	45%	6%	9%	36%	33%
\$70-79K	40%	2%	6%	23%	25%
\$80K+	32%	4%	10%	4%	24%

Source: SSC, Dataslicer, June 2003 data, FTE, open term employees

Table 2 shows that essentially the lower paid and the more homogenous the occupation class, the higher the likelihood that the employee will be a union member covered by a collective agreement. The highest levels of collectivisation are centred around the \$30-49K range for both men and women, tailing off considerably thereafter. Given that we know that lower paid occupations are more likely to be occupied by women, the higher rate of women's unionisation is explained. Almost 45% of all women employed in the Public Service can be found in three highly feminised occupations; clerk, case worker and social worker, as shown in Table 3 below. These positions are in the low to mid end of the pay scale and are all highly unionised. Occupational segregation and the concentration of women in a small number of occupations is common to most labour markets. The difficult feature with the Public Service is the lack of male comparator jobs at this level. As a consequence it may be that appropriate comparator jobs in terms of skills, experience and qualifications will have to be found outside of the Public Service

As women move into the higher paying occupations, for example; policy analyst, where half of all employees in this occupational class are female, the rate of collectivisation drops off considerably to just 27%. At management levels, for instance, the category of corporate manager (a broad managerial category that captures almost all management positions in the service except Chief Executives) has 41% female representation with only 13% of these women covered by a collective agreement (compared with 9% of men in this occupational class). As noted in the introduction, Part 2 of this report will consider the pay setting systems for occupations of office clerk, policy analyst and corporate manager in detail, hence the descriptive data is considered in Tables 3 & 4.

Table 3. Female representation and collectivisation for selected large occupational groups

Occupation	% of all women employed	Female representation	Av salary band	Departments where occupations found	% women (men) collectivised
Clerk	27%	76%	\$30-39K	all	60% (70%)
Office clerk	Subset of clerk (22%)	77%	\$30-39K	all	58% (70%)
Case worker	12%	75%	\$30-39K	3	82% (74%)
Social worker	5%	74%	\$40-49K	4	80% (83%)
Policy analyst	6%	49%	\$40-69K	all	27% (26%)
Corporate manager	6%	41%	\$50-79K	all	13% (9%)

Source: SSC dataslicer, June 2003 data, FTE equivalent, open term staff

Table 4 looks at the ratio of average female pay to average male pay for selection of occupations. For the highly feminised occupations, particularly case-worker and social worker the difference in average salary between men and women is miniscule. It is in the occupations where there is a fairly even gender split such as policy analyst and corporate manager where the bigger differences in average salary are found. Further these occupations, particularly corporate manager, cover a very wide range of positions and thus a correspondingly wide range of salary rates. Women tend to be in the lower salary ranges for these occupations.

Table 4: Comparisons of average, unadjusted female and male salaries – selected occupations

Occupation	% of occupation who are female	Average female salary	% of males in occupation	Average male salary (female-male ratio)
Office Clerk	77%	\$35409	23%	\$37176 (0.95)
Case worker	75%	\$35646	25%	\$35799 (0.99)
Social worker	74%	\$44682	26%	\$45039 (0.99)
Librarian	71%	\$43455	29%	\$45648 (0.95)
Policy analyst	49%	\$61323	51%	\$70962 (0.86)
Corporate manager	41%	\$78969	59%	\$87759 (0.90)

Source: SSC dataslicer, June 2003 data, FTE, open term staff

3.4 Departmental variations in salary

Table 5 through cross tabulation analysis endeavours to categorise departments by their average salary as compared to the overall median average salary across all departments. Some analysis is also made of the types of departments that fit into each quartile. The median of the ratio of female to male average pay is determined by the mid-ranking ratio of average female to average male salary, for the departments forming that quartile. The average ratio is simply the sum of all the averages for the departments within the quartile divided by the number of departments.

Table 5: Distribution of departments by average salary

Top quarter of departments above median (9)	Middle quarter above median (9)
<ul style="list-style-type: none"> • Most have individual pay setting • Most are small, policy departments • Most have an even gender profile • The median of the ratio of female to male average pay is 0.75 (average ratio is 0.74) • Typically three-quarters of staff were managers and professionals 	<ul style="list-style-type: none"> • Most had low rates of collective bargaining • Most departments were female dominated • The median of the ratio of female to male average pay is 0.80 (average ratio is 0.85) • Most are policy based, small to medium sized • Typically two thirds of staff were managers and professionals
Middle quarter below median (9)	Bottom quarter below median (8)
<ul style="list-style-type: none"> • Most had low rates of collective bargaining • Most have an even gender split • The median of the ratio of female to male average pay is 0.83 (average is 0.84) • Most are mixed service and policy, medium to large sized • The ratio of managers and professionals to overall staff is very similar to public service average of 35% 	<ul style="list-style-type: none"> • Half were highly collectivised, half had low rates of collective bargaining (none individualised) • Departments were either male or female dominated • The median of the ratio of female to male average pay is 0.87 (average is 0.88) • Most were service based and mostly large • The larger departments had very low ratios of managers and professionals to total staff (less than 20%)

Source: SSC dataslicer, June 2003 data, open term employees, full time equivalent

Unlike what might be expected in the private sector where many low paid workers are on individualised ‘take it or leave it’ type contract and often greatly disadvantaged, in the Public Service the individualised worker is typically at the high end of the pay scale, as a consequence of the differential outcomes of the 1990s, described in section 3.2. The individualised worker is also more likely to be found in a department that pays on average higher than other departments. At this end of the pay scale is also where the gender pay gap appears to be the greatest.

The departments that pay in the top quartile are also those where the average ratio of female to male pay is the lowest, consequently, where the gender gap is largest. These high-paying departments tend to be the small policy based ones, tend to have a mixed gender profile and individualised pay setting arrangements, and no collective bargaining. This may be in part to do with the nature of the work performed by the various departments. A small policy department will by necessity need a larger proportion of highly qualified and highly skilled staff than a large service organisation that is focussed around a large pool of ‘front-line’ staff. Indeed these departments have a much greater proportion of managerial and professional staff than those in the lower quartiles. It is these highly paid staff in the high paying departments who have been most successful at securing competitive salaries. These highly paid employees are also more likely to be male, thereby reinforcing the gender pay differences. The gender pay gap analysis for the Public Service (Gosse and Ganesh, 2002) notes 13% of the “explained gap” is due to the departmental differences. Consequently a department a woman public servant works for is a significant explanatory factor of the pay gap. The departments where men extract a greater wage premium, appear to be those at the sharpest end of the decentralised scale, that is their pay setting arrangements are untouched by union influence.

The bottom quartile shows the inverse picture. For these departments collective bargaining is the standard, departments are large in size, usually service based and the gap between average salaries of men and women is the smallest. Again the nature of the work performed might be a significant explanator, as there is a much lower number of senior staff relative to overall staff levels in these departments and there is a large number of front-line staff most located at the lower ends of the salary scale. The fact that larger numbers of women than

men are concentrated in these lower paying departments is reflected in the gender pay gap analysis discussed previously. As the literature suggests, the greater union presence would be a force for equality and we find that the difference between women's average pay to men's average pay is the smallest in these highly collectivised departments. However, this effect is limited to the lowest paying departments.

3.5 In Summary:

- The Public Service is highly unionised and highly collectivised however bargaining is decentralised, occurring only at the individual department level, albeit some departments do constitute large bargaining units
- Women tend to be concentrated at the lower ends of the public service pay scale and in a few key female-dominated occupations
- Higher salaries on average, and larger gaps between average female and average male pay appear to be associated with departments where there is no collective bargaining
- Conversely, a high level of collective bargaining tends to be associated with lower paying departments and lower differences between average female and average male pay
- Government bargaining parameters reinforce the highly decentralised bargaining structure and make no provision to address the gender pay inequality that has been found internationally to arise from such bargaining
- In particular the requirement upon departments to fund pay increases from current baseline exacerbates and reinforces gender pay inequality as it ensures a concentration of pay reward to the upper ends of the pay scales where women are not as well represented.

4 UNIONS AND COLLECTIVE BARGAINING IN THE PUBLIC SERVICE – CONTENT AND SCOPE

There are over 50 collective agreements in place across 28 departments and these span 15 trade union parties. Multi-union agreements are common. The PSA accounts for around 80% of those unionised in the public service.

4.1 Unions in the public service

All but 10 of the 36 public service departments have collective agreements in place, as do Parliamentary Services and the Office of the Clerk. In all we estimate that there are over 50 Collective Employment Agreements (CEAs) in operation across the Public Service, covering around 19,300 workers, with 15 different unions party¹. The PSA have by far and away the largest membership in the Public Service (around 82% of those unionised) and are party to over 30 of the CEAs including most of the largest ones. A small number of unions have their own agreements, for example, NZEI, and there are a few unions who operate in competition with the PSA for example CANZ, NUPE and Taxpro. Most unions, however, tend to be part of a multi-union agreement where PSA is usually the largest union. The unions in operation within the Public Service have a variety of aims ranging from specific in-house professional or staff association such as the Foreign Service Association, with 300 members all in MFAT, to broad industry based or general unions like SFWU and AWU. Whilst it would be beneficial to examine the role of these unions within the Public Service further this is not possible within the scope of this report, and due to the large coverage of the PSA, it is this union's aims, objectives, and policies that will be concentrated on.

The following is an analysis of 41 current collective agreements pertaining to the Public Service, held on the Victoria University, Industrial Relations Centre database. Each of the 28 collectivised departments is represented in this analysis with at least one CEA. In the next section we first examine how pay rises are achieved for collectivised public servants. Second, collective agreements with remuneration rates are discussed; following this is an examination of collective agreements that do not contain remuneration rates. Provision of other clauses in CEAs of benefit to women in the Public Service is also discussed.

In examining collective agreements it is not always possible to tease out the various layers of engagement the PSA has with departments over the issue of remuneration in particular, as these matters are not always contained within the collective agreement. Arguably bargaining over remuneration within the context of the collective agreement is the strongest place for such engagement although there are some departments where remuneration discussions are outside the collective agreement but within a very powerful consultative forum. For some other departments however, the consultative forum involves informing the union of decisions over remuneration, rather than offering any genuine engagement. The PSA is committed to a partnership strategy and Partnership for Quality (PfQ) Agreements exist in around one third of all departments.

¹ (PSA, AWU, NUPE, CANZ, COA, NZEI, FSA, Taxpro, Finsec, WINS, NMWCU, WINSE, SFWU, Unite, EPMU).

4.2 Achieving pay rises – across the board increases and performance related pay

At the level of the individual public servant, who is unionised and covered by a collective agreement, there are a number of ways improvements in salary may be obtained in any given year. The first avenue would be through an ‘across the board’ increase whereby the same increase in salary would be awarded to all staff in the department or to those on a particular collective within a department. The second mechanism would be via an annual pay review that may or may not be related to a performance review, the third route could be by promotion within or to another department. The following analysis endeavours to examine the various collective agreements to ascertain the role of the union and the scale of union influence in these pay fixing processes.

The awarding of ‘across the board’ pay increases in Public Service departments is uncommon, in fact such increases were only awarded in five departments in the most recent bargaining round. Of the five departments that awarded these increases only two were large organisations, both of which were male dominated. These departments were also much more likely to be those that had ‘rate for the job’ type wages clauses within their collectives. A further small group of departments awarded a bonus payment to those covered by the collective agreement, in some cases this was related to efficiencies gained by the collective bargaining process, in others it was a ‘buy-out’ of specific provisions.

Government bargaining parameters specifically state that, ‘Government does not generally favour remuneration systems which allow salary progression solely for time spent in the job’. Further, the concept of negotiating pay rises to combat cost of living increases is not one that holds traction within the Service. Even where pay rates were specified in agreements, criteria applied for the process of obtaining pay rises, for example:

“To move upward in their band employees will be assessed annually during the salary review process. This salary review will be based on the employee’s performance and changes in relevant skill level, experience and/or qualifications.

“Progression (through salary rates) will be as a result of promotion, position evaluation and or performance evaluation”

For the vast majority of collectivised public servants any pay rise they earn will be as a result of an annual pay review based on a set of specific criteria set out in either the collective agreement or in departmental policy. This will take the form of an evaluation of individual performance, against a set of criteria, usually specified to the individual and in most cases this will be connected to some assessment of the relevant market movement and also be tempered by internal pay budget constraints or possibly could be enhanced by recruitment or retention pressures. Data from the 2003 HRC report notes that of those 20,500 public servants who remained in the same jobs in the same department since 2002, the average base-rate increase was 4.8%, 5% for women and 4.5% for men (SSC, HRC, 2003:5). Further analysis revealed that almost one third of those 20,500 workers received no base-rate increase whatsoever during the previous year; this represented one third of the men and one third of the women. For the 2001-2002 period, 16% had zero pay movement, indicating that timing of pay settlements has some bearing on this figures and that maybe more reasonable to assume that in any one year around 1 in 5 public servants may have no rise in their base rate of pay.

The alternative route for the individual to improve pay would be through internal promotion. Evidence suggests that women are likely to do less well in the promotion and performance pay processes (see Bryson et al., 1999 discussed earlier). This occurs for a number of reasons. First a man is, on average, more likely to come to a pay discussion with a higher rate of pay than an equivalent woman and is therefore in a better position to improve that pay. This

holds in particular for appointments to the Service from outside. Second, there is evidence to suggest that men are better at positioning and preparing themselves for the processes that occur around annual pay reviews and internal promotions (see Bevan & Thompson, 1992; Bowles & Coates, 1993; Coe, 1992 discussed earlier). Third, as managers are more likely to be male there is the possibility of what Bryson et al. (1999) refer to as a ‘same as me’ effect, where similar traits are more highly valued. Fourth, because bigger gains are available for and awarded to those on higher rates of pay, who are more likely to be men, gender pay inequality is further reinforced and compounded. Further if hard bargaining in a male applicant is seen as evidence of ambition, and the same behaviour in a woman is seen as difficult, a given manager who has a great deal of discretion around the rate of pay to offer is, on average, more likely to reward a successful male candidate more. Discretion around pay setting provides fertile ground for the reinforcement of gender bias whether it is conscious or unconscious. The absence of public service-wide gender pay audit mechanisms or mandated mechanisms within departments to moderate salary awards for new appointments, or simply monitor those occurring through annual pay review processes, means such biases may continue unabated. This topic will be discussed in greater detail in Part 2 of this report.

Table 6 describes the various ways the departments provide for salary progression. Typically these processes are linked to a performance management system and progression based on an assessment of individual performance appears to be the most common way salary can be improved. These processes are typically individualised and highly discretionary with the capacity for a number of factors, such as budgetary constraints, recruitment and retention issues, to play into the end result. There is no service-wide pay audit conducted to observe how various staff are treated under these schemes, nor is it common for departments to conduct their own audits to check for gender inequity.

Table 6: Mechanisms for salary progression

Salary Progression Mechanism	No. of Departments
Salary progression is based on assessment against competencies:	4 departments
Salary progression based on performance assessment:	21 departments
Salary progression based on performance and competency assessment:	6 departments
Salary based solely on annual review of market movement for the salary range:	5 departments
Salary progression based on experience on the job:	1 department

(Source: SSC interviews with HR Managers, 2002, includes collectivised and non-collectivised departments)

The issue of performance pay will be dealt with in more detail in Part 2 of this report. It is extremely difficult to quantify the exact level of union influence across departments in pay fixing looking at the data on an across-the-service level, however it appears that the union has a very limited influence over the mechanisms around individual pay setting in the context of the collective agreements. Further the union has only a limited role in the setting of starting salaries, and where it has a role it is limited to the negotiation of a range for starting salaries, leaving room for significant management discretion. This seems to be a function of a historical legacy that has seen unions sidelined from these discussions in many departments; an issue around the logistics and complexity of the range of pay discussions, and combined with this a resource constraint issue. As such the impact of the union as a moderating force against gender biases that can emerge in the individualised pay setting environment is limited and may in many cases only occur at the end point, that is when there is a disagreement about an outcome. PSA Organisers noted that a good part of their work is challenging performance reviews and the outcomes of performance reviews for individual members.

4.3 Collective Bargaining – remuneration rates contained in agreements

Those CEAs that contain remuneration rates or ranges of rates, cover 60% of collectivised public servants and 16 of the 28 collectivised departments; 25 collective agreements comprise the analysis below. The wages clauses take one of two distinguishable forms,

- Rate or ranges of rates specified for the job, in some cases with a service requirement. These CEAs tended to be the ones where across the board increases had been awarded during the last wage round

6 CEAs fell into this category, these tend to be highly collectivised, male dominated departments

- Salary bands or groups, sometimes families, with a salary range specified. In some cases the salary band was matched to a job points range, in others the salary range was linked to ‘competent’, ‘mid point’, ‘exceeds expectations’ or similar descriptor. Varying degrees of complexity and discretion of interpretation surrounded these clauses

19 CEAs fell into this category

The union involvement as specified in the remuneration clauses (as opposed to elsewhere in the collective) contained in these 25 CEAs is summarised as follows:

- 13 CEAs did not mention the union in any aspect of the remuneration processes
- Of those where the union was mentioned (some are counted more than once):
 - 5 CEAs made provision for the union to be involved in annual review process of the pay system
 - 4 CEAs mentioned that a new remuneration system was being developed with union involvement
 - 3 CEAs had provision for union involvement in the monitoring of the remuneration system
 - 1 CEA had union involvement in the grievance process associated with the remuneration system
 - 1 CEA noted that the list of salaries paid would be made available to the union
- 4 CEAs made provision for a profile of all salaries paid to be available to all within the department
- 3 CEAs had the salary review in part based on a market rate assessment (this is in addition to market rates being commonly listed as part of the remuneration principles)
- 1 CEA had the salary review based on a market rate assessment in full
- 12 CEAs specifically noted ‘capacity/ability to pay’ constraints or similar as forming part of the remuneration principles

Further it appears that for a number of the CEAs with remuneration rates still remaining the rates are out of date and not used, simply retained for administrative convenience.

4.4 Collective Bargaining – no remuneration rates

In 2003 almost 40% of all public servants who were covered by collective agreements had agreements contained no remuneration rates. This 40% spanned 12 of the 28 collectivised departments, and included 16 collective agreements. five of the 12 departments were highly collectivised departments, seven had medium or low rates of collectivisation and most of the departments had a mixed gender profile. Instead of remuneration clauses containing rates of pay or bands of pay rates these collective agreements usually contained a set of ‘remuneration principles’, generally modelled closely on those contained in the governments bargaining parameters and some examples of which are below;

“Dept X” will carry out and apply any annual review based on performance as specified in the ‘Dept X remuneration system – operating guidelines’... ”

“Remuneration for employees will be determined and reviewed in accordance with the Ministry’s remuneration and performance management policies and systems (i.e. Collectivised workers on the same footing as all in the department when it comes to wage determination)

“Dept X has a total remuneration system and uses a combination of recruitment, retention, market, skills, competencies and performance factors to identify pay levels (no mention of union in Clause)

“Your position will be placed in a pay band according to the job content and the degrees of skill and responsibility that, in the opinion of the Ministry, are required to be exercised. (No mention of union in clause)

“The three components of the remuneration system are;

“Recognition of performance against specific objectives via performance payment criteria

“Salary scales linked to a number of surveys that provide information on the salary market

“A salary scale for each position which recognises increasing levels of proficiency in competencies”

The trend to remove remuneration from CEAs began in the 1990’s, during a very harsh bargaining environment as previously described. The trend seems to have continued, however, since the ERA, with 10 CEAs either dropping remuneration clauses or continuing to leave remuneration out, in the case of new collectives, since 2000. For those covered by these collectives their pay is determined in the same manner as a non-union colleague in the department, being collectivised may have no bearing on the mechanisms for pay fixing. Management retains primary control over pay setting for these departments, with the union influence largely after the event, that is where a disagreement occurs around an individual pay review and a union member requests that the union represent their interests to management.

The foregoing analysis shows that at this level of bargaining at least, unions in the Public Service, in particular the PSA, plays a variable role in the negotiation of pay for their members, somewhat limited in the sense of bargaining over pay within collective agreements, and varied in relation to the level and status of the consultative mechanisms over remuneration where the collective agreement is silent on remuneration rates. Further, analysis of PSA records suggests that the union itself acknowledges it has a full involvement in the remuneration system in less than a third of collectivised departments, for the others the role is either partial, consultative or some involving a level of participation. This runs contrary to what would normally be the

primary role of a trade union and has a considerable impact on the ability of the union to address gender inequality. For the Public Service, pay setting and pay fixing is largely the prerogative of the employer, in this case the particular department. Whilst this culture is very much a legacy of the 1990s, it has continued under the ERA and there is nothing in the current government bargaining parameters that has thus far challenged this behaviour. Departments, Human Resource managers and in fact line managers exercise considerable discretion over the setting of pay for the Public Service workforce. This has a considerable impact on women. The very limited role for unions in pay fixing in the Public Service means that any ability unions have to exert influence, as a force for equality is severely restricted. In essence the 'union effect' on the gender pay gap has been limited in the New Zealand Public Service.

4.5 The scope of collective bargaining – evidence of 'women-friendly' provisions

Collective agreements have been examined for evidence of specific equity bargaining and for issues of particular relevance and interest to women. These include but are not limited to provisions such as parental leave, preferential right of return after absence for childcare, carers leave, child care provision, flexible hours, ability to work part time without it being disadvantageous to career progression, provision for extra holidays, ability to work from home.

The SSC Career Progression and Development Survey (2002) noted that women staff who were also caregivers attached high level of importance (in order of importance) to the following:

- Ability to work flexible hours
- Having a reasonable workload
- Caregiver leave
- Parental leave
- Working standard hours (not defined in the questionnaire)
- Part time work
- Working from home provision

4.5.1 Parental leave

Access to additional payments in relation to parental leave for collectivised public servants is relatively high, with the majority having access to a six-week ex-gratia payment on return to work, assuming 12 months service. This payment is however a bonus for returning to work, it is not paid until the individual has been back at work for six months, and it is not in any way an endeavour to compensate for time out of work due to childbirth and child-raising. At the same time New Zealand research by Dixon (2000) estimates that the earnings 'penalty' for having a child is between 7-10% of the average hourly earnings of a childless woman.

4.5.2 Other provisions

In summary a variety of conditions in CEAs that are of benefit to women

- As required sick leave, for domestic purposes, arguably the most beneficial, this provision is now declining in CEAs and applies to less than 10% of those covered by collectives. Departments must now get SSC approval before negotiating such a

provision and there have been active and successful efforts to reduce this provision by various departments

- Flexible hours, part time work, job sharing, usually possible, often at management discretion
- Preferential re-engagement after a break of up to four years to raise a child, doesn't break service, but doesn't accrue entitlements, is of benefit to women if they are in a position to have a long period on unpaid leave
- One CEA had a childcare subsidy of up to \$10 per week for a child under five, recognising the cost involved in childcare, and reimbursement for dependent care where work took the staff member away or out of normal hours and they had no alternative arrangements
- No specific workload provisions were noted
- Hours of work across and within CEAs vary, many are 40 per week, others are 37.5 or slightly higher. Indeed some collectives had increased their hours of work to 40 in recent years.
- Government's bargaining parameters (2003) make no specific reference to family-friendly provisions nor encourage departments to negotiate provisions of benefit to women within collective agreements.
- The SSC has developed the 'EEO policy to 2010' initiative, centred around leadership, organisational culture and strategic HRM, employment of EEO groups and monitoring and evaluation. Thus far actual implementation and impact has been patchy and limited

The foregoing does not account for other family-friendly provisions that may exist within departments by way of policy or maybe negotiated by particular individuals in the context of their own individual agreements (within the confines of their particular bargaining power). However the critical component of collective agreement provisions is that they can only be removed with the agreement of the union and its members. Policies and bargaining within individual agreements are more likely to be the subject of management discretion.

4.6 In summary

- Despite high levels of collective bargaining, pay fixing is in most part individualised with management at various layers exercising a considerable degree of discretion around the awarding of pay for performance, competency level or acquisition of skill; internal promotion and pay for external appointed positions. Little union influence or moderation exists in each of these areas
- Research shows that women do less well where pay setting is exercised in a discretionary manner
- Individualised and discretionary pay setting provides no obvious vehicle for addressing gender discrimination. Individual pay discussions behind closed doors will retain a narrow focus rather than being able to encompass broader pay equity considerations.
- Despite the extensive statistical collection via the SSC HRC Survey, the SSC exercises no service-wide audit or checking measure for the impact of individualised

pay fixing on women staff. Departments have little by way of pay audits, moderation processes or systematic checking for gender inequity.

- There is a range of conditions in collective agreements that can be seen as ‘family-friendly’ and of benefit to women. There have been active efforts by some departments to reduce some of these benefits and as such they remain at the margins of bargaining.

5 Conclusions and Recommendations

- International research shows that centralised bargaining systems are of critical importance to women as women do less well when bargaining systems become decentralised. Further the presence of unions has been found to narrow the pay gap. In short unions are an important force for equality in the workplace.
- Research in New Zealand and internationally has found that individualised pay determination processes such as Performance Related Pay hold a number of pitfalls for women.
- The Public Service is highly unionised and highly collectivised; however, bargaining is decentralised, occurring only at the individual department level. Women tend to be concentrated at the lower ends of the pay range and in a few key female-dominated occupations.
- Higher salaries on average, and larger gaps between average female and average male pay appear to be associated with departments where there is no collective bargaining. The pay gap is also larger for higher paid women in the Public Service. This appears to confirm research by Dixon (2001) for New Zealand that finds that the gender pay gap is higher for higher paid women and international research that finds higher pay dispersion and larger gender pay gaps with decentralised bargaining.
- Government bargaining parameters reinforce the highly decentralised bargaining structure and make no provision to address gender pay inequality such that has been found internationally to arise from such bargaining. In particular the requirement upon departments to fund pay increases through current baseline exacerbates and reinforces gender pay inequality as it ensures a concentration of pay reward to the upper ends of the pay scales where women are not well represented.
- Individualised and discretionary pay setting does not in itself provide a mechanism for addressing any gender discrimination that may arise from the processes. Individual pay discussions will retain a narrow focus rather than being able to take in broader pay equity considerations.
- The SSC exercises no service-wide audit or checking measure for the impact of individualised pay fixing on women staff. Departments have little by way of pay audits, moderation processes or systematic checking for gender inequity.
- At the collective bargaining level at least, unions in the Public Service, in particular the PSA, play a variable role in the negotiation of pay for their members. This runs contrary to what would normally be the primary role of a trade union and has a considerable negative impact on the ability of the union to address gender inequality. In the Public Service, pay setting and pay fixing is largely the prerogative of the employer.
- Serious concerns exist about the capacity of the sector to resource initiatives that may flow from the Pay Equity Taskforce. Resources in this context include specialised training and support for departmental human resources staff, line managers and for union officials and may mean additional staff in some areas.

5.1 Recommendations

The report makes it clear that what currently exists with relation to collective bargaining in the Public Service is a combination of factors that have significant implications for any measures to reduce the gender pay gap. The decentralised structure of bargaining, combined with the lack of coordination mechanisms around pay fixing, the very individualised and discretionary pay setting arrangements at departmental level and the pressures of funding wage increases through current baseline all impact negatively on women's pay. International evidence suggests that mediating the effects of decentralised bargaining will have a far bigger impact on gender pay equality than any other measure. There are a number of ways these effects could be mediated. A move towards more centralised bargaining and centralised pay fixing structures appears to be the most comprehensive strategy for dealing with the gender pay gap. However in the context of the long history of departmental control over collective bargaining and pay fixing, a staged approach, beginning with greater coordination between departments, may be more appropriate and more workable. In the first instance remuneration rates and pay setting mechanisms should be reintroduced into collective agreements where they currently do not exist. Pay setting mechanisms need to be clear and transparent and agreed between the parties, with the aim of reducing management discretion around pay and instead putting the issue of remuneration more firmly in the partnership context. Reinstating remuneration back into collective agreements will allow unions to collectively represent their members' interests in relation to the setting of wages and as the research shows, this is likely to lead to a narrowing of the gender pay gap.

A departmental wide approach to union involvement in pay fixing should be established, with a set of consistent and clear guidelines for union participation and involvement at all levels of the process specified within the guidelines. Again this should occur within the partnership context. The SSC should take a mandated role in coordinating these processes and reducing the replication of effort at each individual department around pay fixing and collective bargaining.

Finally, unions need to be afforded adequate resources so as to be able to participate and fully engage in initiatives emerging from Taskforce recommendations. The resources may include, but not be limited to, training for officials and delegates, staffing assistance and time release for delegates. Likewise assistance will also be needed to support HR Managers and line managers to develop additional skills necessary for participation in any Taskforce initiatives, and engagement with unions in this area.

5.2 Further research

- Will be discussed in Part 2 of our report

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Appendix 1: Departments by gender, bargaining coverage, size and descriptor – June 2003

Department	CB Coverage	Gender	Size	Description
Agriculture & Forestry	medium	mixed	large	mixed
Archives	high	mixed	small	service
Child, Youth & Family Services	high	female	large	service
Conservation	high	male	large	service
Corrections	high	male	large	service
Courts	medium	female	large	service
Crown Law Office	All IEA	female	small	mixed
Culture and Heritage	low	mixed	small	policy
Customs	high	mixed	medium	service
Defence	All IEA	mixed	small	policy
Economic Development	low	mixed	medium	mixed
Education	medium	female	large	mixed
Education Review Office	high	female	small	mixed
Environment	medium	mixed	small	policy
Fisheries	low	male	medium	mixed
Foreign Affairs & Trade	medium	mixed	medium	policy
GCSB	high	male	medium	service
Health	Low	female	medium	policy
Housing	medium	mixed	small	service
Inland Revenue Department	high	mixed	large	mixed
Internal Affairs	medium	mixed	medium	mixed
Justice	medium	female	small	policy
Labour	low	mixed	large	mixed
Land Information New Zealand	high	mixed	medium	service
Maori Development	All IEA	mixed	medium	policy
National Library	high	female	medium	service
Office of the Clerk	high		small	service
Pacific Island Affairs	All IEA	mixed	small	mixed
Parliamentary Services	medium		medium	service
Prime Minister & Cabinet	All IEA	mixed	small	policy
Research, Science & Technology	All IEA	female	small	policy
Serious Fraud Office	All IEA	mixed	small	service
Social Development	high	female	large	mixed
State Services Commission	All IEA	Mixed	small	policy
Statistics New Zealand	medium	mixed	medium	service
Transport	All IEA	mixed	small	policy
Treasury	All IEA	mixed	medium	policy
Women's Affairs	medium	female	small	policy

Source: SSC HRC Survey 2003

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