



# Hon Iain Lees-Galloway

Minister for Workplace Relations and Safety

MEDIA STATEMENT

## Information fact sheet: Fair Pay Agreements

### What has been announced?

The Government has established the Fair Pay Agreement Working Group. The Working Group will make recommendations on the design of a sector-level bargaining system. Once the laws to enable Fair Pay Agreements are in place, it will be up to unions and employers to create Fair Pay Agreements in their industry or occupation.

### What is a Fair Pay Agreement?

A Fair Pay Agreement is an agreement between unions and employers that sets minimum terms and conditions of employment for all workers in an entire industry or occupation.

A Fair Pay Agreement is the outcome of sector-level bargaining.

### What makes Fair Pay Agreements different to minimum employment standards?

The minimum terms and conditions in Fair Pay Agreements are different because they will:

- be based on the generally accepted minimum terms and conditions in the industry or occupation
- be set by sector-level collective bargaining between unions and employers that represent an entire industry or occupation
- only apply to the particular industry or occupation within the coverage of the agreement.<sup>1</sup>

### What makes Fair Pay Agreements different to existing collective bargaining?

Fair Pay Agreements are minimum terms that will apply to all workers in an entire industry or occupation without the need to bargain with every employer individually.<sup>2</sup> Unlike existing collective bargaining, industrial action (strikes and lockouts) will not be permitted in negotiations for a Fair Pay Agreement.

### Why do we need Fair Pay Agreements?

Many workers in New Zealand have not shared in the growth in our economy over the last 30 years. We have seen the hollowing out of wages for middle income earners.

Fair Pay Agreements will prevent employers from competing with each other by lowering wages.<sup>3</sup> They may also facilitate industry-wide discussions around issues such as training or safety.

### How will Fair Pay Agreements increase workplace productivity?

Preventing a race to the bottom on wages encourages businesses to compete on the basis of innovation, customer service and increasing efficiencies. These incentives are intended to lift business productivity.

### What are the next steps?

The Fair Pay Agreement Working Group is expected to make recommendations to the Minister for Workplace Relations and Safety by the end of 2018. Cabinet will then consider the recommendations.

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<sup>1</sup> Minimum employment standards (e.g. the minimum wage, holidays and sick leave) are generally set by Parliament in law. Minimum employment standards apply to employees in all industries and occupations.

<sup>2</sup> Under existing rules, a collective agreement generally only applies to employees who are members of the union and who work for the employer that agreed to the collective agreement.

<sup>3</sup> Approximately 18% of employees are covered by a collective agreement (around 324,000 people) in both the private and public sectors. In the private sector, 9.2% of employees are covered by a collective agreement (134,000 people out of a total of 1,450,000).