Salaries & The Cost of Living

Salaries


BETTER JOBS
BETTER SALARIES
BETTER SHOPPING
BETTER REVENUES
SHOP
BETTER ECONOMY
ECONOMIC GROWTH

CEAs vs. IEAs

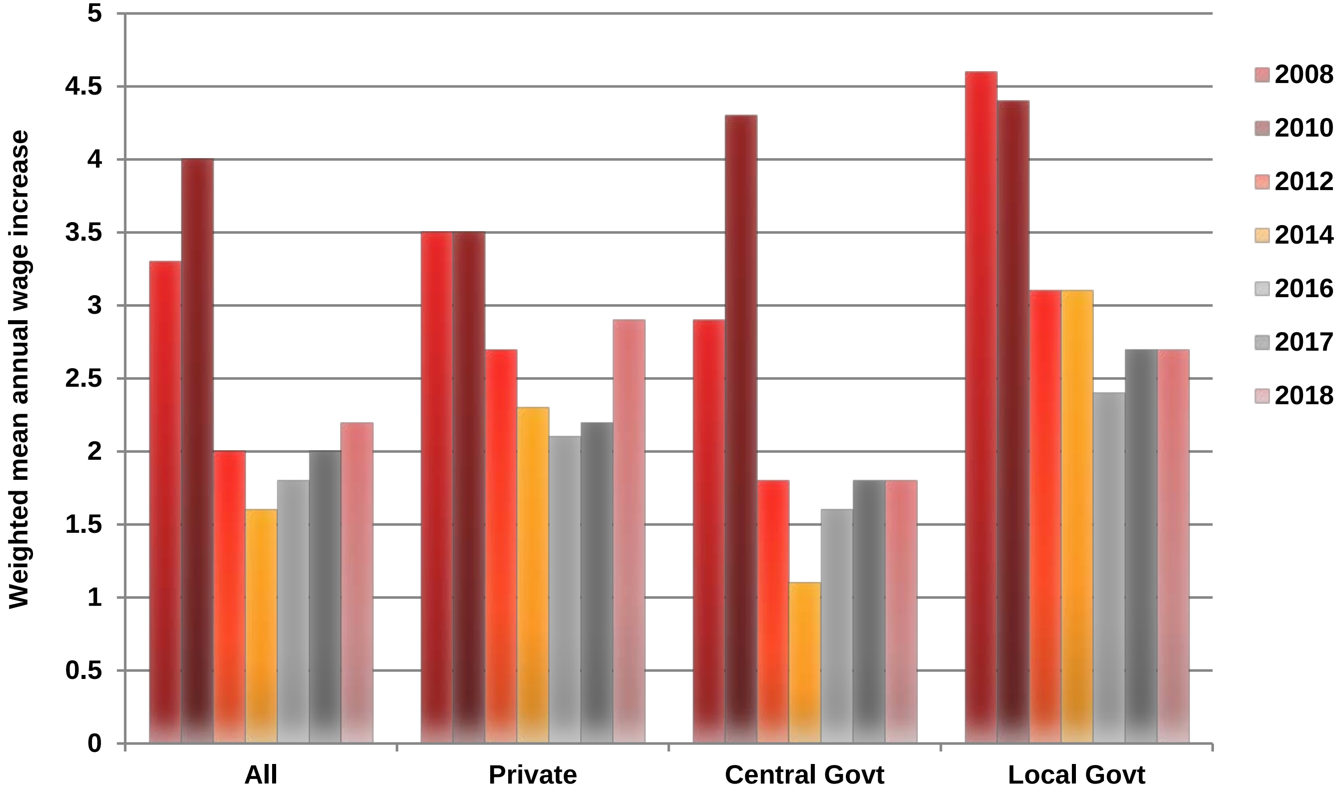
- On average, CEA employees receive higher annual pay rises than employees on IEAs.
- The CEA average salary increase was 2.2% over the past year.

CEA Wage Increases

- Average: 2.2%
- Private: 2.9%
- Local Government: 2.7%
- Central Government: 1.8%

Data collected from June 2017 to June 2018 by the Centre for Labour, Employment and Work

CEA Wage Changes



Why the Gap???

- The size of the public sector?
- The term of public sector CEAs?



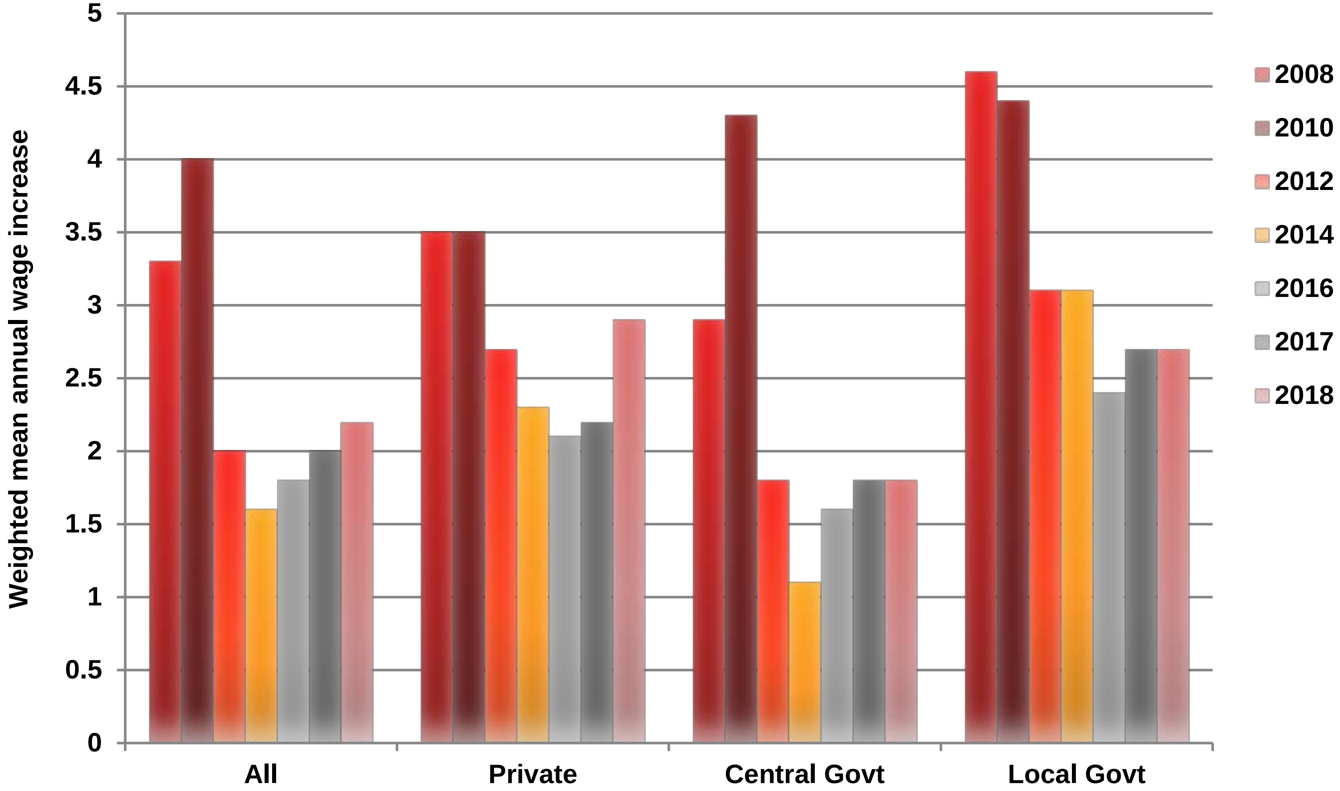
The Size of the Public Sector

- 2056 Collective Employment Agreements in New Zealand.
- Which cover 327,800 employees.

Of these:

- 456 Collective Employment Agreements are in the public sector.
- Which cover over 190,000 employees.

CEA Wage Changes



Term of Public Sector CEAs

- CEAs of at least 24 months covers more than 75% of employees.
- The most common CEA term is 24 months (42% of employees).
- Private Sector agreements are commonly less than 24 months.
- Public Sector agreements are commonly longer termed (24 months +).

Term of All CEAs

	<12 months	12 months	13-18 months	19-23 months	24 months	25-35 months	36 months	>36 months	Coverage (000s)
1996	6	29	10	10	26	13	4	2	377.5
2001	12	24	8	6	26	8	7	9	361.0
2006	2	19	8	13	23	20	14	0	321.9
2011	3	17	16	14	23	13	14	0	303.6
2016	3	8	6	4	33	23	22	0	329.5
2017	3	10	5	5	40	15	22	0	326.4
2018	1	10	8	5	42	13	21	0	326.8

The Cost of Living

Increases in the Past Year

- Consumer Prince Index increased by 1.5%
- Average Cost of Living increased by 1.7%
- Central Government Salaries increased by 1.8%

Auckland Region:

- Rent increased by 4.4%
- Fuel tax of 11 cents per litre.

<u>Salaries and Cost of living talk:</u>

Introduction:

We’ve all heard debates on the living wage and arguments that the minimum wage should reflect the costs of living in New Zealand. For obvious reasons, the most focus on the effects of costs of living is placed on wage earners on or near the minimum wage and salaried workers are rarely mentioned. However with the increasing costs of living, especially in metropolitan areas, professional salaried workers are beginning to feel the effects of the increased cost of living more & more.

This increased cost of living is often combated by increases in salary, however with the horrific housing market, upping in rent prices and most recently the Auckland fuel tax, salary increases in the public sector especially, have barely accounted for this. and a salary increase of 2% does not mean much if the cost of living is up 1.5%.

This seems to be a real issue in the public sector currently, especially in health and education, and it’s important for us as a union to understand why this is happening and the significance of this.

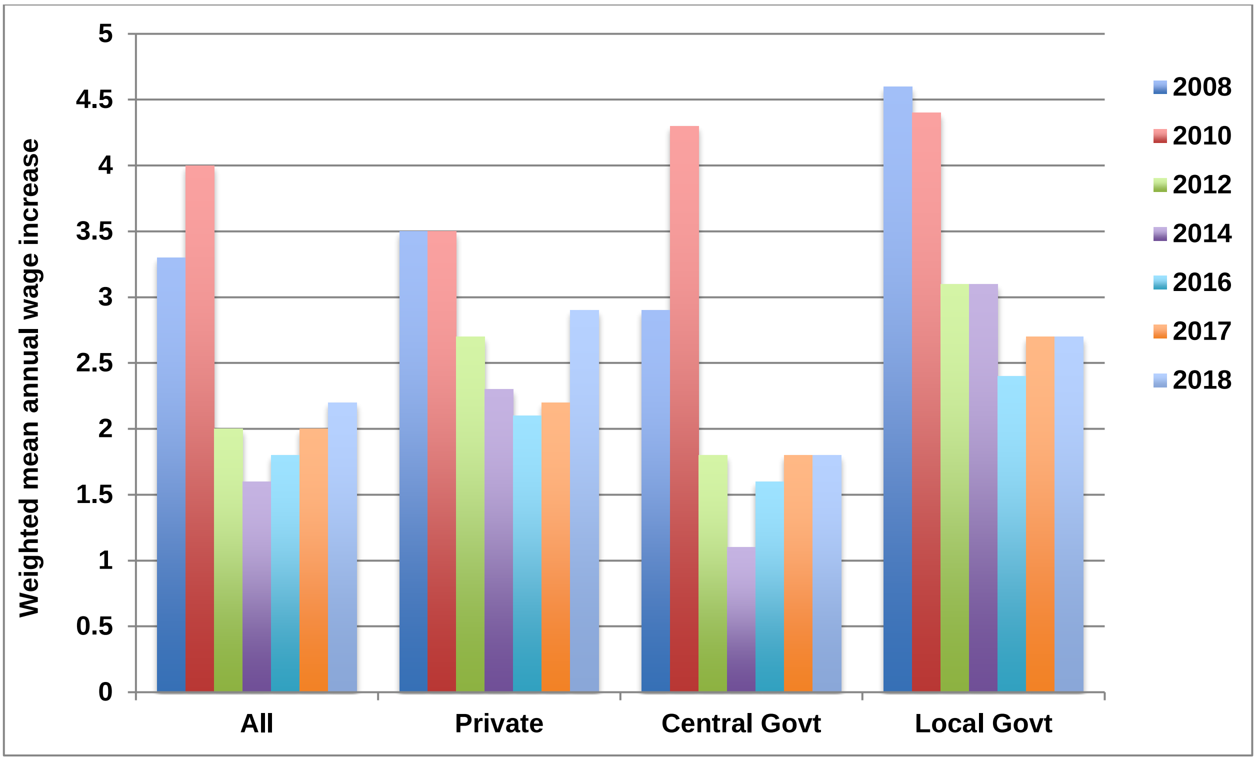
Salaries:

In regards to salaries in general, they often follow market trends i.e. if the economy is doing well then your employer is more likely to give you a significant pay rise. This is essentially because they can accommodate this increased cost without suffering a financial setback. However on the flipside, when the economy is doing poorly, salaries will often remain stagnant or only small increases will occur.

An example of this is the 2008 global financial, crisis where an increase in redundancies occurred and salary increases dropped significantly for a period of at least 5 years.

Salaries of collective employment agreement employees are no exception to this rule and only tend to weather the storm better than employees on individual employment agreements. I recently attended the Centre for Labour, Employment and Work’s annual conference on bargaining trends and employment law, which had some very interesting statistics on Collective Employment Agreement salaries.

It revealed that on the whole, CEA employees received higher annual pay rises than employees on IEAs, and that the average CEA pay rise across all sectors was 2.2% for the past year. To most of you this might seem quite normal and the average pay increase that we would want to see in collective bargaining, but when we break this down further into its sectors, the results reveal a bit of a different story.



Whilst the average pay increases across the sectors was 2.2%....

- Private: 2.9%
- Local Govt 2.7%
- Central Govt (who the majority of health professionals are employed by): 1.8%

Obviously this is a sizeable gap and unfortunately this isn't an anomaly as we can see here.

This graph shows the "weighted mean annual wage increase" of CEAs between sectors over the past 10 years, and what's blaringly obvious is that central government CEAs have fallen behind in comparison to other sectors. This has been a continuous trend since the effects of the global financial crisis were felt in 2012 and we've never caught up.

Size of Public Sector:

This then leads to the question of why we're so far behind and there's a couple of arguments out there to explain this, including the size of the public sector and the length of central govt CEAs in comparison to the private sector.

Currently there are 2056 CEAs in New Zealand that covers 327,000 employees. Of these only 456 CEAs are in the public sector but these CEAs cover over 190,000 employees, so whilst the public sector has less CEAs, they cover the majority of CEA employees.

Many argue that this is the reason why we see the sizable salary increase gap between the public and private sector, because there are just so many more employees. But if this were true we would have always been behind the private sector and local government and if we look back to the wages chart,

You'll see the central government sector has only lagged behind in the past 8 years. Prior to this, during Helen Clark's term as prime minister, the public sector actually received annual salary increments above that of the private sector. Obviously this trend has completely shifted in the past 8 years to the private sector now being in the lead by a sizeable difference.

Term of CEA:

Another reason for this gap is the term of public sector CEAs in comparison to private sector CEAs. Private sector agreements are more common for a term less than 24 months and longer-term agreements are more common in the public sector. This again is due to the size of the public sector and the costs that would be involved in annual bargaining.

However as it has became apparent that longer coverage CEAs tended to pay less, a conscience effort has been made in the public sector to negotiate shorter-term agreements as we can see here:

	< 12 months	12 months	13-18 months	19-23 months	24 months	25-35 months	36 months	>36 months	Coverage (000s)
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This trend to move towards shorter-term agreements began in 2015 and in that year we saw the percentage of central government employees on an agreement for more than two years falling from 75% to 66%.

So from all this, we can see that multiple efforts have been made in order to bridge this gap between the public and private sector. However given the sizable gap that has occurred over the years, we've been trying to play catch up. But the crux of the issue is that the health, social assistance and education & training sectors have received the lowest amount of wage change for the past 7 years. And it's become apparent with the amount of strikes over the past year that we're sick of it and a change has to occur.

Cost of Living:

So now we understand the current salary trends in the public sector, we can compare this to the increase of costs of living in New Zealand.

The cost of living rises and falls with inflation and the consumer price index. Whilst inflation is stringently monitored in order to minimise its occurrence, when inflation does occur it becomes apparent that it is not preventable by merely raising salaries as the amount of inflation that will occur is not foreseeable. Due to this uncertainty, salary rises can sometimes not be effective enough to combat these changes AND address other concerns such as competition from other sectors.

Over the past year, New Zealand's CPI has risen 1.5% and the average cost of living increased by 1.7%. In addition to this, many metropolitan cities are currently facing housing crises, the average Auckland rent has increased by 4.4% and an Auckland fuel tax has also been imposed. Whilst central government employee's annual salary increase of 1.8% is still above this increased cost of living, in comparison to the private sector's increase, this is not sufficient enough and the shortages of medical professionals throughout New Zealand is becoming apparent as a result.

As we loose these medical professionals to other countries or to better paying jobs due to low salaries and an increased cost of living, it becomes apparent that something needs to change. Starting with the employer's willingness to negotiate better terms & conditions of employment before industrial action is our only option.