SALARY AND WAGE FIXING PROCEDURES IN THE NEW ZEALAND STATE SERVICES

REPORT OF THE ROYAL COMMISSION OF INQUIRY

AUGUST 1968

The original publication details are as follows:

Title: Salary and wage fixing procedures in the New Zealand State Services: report of the Royal Commission of Inquiry, Wellington, August 1968

Author: New Zealand Royal Commission on Salary and Wage Fixing Procedures in the New Zealand State Services

NLNZ Identifier: 65406

URI: http://natlib.govt.nz/records/22165641

Published: A. R. Shearer, Government Printer, Wellington, N.Z., 1968

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THE ROYAL COMMISSION ON SALARY AND WAGE FIXING PROCEDURES IN THE NEW ZEALAND STATE SERVICES

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The Honourable Sir THADDEUS MCCARTHY

Members

Sir CLIFFORD PLIMMER, K.B.E.
J. TURNBULL, ESQUIRE, O.B.E.
H. PARSONAGE, ESQUIRE, I.S.O. (retired 12 June)
Professor RALPH H. BROOKES

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BETTY WOODCOCK

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Royal Commission to Inquire Into and Report Upon Salary and Wage Fixing Procedures in the State Services

ELIZABETH THE SECOND, by the Grace of God of the United Kingdom, New Zealand, and Her Other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:

TO OUR TRUSTY and Well-beloved the Honourable SIR THADDEUS PEARCEY MCCARTHY, a Judge of the Court of Appeal of New Zealand, SIR CLIFFORD ULRIC PLIMMER, K.B.E., of Wellington, Retired Company Director, JOHN TURNBULL, O.B.E., of Wellington, Retired Secretary, HARRY PARSONAGE, I.S.O., of Wellington, Retired Secretary of Labour, and RALPH HERBERT BROOKES, of Wellington, University Professor.

GREETING:

KNOW YE that We, reposing trust and confidence in your integrity, knowledge, and ability, do hereby nominate, constitute, and appoint you, the said

The Honourable Sir Thaddeus Pearcey McCarthy;
Sir Clifford Ulric Plimmer, K.B.E.;
John Turnbull, O.B.E.;
Harry Parsonage, I.S.O.; and
Ralph Herbert Brookes

to be a Commission to receive representations upon, inquire into, investigate, and report upon the salary and wage fixing procedures used in the State Services of New Zealand (which expression shall, where used herein, unless the context otherwise requires, have the particular meaning given to it in this Commission), having regard to the report of the Royal Commission of Inquiry into the State Services in New Zealand submitted on the 28th day of June 1962 and the enactments relating to the State Services of New Zealand or any part thereof; and, in particular, to receive representations upon, inquire into, investigate, and report upon the following matters:

1. The criteria which should be used in determining the salaries and wages, and the terms and conditions of employment, of employees in the State Services of New Zealand and the relative weight that should be given to each of the criteria if more than one is considered appropriate.

2. The existing salary and wage fixing procedures used in the State Services of New Zealand and the need to provide or retain or change the following aids:

(a) The Advisory Committee on Higher Salaries in the State Services and similar committees such as the University Salaries Committee and the Hospital Medical Officers Advisory Committee:

(b) Fact finding machinery in the form of a pay research unit to provide information on the salaries and wages, and the terms and conditions, in any areas of employment outside the State Services comparable with occupational classes and groups of employees within the State Services:

(c) The ruling rates survey or a suitable alternative for the measurement of changes in salary and wages rates in employment outside the State Services as a basis for general adjustments to salaries and wages within the State Services and the method of applying those adjustments.

3. The constitution, functions, and powers of the various Tribunals having jurisdiction in matters relating to the salaries and wages, and the terms and conditions of employment, in the State Services of New Zealand, and the extent to which co-ordination, amalgamation, or uniformity of structure and powers of the various Tribunals is desirable, and if so the methods by which this could be achieved.

4. Any amendments that should be made in existing enactments or administrative procedures to promote improvements in the matters aforesaid.

5. Any associated matters that may be thought by you to be relevant to the general objects of the inquiry.

And, further, We desire you to receive representations upon, inquire into, investigate, and report upon the necessity or desirability of co-ordinating the methods of determining the salaries and wages, and the terms and conditions of employment, in the State Services as defined herein on the one part, and other corporations, agencies, and authorities whose funds are derived principally from money appropriated by Parliament or who have a governing body a majority of whose members are persons who are either Ministers of the Crown, employees in the Government service, or persons appointed by the Governor-General or a Minister of the Crown on the other part, together with any changes that are desirable or practicable in the existing procedures and methods of co-ordination.

Unless the context otherwise requires, the term "State Services" where used herein means all instruments of the Crown in respect of the Government of New Zealand; and includes the Judiciary,

Stipendiary Magistrates, chairmen and members (full-time) of boards and commissions who are paid out of money appropriated by Parliament, the Education Service, the University Service in New Zealand, the Hospital Board Service, the Education Board Service, and employees of the Crown to whom Part III of the State Services Act 1962 does not apply by reason of subsection (1) or subsection (2) of section 22 of that Act; but does not include the Governor-General, members of the Executive Council, Ministers of the Crown, or members of Parliament.

And We hereby appoint you the said

The Honourable Sir Thaddeus Pearcey McCarthy

to be the Chairman of the said Commission:

And for the better enabling you to carry these presents into effect you are hereby authorised and empowered to make and conduct any inquiry or investigation under these presents in such manner and at such time and place as you think expedient, with power to adjourn from time to time and place to place as you think fit, and so that these presents shall continue in force and any such inquiry may at any time and place be resumed although not regularly adjourned from time to time or from place to place:

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose, save to His Excellency the Governor-General, in pursuance of these presents or by His Excellency's direction, the contents of any report so made or to be made by you, or any evidence or information obtained by you in the exercise of the powers hereby conferred on you, except such evidence or information as is received in the course of a sitting open to the public:

And it is hereby declared that the powers hereby conferred shall be exercisable notwithstanding the absence at any time of any one or any two of the members hereby appointed so long as the Chairman or a member deputed by the Chairman to act in his stead, and two other members are present and concur in the exercise of the powers:

And We do further ordain that you have liberty to report your proceedings and findings under this Our Commission from time to time if you shall judge it expedient to do so:

And, using all due diligence, you are required to report to His Excellency the Governor-General in writing under your hands, not later than the 31st day of August 1968, your findings and opinions on the matters aforesaid, together with such recommendations as you think fit to make in respect thereof:

And, lastly, it is hereby declared that these presents are issued under the authority of the letters patent of His Late Majesty King George the Fifth, dated the 11th day of May 1917, and under the authority of and subject to the provisions of the Commissions of Inquiry Act 1908, and with the advice and consent of the Executive Council of New Zealand.

In witness whereof We have caused this Our Commission to be issued and the Seal of New Zealand to be hereunto affixed at Wellington this 26th day of February 1968.

Witness Our Right Trusty and Well-beloved Cousin, Sir Arthur Espie Porritt, Baronet, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Knight Commander of Our Royal Victorian Order, Commander of Our Most Excellent Order of the British Empire, Governor-General and Commander-in-Chief in and over New Zealand.

[L.S.] ARTHUR PORRITT, Governor-General.

By His Excellency's Command—

KEITH HOLYOAKE, Prime Minister.

Approved in Council—

P. J. BROOKS, Clerk of the Executive Council.

Resignation of Member of Royal Commission to Inquire Into and Report Upon Salary and Wage Fixing Procedures in the State Services

ELIZABETH THE SECOND, by the Grace of God of the United Kingdom, New Zealand, and Her Other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:

To Our Trusty and Well-beloved the Honourable Sir THADDEUS PEARCEY MCCARTHY, a Judge of the Court of Appeal of New Zealand, Sir CLIFFORD ULRIC PLIMMER, K.B.E., of Wellington, Company Director, JOHN TURNBULL, O.B.E., of Wellington, Secretary, HARRY PARSONAGE, I.S.O., of Wellington, Retired Secretary of Labour, and RALPH HERBERT BROOKES, of Wellington, University Professor:

GREETING:

WHEREAS, by our Commission issued on the 26th day of February 1968, We constituted and appointed you, the said the Honourable Sir THADDEUS PEARCEY MCCARTHY, Sir CLIFFORD ULRIC PLIMMER, JOHN TURNBULL, and RALPH HERBERT BROOKES, and also you the said HARRY PARSONAGE, to be a Commission to receive representations upon, investigate, and report upon the salary and wage fixing procedures used in the State Services of New Zealand: And whereas you the said HARRY PARSONAGE have requested that for health reasons you be relieved from your duties as a member of the said Commission:

Now, Know Ye, that We do hereby relieve you the said HARRY PARSONAGE from those duties; and that We, reposing trust and confidence in the integrity, knowledge, and ability of you the said the Honourable Sir THADDEUS PEARCEY MCCARTHY, Sir CLIFFORD ULRIC PLIMMER, JOHN TURNBULL, and RALPH HERBERT BROOKES, do hereby confirm Our Commission issued on the 26th day of February 1968 save as modified by these presents:

And it is hereby declared that all acts and things done and decisions made by the said Commission or any of its members, in the exercise of its powers, before the issuing of these presents, shall be deemed to have been made and done by the said Commission as reconstituted by these presents:

And lastly, it is hereby declared that these presents are issued under the authority of the Letters Patent of His Late Majesty King George the Fifth, dated the 11th day of May 1917, and under the authority of and subject to the provisions of the Commissions of Inquiry Act 1908, and with the advice and consent of the Executive Council of New Zealand.

In witness whereof We have caused this Our Commission to be issued and the Seal of New Zealand to be hereunto affixed at Wellington this 29th day of July 1968.

Witness Our Right Trusty and Well-beloved Cousin, Sir Arthur Espie Porritt, Baronet, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Knight Commander of Our Royal Victorian Order, Commander of Our Most Excellent Order of the British Empire, Governor-General and Commander-in-Chief in and over New Zealand.

[L.S.] ARTHUR PORRITT, Governor-General.

By His Excellency's Command—

KEITH HOLYOAKE, Prime Minister.

Approved in Council—

P. J. BROOKS, Clerk of the Executive Council.

Letter of Transmittal

To His Excellency Sir Arthur Espie Porritt, Baronet, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Knight Commander of the Royal Victorian Order, Commander of the Most Excellent Order of the British Empire, Governor-General and Commander-in-Chief in and over New Zealand.

MAY IT PLEASE YOUR EXCELLENCY

Your Excellency by Warrant dated 26 February 1968 appointed us the undersigned THADDEUS PEARCEY MCCARTHY, CLIFFORD ULRIC PLIMMER, JOHN TURNBULL, RALPH HERBERT BROOKES, and HARRY PARSONAGE, to report under the terms of reference stated in that Warrant. By Warrant dated 29 July 1968 Your Excellency relieved HARRY PARSONAGE from his duties at his own request.

We were required to present our report by 31 August 1968.

We now humbly submit our report for Your Excellency's consideration.

We have the honour to be

Your Excellency's most obedient servants,

THADDEUS MCCARTHY, Chairman.
C. U. PLIMMER, Member.
J. TURNBULL, Member.
RALPH H. BROOKES, Member.

Dated at Wellington this 26th day of August 1968.

Chapter 1. NATURE AND SCOPE OF THE INQUIRY

INTERPRETATION OF THE WARRANT

1. Of the five people named by Your Excellency in the Warrant appointing this Commission, the four who remain after Mr Parsonage's regretted retirement through illness were members of a Royal Commission established by Warrant under the hand of Your Excellency's predecessor, Viscount Cobham, dated 6 July 1961. That Commission reported on 28 June 1962. It is properly known as the Royal Commission of Inquiry into the State Services in New Zealand, but for brevity's sake we shall call it the 1962 Royal Commission. Your Warrant directs us to have regard to its Report.

2. The 1962 Royal Commission was set up to investigate the organisation, staffing, and methods of control and operation of the Departments of State, and to recommend such changes as would in its view promote efficiency, economy, and improved service in the discharge of public business. Your Excellency's present Warrant is much more specific. We are directed to examine the criteria to be used in determining the pay and conditions of employment of State servants; the relative weights to be given those criteria; the existing salary-and-wage-fixing procedures with special attention to certain committees and machinery; the constitution, functions, and powers of the various pay-fixing Tribunals in the State Services; and any associated matters which we may think relevant to the general objects of our Inquiry. We are also asked to investigate the desirability of co-ordinating the methods of determining pay and conditions of employment in the State Services (as defined in the Warrant) with those in corporations, agencies, and authorities whose funds are derived principally from parliamentary appropriations or who have on their governing bodies a majority of official or Government-appointed members.

3. The matters which we are to consider fell within the 1962 Royal Commission's inquiry and they were dealt with in chapter 7 of its Report. This coincidence of subject-matter, together with the substantial identity in membership, make it inevitable that we should see our present work as continuing and elaborating, within a limited area, the investigations of the 1962 Royal Commission. While we have not on this occasion been specifically directed to have regard to the efficiency and economy of the State Services, these considerations have of course been kept constantly in mind.

4. In one respect the field of our investigation is wider than that explored by the 1962 Royal Commission which, for reasons set out in its Report, confined its scrutiny to the Departments of the Public Service together with the Legislative Department, the Post Office, and New Zealand Railways. Your Excellency's Warrant requires us to have regard to the "State Services". The term is given a special meaning for the purposes of our Inquiry. It is declared to mean all instruments of the Crown in respect of the government of New Zealand; and includes the Judiciary, Stipendiary Magistrates, chairmen and members (full-time) of boards and commissions who are paid out of money appropriated by Parliament, the Education Service, the University Service of New Zealand, the Hospital Board Service, the Education Board Service, and, broadly speaking, all employees of the Crown, including the Police and the Armed Services. It does not include the Governor-General, members of the Executive Council, Ministers of the Crown, or members of Parliament. It will be seen, then, that while the general area of inquiry is considerably smaller than that of the 1962 Royal Commission, more people could be affected by our recommendations—about 220,000 including the staffs of the corporations and boards (see table 1 below).

Table 1: EMPLOYEES WITHIN THE JURISDICTION OF THE INQUIRY

	PHASE I
Public Service	
Agriculture	3,487
Audit	192
Civil Aviation	1,815
Crown Law	19
Customs	788
Defence (includes 328 employed under RNZAF Regulation 283)	3,405
Education	2,639
Electricity	4,700
Forest Service	4,926
Government Life Insurance	390
Government Printing Office	938
Health	8,435
Industries and Commerce	425
Inland Revenue	2,338
Internal Affairs	2,146
Justice	2,215
Labour	903
Lands and Survey	2,567
*Maori and Island Affairs (excluding 333 employed under Niue Island Regulation 66)	1,171
Marine	529
Mines	3,110
Police	223
Prime Minister and External Affairs	359
Public Trust	834

Scientific and Industrial Research				1,585
Social Security				1,390
State Advances				1,244
State Insurance				859
State Services Commission				187
Statistics				397
Tourist and Publicity				825
Transport				956
Treasury				451
Valuation				514
Works				12,316
Total:				69,278
New Zealand Government Railways				22,521
New Zealand Post Office				29,316

Education Service

	Teachers	Others	
Primary	16,322	4,500	
Secondary	7,132	600	
†Technical Institutes	633	246	
Teachers' Colleges	411	90	
Kindergartens	510	. .	
Education Boards' staff	. .	650	
	25,008	6,086	31,094

	Academics	Others	
Universities	1,750	1,400	3,150

Hospital Service

(a) Under Hospital Regulations	20,468	
(b) Under awards and agreements	10,723	
(c) Under apprenticeship orders	38	
		31,229
Armed Services		13,151
New Zealand Police		2,972
Others		2,000
State Services Total		204,711

PHASE II

Group 1 (Industry Boards)		992
Group 2 (Government Corporations)		13,448
Group 3 (Boards, Councils, etc.)		1,034
		15,474
Grand Total		220,185

*The separate departments of Maori Affairs and Island Territories have been amalgamated under one permanent head.
†Includes T.C.I. (211 tutors and 51 other staff).

5. We are thus investigating pay fixing for approximately one-fifth of New Zealand's working population. The economic implications are evident from data supplied to us by the Treasury (see appendix 2). For the past 8 years, salaries and wages in the Government sector

have amounted to rather more than two-fifths of total Government expenditure (in 1966–67, $478 million out of $1,179 million), thus a significant part of the Government's revenue, and of the country's resources, goes to pay State servants. Their pay also contributes significantly to consumer demand: while salaries and wages in the Government sector have, since 1959–60, declined slightly as a proportion of total salary and wage payments (from 24.5 to 22.8 percent), they have continued to be a fairly constant proportion (a little over 13 percent) of the total of private incomes. In money terms, private incomes have of course been increasing rapidly during this period; so, therefore, has State pay. According to the Treasury's evidence, in the 8 years from 1959–60 to 1966–67 the State wage and salary bill increased on an average of about 7.3 percent annually. The Treasury estimates that about 70 percent of this enlargement resulted from increases in pay rates, as distinct from increases in the number, or improvements in the quality, of the staff employed. These figures illustrate the extent of wage movement in recent years.

6. New Zealand has not attempted to cope with this problem by adopting a "national incomes" or "guided wages" policy, as a number of overseas countries have done. The possibility is considered in some detail in the *Report on General Wage Orders and Other Wage Increase Procedures in New Zealand* published 2 years ago. That Report, prepared by an interdepartmental committee, quotes the conclusion of the Industrial Advisory Council that "our national thinking in New Zealand is not sufficiently advanced as yet to enable an incomes policy to be a near possibility". After considering the Report, the Government decided on 15 August 1966 that there should be no major change in the general wage order system, nor do possible changes in that system which have recently been the subject of public discussion point towards the adoption of an incomes policy. It may yet decide, at some later date, to introduce an incomes policy, which would of course entail substantial changes in pay-fixing procedures both in the private and the public sectors. Nevertheless, in the light of the Cabinet's decision in August 1966 and of the more recent events we do not feel obliged to provide for this possibility. We are strengthened in this opinion by the terms of our Warrant, which confine our Inquiry to the Government sector. For reasons given in chapter 5, we believe that there are strong arguments against attempting to counter inflation by curbing pay increases in that sector alone, hence we consider that the absence from our Warrant of any reference to the private sector implies that we are not to concern ourselves with the desirability or possible implications of an incomes policy.

THE PROCESS OF THE INQUIRY

7. Your Excellency's Warrant was published in the *New Zealand Gazette* on 29 February 1968, and we opened our Inquiry on 12 March. Before then our terms of reference had been advertised in metropolitan and provincial newspapers, and all people or organisations wishing to make submissions were asked to do so. Those interested were invited to attend the formal opening when we announced the procedures we proposed to follow. Representatives of 36 organisations announced their presence on that occasion and indicated their intention to take part in the Inquiry. In general, we observed the same procedures as the 1962 Royal Commission. That Commission laid down its procedures in two short rulings, which were printed as an appendix to its Report at page 413. Its procedures have now become a standard pattern. They have been followed by other Commissions of Inquiry since then, not only in New Zealand but overseas, and we believe that they are today widely recognised as ensuring reasonable dispatch on the part of a Commission and at the same time giving the various interested people and organisations a fair opportunity to present their views.

8. We divided our investigation into two phases: Phase I, which began on 4 April, dealt with the matters listed as 1–5 in the Warrant. Phase II was concerned with the matters raised by the latter part of the Warrant which relates to co-ordinating the methods of fixing pay and conditions of employment in the State Services with those in public corporations, agencies, and authorities. The hearing of submissions on Phase II began on 27 June 1968. Our public sittings lasted from 4 April to 11 July. We sat in public in Wellington on 27 days, and received 144 submissions (1,689 pages) from the people or organisations listed in appendix 1. Supporting oral evidence was recorded verbatim. It ran to 1,167 pages.

9. In one detail our procedures differed from those of the 1962 Royal Commission. At the beginning of each day's hearing the Secretary announced the submissions which had arrived since the previous sitting-day. The submissions then became immediately available for those interested to peruse at our office in Wellington but did not thereby become part of the formal record. In most cases, they were later presented orally at a public sitting, so that representatives of interested organisations and members of the Commission had an opportunity for questioning the spokesmen. However, we were also prepared to accept submissions even when they could not be presented personally at a public hearing, and these were formally put into the record by the Secretary after sufficient time had elapsed for those interested to take note of their contents. Organisations which

appeared to be substantially affected by a submission, and particularly those which wished to take part in the public hearing, were able to apply for a copy for study. A copy of the verbatim record of public hearings was available for public inspection in our Wellington office. A copy of all submissions and of the verbatim record will be deposited in the General Assembly Library in Wellington.

10. We are required to report by 31 August, and, as we have explained, we did not hear the first submission until 4 April. We have thus had to apply ourselves diligently to our Inquiry, and to demand equal diligence from those who were preparing submissions. We thank them gladly, not only for meeting the tight deadlines which we had to impose, but also for the high quality of many of the submissions.

11. Some major employee associations in the State Services chose not to take part in our proceedings. We make no comment on the wisdom of that choice; the decision was made by the associations themselves, and they must bear the responsibility for it. We must however comment on its consequences for our investigation. Naturally we regret the absence of submissions from, and of examination of witnesses by, those associations, since they would have facilitated our Inquiry. Nevertheless, we do not believe that our investigation has been vitiated by their refusal to participate, for three reasons. *First,* in those branches of the State Services which fell within the scope of the 1962 Royal Commission's inquiry we have had the benefit of the testimony which the associations put forward. This gave us an understanding of their attitudes towards many of the present problems (though we admit the possibility that some of their attitudes may have changed in the meantime). We have also received evidence on this occasion from several organisations (such as the New Zealand Institution of Engineers, the Association of Scientists, and the Civil Service Legal Society) on behalf of State servants in specific occupational groups, many of whom are doubtless members of the non-participating associations. *Second,* in those areas which were beyond the scope of the earlier inquiry we have fortunately received many submissions from employee associations (including such major organisations as the New Zealand Educational Institute, the Post-primary Teachers' Association, and the Registered Nurses' Association) as well as from employing authorities and other interested persons and organisations. Some 30 employee associations and professional bodies gave us evidence on behalf of their members. *Third,* in both areas the diversity of opinions and recommendations has been so great that we doubt whether the non-participating organisations could have added a further variety.

ENVIRONMENT FOR REVIEW

12. The present Inquiry was first mooted (we understand) at a time when the Government and some of the employee associations were in conflict over a Government proposal to absorb, in a general wage adjustment resulting from the annual ruling rates survey, a "margins for skill" increase recently awarded to tradesmen by the Government Railways Industrial Tribunal—conflict which culminated in a strike by the Railway Tradesmen's Association. This simultaneity was unfortunate, since despite the delay of several months which elapsed before our Warrant was gazetted, the emotion generated by the conflict and the strike continued to obscure the general nature of the proposed Inquiry, and to foster in some quarters the impression that we were mainly concerned with a single industrial dispute. That this impression is wrong is plain from the terms of our Warrant, and from the evidence submitted in the course of our Inquiry, and indeed from a reading of this Report. As we shall show later it is appropriate to review State pay-fixing procedures at the present time. It may well be however that the 1967 dispute acted as a catalyst, focussing attention on those procedures and precipitating the decision to hold an inquiry; and it may well have been this juxtaposition which influenced several of the major employee associations to refuse to participate.

13. Some recent problems brought to our notice have arisen from the attempts to implement some of the recommendations of the 1962 Royal Commission. This is perhaps especially so in the case of pay-fixing criteria. The 1962 Royal Commission tried, in paragraph 24 of chapter 7 of its Report and in the preceding discussion, not merely to identify the relevant criteria but also to present them in a form which indicated when each of them was applicable, and the relative weight that should be given to each of them when more than one could be applied. In subsequent legislation, however, the criteria have generally been listed as a series of discrete items. Thus, the principles of statutory interpretation require the pay-fixing authorities to have regard to all of the criteria and to determine in each case what weight should be given to each of them. However, unless the criteria are properly weighted, the twin purposes of the pay-fixing system will be frustrated. The purposes are first, to enable the State to recruit and retain an efficient staff, and second, to ensure that the rates fixed can be justified to the taxpaying public, and to State servants, as fair and reasonable, thereby helping to maintain the non-political character of the State Services by keeping their pay disputes out of the arena of political controversy. The railway strike of 1967 and the associated controversy illustrate the danger, and

demonstrate the need to draft the legislation in such a way that the criteria can be weighted in accordance with sound principles. We shall return to this topic in chapter 5.

14. As a result of another recommendation of the 1962 Royal Commission, the Advisory Committee on Higher Salaries in the State Services was established. The evidence shows that this has proved a highly successful innovation. Certain problems have nevertheless arisen, about the frequency of its reviews, the possible need for interim pay adjustments at top levels if those reviews are not frequent, the range of posts which the Committee should be asked to consider, and the possible need for co-ordination between the Committee and two other advisory bodies which have recently been established, viz, the University Salaries Committee and the Hospital Medical Officers Advisory Committee. These matters are dealt with in chapters 4, 6, and 7.

15. The 1962 Royal Commission recommended that the State Services (that is, those within the ambit of its inquiry) be classified into occupational classes, and that an appropriate wage or salary structure be fixed for each such class from time to time, using pay-research techniques where possible. Considerable progress has been made towards occupational classification in the Public Service (115 classes have so far been created), so that the potential scope and mode of operation of a pay research unit has become much clearer than it was in 1962, though as yet no such unit has been established. In the light of recent developments, overseas as well as local, we have reviewed in chapters 6 and 7 the need for and possible constitution of a pay-research organisation.

16. The 1962 Royal Commission recognised that unless pay research became so fully developed that the pay scale for each occupational group could be frequently reviewed, interim Service-wide pay adjustments would still be needed. It recommended that these continue to be based on surveys of ruling rates among certain classes of tradesmen and labourers in outside employment. However, there has been frequent criticism that State pay adjustments should be based on wage movements among a group so small and so unrepresentative of the State labour force, and we have reconsidered this matter in chapter 6.

17. Some recent problems result not from attempts to implement recommendations of the 1962 Royal Commission but from failure to do so. This is especially true of a group of recommendations designed to adapt the system of Tribunals to deal effectively with matters which directly affect more than one Service. The resulting lack of co-ordination, and other problems at present met by the Tribunals,

are forcefully presented in the following passage from a memorandum (attached to Tribunal Order No. 551) by the Chairman of the Government Railways Industrial Tribunal, J. F. Keane, Esq., S.M.:

27. This case has highlighted the problems associated with wage fixing in general and the application of the ruling rates legislation in particular. This affects tens of thousands of Government employees and because of the unfortunate events of recent weeks it has become a matter of great public interest. The reasons for the different points of view are not readily understood unless the whole field of wage fixing is considered. For these reasons I propose to take the unusual course of drawing attention to some of the problems which have come to my notice during the twelve months that I have been Chairman of this Tribunal and of the Government Service Tribunal which deals with employees in the State Services. I stress that these are my personal views; that I have not been asked to give them and I appreciate that they may be neither welcomed nor approved.

28. At the present time the wage rates and salary scales of Government employees come under the purview of four separate Tribunals, namely, the two which I have mentioned, together with the Police Staff Tribunal (of which I am the present Chairman) and the Post Office Staff Tribunal. Of these, the Police Staff Tribunal deals with a very small group of employees in a specialised occupation and it needs no further mention. The other three groups each comprise tens of thousands of employees, but the conditions, under which wages are fixed, are governed, in each case, by separate and differing legislation.

29. The position is further complicated by the fact that in the Railways Department any decision as to wages must come in the first instance to the Tribunal for approval, whereas in the State Services, wage determinations are made in the first instance by the State Services Commission and only reach the Government Service Tribunal by way of appeal if they are disputed: on the other hand, the Post Office Staff Tribunal (from my reading of the Act) appears to be a consultative body with power only to make recommendations to the Postmaster-General. In addition to this, the jurisdiction of the Railways Tribunal and the Government Service Tribunal, and, presumably, also the Post Office Staff Tribunal does not embrace all employees, but is limited to those up to a certain salary level. As an illustration of this, the Government Service Tribunal is concerned with employees, whose salary does not exceed £2,365 and, as I have stated, by way of appeal only. Between this figure and £3,235 the sole responsibility lies with the State Services Commission. Above the Commission's jurisdiction, salaries are appropriated by Parliament following recommendations from the Higher Salaries Advisory Committee. If the higher bodies are regarded as covering the whole field of Government Departments, and the Police Tribunal is disregarded five separate authorities share the responsibility.

30. Each authority must be governed primarily by the legislation under which it is appointed. The criteria to which the Railways Industrial Tribunal and the Government Service Tribunal are obliged to have regard are substantially the same but there are some very significant differences. In an opinion which I gave last year, and to

which I still adhere, I expressed the view that because of those differences, the answers which the Full Court gave in the Railways case would not apply under the State Services Act. Under the Post Office Act the position is different again. No reference is made to the criteria mentioned in the Government Railways Act or in the State Services Act and the only Statutory guide which is given to the Post Office Staff Tribunal is that it shall have regard to the general purpose of the Economic Stabilisation Act 1948. A similar provision in the Government Railways Act was repealed in 1962.

31. When an application is before the Government Service Tribunal or the Railways Tribunal, the Tribunal is usually told that any order which it may decide to make will have repercussions in other areas of Government employment. When that Tribunal is the Railways Tribunal, for example, it will then be expected to foresee how the Government Service Tribunal and the Post Office Tribunal each with different statutory functions and conditions will deal with employees, whose conditions of employment are unknown to the Railways Tribunal, and may well be different from those before it. Similarly, the Government Service Tribunal will be asked to take into account the effect its decision will have on those employees in the higher groups. No real assistance is given to indicate whether any movement should begin from the bottom and thereby influence the authorities responsible for the higher grades or whether the reverse should be the case. In these circumstances a Tribunal is faced with the alternative of doing nothing at all for fear of possible repercussions outside its jurisdiction or of attempting to do justice to those before it in accordance with the statute which governs its functions.

32. It has become increasingly apparent not only to those responsible for Government administration but also to the various employees' organisations that the methods of implementing the ruling rates survey require some revision. It is equally clear that the different employees' organisations, each having different interests to protect, are not unanimous. The differences in the legislation, to which reference has been made, may well be a contributing factor. A further factor is that some groups have no counterpart in outside industry with which a comparison can be made. Since its inception the survey has, by the consent of all parties, been confined to labourers and tradesmen only, but the results so obtained are then applied throughout the services—in the great majority of cases to employees who have not the remotest relationship to labourers or tradesmen.

33. I think it is sufficient to draw attention to these problems without presuming to pose any questions or suggest any answers.

We deal with these problems mainly in chapter 4.

18. Dissatisfaction with present pay-fixing machinery has not however been confined to those sections of the State Services which were dealt with by the 1962 Royal Commission. From the evidence we received it is clear that it has also been widespread among those Hospital Board employees who have their salaries determined under the Hospital Employment Regulations. These include nurses, medical

officers, dental officers, physiotherapists, laboratory staff, X-ray workers, dietitians, engineers, clerical staff, and so on. Indeed, it is likely that the Government would have introduced legislation to establish new negotiating and pay-fixing machinery for some of these groups, had it not decided that the time was ripe for a more general inquiry. Certainly there are advantages in not dealing with the situation piecemeal: improved negotiating machinery for nurses might well provide a model, for example, for teachers, and a decision to establish a special Tribunal for the Hospital Service might well suggest the need for a special Tribunal for the Education Service in which a number of problems have also arisen. We deal with these matters in chapters 3 and 4.

19. The paragraph of our Warrant governing what we have called "Phase II" of our Inquiry reflects another set of issues, touched on by the 1962 Royal Commission when it mentioned that public corporations generally "have greater flexibility than State Departments in determining salary scales" and noted that problems of co-ordination might arise in consequence. We are directed to investigate these problems, not only in relation to public corporations but also to the numerous boards and other agencies within the Government sector (but not including local authorities). We have done so in chapter 8.

20. One further feature of the environment for the present review, while not new, is more prominent now than it was in 1962. It has assumed much more importance because of the devaluation of the currency last year. We refer to some discrepancies between the salary structure in New Zealand and that of similar countries overseas, especially Australia. The 1962 Royal Commission recognised the need of the State Services to compete in an international market for certain types of staff. However, it appeared then that the main impediment to providing salaries adequate for this purpose had been the depressed level of salaries among top administrators in the State Services, and therefore that when these were properly aligned with those in outside employment (within New Zealand), those for scientists, engineers, and other internationally-mobile groups could be set without difficulty at levels which would enable the State Services to compete. This does not seem to be the case at present. The Advisory Committee on Higher Salaries has enabled the Government to keep top-level administrators aligned with their counterparts in commerce and industry, but the whole salary structure in New Zealand is compressed compared with those overseas, so that one cannot both offer internationally competitive salaries for specialist staff, and maintain significant margins between these specialists and the administrators who supervise them. To give one example: we were told that of the research scientists up to and including Chief of Division rank in the

Australian Commonwealth Scientific and Industrial Research Organisation, nearly one-fifth receive an annual salary of $10,000 or more. The same proportion of the research scientists in the Department of Scientific and Industrial Research in this country would amount to nearly 100 people. At present, none of them receives such a salary (indeed, only 3 of them receive $8,000 or more), and only 14 Permanent Heads of Departments of State do so. To bring the salary structure of DSIR into line with that of CSIRO would thus entail paying nearly 100 State scientists (not including the Director-General or his deputies) as much as or more than the top group of departmental heads. We suspect that Australia has found it possible to pay scientists at these rates only because they pay their Cabinet Ministers and judges substantially more—indeed in some cases twice as much, and their top civil servants half as much again, as we do in this country.

21. Let it be clear that we are not urging that DSIR scientists should be paid at Australian rates. Our Warrant does not require us to review the adequacy of existing pay rates, nor have we done so. Here we are merely concerned to stress that New Zealand is facing an increasingly acute problem. If it maintains its egalitarian philosophy, it is unlikely to recruit overseas the specialists it needs, and may fail to retain those who are already here or who will be produced locally in the years ahead. If it decides to pay them at internationally competitive rates but not to increase other salaries, it will be paying more to specialists than it pays to State servants who are equally competent and whose responsibilities are greater. If it decides to stretch the salary structure in the State Services so as to pay more both to specialists and to senior administrators, it will be leading and not following the market in outside employment, and may stimulate wage demands at lower levels with adverse consequences both on the competitiveness of our exports and on internal inflationary pressures.

22. The problem is not one which we are called on to solve, since we are not responsible for fixing salary levels. However, it conditions our thinking about the machinery for fixing salaries, not only in the universities (for whom the problem is specially acute) but also in the Hospital Service (where it affects doctors and dentists) and in other State Services (where it affects scientists, veterinarians, engineers, and many other groups including, we are told, certain types of skilled tradesmen for whom there is a keen demand in Australia). The consequences, whether of attempting to compete internationally or of failing to do so, are potentially of such political importance that we are forced to the conclusion that some of the major decisions in this field must be left to the Government and not to a Tribunal. Our recommendations are so framed.

23. This state of affairs may not continue indefinitely. It may be that, in the long run, New Zealand will have to adjust to the overseas market for internationally mobile specialists, and that the salary structure will be stretched to provide a margin for top administrators. When this happens, machinery different from what we are now recommending may be appropriate. The egalitarian tradition seems to us still sufficiently strong, however, to make this development remote, hence our proposals are directed to the present and to the immediate future.

GENERAL COMMENTS

24. In the first chapter of its Report, the 1962 Royal Commission outlined the assumptions which influenced its approach to its inquiry. We see no need to quote or to restate them, but as will be evident in a reading of this Report, we are influenced by the same assumptions. We stress again a point made there, that the effectiveness of a system depends not only upon the care with which its principles have been formulated and its organisation devised, but also in large measure upon the qualities of the people who have to make it work. In the present instance, how well the State Services and the country will be served if the pay-fixing procedures we recommend are adopted, must depend on who is chosen to negotiate or to conciliate, to advise or to decide.

25. We stress, too, our belief in the settlement of wage disputes by negotiation and arbitration. There is no machinery which will permanently eliminate disagreements about pay. The task is rather to bring employers and employees together to discuss their disagreements, to resolve them as far as possible by appeal to generally accepted principles and by establishing relevant facts, and to permit them to present any remaining areas of disagreement to an arbitral authority which—again by applying accepted principles and establishing relevant facts—will pronounce a final decision. Each party has, through negotiation and arbitration, not merely the opportunity to put forward its case, but also the obligation to justify it under criticism. While this process cannot be expected to eliminate all disagreements, it can be expected to produce among both parties a better understanding of the facts and a greater sense of responsibility for and acceptance of the outcome.

26. We have found it necessary always to bear in mind something that is easily overlooked—that the pay-fixing function in the State Services is essentially different from that of wage fixing in the private

sector. In commerce and industry it has two separate and distinct levels, viz:

(a) the regulatory level, at which minimum wages and conditions are determined; and

(b) the market level, at which actual wages and conditions are determined.

The processes of conciliation and arbitration apply in substance only to the regulatory or minimal level. In comparatively rare cases there is negotiation aimed at setting a higher level, but even then this is only intermediate: the market determines actual rates. Thus the market level is the effective level: it is influenced by movements in the regulatory level, but it is by and large *determined* by the employer, whose dominant criterion is profitability—long-term profitability to an extent, but, in the main, immediate profitability. In applying this criterion, the New Zealand employer is not restricted by the Government—as overseas employers sometimes are—and is only slightly disciplined by agreements with his fellow employers. He makes his determinations in a great number of separate decisions, often in relation to individual employees or small groups of employees. The capacity of the employee to influence this market level is largely limited to the bargaining opportunities afforded by the bidding activities of employers. Hence, it is the employer who usually determines the market level of wages and thus most strongly influences the allocation of labour resources into particular industries and into the acquisition and exercise of particular skills.

27. By contrast, there is generally in the State Services only one level of wages—the actual level. The processes of negotiation and arbitration must be directed to that level, and in the setting of that level, provision must be made for many of the factors which the outside employer takes account of in relation to individual employees—skill, scarcity, and productivity. Nor can the State often apply the yardstick of profitability. Staff must be recruited and retained to perform those duties which the community requires of the State Services, and pay must be fixed at levels which will enable this to be done.

28. Two conclusions emerge. First, because the private sector competes with the Services for staff and holds the initiative in such competition, it is the private employer who effectively determines the levels of pay inside the State Services. If there is instability in those levels inside the State Services, it is nearly always because of prior instability in the private sector. Second, State Service pay fixing will necessarily be more complex than that outside, because in the Services it combines the formal regulatory or award-making function with what is, outside, the largely informal function of determining actual rates to be paid. Chapter 2 deals more fully with this.

Chapter 2. THE PRESENT MACHINERY AND PROCEDURES

1. The pay-fixing machinery and procedures of the State Services are most various. Their pattern changes from one employment area to another and even sometimes within the same area.

2. Briefly the different ways in which pay rates are declared include: regulations made under statutory authority; orders made under such regulations; industrial awards of the Court of Arbitration; industrial agreements registered with the Court of Arbitration; directions or determinations of employing authorities; orders of Tribunals acting in their original or appellate jurisdiction; and, in some areas, the prescription of a Minister of the Crown.

3. Various statutory enactments confer wage-fixing powers, define their extent, and lay down the criteria (see chapter 5) to be observed in their exercise. The different provisions have been collated by the State Services Commission (see appendix 3). But as a mere reading of these pieces of legislation will to most people convey little of the way in which the provisions operate, it is necessary to give at least a broad sketch of the various working parts of the diverse machinery, to state where appeals lie to Tribunals, and to explain by what means and to what extent it is now sought to co-ordinate the actions of the separate parts.

PAY-FIXING MACHINERY

4. Existing machinery is complex beyond simple description. However we will here outline as simply as possible the processes as they relate to different groups of State Service employees and other recipients of State pay, quoting throughout rates applying at 1 April 1968.

(a) *Employees Subject to Industrial Awards and Agreements*

5. State servants subject to an award of the Court of Arbitration or covered by an industrial agreement registered in the Court include, for example, some employees of Public Service departments, Hospital Board institutions, and schools run by Education Boards or Boards of Governors. Such awards and industrial agreements apply mainly to those classes of manual workers of which the State Services are not the predominant employer. There are some exceptions: for example, non-manual employees of Hospital Boards (e.g., pharmacists) make up most of those affected by a few awards. Awards of the Court of Arbitration and industrial agreements usually fix

minimum rates of pay and not the actual rates, which are negotiated by the employing authority, often within maxima set by Ministerial direction.

(b) *The Public Service*

6. The State Services Commission is the employing authority for the 36 departments now comprising the Public Service (see table 1) for whom it fixes wages and salaries up to and including the figure of $7,300 by direction ("determination"). Above this point, salaries are fixed by appropriation in the annual estimates passed by Parliament.

(c) *Post Office*

7. The Director-General of the Post Office issues determinations for all employees in the Second Division, which is made up of a large staff of skilled, semi-skilled, and unskilled workers (tradesmen, linemen, shorthand typists, machinists, telephone exchange operators, postmen, etc.). The First Division, which has higher entry qualifications, contains clerical, technical and professional officers, and most of the controlling or executive staff. Salaries for these employees are prescribed by regulation up to and including $7,300. Above that, salaries are appropriated by Parliament.

(d) *Railways*

8. The Government Railways Industrial Tribunal, acting as a wage-fixing authority in an original jurisdiction, sets wages and salaries up to $5,300. Above that and up to and including $7,300, salaries are set by statutory regulation. Above $7,300 salaries are appropriated. The General Manager has no power to make determinations.

(e) *Police*

9. Members of the New Zealand Police (but not its clerical staff, who are members of the Public Service) have their salaries and conditions of service set by the Police Staff Tribunal which has an original jurisdiction up to $5,730. The salaries of officers above $5,730 (except that of the Commissioner of Police) are fixed by the Cabinet Committee on Government Administration. The salary of the Commissioner is appropriated. The Commissioner has no power to make determinations.

10. All salaries up to $5,730 inclusive are promulgated in orders of the Tribunal. The Commissioner's salary appears in the annual estimates. But those approved by the Cabinet Committee on Government Administration are not promulgated in any way.

(f) *Armed Services*

11. The Ministers of Defence and Finance decide jointly the terms of service and salaries up to $7,300. Above $7,300 salaries are appropriated. Salary scales are promulgated in the *New Zealand Gazette.*

(g) *Education Service*

12. The administrative and clerical staffs of the Department of Education are members of the Public Service (see para. 6 above). Most primary and secondary teachers of the Education Service are, however, employees of the Education Boards and Boards of Governors of Secondary Schools. For these teachers, the Director-General of Education can make salary determinations up to $7,300; above this, salaries are appropriated. Other employees of Education Boards are covered by awards or industrial agreements, or (for example, clerical workers) have their salaries set by regulation. Secondary School Boards have complete autonomy in fixing the pay of employees other than teachers; as, with some modifications, have Boards of Governors of Technical Institutes.

(h) *Universities*

13. The salary scales of academic staff are fixed by the Government after considering recommendations made by the University Salaries Committee, an off-shoot of the University Grants Committee (see para. 23). The maxima of salaries of non-academic staff, except for those under awards or industrial agreements, are set by the University Grants Committee. All salaries are paid out of grants made by the Government to individual universities, which are the employers.

(i) *Hospital Boards*

14. There are 57 groups of hospital board employees. Approximately 36 groups who do not come under awards have their salaries fixed by regulation. Approximately 21 groups come under awards, industrial agreements, and apprenticeship orders. As they form a considerable body of employees, these various groups are listed and distinguished in appendix 4.

(j) *Parliamentary Staff*

15. This broad heading includes the Legislative Department, Law Draftsman's Office, the Controller and Auditor-General, his Deputy, and the Ombudsman. Salaries of the Legislative Department are set by the Prime Minister although the Speaker on behalf of the House of Representatives has the day-to-day control of staff. Law draftsmen's salaries are fixed by their Minister. Those of the Controller and Auditor-General and the Ombudsman are set by statute and that of the Deputy Controller and Auditor-General is appropriated.

(k) *Boards and Committtees*

16. Both full- and part-time members of boards and committees have their salaries or fees set by the Minister of Finance on the recommendation of the Treasury.

(l) *Judiciary*

17. The salaries of the Judiciary (including Stipendiary Magistrates) are set by the statutes under which they are appointed.

(m) *Remainder*

18. All individual groups cannot be covered in a brief outline. However, the machinery detailed in appendix 3 does embrace all groups, including with those above: the Solicitor-General; canvassing agents of the Government insurance organisations; crews (except officers) of Government ships; Governor and Deputy Governor of the Reserve Bank of New Zealand; the Board of Directors of the State Advances Corporation; the Security Service; the Registrar of the Court of Arbitration; officers appointed under the External Affairs Act.

AIDS TO PAY FIXING AND ADJUSTMENT

19. As well as fixing wages and salaries, employing authorities must adjust them from time to time to take account of general movements in the private sector. In this work employing authorities are aided by—

(a) *Ruling Rates Surveys*

20. Section 42 of the State Services Act 1962 and s. 3 of the Government Railways Amendment Act (No. 2) 1962 provide for an annual survey of ruling rates of remuneration and conditions of employment in the private sector. The Labour Department makes the survey over eight trades in eight geographical areas, and obtains two figures by averaging the results, one for tradesmen and one for labourers. These figures are used to fix the wages of tradesmen and labourers. The change in the tradesmen's average is taken as an index for adjusting, in differing amounts at different levels, the salaries of most but not all other employees in the State Services. (Particular amounts and levels are negotiated with employee associations.) Chapter 6 explains in greater detail how the survey is made and used, both as a piece of pay-research machinery in a specified area and as an index of general movement in wages and salaries in the private sector.

(b) *Advisory Committees* (see also chapter 7, para. 38)

21. (i) *Advisory Committee on Higher Salaries*: This committee was established by the Government in 1962 (s. 17, State Services Act 1962) to recommend salary levels for departmental heads and the occupants of the other posts listed in appendix 5. The committee is made up of five distinguished people from industry and commerce who are considered capable of making adequate comparisons between high positions in the State Services and those in private enterprise. The committee was patterned on the well known Coleraine Committee (now the Franks Committee) of Great Britain and has a similar function. It reports to the Prime Minister.

22. In 1964, and again in 1967, the committee's recommendations were made the basis of a review by the Cabinet Committee on Government Administration of the approximately 90 other people and positions whose salaries are appropriated by Parliament (see appendix 5).

23. (ii) *University Salaries Committee*: In 1966 the Government, in agreement with the university authorities, established the University Salaries Committee to advise it on salaries appropriate for academic staff. It was constituted to obtain the advice of people experienced in university affairs who are not affected by the salaries advised upon. Thus it comprises the Chairman of the University Grants Committee (Chairman), the lay members of the University Grants Committee, a lay member of a University Council, and two non-voting members representing the Vice-Chancellors and the Government.

24. (iii) *Hospital Medical Officers Advisory Committee:* Established under regulation in 1966, this committee advises the Minister of Health on the salaries and conditions of employment of medical officers employed by Hospital Boards. Its membership under an independent chairman, includes nominees of the Medical Association of New Zealand and the Hospital Boards' Association, and representatives of the Health Department and the State Services Commission. It thus differs from the two committees mentioned above, in that it is so composed as to permit negotiation between interested parties.

25. (iv) *Hospital Boards' Employees Salary Advisory Committees:* For salaries and conditions of employment of employees of Hospital Boards other than medical officers and those working under industrial awards and agreements, the Minister of Health receives advice through a structure of salary advisory committees set up under the Hospital Boards' Employees (Conditions of Employment) Regulations 1959. At the apex is the General Salary Advisory Committee with a permanent membership of a chairman and 10 members with

experience in hospital administration but who are not strictly representative of employer and employee interests. The General Advisory Committee receives the reports of a number of subordinate committees each set up under the same regulations to deal with a particular substantial group of hospital employees, which is then represented on the committee. Smaller groups deal directly with the General Advisory Committee.

26. (v) *Education Board Employees Review Committee:* The Minister of Education is advised by a review committee which hears representations from employees of Education Boards (other than teachers and those working under industrial awards and agreements). This committee comprises nominees of the Education Boards' Association, the Education Officers' Association, and the Education Department. While the committee's main work is to advise on the grading of staff within an existing salary structure, it must also review salary scales where it considers it desirable and make recommendations to the Minister.

27. (vi) *Armed Services Salaries Advisory Committees:* Within the Armed Services there are two advisory committees of note. One, the Principal Personnel Officers' Committee, through the Secretary of Defence, advises the Minister of Defence on all matters of pay and conditions of employment. The Treasury reports independently on the same matters to the Minister of Finance, for pay scales in the Armed Services are set by the two Ministers jointly.

28. A second, the Armed Services Pay and Conditions Advisory Committee, established in 1962, acts as a committee of inquiry, examining and reporting to the Minister of Defence on those specific matters which he refers to it. It comprises the chairman and the Government member of the Government Service Tribunal, and a retired member of the Armed Services.

29. (vii) *Overseas Staff Committee:* Chapter 9, paragraph 6, discusses this committee more fully. It was established to advise the following employing authorities on allowances and conditions of service for State servants seconded overseas, and for staff locally recruited at overseas posts: the *State Services Commission* for the Departments of Industries and Commerce, Labour, Tourist, Customs, Audit, Agriculture, Scientific and Industrial Research, and Public Trust; *the Minister of External Affairs* for officers of his department appointed under the External Affairs Act; and the *Secretary of Defence* for members of the Armed Services in non-operational posts.

APPEALS FROM DETERMINATIONS ON PAY FIXING AND ADJUSTING

30. In specified and limited areas of the State Services, determinations which fix or adjust wages and salaries can be appealed against to Tribunals. In the Public Service such appeals lie to the Government Service Tribunal whose limit of jurisdiction is at present fixed by regulation at the salary of $5,300. Teachers employed by Education and Secondary School Boards, although not members of the Public Service, have similar rights of appeal to this Tribunal.

31. A Government Railways Industrial Tribunal and a Police Staff Tribunal act for the Railways and the Police respectively, with jurisdictional limits of $5,300 and $5,730. They are tribunals of original jurisdiction rather than strictly appellate. But rights of appeal are conferred on the employees lodging an application in the sense that contested matters usually derive from the refusal of an employing authority to agree to employee claims.

32. The Post Office Staff Tribunal, the only other, is purely advisory, and hence has, strictly, no appellate jurisdiction, though when it must advise on matters where the employer has refused to meet the claims of employees, it might be said to confer rights of appeal.

33. In all other parts of the State Services no appeal lies against the fixing of salary or wage scales.

CO-ORDINATION

34. The extensive and complicated machinery for wage and salary fixing and adjustment is co-ordinated in different ways and at varying levels. The processes of co-ordination are—

(a) *By the State Services Commission*

35. Pay rates are co-ordinated within the Public Service by the State Services Commission's being the employing authority for the Public Service, and issuing wage and salary determinations for all Public Service employees, other than those covered by awards or industrial agreements. But the Commission has also an important role in co-ordinating Public Service pay and conditions of employment with those of other parts of the State Services. To do this the Chairman of the State Services Commission acts (i) as Chairman of the State Services Co-ordinating Committee (see para. 38 below); (ii) as principal adviser to the Cabinet Committee on Government Administration (see para. 39 below) on service-wide personnel matters; and (iii) as a non-voting member of the University Salaries Committee. The State Services Commission's co-ordinating role is enhanced by its representation on the Hospital Medical Officers

Advisory Committee, its chairmanship of the Special Consultative Committee temporarily dealing with claims of certain other groups of hospital employees, and its chairmanship of the Overseas Staff Committee.

(b) *By the Treasury*

36. To assist the Minister of Finance in his economic and fiscal responsibilities, the Treasury reports to him on all matters which are likely to involve an important increase in Government expenditure; because of the size of the State Services, many proposed pay increases do so.

37. The Treasury has a separate and special obligation to report on the implications of pay proposals for the armed services, teachers, and some other major groups whose pay claims do not come to the Government through the State Services Co-ordinating Committee. Such reports to the Minister, who is a member of the Cabinet Committee on Government Administration, help co-ordinate all wages and salaries throughout the State Services. On some occasions it reports jointly with the State Services Commission. Furthermore, the Treasury is a member of the State Services Co-ordinating Committee though it reserves always its right to report independently to its Minister. It also administers the Fees and Travelling Allowances Act 1951 and advises its Minister on the pay and conditions for members of boards and committees.

(c) *By the State Services Co-ordinating Committee*

38. The State Services Co-ordinating Committee was set up by the Government in 1954 to give it general advice on personnel matters affecting all State servants, to achieve co-ordination between employing authorities, and to bring within the co-ordinating machinery certain areas of employment not already included. The committee is now generally made up of the Chairman of the State Services Commission (Chairman), the Secretary to the Treasury, the Director-General of the Post Office, the General Manager of Railways, and the Director-General of Education. Representatives of other departments attend from time to time. Though the committee has no statutory or executive authority its influence is considerable, especially because it acts as the employers' official negotiating body in service-wide matters, and advises the Government on the inter-service effect of any matter the Cabinet Committee on Government Administration, or one of its members, or an employee association, refers to it.

(d) *By the Cabinet Committee on Government Administration*

39. The Cabinet Committee on Government Administration stands higher in the co-ordinating structure. It has a general supervision over the salaries and wages of State servants, and co-ordinates certain

areas (e.g., the Police, para. 9 above) not otherwise brought within the State pay-fixing system.

40. The Royal Commission reported in 1962 that the then functions of the Cabinet Committee on Government Administration included:

(d) To consider and report on questions of policy arising out of the employment of persons in the service of the Crown including, *inter alia,* pay and conditions of service and superannuation.

Since that time (d) has been amended and expanded thus:

(d) To consider and report on questions of policy in the State Services, arising out of the employment of persons in the service of the Crown, including, *inter alia,* pay and conditions of service and superannuation.

(e) To determine proposals other than those of a major nature, involving salaries and conditions of employment in the State Services.

41. In June 1965 the Cabinet re-issued a directive to the committee:

> All proposals to increase remuneration or change conditions of employment which require the approval of Cabinet shall be considered by the Cabinet Committee on Government Administration before being submitted to Cabinet for approval.
>
> Reports on the proposals shall be supplied to the Committee by the State Services Commission in those cases where salary increases or amended conditions already granted in the Public Service are being applied to employees in other State Services, e.g., salary adjustments following ruling rates surveys. For all other proposals requiring Government approval the Committee shall be made aware of the views of the State Services Co-ordinating Committee.

42. In practice the Cabinet Committee considers many proposals other than those requiring, by direction, the approval of the Cabinet. These proposals come largely from branches of the State Services which are not represented on the State Services Co-ordinating Committee (e.g., Police, Armed Services, Hospital Board Service, and Education Board Service), and when considering them the committee requires reports from the State Services Commission and the Treasury about the implications for the broader area of Government employment. An employing authority represented on the State Services Co-ordinating Committee submits its own report to the Cabinet Committee.

43. When the Cabinet Committee receives the results of a ruling rates survey or recommendations from the more important advisory committees, it examines the pay proposals along with the reports of the State Services Commission and the Treasury. When there has been a ruling rates survey it authorises the State Services Co-ordinating Committee to negotiate with employees' associations on the application of the survey results. Next it obtains approval from the Cabinet (see paragraph 44 (i)) for direct implementation by those employing

authorities who are members of the Co-ordinating Committee; and in the case of the other State Services, for the Minister of Finance, in association with the Chairman of the Cabinet Committee on Government Administration, to make necessary decisions. Similarly with the recommendations of the Advisory Committee on Higher Salaries, the University Salaries Committee, or the Hospital Medical Officers Advisory Committee: reports from the State Services Commission and the Treasury are called for and considered contemporaneously, and the matter then put to the Cabinet.

(e) *By the Cabinet*

44. The Cabinet is the highest co-ordinator. It directly controls pay and conditions of employment in the following circumstances, but not before they have first been examined by the Cabinet Committee on Government Administration—

(i) When existing scales need major adjustments involving an expenditure which only the Cabinet has the authority to approve. This occurs most often after a ruling rates survey, the results of which give a basis for salary adjustments in all branches of the State Services. When the details have been negotiated, the Cabinet then:

(a) first, authorises the adjustment for the Public Service, Post Office, and Railways, leaving the controlling authorities of those services to make detailed adjustments; and

(b) second, authorises the Chairman of the Cabinet Committee on Government Administration, in association with the Minister of Finance, to approve increases on a similar basis, if appropriate, to other branches of the State Services.

(ii) When a service-wide increase is needed to adjust margins after the periodical review of higher salaries. The procedure is similar to that in (i) above.

(iii) When a review of pay scales, or of conditions of employment, for a particular branch of the State Services results in an expenditure which must be approved by the Cabinet. (For example, in 1965 the armed services pay-codes were completely revised and significant increases were submitted for approval.)

(iv) When salaries in excess of the limits of jurisdiction of the various employing authorities are considered by the Cabinet for inclusion in the Parliamentary Estimates.

(v) When regulations and Orders in Council are approved in the Cabinet before submission to the Executive Council.

(vi) When individual Ministers with the statutory authority to fix pay and conditions of employment are obliged (as they sometimes are) under the normal procedures of co-ordination and control of Ministerial action, to refer to the Cabinet.

Chapter 3. PROPOSED PROCEDURES FOR CO-ORDINATING AND NEGOTIATING

1. The complexity of the present procedures for pay fixing is fairly recent, having evolved since the Second World War in response to the need to keep State rates in line with outside rates which were rising rapidly because of inflation and "overfull" employment. Procedures were devised to meet specific problems. At the same time, staff associations became more active in the diverse interests of their members; this led to negotiating machinery being further elaborated, but not so much by integrated design as to meet the practical needs of the various employers and associations. Add to this that co-ordinating procedures were developed, not uniformly but as need be, and it is no wonder that a bewildered layman might question the necessity for the highly complex present structure.

Administrative Co-ordination

2. The principle of co-ordination is this: The Government is the sole employer, and State employing agencies negotiate pay fixing with staff associations not on their own behalf but as its agents. Although complete uniformity is neither practicable nor desirable, reasonable co-ordination among State agencies is, for a number of reasons: First, important adjusting procedures which affect most State servants must be applied fairly throughout the Services. Second, during a staff shortage one employing agency may try to improve salaries or conditions to attract staff at the expense of other employing agencies. Third, no one employing agency can be presumed to know enough about other agencies to assess the full implications of its actions upon the others. Fourth, it is hard to stop what may appear to be a minor concession by one agency from spreading throughout the State Services, in some of which it may be a most costly item. All the employing agencies we heard accepted the need for reasonable administrative co-ordination.

The Principles of Negotiation

3. These are principles we think should apply in negotiations between employee and employer. Negotiations should be between equal parties fully representative of employee and employer. Discussion should be full, free, and frank. Bargaining between equals should be aimed, with determined effort on both sides, at reaching agreement. The search for an across-the-table agreement requires both teams to be fully conversant with the issues, and to have authority,

within broad limits, to reach a conclusion. There will inevitably be times when either side may need to consult its superior body, but the negotiations should not become simply discussions, nor opportunities for passing on information or ready-made decisions. Procedures should avoid undue delay, and should permit access to arbitrating machinery after reasonable time has been allowed for negotiation.

4. Our analysis of the present situation and our proposals for improvement have been informed by these principles of co-ordination and negotiation, themselves derived from a study of the evidence put before us.

INADEQUACY OF PRESENT PROCEDURES

5. There are two main areas of difficulty; the overloading of high-level co-ordination, and the inadequacy of much of the present negotiating machinery. The Cabinet Committee on Government Administration, the hub of the present system, deals not only with major matters deriving from the State Services Co-ordinating Committee but with many others, often minor, deriving through Ministers from the other employing authorities—a time-consuming process. Reports are called for, considered, and conflicting opinion reconciled by further lower-level discussions. Proper machinery would relieve the Cabinet Committee and Ministers of much of this work. The second area of difficulty, the inadequacy of much of the present negotiating machinery, is caused partly by present procedures for co-ordinating the activities of the employing authorities, and is most apparent in Services other than the Public Service, the Post Office, and the Railways. These three negotiate each with its own staff associations on matters which concern it alone; on common problems, the State Services Co-ordinating Committee, representing the three employing agencies, negotiates with the Combined State Service Organisations, representing the staff associations. Though we have not heard the views of the staff associations of the three Services, the 1962 Royal Commission did, and concluded that: "The machinery has evolved to meet the needs of the situation and it seems to do so reasonably well". The machinery has not changed significantly since 1962. We assume that it is still adequate. Certainly we have had no evidence to the contrary.

6. Staff associations in other Services, however, have strong criticisms of the present machinery's application to their Services, as the following representative views show. The Post Primary Teachers' Association said:

> . . . there exists no machinery for conciliation and negotiation as understood in industry. The Director-General has already made it

clear how his hands are tied even before he starts discussions. Teachers' representatives have always been aware of the Department's apparently over-riding concern that nothing is done before it is checked with the State Services Commission and Treasury. Discussions on the application of each year's Ruling Rates Survey, for instance, do not begin until the State Services Commission has checked the detailed figures. In this situation "negotiations" become even less than "discussions"; they become in fact merely opportunities for passing on information.

Even more serious, is that as a result of this series of checks, we are no longer sure of where the vital decisions on education are made. In many cases it seems to us that they are made somewhere in the Treasury—State Services Commission—State Services Co-ordinating Committee—Cabinet Committee on Government Administration complex; in others we gain the impression that a particular departmental decision is taken in anticipation of what the "Treasury" reaction might be. In submissions to the 1962 Commission on Education, Association representatives described the Education Department's attitude during salary discussions as "you can take it or leave it". It now seems that part, at least, of this could have been the result of the very severe limitations placed on the Director-General from outside the Department. In any event, such a situation is far from satisfactory and not at all, we submit, in the best interests of educational development.

. . . The first clear need is for some system of negotiation and/or conciliation which goes far beyond the present ad hoc "discussions" referred to by the Director-General of Education in his submission. Such negotiations should above all meet the requirements laid down by Treasury [in one of their submissions to this Royal Commission].

> "It is most important that the parties with the real power of decision—and the real responsibility for decisions—should be explicitly recognised in negotiations on wages and conditions."

They should, in fact, be negotiations in the accepted sense of the word and should also be joint consultative exercises in which both sides feel the responsibility of reaching an acceptable compromise.

These two requirements—power of decision and joint involvement—appear to have been satisfactorily met by the procedures evolved in the Hospital and Post Office contexts. In the former, provision has been made to have both the State Services Commission and Treasury represented on the negotiating committee, thus enabling the committee to deal directly with the Cabinet Committee on Government Administration. In the latter, by virtue of its greater independence, the Post Office machinery has apparently been given the power to reach decisions more likely to be acceptable to both sides.

Whatever solution is found for education, employers and employees must meet on equal terms, and if a third party, whether it is Treasury or the State Services Commission, is to continue to have the power to influence the final Government decision, then provision must be made for it to be represented at all stages of negotiation. This would not only enable that authority to be fully informed on all aspects

of the matter under discussion but would give the teachers' representatives, in particular, an assurance that the professional aspects had not been overlooked or submerged in the interests of Government financial policy or inter-service relativity.

The Police Association, on the same point, said:

> The result is that the Service organisations do not have anyone with whom to negotiate in the true sense of the word, and this is seen as a defect in the scheme.
>
> For example, should the State Services Commission advance any contrary view, it is not possible for the applicant to rebut the point or attempt to differentiate between State Service conditions and Police conditions in the search for consent, as this opportunity would only arise at a hearing before the Tribunal. The result might well be that but for this lack of opportunity, consent could have been obtained and the calling of evidence rendered unnecessary.

The New Zealand Registered Nurses' Association summed up its own feelings and those of a number of other Hospital Board employee associations:

> Historically, the New Zealand Registered Nurses' Association (Inc.) was granted the right in 1947 to negotiate the conditions of employment of Hospital Employed Nurses by section 52 of the Hospitals Act which authorised the establishment of the Salaries Advisory Committee System. It is not proposed to describe the system in these submissions—but merely to comment that whilst it may have appeared a reasonable method of wage and condition-fixing initially, this impression was probably only created by the contrast from the absence of any formalised system prior to 1947. Throughout the decade 1950–1960 however it became increasingly obvious that the system was less than satisfactory. Reasons for dissatisfactions were varied but they principally related to:
>
> 1. Inadequate provision for negotiation;
> 2. No provision for conciliation, or arbitration;
> 3. Lack of a truly independent Chairman (this is stated with respect to the incumbent of the appointment of Director-General of Health, whom it is felt nevertheless must inevitably be in sympathy with the "Employers" by the very nature of his appointment);
> 4. Lack of authority of Employees' nominees to the Committee to report back to their own organisation, indeed prohibition on such action;
> 5. Lack of information as to the recommendations of individual Committees whose recommendations are made only to the General Salaries Advisory Committee;
> 6. Lack of information as to the recommendations of the General Salaries Advisory Committee;
> 7. Lack of provision for regular presentation of submissions;
> 8. The extraordinary length of time lapse (up to two (2) years plus) between actual presentation of Submissions by any Group and the ultimate promulgation of Regulations—during such time

lapse the effect of increases requested is in many instances lost—through the introduction of such possible additional payments as General Wage Increases, Marginal Increases, etc.

The Points of Criticism

7. As we see it, these staff organisations in the main criticise the absence of proper negotiation between equal parties fully representative of employer and employee. They feel their employing authorities hamstrung by the procedural need to have proposed changes approved by the Cabinet Committee, independently advised by the State Services Commission and the Treasury, neither of which takes direct part in the negotiations. Thus what pretend to be negotiations tend sometimes to be no more than chances for the employees to make representations which will be considered elsewhere, and for employers to pass on decisions which have been made elsewhere. An employee association has no chance to explain its case directly to the Commission or to the Treasury, or to know or comment on their intended advice. The Hospital Boards' Association believed that the success of the more recent Hospital Medical Officers Advisory Committee was largely due to the inclusion of a representative of the State Services Commission. As well, serious delays can arise at any stage, of the type stressed by the Hospital Boards' Association when supporting the criticisms made by employee associations, and it is on this point of resulting delay that we heard much comment from staff associations. Other employing authorities did not substantially deny these criticisms.

8. We have accepted that there must be reasonable co-ordination, for the State is the sole employer. But the Government as employer must allow in the co-ordinating procedures for prompt consideration of pay proposals, for full and purposeful discussions between fully representative equal parties, and for speedy implementation of the results. As well, the Cabinet Committee needs machinery by which it can delegate many of its minor matters.

PROPOSALS FOR CHANGE

9. We had two substantial general proposals put before us: one from the Treasury which we could not fully accept; and one from the Department of Health which we have taken as a model for our own proposals about the Education and Health Services. We will first discuss the Treasury proposal, then give our own proposed changes to the structure and membership of the State Services

Co-ordinating Committee, recommend special machinery for the Education and Health Services, and suggest how the promulgation of pay scales could be improved. Our proposals will, if adopted, affect employee associations; but as far as we can see, nothing that we have proposed will lessen their ability to represent their members effectively.

The Treasury Proposal

10. The Treasury solution to these difficulties was simple and radical. It contended that the ultimate responsibility for State pay fixing rests on the State in the form of the Government of the day, in spite of the apparent power conferred by statute on various employing authorities. The system should, therefore, be reorganised to acknowledge the State as sole employer by developing unified procedures for negotiation, decision, and review of matters common to more than one branch of the State Services. The Treasury proposed a new form of State Services Co-ordinating Committee, with more members, and strengthened in its role as the Government's high-level advisory committee on pay and conditions. At the same time its members would lose some of their present powers to conduct negotiations, since the Treasury also proposed the establishment of a State Services Industrial Relations Unit to be responsible for all negotiations with employee associations, to develop manpower policies for the Services as a whole, and to provide the secretariat for the State Services Co-ordinating Committee. The senior officers of the unit would act as negotiators on behalf of the State, and would receive their instructions direct from the Government.

11. There is much in the Treasury proposal with which we agree—that the State should be seen as the sole employer, and that pay-fixing procedures should be designed to acknowledge the prime responsibility of the Government. The proposal to expand the membership and strengthen the role of the State Services Co-ordinating Committee is in line with our recommendations.

12. However, we cannot agree that manpower policy should be developed as a by-product of the State's activity as an employer (see more fully chapter 5, para. 60). Nor can we see a State Services Industrial Relations Unit, even if it could be well enough staffed, as the best machinery for handling all negotiations. There are two reasons for this. First, we prefer to expand and adapt for this role the State Services Co-ordinating Committee which has been successful in giving policy advice to the Government, and in negotiating within its own areas. The Committee, suitably augmented, should be equally

successful in other areas which have not yet come within its jurisdiction. Second, each employing authority should continue to negotiate on single-service matters, as negotiation with employees is a proper responsibility of management.

THE STATE SERVICES CO-ORDINATING COMMITTEE

13. Our proposals for a revised State Services Co-ordinating structure follow (see tables 2, 3, and 4 below).

(a) *The State Services Co-ordinating Committee* should be convened and chaired by the Chairman of the State Services Commission, and as its other members have the Secretary to the Treasury, the Director-General of the Post Office, the General Manager of Railways, the Secretary of Defence, the Director-General of Health, and the Director-General of Education.

(b) *An executive sub-committee* should be established under the chairmanship of an officer of the State Services Commission with parallel departmental representation.

(c) *A Hospital Service Committee* should be established, to be chaired by the Director-General of Health or his representative, its membership to include representatives of the Hospital Boards' Association and of the State Services Commission.

(d) *An Education Service Committee* should be established, to be chaired by the Director-General of Education or his representative, its membership to include representatives of the Education Boards' Association, The Secondary School Boards' Association, and the State Services Commission.

(e) *Ad hoc Committees* of two main types should be established to deal with specific occupational classes:

(i) The first, dealing with any occupational class found significantly in two or more State Services, should be chaired by an officer of the State Services Commission and comprise representatives of the employing authorities of the Services concerned;

(ii) The second, dealing with any occupational class restricted to or found mainly in one State Service, should be chaired by an officer of the employing authority for that Service, and include a representative of the State Services Commission if the State Services Co-ordinating Committee so directs.

Table 2:
PRESENT CO-ORDINATION IN STATE SERVICES

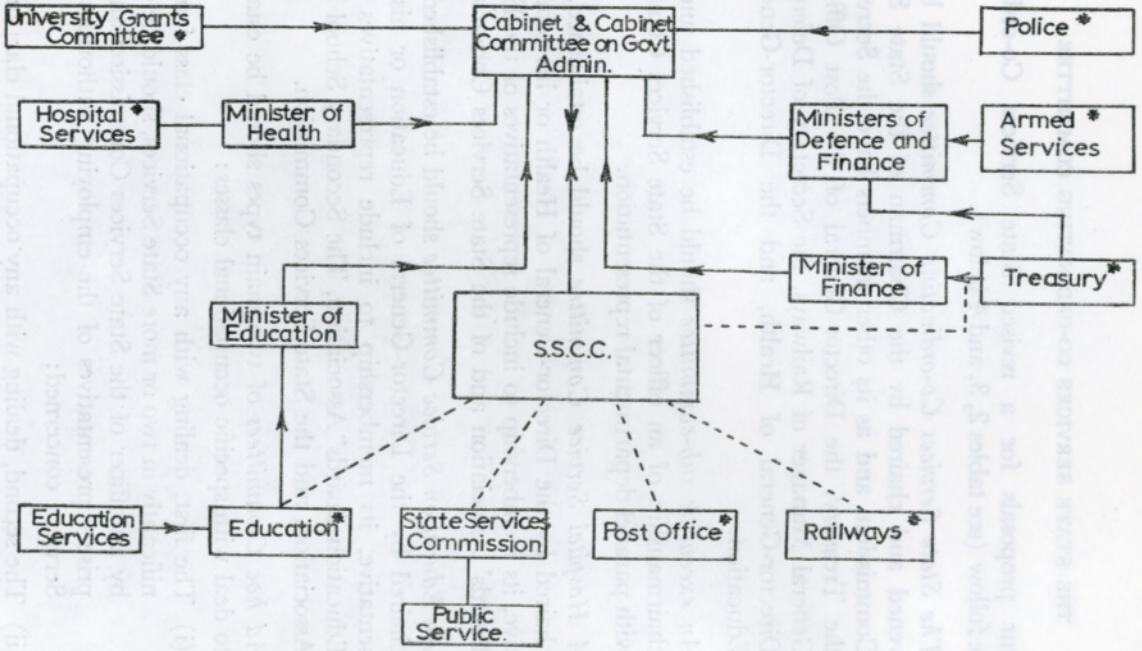


Table 3:

PROPOSED CO-ORDINATION IN STATE SERVICES

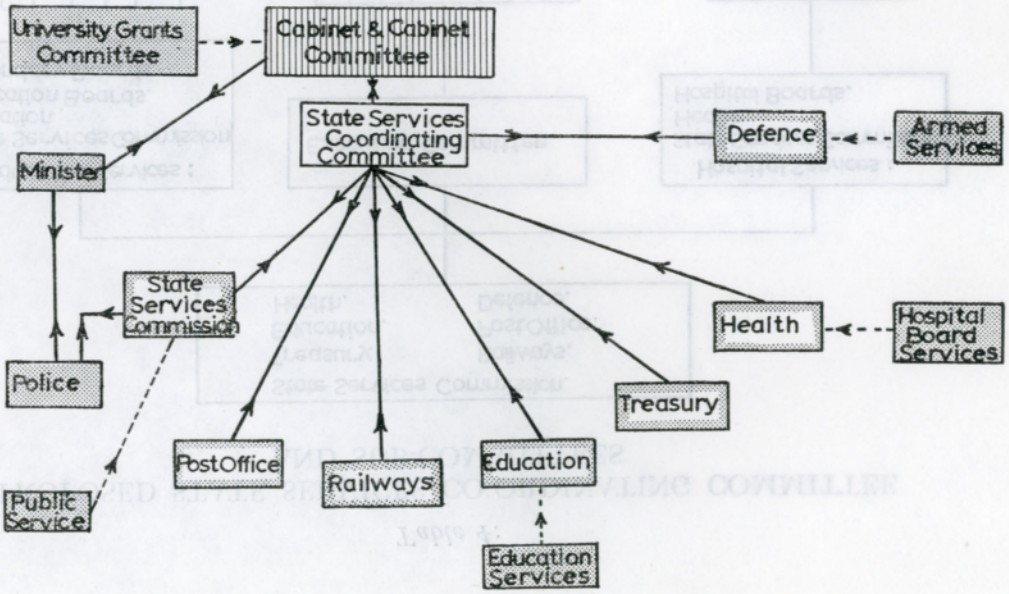
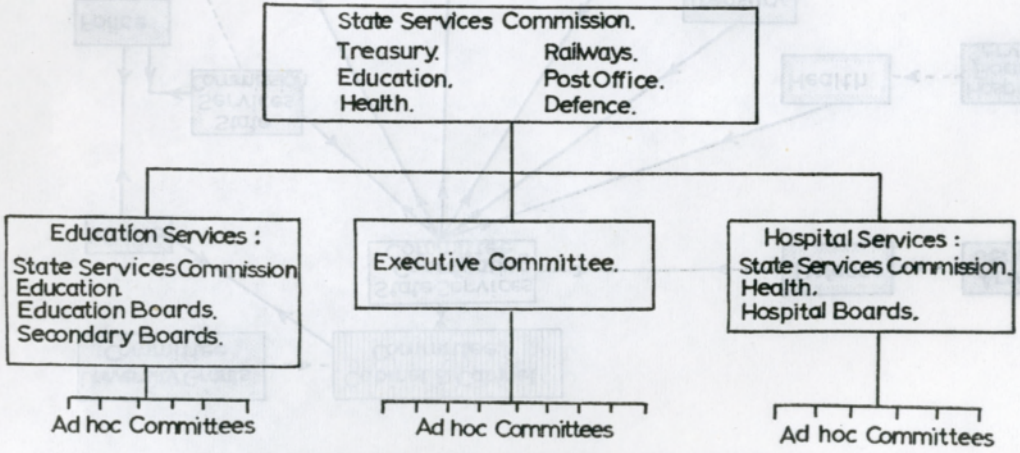


Table 4:

PROPOSED STATE SERVICES CO-ORDINATING COMMITTEE AND SUB-COMMITTEES



Role of Committees

14. We see the role of these various committees thus:

(a) The State Services Co-ordinating Committee would continue to be the principal adviser to the Cabinet Committee on Government Administration on personnel matters affecting all State Services, and the official negotiating body on major service-wide issues. The executive subcommittee would assist the main committee.

(b) The Hospital Service and Education Service committees would also advise the Cabinet Committee on Government Administration (through the Ministers of Health and Education respectively), and be the official negotiating bodies on matters affecting their own occupational groups.

(c) The ad hoc committees would be the official negotiating bodies on matters affecting one occupational class, or a limited group of classes, except where the Hospital or Education Service committees deal directly with such matters.

15. We would expect that the official negotiators would meet with an equal number of employee representatives. In negotiations involving a single occupational class the employee representatives should, wherever possible, include members with personal experience in the work of that class.

Rationale

16. We have proposed that the structure and membership of the State Services Co-ordinating Committee be expanded. At present, on service-wide issues, neither the State Services Co-ordinating Committee nor the Combined State Service Organisations are fully representative of either the employing authorities or the employee organisations. Employing authorities and employee organisations should have, wherever possible, adequate opportunity to make their views known, to take part in negotiations that affect them, and to share in the responsibility for the decisions or recommendations that are made. But there are approximately 200 separate bodies (including over 100 secondary school boards) which possess statutory or other authority to determine pay. All of them cannot be represented and the efficiency of the Committee maintained, though it should include representatives who have particular knowledge of large groups of employees.

17. The Chairman of the State Services Commission, the Director-General of the Post Office, and the General Manager of Railways must be members, because among them they employ some 120,000

staff. The Secretary to the Treasury must be a member because the size of the State wage bill has national economic and fiscal implications. The Director-General of Education should be a full member of the Committee because of his departmental responsibility for teaching and non-teaching employees of Education Boards, Secondary School Boards, Teachers' College Councils, and Technical Institute Boards. Similarly, the Director-General of Health and the Secretary of Defence should be full members because, respectively, of the 31,000 employees of Hospital Boards and the 13,000 members of the Armed Services.

Employers Not Represented

18. Some employers need not be represented on the State Services Co-ordinating Committee, either because of their relatively few employees (the Universities, the Legislative Department, the Law Draftsman, and others) or for other reasons (the Police). The Chairman of the State Services Commission should represent them when they are generally affected by service-wide matters. As well, a particular employing authority should be able to attend on any matter especially affecting it.

19. We expect the executive subcommittee to become the main negotiating body for most service-wide issues, leaving the main committee free for major problems. The executive subcommittee would also help in matters of detail and, in particular, ascertain whether any proposal has a significant inter-service content, arrange for inter-service negotiating parties to be set up and arrange for representation on single-service committees when required.

EDUCATION AND HOSPITAL SERVICES

20. In the Education and Hospital Services the large number of employing authorities creates the need for special negotiating machinery. The Hospital Boards and the various Boards in education are the legal employers of the staff under their control. The State, however, retains the right to fix their pay scales and some conditions of service. The employing authorities remain responsible for the appointment and day-to-day management of staff; we have proposed no changes in these responsibilities. We are concerned only with the procedures by which pay and conditions of service are fixed.

21. The co-ordinating and negotiating machinery in these two Services must allow for the representation of the employing authorities in single-service issues. The Hospital Service Committee which we propose in paragraph 13 (c) should accordingly consist of the convener and one other representative of the Department of Health, one

representative of the Hospital Boards' Association and one representative of the State Services Commission. Our proposal closely parallels the negotiating machinery under a Hospital Staff Tribunal, worked out by the Department of Health and the Hospital Boards' Association in general agreement with interested employee associations for inclusion in legislation. The Department of Health told us that a draft Bill on these lines was almost ready for introduction in 1967, when the Government decided to defer it because of the proposal to set up this Royal Commission. It would have established "joint negotiating councils" to negotiate claims between the Director-General of Health and a staff organisation, before any principal order or determination was made. The councils were to comprise four official negotiators (representing the Department, the Association and the State Services Commission, as in our proposal) together with up to four appointees of staff organisations.

22. We consider this an excellent attempt to deal with the problems which have arisen, though we would prefer to be less specific about the number of negotiators on each side.

23. The Education Service Committee which we propose in paragraph 13 (d) follows a similar pattern and should consist of the convener, one other representative of the Department of Education and one representative each from the Education Boards' Association, the Secondary School Boards' Association, and the State Services Commission. Because of their relatively small staffs, we do not propose that representatives of the Technical Institute Boards or Teachers' College Councils be permanent members of the committee, though they should have direct representation for matters especially affecting their interests.

24. As the Education Service Committee will concern itself with occupational classes found only or predominantly in the Education Service, we do not recommend that the universities be represented. Most university occupational classes (other than academic staff, who are separately considered) will be common to other Services. Teachers will comprise the largest groups the Committee will deal with. Though, for many years, employing Boards have not negotiated teachers' pay, we believe that representatives of their national associations could usefully contribute to negotiations.

OCCUPATIONAL GROUPS COMMON TO THE SERVICES

25. In paragraph 13 (e) (i) we have recommended special committees to deal with occupational groups common to all Services (e.g., typists), or to more than one (e.g., engineers, librarians). The

machinery for such groups clearly needs improvement. The groups should be treated on an inter-service basis and the official negotiators should represent all the employing authorities significantly affected. The 1962 Royal Commission had hoped that this would have developed with occupational classification. It has rarely done so for many reasons, among them: the differing systems of staff classification in the State Services, and the absence of a Tribunal with an explicit service-wide jurisdiction. The State Services Commission said in its evidence about occupational classification:

> With attention focused on wage fixing by occupation and the development of machinery for dealing with those common to more than one branch of the State Services, the question of some degree of uniformity in classification must be considered. In the Public Service the State Services Act 1962 has provided for classification by occupation and this permits the special circumstances of each to be dealt with. In the Commission's view the introduction of similar schemes of classification in other branches of the State Services must be accepted; these being subject to appropriate modifications to meet particular needs while providing the basic setting for Service-wide "fair comparability".

We accept the need for more uniformity in occupational classification, and consider that it will inevitably develop if the negotiating and pay-fixing machinery we propose is established.

26. If an issue or an occupational class is not of major significance beyond one State Service (e.g., Police, Teachers) the Service affected should do the negotiating; but where the State Services Co-ordinating Committee directs, the official negotiators should include a representative of the State Services Commission. Commission representation will enable the implications of any proposal to be considered from the broad State Services point of view, and will bring quicker finality by avoiding delays arising when the Cabinet Committee on Government Administration requires a report from the State Services Commission. Some staff associations consider the representation of the Commission or Treasury (or both) desirable.

CHAIRMANSHIP OF COMMITTEES

27. Some employee organisations suggested that negotiations should be conducted under independent chairmanship, rather than under the chairmanship of a representative of the employing authority. In industry both employer and employee meet under the chairmanship of an independent person who sometimes may be a Conciliation Commissioner. We are aware that an independent chairman can be appointed under the legislation of some of the larger State Services (e.g., s. 41c (5) State Services Act 1962) but as far as we know this

has very seldom been done. We doubt the effectiveness of such a proposal within the State Services. In industry, the Conciliation Commissioner's first responsibility is to bring together employers and employees under circumstances often involving many different parties, whereas in the State Services, the Government (through its agents) is the sole employer. We heard no criticism of the departmental chairmen. Indeed, most of those who suggested independent chairmen were quick to point out that their request did not reflect upon the manner in which departmental officers had conducted negotiations. Thus we consider that the practice of a representative of the employing authority acting as chairman should continue as the normal procedure. However, there may be circumstances where an independent chairman is desirable, and it should be made procedurally possible to have one in such cases.

DETERMINATION BY EMPLOYING AUTHORITIES

28. We have outlined in chapter 2 the many different ways in which pay scales are promulgated. We see no reason for the present variety. The 1962 Royal Commission said:

> Negotiation often results in agreement, and it is convenient therefore for the employing authority to have a statutory right to issue a "determination" which can embody an agreed solution, or can be subject to appeal in the event of disagreement. For many years the Director-General of the Post Office has had such power, and the Public Service Commission's powers in this respect were clarified and extended in 1955, but the General Manager of Railways lacks any such general authority. We recommend that the legislation be changed to bring his powers into line with those of the other employing authorities.

29. The legislation was not changed. At present only the State Services Commission, the Director-General of the Post Office (for the Second Division), and the Director-General of Education (for teachers only) have such powers. If our recommendations for an enlarged and strengthened State Services Co-ordinating Committee are adopted, we see no reason why the heads of all of the member services and departments—Public Service, Railways, Post Office, Education, Health, and Defence—should not be given the same statutory authority to make pay determinations. It should be stressed that these authorities will, in making determinations, act as agents of the Government within decisions made by the Cabinet, the Cabinet Committee on Government Administration, the State Services Co-ordinating Committee (where power has been delegated to it by the

Government), or any other like authority. Determinations will continue to be subject to an appeal to a Tribunal in cases within tribunal jurisdiction; the scope of this jurisdiction is considered in the next chapter.

30. Now to consider the other (and smaller) employing authorities not represented on the Co-ordinating Committee. The Commissioner of Police should have the power to issue pay determinations with the approval of the Cabinet Committee on Government Administration or of the Chairman of the State Services Co-ordinating Committee. Uniformity and expedition suggests that the Chairman of the State Services Commission, who is also Chairman of the Co-ordinating Committee, could be authorised to issue pay determinations for at least some of the others whose pay decisions are now issued in a variety of ways.

31. Our proposals, besides making procedures more expeditious, will have other positive advantages, among them that individual Ministers (e.g., of Education, Health, and Defence) could be relieved of the requirement to authorise pay decisions after consultations with the Treasury and the State Services Commission, and possibly Cabinet. Similarly the Cabinet Committee on Government Administration, in the knowledge that all proposals had been scrutinised by the State Services Commission and the Treasury as members of the Co-ordinating Committee, could with greater confidence expand its delegation of authority to the members of the Co-ordinating Committee and relieve itself of much detailed work.

OTHER MATTERS

Secretaries of Secondary School Boards

32. Mr G. T. Griffiths and nine other Secretaries and Assistant Secretaries of Secondary School Boards described a special problem: the absence of a unified code for pay and conditions for non-teaching employees of Secondary School Boards. They recommended that the Education Boards Employment Regulations apply to Secondary School Board staffs, and were supported in this by the Education Boards' Association (primary schools) and the Department of Education. The Department said that past lack of progress towards a unified code had been due neither to its reluctance nor to considerations of cost, but to the absence of agreement among the 122 secondary boards whose present freedom to determine such matters would have to be statutorily restricted if the regulations were to be

applied. Here we see in extreme the difficulties resulting from a great number of autonomous employing authorities. There is no reason why, if the Government fixes pay and conditions of most of the employees of Secondary School Boards (the teachers), that it should not fix pay and conditions for the other employees. There was evidence that the absence of co-ordination causes some difficulty. We recommend that suitable regulations be drafted and circulated, and that the parties concerned be given a limited time to lodge objections.

Employees Under Industrial Awards

33. We heard little evidence from employing authorities or employee representatives about the large groups who work under industrial awards and agreements. The Secretary of the New Zealand Federated Clerical and Office Staff Employees' Industrial Association of Workers did, however, draw our attention to what he claimed was the desirability of individual industrial agreements between employee associations and employers of relatively small numbers of workers (e.g., clerical workers in universities, secondary schools, and in some of the corporations and boards dealt with in Phase II of this Report). He held the view that individual industrial agreements could be devised giving terms and conditions of employment more appropriate than a national award to the needs of the particular employment. Whether industrial agreements should be concluded is a matter for employer and employee, but we gathered that, in the past, there has been some difficulty in ascertaining who could, or should, negotiate for the employers. Our recommendations for improved co-ordinating and negotiating procedures will clarify this. If an employee association is still uncertain about the proper body with whom to negotiate such an agreement, then an approach to the State Services Co-ordinating Committee should enable such doubts to be resolved.

Specialist Consultative Committees

34. It was often proposed to us that special advisory or consultative committees be set up to consider matters more extensive in scope than those normally dealt with in pay-and-condition negotiations. We recognise the value of such committees in giving important matters a deeper and fresher examination. They could sometimes be extensions of the proposed special negotiating committees and be equally representative of the official and staff sides. Or they could consist of an independent expert, or panel of experts, or laymen to whom representation could be made by those interested. Their constitution must vary according to the circumstances. We discuss in chapter 7 the appropriate circumstances in which such committees should be used.

RECOMMENDATIONS

We recommend that:

(1) The State Services Co-ordinating Committee be expanded to include the Defence, Hospitals, and Education Services (para. 13).

(2) An executive subcommittee with parallel Service representation be established to become, under delegation from the State Services Co-ordinating Committee, the main negotiating body for most inter-service issues (para. 19).

(3) The executive subcommittee ascertain whether any proposal has a significant inter-service content, and arrange for inter-service negotiating parties constituted as set out in paragraphs 24 and 25 or for representation on single-service committees where required (para. 19).

(4) A Hospital Service Committee be established under the chairmanship of the Director-General of Health, and with representatives of the Health Department, the Hospital Boards' Association, and the State Services Commission, to be in charge of negotiations, and to advise the Cabinet Committee on Government Administration (through the Minister of Health), on matters affecting public hospitals staff and not being of an inter-service nature (para. 14, 20–24).

(5) An Education Service Committee be established under the chairmanship of the Director-General of Education and with representatives of the Education Department, the Education Boards' Association, the Secondary School Boards' Association and the State Services Commission to be in charge of negotiations, and to advise the Cabinet Committee on Government Administration (through the Minister of Education), on matters affecting education service staff (excluding universities) and not being of an inter-service nature (para. 14, 20–24).

(6) The members of the State Services Co-ordinating Committee be given equal power in respect of the Services which they individually represent, to negotiate and to issue determinations within any limitations set by the Cabinet, the Cabinet Committee on Government Administration, or the State Services Co-ordinating Committee (para. 29).

(7) The Commissioner of Police be given power to issue determinations, within any limitations set by the Cabinet Committee on Government Administration or the Chairman of the State Services Co-ordinating Committee (para. 30).

(8) The non-teaching staffs of the Secondary School Boards (and if necessary other Boards and Councils within the Education Service) be brought within the operation of the appropriate pay-fixing regulations (para. 33).

(9) The Cabinet and Cabinet Committee on Government Administration expand their delegations to take full advantage of the proposed improved co-ordination machinery (para. 29).

Chapter 4. TRIBUNALS IN PAY FIXING

1. From our brief description in chapter 2 of the existing machinery for pay fixing it is apparent that in some major areas of the State Services (though by no means in all) the final decision on pay scales may be taken by a Tribunal. In the present chapter we shall consider (in the light of the basic characteristics of a tribunal system) what justifications there are for using a judicial rather than a political process for resolving pay disputes, and in what areas a judicial process is appropriate. We shall then discuss whether those areas should constitute the jurisdiction of a single Tribunal or be divided among several, and if the latter, how their activities should be co-ordinated.

NATURE AND SCOPE OF THE TRIBUNAL SYSTEM

2. Pay-fixing Tribunals, as they have developed in this country, have three main features. First, they consist of an equal number of representatives of employers and employees, with an impartial chairman. Second, the Tribunals' proceedings follow in many respects the adversary procedures characteristic of the Courts, the advocates on each side having the main responsibility for producing the evidence on which the decision will be made. Finally, Tribunals are authorised to make binding decisions. Clearly, bodies such as the Higher Salaries Advisory Committee and the University Salaries Committee are not Tribunals, because they do not conform to this pattern either in their composition, or in their procedures, or in their powers. Even the Post Office Staff Tribunal, despite its name, composition, and procedure, must be considered an advisory committee rather than a Tribunal, in that it has no authority to make a binding decision but merely to make recommendations to the Postmaster-General.

3. Is it sound in principle that the Government should give to another authority the power to determine disputes over State pay? The 1962 Royal Commission dealt with this question in the following passage:

> On the question of principle, it is argued on the one hand that the Government should be compelled, like any other employer, to submit to arbitration. However, the Government is not just an ordinary employer but the chief taxing authority, which is responsible to (and will be held responsible by) the voters for its actions. On the other hand, therefore, it is maintained that the Government must not surrender its control over expenditure on State pay (which must be met largely from taxation), otherwise it would have responsibility without power. We agree that final responsibility is inevitably borne by the

> Government, which must accordingly have the right to choose either to retain the power to fix State pay rates, or to delegate that power. But there are certain practical considerations which suggest that, in New Zealand at the present time, to delegate the power to a Tribunal would be the wiser course.

Among the practical considerations listed by the 1962 Royal Commission are, first, that the Government has already chosen to delegate to Tribunals authority to fix wage and salary scales for the majority of State servants in the Public Service, the Railways Department, the Education Service and (now) the Police; at the present time, for example, about 98 percent of the permanent staff of the Public Service are within the jurisdiction (defined by the salary limit of $5,300) of the Government Service Tribunal. Second, compulsory arbitration is the traditional and generally accepted way of determining pay disputes in this country. Third, in order to prevent disputes over State pay from becoming matters of party-political controversy, it is convenient not merely to lay down acceptable principles for fixing pay, but also to establish impartial authorities to interpret and apply those principles. Finally, as the State Services shift from service-wide or division-wide pay adjustments to pay fixing for occupational classes, a judicial procedure becomes more appropriate than political negotiations in resolving disputes.

4. We believe that these practical considerations are at least as important now as they were in 1962, and conclude therefore not merely that it is desirable to preserve the tribunal system where it at present exists, but to extend it to cover all groups except those for which it can be shown to be inappropriate. To determine which these are, we must first see which groups are at present outside the scope of the system, and consider in each case whether their continued exclusion can be justified.

5. Without attempting to list them in order of importance or of numbers affected, we find that, of the State servants covered by our Warrant, the following major groups are outside the tribunal system at present:

(a) All employees who are subject to Awards of the Court of Arbitration, or to Industrial Agreements registered with that Court. With this group may be placed the crews of Government ships, whose wages are covered by agreements.

(b) People paid other than by wage or salary, including:
  (i) Members of Boards and Commissions,
  (ii) Canvassing agents.

(c) All people in the following Services:
  (i) The Armed Services,
  (ii) The Security Service,

(iii) The Judiciary,
(iv) The Post Office,
(v) The Hospital Service,
(vi) The Universities.

(d) All employees (other than teachers) of Education Boards, Secondary School Boards, Teachers' Colleges, and Technical Institutes.

(e) Of the State servants remaining, those in receipt of high salaries, including:

(i) Officers whose salaries are appropriated (over $7,300 per annum); and

(ii) Officers in the "buffer zone" (over $5,300 but not exceeding $7,300, except in the Police where the range is $5,730–$7,300).

6. Employees covered by Awards or Industrial Agreements already have their minimum rates set by a judicial authority, so that the practical considerations mentioned in paragraph 3 are satisfied in their case. It would be administratively tidier, and it may be that co-ordination would be closer, if they were transferred to the jurisdiction of a Tribunal within the State Services, but we have been told that such a change (for which legislation would be needed) would arouse difficulties and opposition. The marginal advantages are unlikely in our view to outweigh this disadvantage, hence we do not propose any major change, though we recognise that employing authorities may be able to secure agreement to the transfer of certain employees to tribunal jurisdiction.

7. We propose to deal in an equally summary fashion with the cases mentioned in paragraph 5 (b), where the remuneration is other than by wage or salary. We received no submissions regarding the canvassing agents of the Government Life and State Insurance Offices and of the National Provident Fund, and doubt in any case whether it would be practicable to bring the rates of their commission or allowances within the scope of a Tribunal. We received only one submission regarding the honoraria, or allowances payable to members of statutory Boards and Commissions, and consider that these are too diverse to be dealt with other than by *ad hoc* decisions of the Minister of Finance, as at present.

8. The other groups outside the scope of Tribunals can conveniently be dealt with in two categories: those excluded because they are above the salary bar, and those in Services for which no Tribunal has been established.

HIGHER SALARIES

9. In New Zealand as overseas, there has till now been little demand for arbitration at higher salary levels. However, the attention of the Priestley Commission (which investigated pay and conditions of employment in the British Civil Service in 1953–55) was drawn to certain postwar developments in Britain which may be symptomatic of a change in this attitude. We understand that arbitration extends to very high salary levels in the Australian Commonwealth Service, though subject to the general requirement that the decisions of the Public Service Arbitrator must be laid before Parliament at least 30 days before they come into force. The 1962 Royal Commission recommended that the jurisdiction of the Tribunals be extended to cover all save those in the "Administrative Class", i.e., occupying positions in the control hierarchy of each department which involve substantial responsibility not only for management, but also for formulating and advising on policy. No such Class has as yet been defined, and the jurisdiction of the Tribunals is fixed by a salary limit.

10. We do not believe that the Government's responsibility for State pay rates is intrinsically different at high levels than at low. In both cases it is responsible for seeing that the State Services are efficiently staffed, and that its employees and the taxpaying public are fairly treated. If it chooses to discharge this responsibility by entrusting pay-fixing powers to Tribunals, as it has done for the bulk of its permanent employees in the Public Service, the Railways Department, and the Police, and for most teachers, why should it reserve to itself the right to fix pay rates for the remainder? Three issues seem to be involved.

11. First, by tradition the very highest salaries have been specifically provided for in the annual Estimates and appropriated by Parliament. The Treasury informed us that 162 salaries are thus distinguished as separate items in the Estimates (this figure excludes the Civil List and special Acts). Parliament has an opportunity to debate these items, and may exercise control by amending them. Such items however usually tend to be taken as an opportunity to discuss in general the administration of a department, rather than the appropriateness of its senior officers' salaries. While we attach considerable importance to the maintenance of the rights of Parliament, we think it must be recognised that these could be preserved in other ways. If it is proper to discuss a department's administration when considering the salary of its Permanent Head, it would be as proper to do so in discussing a general item providing for salaries in that department. If Parliament ever wished to discuss the adequacy of

the salary for a specific position or grade, it could do so if that salary was promulgated by an Order which had to be laid before Parliament. The Australian practice already referred to shows that such a procedure can be used even when that salary has been set by an arbitral authority. Accordingly, we conclude that the tradition of parliamentary appropriation is not enough to justify excluding top salaries from tribunal jurisdiction.

12. Second, it has been deemed necessary to maintain a "buffer zone" between the appropriated salaries and those within tribunal jurisdiction. Changes in pay rates originating above this zone (from recommendations of the Higher Salaries Advisory Committee) have not been synchronised with those originating below it (generally from ruling rates surveys); hence it has frequently been necessary to expand or contract margins within the zone to take account of the unco-ordinated movements on its boundaries. These consequential adjustments of margins have been entrusted to the employing authorities. Without pausing to deal with the disputed question whether Tribunals would have been equally competent to make the adjustments, it seems clear that the case for a buffer zone is weakened to the extent that the salary changes above and below it are synchronised and co-ordinated. Later in this Report we recommend that interim adjustments be applied percentally throughout the salary range; if this is done, the main source of unco-ordinated change will be removed, and it should certainly not be beyond the capacity of Tribunals to make the relatively fine adjustments to margins needed to take account of the residue of unco-ordinated changes—that is, those generated by the periodic alignment of occupational groups (including top administrators) with their counterparts in outside employment. Thus, we conclude that there would no longer be sufficient justification for excluding buffer-zone salaries from tribunal jurisdiction.

13. Third, there remains one respect in which arbitration machinery would be inappropriate at top levels. As we have seen, both the composition and the procedures of Tribunals assume the existence of contending parties. To require the most senior public servants, those responsible for advising Ministers and in day-to-day contact with them, to constitute themselves a contending party in order to have their salaries reviewed would in our view impose an unnecessary and undesirable strain on this confidential relationship. To avoid this, other machinery must exist to ensure that these salaries are regularly reviewed and are maintained at a satisfactory level; and on the recommendation of the 1962 Royal Commission, the Higher Salaries Advisory Committee was established for this purpose.

14. Elsewhere in this Report we consider the Higher Salaries Advisory Committee as part of the machinery for pay research. Here we are concerned not so much with the Committee itself, as with the boundary between its jurisdiction and that of the tribunal system. In principle, this boundary should be drawn between those who occupy positions in which they advise Ministers, and those who do not. For pay-fixing reasons, as well as for the other reasons propounded by the 1962 Royal Commission, we consider that the Government should define an Administrative Class, consisting of those positions in the control hierarchy of each department which involve substantial responsibility not only for management but also for formulating and advising on policy, and exclude that Class from the jurisdiction of the tribunal system.

15. We appreciate that the expression "an Administrative Class" may have connotations which are distasteful to many State servants in this country, and must make it quite clear that we are not proposing the introduction of a British-type system. We do not intend—any more than the 1962 Royal Commission intended—that the members of this class should be directly recruited; they would be drawn, as the incumbents of those positions are at present drawn, from a variety of occupational groups. The question is whether, in dividing a Service into occupational classes, the boundaries should be carried through to the top or not. Should the Director-General of the Department of Scientific and Industrial Research, a scientist by background, be placed in the Science Occupational Class, or into an Administrative Class? We recommend the latter. What then of his Assistant Directors-General? We appreciate that there is no hard and fast line between administrators and members of other occupational groups; but unless the occupational classes are to be carried through to the top, one must use one's judgment in deciding how high they go. We have suggested that the important consideration is the extent of an officer's involvement in policy matters. This is no more than a rough litmus test, which will not always yield a clear answer; but it suggests to us, for example, that while the Assistant Directors-General of DSIR should be in an Administrative Class, the Directors of Branches should be in the Science Occupational Class—which is indeed where the boundary of that class has been drawn.

16. To define the scope of the tribunal system in such a fashion, instead of by a salary limit, would materially improve its efficiency. At present, as a number of witnesses complained (among them the New Zealand Educational Institute and the Veterinary Association), it is often difficult for a Tribunal to prescribe salaries for the positions in an occupational group which lie within its jurisdiction when the higher positions in that group are beyond the salary limit. As the

1962 Royal Commission put it, "a Tribunal may be understandably reluctant to vary salaries below that figure without knowing what the appropriate authority is prepared to do for those above it". We have been told that it is for this reason that the Government Service Tribunal has not been called on to fix the salaries of State scientists even though well over half of them are now within its jurisdiction: a sizeable proportion lie within the jurisdiction of the State Services Commission, while 17 positions are within the appropriated range. The Director-General of DSIR observed that this fragmentation of pay-fixing authority makes the system inefficient and productive of delays and uncertainties which are unsettling for staff and probably contribute to the increasing rate of staff turnover. He proposed that (as in Australia) all State scientists up to and including Directors of Branches should be brought within the jurisdiction of a single Tribunal, leaving only the top four positions in Head Office to be separately fixed. This is what would be achieved if our proposals were accepted, since those four positions would be in the Administrative Class. (They are indeed outside the Science Occupational Class at present.) This could not however be achieved if the jurisdiction of the tribunal system continued to be defined by a salary limit, since a salary limit high enough to bring all Directors of Branches in DSIR within that jurisdiction would also bring in, for example, the Deputy Secretary to the Treasury, who is obviously in the policy-advising group.

17. For these reasons we strongly favour bringing within or excluding from the scope of the tribunal system entire occupational classes, defining as a separate class the policy-advising group which we have referred to as an Administrative Class, and excluding that Class (together with officers in equivalent positions in other State Services) from tribunal jurisdiction. If, however, the proposal to create such a class continues to be unacceptable we suggest as an alternative that all occupational classes as they are created be placed within tribunal jurisdiction, and that staff not included in occupational classes be excluded from tribunal jurisdiction if above a salary limit. Provided that our subsequent recommendation that interim pay adjustments be applied throughout the salary range is accepted, so that no buffer zone is needed, we consider that the limit could be set as high as the salary for Class Special 12 on the Public Service clerical scale (currently $7,300).

18. To avoid unnecessary fragmentation of tribunal jurisdiction and to enable wherever possible an entire occupational class to be dealt with by a single authority, we consider that the Committee on Higher Salaries should no longer be asked to recommend salary levels

for college principals and head teachers, who should be treated as part of the occupational groups in the teaching service (see chapter 7 para. 39). We recognise however that there are advantages in continuing to ask the Committee to make recommendations on certain senior administrative positions outside the Departments of State involving substantial responsibility not only for management but also for formulating and advising on policy, even though not to a Minister. We have in mind such positions as General Manager, Auckland Education Board; Secretary, Auckland Hospital Board; and (while his salary is fixed by the Government) the Director-General, New Zealand Broadcasting Corporation.

19. The effect of our proposals in this section would be to increase substantially the jurisdiction of the tribunal system. Although senior administrators would continue to be excluded, the machinery for negotiation and arbitration would apply to some salaries at present appropriated, and to many in the existing buffer zone. This consequence follows from our belief in negotiation as a means of resolving pay disputes, and in arbitration when agreement cannot be reached, in all cases except those for which these processes can be shown to be unsuitable. It is also a logical extension of the trend, initiated by the 1962 Royal Commission, towards occupational classification and the fixing of pay and conditions according to the particular needs of occupational classes. The tribunal system, as well as the employing authorities, would be enabled to deal with occupational classes as a whole, and to approve justified increases for one occupation without necessarily raising other pay rates.

20. We accept that so long as the tribunal system does not cover the whole of a Service, problems may arise from time to time at the boundary of its jurisdiction. If, for example, a Tribunal approved an increase in the salary maximum for Directors of Branches in DSIR, existing relativities with the salaries of the four top scientific administrators in head office would be upset, and the Higher Salaries Advisory Committee would have to consider at its next review whether to recommend that margins should be restored. It should not be assumed that they must be restored. The 1962 Royal Commission stated that:

> Salaries paid in the Administrative Class may sometimes be less than salaries paid to senior officers in some other occupational classes. We see nothing wrong with this. It may indeed prove impossible to retain outstanding specialists on any other terms.

And the Chairman of the State Services Commission told us that he could conceive a situation in which an officer in charge of a scientific institute might properly be paid more than his departmental Head. Nevertheless, the Higher Salaries Advisory Committee is required

by legislation to have regard, not only to levels of remuneration in outside employment, but also to salary movements at lower levels in the State Services; accordingly, when formulating its recommendations it might have to give some weight to tribunal decisions on top salaries in certain occupational classes, and would undoubtedly be more directly affected by the tribunal system than it is at present. This, in our view, is no objection. Indeed, the question is not *whether* problems will arise, but *where* they will arise: so long as the tribunal system does not cover the whole of a Service, its decisions will inevitably affect and be affected by those made in other ways, as happens now. The criteria which we propose in the next chapter allow for this interaction. We consider that the problems will be lessened if our proposals are adopted.

21. The likelihood of problems at the boundary of a Tribunal's jurisdiction is thus no reason for limiting that jurisdiction; and provided that the structure of the tribunal system is sound, that it is composed of persons of the requisite capacity, and that it is guided by the proper criteria, we see no danger in extending that jurisdiction so that it can deal with entire occupational classes. We recognise however that the Government, as the authority with ultimate responsibility for the pay-fixing system, might wish to retain a point of control within the system. Should it wish to do so, it could investigate the Australian practice already mentioned and consider whether all tribunal orders should lie before Parliament, or be available to the Executive Council for at least 30 days before they come into force [s. 21, Public Service Arbitration Act 1920–1964 (Australia)].

SERVICES WITHOUT A TRIBUNAL

The Armed Services

22. The Secretary of Defence pointed out that in the Armed Services it is incompatible with military discipline to organise to make representations, hence that tribunal procedure is inapplicable to the fixing of pay for those Services. The New Zealand Returned Services' Association had proposed in its submissions that a Tribunal be established for that purpose, but in answer to questions the Association's president accepted that an adversary procedure could not be used, and made clear that what was proposed was rather an independent and high-level committee of inquiry which could receive evidence from organisations such as his own and make regular reports. We conclude that without other major changes a tribunal system as we have defined it is inappropriate for the Armed Services, nor does the evidence justify those major changes.

The Security Service

23. While we received no proposals affecting this Service, we can see that there might well be practical considerations which would prevent it being brought within the scope of a tribunal system. Moreover, the grading of individual officers would be more important than scale fixing in such a Service.

The Judiciary

24. It would not be consistent with the dignity of judicial office to require Judges and Stipendiary Magistrates to argue before a Tribunal that their salaries should be increased.

The Post Office

25. The exclusion of the Post Office from the ordinary tribunal system raises an interesting problem: should a Tribunal be provided even where it is not wanted? The Director-General maintained that, if there was a Post Office Tribunal with mandatory powers, the management might be tempted to curtail its negotiations with representatives of the employees "in favour of laying down the law and then going to arbitration", and that such a development would jeopardise the system of joint consultation which is such a striking feature of staff relations in that Department. While we recognise the force of this argument, we would nevertheless have no hesitation in recommending that a Tribunal with mandatory pay-fixing powers be established, if the Post Office Association sought such an authority. We are told, however, that it did not do so when the present advisory "Tribunal" was established, nor did it favour a change when it gave evidence to the 1962 Royal Commission; it did not make submissions to us, but we have no reason to suppose that it has changed its attitude on this point. In these circumstances it is unlikely that pay disputes in the Post Office will become matters of party-political controversy, nor do the other practical considerations mentioned in paragraph 3 point to a change. Thus, we see no reason to disregard the Director-General's plea that the present system be maintained. Three qualifications must however be made. First, the Post Office Staff Tribunal should be directed to have regard to the same criteria as govern the other pay-fixing authorities. Second, its powers should be so defined as to make clear that it has no jurisdiction over inter-service matters. Third, should the Post Office Association at any time desire to be brought within the tribunal system which exists elsewhere in the State Services, its wishes should be respected.

The Hospital Service

26. The defects of the pay-fixing machinery for Hospital Board employees, and the draft Bill to remedy those defects by reconstituting

the negotiating committees and instituting a Tribunal, were mentioned in the preceding chapter. There seems no good reason why most of the groups in this Service (other than those covered by awards or agreements) should not be brought within the tribunal system. Problems arise in only two cases.

27. Certain of the smaller groups, such as the Society of Radiographers and the Hospital Engineers' Association, would prefer not to be brought within the jurisdiction of a Tribunal. The Department of Health, while believing that "virtually all of the present criticisms would disappear" if all Hospital Board groups were brought under a Tribunal, was not disposed to compel the reluctant, and favoured leaving them under a Salary Advisory Committee (see p. 19) until they opted for a change. We oppose this arrangement. There are admitted deficiencies in the existing advisory-committee procedure, and we see no reason why the benefits of more effective machinery for negotiation, such as we have suggested, should be denied to groups which choose not to avail themselves of the right to arbitration. The problem is not identical with that of the Post Office, just discussed, since most employee associations in the Hospital Service want a Tribunal, and we believe that they should have access to one. No group can be compelled to use an appellate Tribunal, hence if one is set up, no group is coerced by being placed within its jurisdiction. Nor is any group coerced by being given the opportunity to negotiate with the proposed Hospital Service Committee, or with an *ad hoc* team appointed by it. An employee association which is not prepared in any circumstances to appeal to the Tribunal loses the advantage of time limits prescribed to prevent the official negotiators from being dilatory or obstructive (para. 44); but presumably it prefers to negotiate without a time limit, in the hope of eventually reaching agreement. For the hospital groups which do not want a Tribunal, the procedure we propose would be better in three respects than that prescribed (we understand) for them in the draft Bill. The Hospital Service Committee, having as much authority delegated to it as have the central employing authorities at present, would in many cases be able to negotiate a settlement. Whenever the Committee lacked authority to settle a matter, and had to refer it to the Cabinet Committee, there would be less delay than at present since the State Services Commission representative could supply an immediate report. And in either case the decision could be promptly issued as a determination by the Director-General of Health.

28. One note of caution must be sounded, however, in respect of the hospital engineers. The Hospital Service Committee is to deal only with single-service cases, but it occurs to us that the work of the hospital engineers may be found similar enough to that of some other

engineering groups to justify their being dealt with on an inter-service basis, by the expanded State Services Co-ordinating Committee. We mention this possibility to illustrate the point that inter-service relationships will become more explicit under the system we recommend, hence that employee associations as well as employing authorities may need to co-ordinate their actions in new ways.

29. The second problem in defining the jurisdiction of a Tribunal for the Hospital Service arises out of the special position of the doctors. In chapter 2 it was explained that a Hospital Medical Officers Advisory Committee was established in 1966, to advise the Minister of Health on the salaries and conditions of employment of doctors employed (full or part-time) by Hospital Boards. This Committee, composed as it is under an independent chairman, of an equal number of representatives from each side, including a member of the State Services Commission, satisfies the requirements we specified in chapter 3 for negotiating procedure. Why should there be no right of appeal to a Tribunal if the negotiations are unsuccessful? We have already said that the level of the salary should be no bar to arbitration, nor are hospital medical officers in such a sensitive policy-making position as to justify their exclusion. They have not asked to be brought within the scope of a Tribunal, but in the case of the radiographers and the hospital engineers we decided that that was not an overriding consideration.

30. Nevertheless, we consider that for the time being there is a sufficient reason for leaving the doctors outside the tribunal system—a reason which applies as well to the academics, who are also under an advisory committee. Doctors and university teachers are groups for which the international market is important. We received evidence (from employing authorities as well as from employee associations) to show the continuing need to recruit hospital specialists and academics overseas, as well as to persuade New Zealanders to return to this country after post-graduate experience. Australian competition can even threaten the retention of hospital and university staff already serving in this country. Witnesses agreed that, while these are not exclusively salary problems, they cannot be solved without reference to pay. As we have mentioned in chapter 1, the lack of congruence between salary structures here and overseas means that, however they are tackled—whether by allowing staff shortages to increase, or by reducing the quality of staff appointed, or by granting salary increases to these groups alone, or by a general stretching of the salary structure—there are likely to be serious political complications. The issue is, basically, how good a hospital—or university—system this country is to have; and this is a question which the Government, rather than a Tribunal, should be responsible for answering.

31. We are aware that similar considerations affect other professional and technical groups, among them State scientists, engineers, and veterinarians. We have therefore given careful thought to whether we should recommend that these groups too be placed for the time being outside the tribunal system. For a number of reasons we have decided against this. For one thing, the groups affected are likely to vary from time to time, and there are obvious difficulties in providing for groups to be taken into and out of tribunal jurisdiction. For another, the groups mentioned (unlike the doctors and academics) are already within a Tribunal's jurisdiction, and we are reluctant to deprive anyone of an existing right to arbitration if we can possibly avoid it. Above all, we feel that this can be avoided without undue risk, since a Tribunal would probably use the Government-approved salaries of doctors and academics (rather than pay rates overseas) as a basis for fixing the scales for other internationally-mobile professional and technical groups. If the resulting rates proved in practice too low to recruit and retain efficient staff, a Tribunal would doubtless raise them in due course; but the Government, by holding medical and academic salaries below the overseas market level, could retard the movement of other salaries towards international levels, if it wished to do so. Such a retardation would undoubtedly have adverse effects on the quality of the Services affected, and we wish to make it quite clear that we are not urging that the Government should so exercise its discretion as to produce this result. Our concern is solely to ensure that the Government shall have an area of discretion; and this, we consider, can be sufficiently done if it retains control over medical and academic salaries, which for the time being should accordingly be excluded from the tribunal system.

The Education Service

32. The services outside tribunal jurisdiction which remain to be discussed are the Universities and the Education Service (other than teachers and Education Department staff). Since the academics fall into the same category as the doctors, and have been sufficiently dealt with, there remain only the administrative and ancillary staff employed by Universities, Education Boards, Secondary School Boards, Teachers' Colleges, and Technical Institutes. These can conveniently be treated together.

33. The diversity of existing employment practices (on which we have commented elsewhere) is apparent in this sector, and will in some degree persist. For example, the clerical staff employed by Education Boards are usually under Employment regulations and might be brought into the tribunal system; whereas some of the

clerical staff employed by universities are within the jurisdiction of the Court of Arbitration and, as we have already said (paragraph 6), it is not suitable to bring them into the tribunal system.

34. The Education Officers' Association (representing the administrative employees of Education Boards) wishes to be brought within the tribunal system. The Education Department, while not unconditionally opposed to such a change, pointed out that it would have consequences for the composition of the negotiating committee (at present, the Review Committee—see chapter 2, para. 26), and that if the Review Committee was no longer used for pay negotiations, its other functions such as regrading might better be discharged in other ways.

35. We see no reason why the proposed Education Service Committee, or an *ad hoc* committee established by it, should not conduct these negotiations, so long as the pay and conditions of the Boards' administrative employees are single-service in nature. Some of the Boards' staffs (e.g., architects) will doubtless have to be dealt with by inter-service machinery. In either case there should be a right of appeal to a Tribunal; the only position which should be excluded from its jurisdiction is that of General Manager, Auckland Education Board on which the Committee on Higher Salaries should continue to advise (para. 18). If the Education Department considers that changes such as we recommend would justify a change in the regrading machinery too, that is a matter which should be discussed with the Boards' Association and the Officers' Association when the need arises.

36. We have already proposed (chapter 3, para. 32) that regulations should be introduced prescribing pay and conditions of service for the secretaries of Secondary School Boards. These too should be negotiated by the Education Service Committee or an *ad hoc* committee established by it, and should be subject to appeal to a Tribunal.

37. The problems of ancillary staff can be illustrated with reference to pay fixing for librarians in institutions of tertiary education, on which we received submissions from the New Zealand Library Association, the Association of Teachers in Technical Institutes and the Teachers' Colleges Association. It seems that the processes of co-ordination are such that Teachers' Colleges and Technical Institutes are bound to pay their librarians according to the scale for the Library Occupation Class in the Public Service, in the negotiating of which neither they nor their staffs can play any part. We admit the force of the criticism, but cannot accept that the remedy is to pay these librarians as if they were members of the teaching staff.

Whether there should be a single State Services scale for all librarians, or a separate one for those in institutions of tertiary education, or indeed separate ones for Teachers' Colleges, Technical Institutes, and Universities, is not for us to say; but we are in no doubt that even if there were separate scales this would remain an inter-service problem, which must be handled through the inter-service machinery. The employing authorities affected must have an opportunity (through their national associations, where appropriate) to discuss it in the State Services Co-ordinating Committee or one of its subcommittees, and through these channels also to enter into negotiations with an employee team on which librarians in tertiary education would have an opportunity of being represented. Failing agreement in negotiations, there should be a right of appeal to a Tribunal.

SUMMARY

38. We see no reason why the tribunal system should not cover all State servants except—

- Those under awards or industrial agreements;
- Members of Boards and Commissions, and other people paid other than by wage or salary;
- Members of the Armed Services;
- Members of the Security Service;
- Members of the Judiciary;
- For the time being, and in respect of single-service matters, employees of the Post Office;
- For the time being, people whose salaries are fixed on the recommendations of the Hospital Medical Officers Advisory Committee or the University Salaries Committee;
- Occupants of positions specifically excluded by the Government from tribunal jurisdiction on the ground that they involve substantial responsibility not only for management but also for formulating and advising on policy.

NATURE OF TRIBUNAL JURISDICTION

39. We recommended in chapter 3 that the right to issue determinations, at present limited to the State Services Commission, the Director-General of the Post Office, and the Director-General of Education, should be extended to the heads of the Railways, Defence, Health, and Police Services. This implies an extension of the appellate at the expense of the original jurisdiction of the tribunal system, for which some explanation may be needed.

40. We mentioned in chapter 2 that the jurisdiction of the Railways and Police Tribunals is original, whereas that of the Government Service Tribunal is essentially appellate; and in chapter 3, that the 1962 Royal Commission had favoured giving the General Manager of Railways the power to issue determinations, hence (by implication) substantially transforming into an appeal authority the Railways Tribunal, the only other then existing with mandatory power. The 1962 Royal Commission pointed to the obvious convenience of issuing a determination to record an agreement reached in negotiation, and we think this would be generally admitted. The witnesses who appeared before us were not equally persuaded, however, of the convenience of giving tribunal proceedings the form of an appeal against a determination when agreement cannot be reached. While the General Manager of Railways and the Commissioner of Police agreed with the State Services Commission that such a form should be adopted in their Services, the Treasury and the Police associations questioned this in principle, and the Department of Health doubted its applicability to the Hospital Service.

41. The Treasury considered the "appeal-from-determination" procedure undesirable on two grounds: that issuing a determination, when agreement cannot be reached, may raise the intensity of conflict between the parties; and that the employing authorities (representing the Government) are placed in an invidious position by having to make a "final decision" which can then be overturned. We do not attach great weight to these objections. It seems to us by no means inevitable that the issuing of a determination will increase the intensity of conflict. It can be accepted by both parties as a convenient mechanism for bringing before the Tribunal a specific proposal to which specific objections can be stated and amendments suggested, when negotiations have broken down; and it is the failure of the negotiations, rather than the procedure for bringing the issues before the Tribunal, which generally determines the intensity of the conflict. However, if a situation were to arise in which the issuing of a determination might result in a serious deterioration of employer-employee relations, an alternative procedure would normally be available; the employing authority could decline to take any action, and (as we shall shortly explain) the employee association should be entitled in those circumstances to bring the dispute before the Tribunal. And we question whether the employing authority (and the Government) lose more face by having a determination amended or set aside, than they do if a Tribunal with original jurisdiction declines to heed their submissions. On the other hand, the determination procedure tends to reduce the burden on Tribunals, since an employee association may not invariably decide to appeal against a determination whenever the preceding negotiations have fallen short of complete agreement.

42. The grounds for the objection to "appeal-from-determination" of the Police Association and the Police Officers' Guild, in their joint submission, are not so clear. On the one hand they contended that a Police Tribunal must be "more than a mere appellate body, and in fact have original and recommendatory powers, as in fact the present Police Staff Tribunal has"; on the other, that the Commissioner of Police "should have powers to issue determinations on matters on consent, with a right of appeal in the event of disagreement". These propositions may not be inconsistent, if one reads the former as meaning that a Tribunal should have *some* original jurisdiction but narrower than that of the Police Staff Tribunal at present—a conclusion we accept in paragraph 44. A greater objection to giving the Commissioner of Police power to issue determinations in contested cases was the desire of the Police staff organisations to have some other person as official respondent in any proceedings before the Tribunal, so that the Commissioner could present a "departmental" rather than an "employers' " case. This problem must be seen in the context of improved negotiating procedures. In the previous chapter we emphasised the need to bring a State Services Commission representative into single-service negotiations where this will give the official side greater authority to reach agreement, or where the Cabinet Committee on Government Administration will require a report from the State Services Commission before giving its approval. This change should overcome most of the present inadequacies which the Police staff organisations have criticised; but it is also likely to lead the official side to adopt a co-ordinated approach to negotiations, so that the Commissioner of Police will find himself committed to proposals worked out with the State Services Commission and approved by the Government, and will not be free to adopt a purely "departmental" approach. We see no way of confining him to a "departmental" role except by giving the State Services Commission primacy in the negotiations, and authority to issue the resulting determinations; and that, we believe, would be acceptable neither to the Commissioner nor to the Police staff organisations. If the Police is to preserve its independence, subject to the inevitable limits imposed by co-ordination, and if genuine negotiations are to take place, the Commissioner of Police must be recognised as a leading negotiator on the official side, bound to present the "employers' " case to a Tribunal, hence in no way hampered by being empowered to issue (and required to defend) determinations. Similar considerations apply, of course, to the Director-General of Education and the Director-General of Health.

43. The objection raised by the Department of Health to the "appeal-from-determination" procedure was based on the difficulty of securing agreement from the Hospital Boards to the designation of the

Director-General of Health (or, for that matter, of the State Services Commission) as the "employer" with authority to issue determinations. Our proposal for a Hospital Service Committee is designed to overcome this difficulty. While the Boards would remain the legal employers with power to hire and fire staff, the "employer" for the purpose of fixing the pay of groups (not under awards or agreements) employed exclusively or predominantly in hospitals would, in effect, be the Hospital Service Committee, whose decisions would as a matter of convenience be formally issued as determinations by its chairman, the Director-General. The Hospital Boards' Association is of course to be represented on the Committee, and the Boards and their Association would indeed have just as important a role in the negotiating and pay-fixing process under our proposals as they would under what we understand to be the provisions of the draft Bill to establish a Hospital Staff Tribunal.

44. Having considered the various objections, we conclude that employing authorities should be empowered to issue a determination wherever a Tribunal may issue an order, and that the whole of the tribunal system should become predominantly appellate, as it already is in the Public Service. As in the Public Service, it should have a limited original jurisdiction to entitle it to deal with matters brought before it by employee associations on which, after a reasonable time, no agreement has been negotiated and the employing authority has not issued a determination. An employee association would not of course be under any obligation to take such a matter to the Tribunal once the specified time had elapsed, and if satisfactory progress was being made in the negotiations it presumably would not do so; but it is nevertheless useful to have specified time limits. We have been impressed by the harm that can be done to employer-employee relations by delays, not always due (we suspect) to the hitherto cumbersome mechanisms of co-ordination, but sometimes to an insufficient sense of urgency.

ONE TRIBUNAL OR SEVERAL?

45. Hitherto we have talked in terms of a tribunal system, leaving open the question whether there should be more than one Tribunal. It is now necessary to decide what structure would be appropriate.

46. To put the question in perspective, we must assert three propositions at the outset.

- The present structure is not satisfactory.

- It will become even less satisfactory if permitted to grow merely by the addition of extra Tribunals, such as one for the Hospital Service.
- One and only one Tribunal must have jurisdiction over cases with important inter-service implications.

47. In chapter 2 we have described the elaborate machinery which has been constructed to ensure that inter-service implications of pay changes are detected and considered at the stages of negotiation and determination. But at the level of arbitration, co-ordination ceases. The 1962 Royal Commission drew attention to this deficiency in emphatic terms:

> It seems to us undeniable that, if there is to be a tribunal system at all, it should be able to deal with such whole-service problems as the adjustments following a ruling rates survey, and with the problems of such occupational groups as exist in two or more of the State Services.

No remedial action was taken, however, with the result described by the Chairman of the Railways Tribunal in words which we have already quoted:

> When an application is before the Government Service Tribunal or the Railways Tribunal, the Tribunal is usually told that any Order which it may decide to make will have repercussions in other areas of Government employment. When that Tribunal is the Railways Tribunal, for example, it will then be expected to foresee how the Government Service Tribunal and the Post Office Tribunal each with different statutory functions and conditions will deal with employees, whose conditions of employment are unknown to the Railways Tribunal, and may well be different from those before it.

The problems of co-ordination are increased by the establishment of the Police Staff Tribunal and the proposed addition of a Hospital Staff Tribunal.

48. There are two ways of remedying this situation: by entrusting all cases to a single Tribunal; or (as the 1962 Royal Commission recommended) by entrusting all inter-service cases to a special Tribunal, leaving the existing Tribunals to handle single-service cases only. The former solution was supported by the State Services Commission, the Treasury, the New Zealand Employers' Federation, and a few other witnesses. It was opposed however by most of the other employing authorities, and by most of the employee associations which gave evidence on the point (see appendix 7).

49. The objections to a single Tribunal for the State Services fall generally into three groups. There are fears that the pressure of work on a single authority would produce delays. There are claims that such an authority could not be familiar enough with the special

features of a particular Service to make competent decisions. And there are assertions that the contending parties, especially employee associations but also some employers (e.g., Hospital Boards), would not have as much confidence in those decisions as in the judgments of an individual Tribunal for their own Service.

50. The objection on grounds of probable delay carries little weight. In the past 10 years the Government Service, Railways, and Police Tribunals have dealt with 137 contested cases. During the same period the Court of Arbitration dealt with 258 disputed matters arising out of awards and agreements plus four general wage order hearings. Some of the delays which have arisen in the past have apparently been the consequence of an insufficiency of work for the tribunal system: a Chairman whose time is not fully occupied by tribunal work may well have other commitments which affect his availability. Even allowing for hospital-service cases, for contested cases affecting Police staff, and for an increase in the frequency of occupational class cases in the Public Service, we doubt whether a single Tribunal for the State Services would become overloaded in the forseeable future; and if it did become so, relief could be given by the appointment of deputies without necessarily re-establishing single-service Tribunals.

51. Nor are we impressed by the objection that a single Tribunal would not be competent to deal with the diversity of employment in the State Services. The Court of Arbitration is able to cope with a diversity at least as great. The argument that tribunal members must have long personal experience of the areas in which they are to adjudicate is one familiar to lawyers and law reformers, but judicial experience points rather to the contrary conclusion. We have no doubt that if a single State Services Tribunal were composed of persons of the necessary capacity, they would quickly acquire a sufficient knowledge of the fields within their jurisdiction.

52. There remains the objection that the contending parties would have less confidence in the decisions of a single Tribunal than in those of a separate Tribunal for their own Service. If valid, this is important, because the effectiveness of a tribunal system depends on the confidence it commands. And in the short run, we think this objection does have some validity: it was conspicuous that those who had a separate Tribunal (Railways, Police) wanted to keep it, that some who lacked a separate Tribunal (teachers) wanted one, and that those who lacked any Tribunal (Hospital Service) generally wanted a separate one. A proposal immediately to unify the system under a single Tribunal, attractive though it is to the outside observer, might create avoidable hostility with adverse effects on employer-employee relations in some of the State Services.

53. Nevertheless, we are convinced that in the long run the superior merits of a single Tribunal would enable it to command even greater confidence among contending parties. Such a Tribunal would be a more important institution than any single-service Tribunal can be, would have greater prestige, and would consequently be a more attractive form of service for persons of the necessary capacity. It could programme its sittings on a regular if not permanent basis; it could have its own premises, and should be supported by its own permanent staff. It would moreover eliminate the difficulties which have become apparent in recent years, and achieve a consistency of action derived from its awareness of the State Services as a whole.

54. We conclude therefore that a single Tribunal, if not immediately acceptable to the Government, is the objective which should be sought, and that the changes to be made, now and in the future, should be such as to promote its attainment. In the meantime, it is imperative that a new Tribunal (which we shall call the State Services Tribunal) be created to deal with inter-service cases, and the other Tribunals (including the Post Office Staff Tribunal) be restricted to single-service cases.

55. The pattern of evolution can readily be sketched. All Tribunals should consist of only three persons: A Chairman, a Government member, and a Service member. From the outset, a common Chairman should be appointed for all the Tribunals. As soon as it conveniently can, the Government should appoint one person as its member on all Tribunals. Eventually it can be expected that the employee associations will see the advantage of agreeing on one Service member to sit on all Tribunals, so that he can match the other members in capacity and experience. When this happens—and this is for the employee associations alone to decide—there will in effect be a single Tribunal; but while the complete evolution may be protracted, the Government can fairly rapidly achieve, in effect, a single Tribunal with variable employee representation.

56. Even among those who opposed a single Tribunal, there was widespread acceptance of the need for a common Chairman for all Tribunals. The status of this position is such that it should be occupied by a judge of the standing of a Judge of the Court of Arbitration. We propose that the Act establishing the State Services Tribunal specify that his appointment be recommended by the Prime Minister after consultation with the Combined Service Organisations, and that the Acts constituting the other Tribunals (including the Post Office Staff Tribunal) provide in each case that the Chairman shall be the Chairman of the State Services Tribunal. We should add that the selection of a suitable person is of the utmost importance

as on his quality, more than on any other single factor, will depend the success of the whole tribunal system.

57. The Government member of the State Services Tribunal should be nominated by the Prime Minister, and the Service member by the Combined Service Organisations. (We assume that the appointment will in all cases be made by the Governor-General in Council.) We see no reason to recommend any change in the legislation governing the appointment of Government and Service members to single-service Tribunals. The gradual move towards the appointment of a common Government member to all Tribunals would not (we believe) require a change in the statutes, except in the case of the Post Office Tribunal; and such a change should be made at such time as the Post Office decides to join the tribunal system operating elsewhere in the State Services (see para. 25).

58. There is considerable diversity from one Tribunal to another in the existing provisions about assessors, as to their number, their qualifications and their role. If the system is to evolve towards unity, it is important that these variations be eliminated. We take the view that it is for the advocates and not for assessors to ensure that the case for their side has been fully presented, and that assessors are needed only to supply expertise as and when it is needed. It is a corollary that they should not be full members of the Tribunal, should not participate in its deliberations (except as required by the Tribunal), and should have no vote. Accordingly, we recommend that the Acts constituting the State Services Tribunal and the single-service Tribunals should provide for assessors in like terms to s. 42 of the Industrial Conciliation and Arbitration Act 1954.

59. We further recommend that the tribunal system be strengthened by the provision of a common registry, permanently staffed.

60. If the system is restructured into one inter-service and several single-service Tribunals in this way, we can see no reason (as in the absence of an inter-service Tribunal there undoubtedly would be) for denying a single-service Tribunal to any large body of State servants. Accordingly, bearing in mind the eventual evolution of the system towards unity, we favour not merely the continuation for the time being of the Government Service, Railways, and Police Tribunals, but also the creation of the separate Tribunals which are sought by the hospital employees and the teachers.

61. We recognise that problems will arise in practice in defining the jurisdiction of these various bodies. Clearly, a Tribunal should deal with the whole of an occupational group, so that a teachers' Tribunal should deal with the relatively small number of teachers employed by the Education Department. It is less obvious whether

the same Tribunal should also deal with Vocational Guidance Officers. Similarly, while a Hospitals Tribunal should deal with nurses (most of whom are employed by Hospital Boards), should it also deal with psychiatric nurses (most of whom are in the Public Service)? We feel that these details must be left for negotiation, and possibly for adjustment in the light of experience. To the extent that the system evolves towards unity, they will be of decreasing importance.

62. However, it is clear that a procedure must be laid down for ensuring that cases with important inter-service implications are referred to the State Services Tribunal. The 1962 Royal Commission recommended that:

> Any Tribunal constituted to deal with matters affecting a single State Service have power to refer any case to the State Services Tribunal, and a party recognised by any such Tribunal have the right to request that any case be so referred.

We repeat this recommendation, and add that provision would need to be made for bringing in such additional parties as are affected, and for the State Services Tribunal to be empowered to make orders in respect of employees otherwise coming within the jurisdiction of single-service Tribunals.

63. Certain Tribunals at present have distinctive provisions authorising them to make recommendations on certain conditions of employment or working practices, beyond those over which they have mandatory authority. To the extent that the system evolves towards unity it will be difficult to retain these special recommendatory powers. If they are felt to be important, we suggest that each Service affected create new machinery (an advisory council, possibly under an independent chairman) to perform this function.

CONCLUSIONS

64. While we have recommended a considerable extension to the scope of the tribunal system, the only fundamental change we have proposed to its structure is the immediate creation of machinery to enable inter-service cases to be properly dealt with. But while the several other more detailed changes which we advocate (for example, a predominantly appellate jurisdiction, a common Chairman and registry, uniformity of practice regarding assessors) are not impressive individually, cumulatively they are designed to facilitate a trend towards unity which would in our view be of major importance. Though we have not dealt here with the criteria which the Tribunals are to apply (since they form the subject matter of the next chapter), they too will inevitably affect the unity of the system.

RECOMMENDATIONS

We recommend that:

(10) As soon as practicable, a single Tribunal for the State Services be established; but if this is not at present acceptable to the Government, a State Services Tribunal be established forthwith to deal with inter-service cases, and other Tribunals be restricted to single-service cases (para. 54).

(11) The State Services Tribunal (and all single-service Tribunals, so long as they exist) consist of three persons: a Chairman, a Government member, and a Service member (para. 55), and be served by a common registry, permanently staffed (para. 59).

(12) The Chairman of the State Services Tribunal have the standing of a Judge of the Court of Arbitration (and be *ex officio* Chairman of all single-service Tribunals, so long as they exist) (para. 56).

(13) The Act constituting the State Services Tribunal (and the Acts constituting all single-service Tribunals, so long as they exist) provide for assessors in like terms to s. 42 of the Industrial Conciliation and Arbitration Act 1954 and not as members of the Tribunal (para. 58).

(14) So long as single-service Tribunals exist, and are sought by hospital employees and by teachers, there be Tribunals for hospital employees and teachers, separate from those now existing (para. 60).

(15) So long as single-service Tribunals exist, any such Tribunal have power to refer any case to the State Services Tribunal, and be obliged so to refer it if it has important inter-service implications, and to give any employing authority or staff association recognised by any Tribunal an opportunity to show cause why it should be so referred (para. 62).

(16) Each employing authority be empowered *inter alia* to issue determinations prescribing pay rates and allied conditions of service for all classes of its employees which are within tribunal jurisdiction; and the State Services Tribunal to issue orders varying or replacing the determinations of any employing authority, and (in the event that after a reasonable period of negotiations no such determination has been made) to issue orders prescribing pay rates and allied conditions of service; and all single-service Tribunals, so long as they exist, have similar powers each within its own jurisdiction (para. 39–44).

(17) All classes of State servants be within tribunal jurisdiction except the following:

- Those under awards or industrial agreements.
- Members of Boards and Commissions, and other people paid other than by wage or salary.
- Members of the Armed Services.
- Members of the Security Service.
- Members of the Judiciary.
- For the time being, and in respect of single-service matters, employees of the Post Office.
- For the time being, people whose salaries are fixed on the recommendations of the Hospital Medical Officers Advisory Committee or the University Salaries Committee.
- Occupants of positions specifically excluded by the Government from tribunal jurisdiction on the ground that they involve substantial responsibility not only for management but also for formulating and advising on policy (para. 38).

(18) The employing authorities and the State Services Tribunal (and, so long as it exists, each single-service Tribunal within its own jurisdiction) having by the effect of recommendations (16) and (17) been given power to fix pay and allied conditions of service for entire occupational classes, be not restricted in the exercise of that power by any upper monetary limit as at present but be guided by the criteria hereafter recommended: with the effect that in fixing the maximum salary for any occupational class, the Tribunal be bound to have regard to salaries fixed by the Government for positions excluded from tribunal jurisdiction, but not to maintain existing relativities with those positions except as the criteria justify them (para. 17–21).

Chapter 5. CRITERIA FOR PAY FIXING

BACKGROUND

1. Item 1 of our Warrant reads:

> The criteria which should be used in determining the salaries and wages, and the terms and conditions of employment, of employees in the State Services of New Zealand and the relative weight that should be given to each of the criteria if more than one is considered appropriate.

The 1962 Royal Commission was required to investigate (*inter alia*) "the principles on which wages and salaries should be based". The phrasing of item 1 of our Warrant differs from this in three respects:

(a) It refers to "criteria" instead of "principles";

(b) It refers to terms and conditions of employment as well as salaries and wages;

(c) It recognises that different criteria may lead to different results; hence requires us to report on the relative weight which should be given to each criterion when more than one applies.

2. We shall shortly refer in passing to points (a) and (b), and mention here only the significance of point (c), conflicting criteria, a problem which has become serious since the Royal Commission reported in 1962, and now apparently constitutes one of the major reasons for holding the present inquiry.

3. The first half of chapter 7 of the 1962 *Report* considered various principles of State wage fixing, and in paragraph 24 concluded:

> The principles that should guide any authority responsible for fixing wage and salary rates in the State Services can be briefly stated thus:
>
> (a) Where possible, pay shall be fixed at a level comparable with the current remuneration received by those doing broadly comparable work in outside employment, subject to the following provisos:
>
> (i) It should be adjusted, as and when necessary, to enable the Service to recruit and retain an efficient staff:
>
> (ii) It may be adjusted to maintain adequate margins for responsibility.
>
> (b) In applying principle (a) the following rules shall be observed:
>
> (i) "Current remuneration" shall be taken to mean "current wage or salary rates" unless it can be shown, taking into account other conditions of service, that effective remuneration differs from wage or salary; and that such a difference can be evaluated:

(ii) "Outside employment" shall be limited to good employers within New Zealand, unless it can be shown that there is an effective demand outside this country for New Zealand staff of the occupation and grade concerned, in which case the pay shall be fixed (taking into account overseas salaries together with other relevant factors) at a level enabling the Services to recruit and retain an efficient staff:

(iii) For any occupational class, State wage and salary scales shall be fixed on a national basis and shall be based on comparisons with outside employment throughout New Zealand, unless regional considerations compel the use of local rates based on local comparisons.

(c) (i) Where no comparison with broadly comparable work in outside employment is possible; or

(ii) Where the outside remuneration for such work can be shown to be based on State pay rates; or

(iii) Where conditions of employment other than salary or wages differ sufficiently to prevent fair comparison with outside employment;

then wages and salaries shall, subject to the provisos noted in paragraph (a) above, be fixed by comparison with such other group or groups within the Services as may, in the particular case, be deemed appropriate.

4. These principles doubtless influenced the drafting of section 41 (5) of the State Services Act 1962, which required the State Services Commission to have regard, in prescribing salary or wage rates or scales, to:

(a) The levels of remuneration received by, and other matters affecting the remuneration of, persons doing comparable work in employment outside the Public Service:

Provided that the rates may be adjusted where deemed proper, having regard to wage and salary rates paid in respect of other occupational classes in the Public Service:

(b) The need to maintain adequate margins for skill and responsibility:

(c) The need to provide sufficient inducement for recruitment:

(d) In cases where comparison with the level of remuneration received by persons doing comparable work in employment outside the Public Service is not possible, or where conditions other than remuneration are such as to prevent a fair comparison, the wage and salary rates paid in respect of other occupational classes in the Public Service:

(e) Such other matters as may be agreed between the Commission and the service organisations concerned.

5. The same criteria were specified (*mutatis mutandis*) in section 103 (2) of the Government Railways Act 1949, as amended by the Government Railways Amendment Act 1962, except that subsection (c) read:

The necessity for promoting the efficiency of the Department.

Broadly similar criteria have since been enacted for the Education Service and the Police. The Post Office Act does not specify criteria which have to be taken into account in fixing salaries or wages in that Service, except that the Post Office Staff Tribunal (which is advisory only) is required to have regard to the general purpose of the Economic Stabilisation Act 1948, i.e., "to promote the economic stability of New Zealand". However, the machinery for service-wide co-ordination ensures that the criteria governing the other State Services affect the Post Office too, at least in fixing pay for those occupational groups found also in other Services.

6. Since fairly similar criteria apply in each of the Services mentioned, it follows that it is not the differences among the statutes which have created the recent difficulties, but rather the listing in each statute of several potentially conflicting criteria, generally without any indication (such as the 1962 Royal Commission tried to give) of their relative weight.

7. This central problem has however been partially obscured by the chance that, from a difference between the phrasing of the State Services Act and the Government Railways Act relating to the application of ruling rates surveys, a situation emerged in 1967 in which the Government Railways Industrial Tribunal was applying criteria different from those which the Government Service Tribunal would have been entitled to apply in a similar case. Before examining further the criteria for pay fixing we must accordingly justify our contention that the problem is not basically an inter-service one, but one which faces each State employing authority or Tribunal.

8. As noted earlier, there are within the State Services two types of pay review: there is "wage fixing", in which the pay scales for each specific occupational group are established; and there is "wage adjustment", providing for a general movement in State pay rates to take account of a corresponding movement in outside employment. (As is well known, this general movement is measured by regular surveys of the "ruling rates" paid to certain types of tradesmen throughout the country.) In the Public Service in the process both of wage fixing and of wage adjustment, the State Services Commission is empowered to set new pay scales, which may be reviewed by the Government Service Tribunal on appeal. When wage *fixing,* the Commission and the Tribunal must have regard to the criteria laid down in section 41 (5) of the State Services Act, listed in paragraph 4 above. When making a wage *adjustment,* however, they are governed by section 42 of the Act, which requires them merely "to maintain fair relativity" between groups in the Public Service and equivalent groups in outside employment; the Supreme Court has ruled (*New*

Zealand Public Service Association v *State Services Commission* [*October 1967 unreported*]) that they are not then bound in law to have regard to the matters specified in section 41 (5). On our reading of the Act (though the Court has not ruled on this point) it is doubtful whether they are even *entitled* to have regard to those matters.

9. The situation under the Government Railways Act differs in two respects. First, the General Manager has no power to issue determinations, new pay scales being set by the Government Railways Industrial Tribunal which is not (as is the Government Service Tribunal) an appellate authority but one with original jurisdiction. Second, the Act is so phrased that the criteria for wage *fixing* (generally similar, as already noted, to those in section 41 (5) of the State Services Act) also apply to wage *adjustment*. The Supreme Court has ruled (*Amalgamated Society of Railway Servants* v *General Manager, New Zealand Railways* [*April 1966, unreported*]) that the Railways Tribunal *is* bound as a matter of law to have regard to those criteria when applying the results of a ruling rates survey, and that it is *not* necessarily required to give greater weight to "fair relativity" in wage-adjustment cases than in wage-fixing cases, it being for the Tribunal to determine in each case what weight it will give to each of the criteria.

10. It follows therefore that, as the law now stands, the Railways Tribunal could in a wage-adjustment case decide to give greater weight to the "need to maintain adequate margins for skill and responsibility" than to the maintenance of "fair relativity", whereas it appears to us unlikely that the Government Service Tribunal in such a case could do so. Elsewhere in this report we deal more fully with the functions and powers of the various Tribunals; here we wish merely to point out that the discrepancy cannot satisfactorily be eliminated merely by aligning the Railways legislation with the State Services Act.

11. Suppose that this were done. Suppose indeed that the Railways and Government Service Tribunals had identical legislation to apply, and as well invariably agreed upon the weight to be given to the various criteria laid down in their identical legislation. It could still happen that in the process of wage *fixing* they might decide that, to provide adequate margins for skill, it was necessary to pay tradesmen in the State Services at a rate higher than the average prevailing in outside employment (as the Railways Tribunal did in 1962 and 1967). If our interpretation is correct, they would then find themselves bound, at the next wage *adjustment,* to reduce tradesmen's wages again, since "fair relativity" is the governing criterion in wage-adjustment cases, and the ruling rates survey indicates the tradesmen's rate in outside employment with which State tradesmen must

be aligned. In principle one can conceive the associations representing State tradesmen then bringing a wage-fixing case to the Tribunals to restore the margins—until the next ruling rates survey was applied when they would again be lost.

12. Such a consequence (aptly described as "the yo-yo pattern") would clearly be found intolerable in practice, and to avoid it the Tribunals would probably decide that, in wage fixing as well as in wage adjustment, the "fair relativity" criterion must prevail over "margins for skill". A decision to align the Railways legislation with the State Services Act would thus be tantamount to deciding that "fair relativity" is always the overriding criterion in determining State wages and salaries. Whether it should be so is thus a question which must be answered before deciding how best to eliminate the anomalies which became apparent in 1967. It is for this reason that we regard the problem as not basically inter-service but one which faces each employing authority or Tribunal, arising from the potential conflict between the criteria to which it must have regard.

CRITERIA AND PRINCIPLES

13. At the beginning of this chapter we mentioned that the 1962 Royal Commission had been directed to consider the *principles* of pay fixing, whereas our Warrant refers to the *criteria* to be used in pay fixing. "Principles" we consider to be a somewhat wider term, embracing for one thing the ends which should be promoted or the requirements which should be satisfied by a pay-fixing system, and for another, the tests which should be applied and the rules specifying the evidence to be admitted (i.e., the "criteria" which should be used) to promote the ends and satisfy the requirements. Although we are directed to investigate and report on the narrower field of criteria, the justification for the several criteria and the relative weight to be given them can only be elicited by examining the objectives which they are intended to attain, that is, "principles" in the wider sense.

14. The relevant principles are economic, and moral and political. The economic was expressed by the 1962 Royal Commission in the following terms:

> The first requirement to be borne in mind is that, in the long run at least, the State must pay whatever is necessary to recruit and retain an efficient staff. That is true of any employer who wants to remain in business, but for the State the imperative is absolute, since it cannot in the national interest afford to go out of business.

The 1962 Royal Commission went on to point out that this formula was inadequate as a test (or "criterion") for a number of reasons,

among them that "it suggests no upper limit; any remuneration, however high, would satisfy the test, provided only that efficient staff were recruited and retained". The second principle, that of "fairness", remedies this deficiency. Since the pay of State servants comes, in large part, from taxation, State pay rates should not be higher than is fair to the taxpayer. This principle is reinforced by political considerations: if the remuneration of State servants is widely felt by the voting public to be excessively high, State pay is likely to become a matter of political controversy, and this is liable to jeopardise the non-political character of the State Services. Accordingly, the 1962 Royal Commission concluded:

> What is needed is a test for the adequacy of State wages and salaries which satisfies the following conditions: (a) It should indicate wage and salary levels which are sufficient, in the long run, to enable the State to recruit and retain an efficient staff. (b) It should indicate quickly where adjustments to State wage and salary levels need to be made, and specify the amount of adjustment needed. (c) It should represent a standard which can be accepted as fair by the Government, the employing authority, its employees, and the general public. Since the general public provides through taxes most of the money for the salaries of its servants, the last condition may be taken to incorporate an effective check on the height of those salaries.

15. These requirements do not of themselves determine an appropriate rate of pay for any category of State servants. They suggest that such a rate will stand in an identifiable relationship with the market price for a similar class of labour in private employment, but the nature of this relationship may well vary from one society to another, and from time to time. In some countries, where State service is felt to confer high status warranting an appropriately high income, the taxpaying public may not think it unfair that State pay rates exceed those for comparable groups in outside employment. In other countries, a sense of vocation may induce enough competent people to enter and remain in some branches of State service though the remuneration is less that they could earn outside. Even the Priestley Commission (which investigated pay and conditions of employment in the British Civil Service in 1953–55), although it laid great stress on the principle of "fair comparison" with outside employment, could not bring itself to recommend that "the financial rewards of the higher Civil Service should match the highest rewards in those fields [industry, commerce, and finance] outside". It quoted a Treasury witness who said, "Civil servants in the top grades do not expect to be paid commercial rates".

16. In New Zealand at present it seems to be widely accepted that both the economic and the moral-political principles can best be respected by paying State servants neither more nor less than would

be received in comparable occupations in outside employment, making proper allowance for fringe benefits. (We shall call this "*external comparability*".) The 1962 Royal Commission stated that "there are good reasons for believing that the principle of fair relativity, or 'external relativity', or 'fair comparability' (as it has been variously called) is a reasonably satisfactory test for determining the adequacy of State salaries", for occupations which are common to State and outside employment. A similar conclusion was reached by the Fulton Committee, which investigated the British Civil Service in 1966–68, and this view was almost unanimously accepted by the witnesses who made submissions to us on the point—by private employers (speaking through the New Zealand Employers' Federation), as well as by the State Services Commission, the Railways Department, the Department of Health, and (with reservations shortly to be considered) by the Treasury. Differences arose in defining the comparisons which could be taken as fair, and in specifying which other criteria, if any, could properly be given weight when external comparisons are possible. We shall deal with these topics in the next two sections of this chapter. First, it is necessary to introduce some rather more general reflections about the significance of prices in the labour market, which have a bearing on both issues.

17. Prices, in the labour market as in other markets, have an allocative function: they encourage potential recruits towards occupations in which labour is scarce, and away from those relatively overstocked. Thus, if the State Services are to compete effectively for staff, they must be prepared to increase their pay rates for employees in occupations in which labour is scarce. We do not imply that this is the only action which they should take; in some circumstances, they may well be justified in attempting more directly to increase the supply of potential recruits, for example by giving or encouraging education and/or training. Nevertheless, there is a presumption that potential recruits will need to be induced to undertake one form of training rather than another, or none, and that they will respond to an increase in the prospective income from one rather than another occupation. If all State pay rates were to change always at the same time, by the same amount, this allocative function would be frustrated. Moreover, it would then be most unlikely that pay rates for all State servants could be increased fast enough to enable the State to compete effectively for scarce kinds of labour; and as far as it attempted to do so, it would be behaving unfairly towards the taxpayer, since it would be paying more than it need for less scarce kinds of labour. It is thus fair to the public, as well as economically sound, to alter existing margins between occupations in the State Services when the corresponding margins in outside employment change, as they will from time to time in response to market pressures.

18. We recognise that market pressures are not the only forces which in practice affect relative pay rates in outside employment—as they would be under conditions of perfect competition. There may be barriers limiting entry to certain occupations, through trade union practices, or through education and training (e.g., the limited intake to New Zealand medical schools), or through legislation (e.g., the regulation of bookmaking). Minimum wage legislation, or industrial awards of the Court of Arbitration, will set a bottom limit to the rates which employers may pay. Above all, ruling rates will (within limits) be affected by collective bargaining in a labour market in which both the supply of, and demand for, labour are organised and controlled. Nevertheless, the argument of the preceding paragraph is not invalidated, for two reasons. First, though the influence of market pressures is modified by these factors, it is not, and cannot be, wholly abolished. Nothing short of total conscription and direction of labour is capable of completely eliminating the allocative effect of differences in pay. Second, even though the outside pay rates may not be such as to achieve what an economist would regard as an optimal allocation of labour among occupations, there are still powerful reasons for linking State pay rates with those prevailing outside: for if the State pays less, it is unlikely in the long run to recruit and retain an efficient staff, while if it pays more, it is behaving unfairly towards the taxpaying public.

19. As some of the examples in the preceding paragraph make clear, there is nothing sacrosanct about market forces. It is as proper for the State to intervene for reasons of social policy in the labour market (e.g., by prohibiting or regulating bookmaking), as in other markets (e.g., by prohibiting or regulating the sale of dangerous drugs). But should it do so by modifying the pay or conditions of service of its own employees, thereby exerting pressure on other employers to follow suit? The 1962 Royal Commission said:

> We are aware that Governments have on occasion used their powers as an employer to set an example to other employers; this is undoubtedly a possible and sometimes a convenient way to pursue policy aims, and we can conceive of circumstances in which such action might be justified. Remembering, however, that any specially favourable conditions of employment for State servants must be paid for in part by taxing workers who enjoy less favourable conditions, we think that there is a powerful presumption against modifying fair relativity for reasons of a Government's social policy.

If a Government decides that it should set any given example to other employers, we feel that it must accept the essentially political responsibility of doing so (e.g., through legislation, thus giving a chance for parliamentary debate, as when it decided that women in the State Services should be paid at the same rates as men). Hence

we do not propose that the promotion of social policies should be a criterion to which employing authorities and Tribunals should have regard.

20. Similar considerations apply to governmental intervention in the labour market for reasons of economic policy. As we made plain in chapter 1, the Government could (if it saw fit) introduce an incomes policy which would affect pay-fixing procedures in both the public and the private sectors. But should it try to restrain inflation by curbing pay increases for State servants alone? The 1962 Royal Commission considered that, while pay increases for State servants may intensify an inflationary situation, there are nevertheless strong arguments in favour of preserving external comparability, both as a matter of fairness to State servants and of avoiding such unfortunate consequences as the exacerbation of State employer-employee relations, the undermining of staff morale, and the hampering of recruitment and retention of efficient staff. The 1962 Royal Commission concluded:

> It is for the Government to weigh these various matters; we are in no position to say that it would never be justified in modifying even the timing of a salary adjustment to take account of economic circumstances. Nevertheless we think there is a powerful presumption in favour of maintaining the fair relativity principle, and consider that inflationary pressure should be checked by economic and fiscal policies, not by manipulating State salaries.

21. As recently as 1967 the Government did indeed modify the timing of a salary change for senior State servants, when it decided that the increases recommended by the Advisory Committee on Higher Salaries should be granted in stages, half in 1967 and half in 1968. We are not prepared to assert that any such decision must be wrong, as we should logically be obliged to do if we accepted the contention that external comparability overrides every other consideration. Indeed, we feel obliged to draw attention to the warning given by the Royal Commission on Government Organisation in Canada (the Glassco Commission, 1960–62 *Report,* Vol. I, p. 291) which reported shortly after the 1962 Royal Commission. While the Glassco Commission laid much stress on external comparability, it also declared:

> The government should, however, recognise the danger of committing itself fully and finally to a fixed formula and to an agreed mechanism for working it out. However desirable the standard, a firm commitment—particularly if it were backed by arbitration machinery—could make it difficult for government to pursue an independent pay policy dictated, for example, by the national needs of a temporary inflationary situation. The government should not risk finding itself in a position where it cannot at some future time discharge its major obligations to the economy without unilaterally breaking a commitment to its employees.

Nevertheless, we feel that the principle we applied in paragraph 19 in respect of social policy must be applied here too. If the Government feels that for reasons of urgent economic policy it must interfere with normal State pay-fixing procedures, it must accept the political responsibility of doing so (for example, as the British Government did by imposing a "pay pause"). But to the extent that the Government delegates to Tribunals, by statute, the power to fix the pay of its employees, to that extent it relinquishes its power to control State pay in the interests of economic policy. It would of course be possible to modify the delegation by requiring Tribunals to take account of economic conditions or of the Government's economic policy, but for the reasons adduced by the 1962 Royal Commission we think that it would be wrong to do so. We also think that it would be wrong to expect or require employing authorities or Tribunals to shelter the Government from the essentially political responsibility of balancing economic policy against the criteria which normally apply. Thus we do not propose that the promotion of economic policy should be a criterion to which employing authorities and Tribunals should have regard.

22. It will be apparent from the preceding discussion that, while we believe that the State pay system should respond to the changing pattern of economic forces in outside employment, we do not concede unqualified primacy to the current prices in the labour market on which the external comparability criterion is based. Thus we cannot accept the contention of the State Services Commission and the New Zealand Employers' Federation that whenever a fair comparison with outside employment can be made it should exclude any other consideration. Under examination, the spokesmen for both bodies were prepared to concede that exceptional circumstances might arise in which other criteria would be relevant, but were apprehensive that legislative provisions designed to cover exceptional situations would be invoked in the general run of cases. While this danger cannot be disregarded, we think that if the legislation is carefully drafted, the authorities responsible for wage determination and adjudication should be trusted to apply it with proper discrimination; nor can we ignore the hazards that might arise, even though rarely, if the legislation debars those authorities from taking potentially relevant considerations into account. What those considerations are will be made clear in the remaining sections of this chapter.

23. In concluding this section on the underlying principles, we merely wish to emphasise that external comparability, while *consistent* with those principles (as was shown in paragraph 16 above), does not necessarily *follow* from them. While it is unlikely that the State would be able to recruit and retain efficient staff if it persistently gave lower

remuneration (including fringe benefits) than outside employment, it is not to be supposed that recruitment would dry up and that present employees would leave *en masse* if State pay fell behind for a limited period. Equally, it is not to be supposed that State pay rates would be widely regarded as unfair if they failed to follow every fluctuation of average rates for comparable occupations in outside employment, provided that they were not consistently ahead or behind, and never too far ahead or behind. In other words, all that the underlying principles require is that the rewards offered by State employment shall keep broadly in line with those outside. This is not to say that State pay rates should be deliberately made to differ from those outside without good cause; but it does suggest, for example, that there is no need to go to great lengths to backdate pay increases; and equally, that there need be no urgency (at least in a time when pay rates are generally increasing) to reduce a State rate which is found at a given moment to be ahead of the comparable outside rate.

EXTERNAL COMPARABILITY ANALYSED

24. This conclusion is reinforced by a consideration of what is involved in an external comparison. To say that "State servants doing a given job should receive the same remuneration as persons doing the same job in outside employment" is easy, but to put it into exact practice is impossible for at least three reasons.

25. First, as the Government Statistician pointed out, the content of a job in the State Services is rarely identical with that of the outside job with which it seems reasonable to compare it; and even if the job is similar (as radio journalism may be likened to newspaper journalism), an employing authority must have some scope to influence the quality of the performance. Hence, for example, it would not necessarily be improper for the New Zealand Broadcasting Corporation to pay on average more for journalists than newspapers do if it considered that the radio news service should reach a higher quality than market forces produce in the newspaper field.

26. Second, as the Treasury and the Post Office made clear in their submissions, a choice between careers or between employers is not determined solely by the immediate wage or salary available. Promotion prospects, fringe benefits, and intangible factors (job interest, relative prestige of the employers) may influence such a choice. Benefits within and outside the State Services can be allowed for if they are quantifiable. But it is impossible to treat all the

differences in this way. External comparability implies an equating of what Mr G. A. Crisp has called in his submission "net advantages", which in practice can only be approximated.

27. Third, "persons doing the same job in outside employment" are not paid at a uniform rate. There may indeed be a considerable spread of rates, among districts, among firms within each district, and even within individual firms; certainly this is so in the case of tradesmen, the occupational field for which there is most statistical information. Leaving aside the question of which districts and firms should be brought into the comparison, it is true that the further the State rate diverges from the mean of the outside rates, the likelier it will be regarded as unfair either by State servants or by the tax-paying public; but it does not follow that the only rate which can be regarded as fair is the mean rate. Rather, external comparison indicates a range about the mean, within which the State rate may satisfy the principle of fairness.

28. These remarks should not be taken as criticisms either of the criterion of external comparability or of the process of pay research by which it can be made effective. They are merely reminders that external comparability can be no more than a convenient test, a "useful rule of thumb" (in the Treasury's phrase) which will generally give an answer consistent with the underlying aims and requirements, but which is not itself a fundamental principle.

29. The comparisons which can be taken as fair in applying the test of external comparability need definition. The 1962 Royal Commission stipulated that "current remuneration" should be taken to mean "current wage or salary rates" unless it can be shown from other conditions of service that effective remuneration differs from wage or salary, and that such a difference can be evaluated. With this view we concur. The Associated Chambers of Commerce gave us the results of a survey which, they contended, showed that the State provides greater fringe benefits than most private employers. We are confident that a pay research unit will be able to compare, for each occupation surveyed, those fringe benefits which can be evaluated in financial terms, and thus ensure that the external comparability test is fairly applied.

30. We can appropriately deal here briefly with the criteria to be used in determining conditions of employment other than wages or salary. The problem falls into two parts. Certain conditions of service (e.g., the amount of annual leave) are not specific to public employment, and in this case the criterion of external comparability should apply. Other conditions, however, are a consequence of the special nature of State employment; to maintain a non-political career-

service the State in practice found it necessary to provide, for example, a special disciplinary code and adequate schemes for retirement and superannuation, regardless of what provision outside employers were making. In fixing pay rates these quite proper differences between employment conditions in the State Services and outside can and should be taken into account to the extent they can be evaluated in financial terms.

31. External comparability entails comparisons with outside employment, but both "outside" and "employment" call for closer scrutiny. First, the State Services Commission proposed that "outside" should be taken to mean "outside the State Services"; at present, the legislation for each Service refers only to employment outside that Service. At first sight, this proposed change seems very reasonable: if the State is the sole employer, paying the same rate to each class of labour regardless of department or service, one cannot fix the pay of typists in the Public Service only by comparison with the Post Office or the Railways Department. But what are the boundaries of the State Services?

32. In this Inquiry, the universities are deemed to be a State Service, but it may be reasonable to fix the pay of scientists in the Department of Scientific and Industrial Research after seeing what scientists are paid in the universities, if the special machinery for fixing university salaries responds accurately and quickly enough to market forces. Whether one chooses to define the universities, or hospital boards, or public corporations, into the State Services and to call such salary relationships "internal relativity", or to define them out and call the relationships "external relativity", seems for our (though not necessarily for other) purposes to be a matter of words and not of substance. The important consideration is that wherever possible each occupational group in the State Services shall be kept reasonably in line with a similar group whose pay results from market forces. It was the absence of an independent market which prompted the 1962 Royal Commission to exclude from comparison outside posts whose pay was demonstrably based on State pay rates (as would be generally the case, for example, for teachers in New Zealand private schools).

33. We doubt whether a single definition, either of "outside" or of "State Services", is the best way of dealing with the problem: the appropriate comparisons may depend on the circumstances. For example, in chapter 6 we express our agreement with the Government Statistician that surveys of general movements in outside employment during a given period made for the purpose of making State-service pay *adjustments* should be confined to the private sector. (That is, not only the State Services but local authorities and public

corporations should be excluded, since many of them follow the State in making interim adjustments.) On the other hand, in salary *fixing* for an occupational group such as auditors, the salaries paid by local authorities to treasurers and other finance officers will be relevant as far as these authorities comprise a more important market for audit staff than do private accountancy firms.

34. The State Services Commission also proposed that comparisons with "outside" employment should be limited to posts within New Zealand. This was the view of the 1962 Royal Commission, and we accept it on the grounds that overseas living conditions, taxation rates, social security benefits, and social services are likely to differ sufficiently from those in this country to prevent a simple conversion of overseas remuneration into New Zealand dollars to determine appropriate salary levels. Indeed, the salaries paid in the countries where we hope to recruit may be less significant than those our competitors offer for internationally-mobile staff. The chairman of the University Grants Committee informed us, for example, that in recruiting academic staff it is important to compete with Australia on the British market. It follows, therefore, as the Department of Health made clear, that in such cases overseas salary comparisons must be relevant in salary negotiations, but then the criterion is "the need to recruit and retain an efficient staff", and not external comparability in the strict sense.

35. Similarly, the State Services Commission maintained that in interpreting outside "employment" one must disregard those who are self-employed, since the income of a self-employed person cannot be equated with the salary of an employee. Once again we agree, though this means that the external comparability test cannot be applied to such occupational groups as doctors and lawyers, as most of those outside the State Services (broadly defined) are in private practice. And we agree with the Department of Health, that the earnings of private practitioners cannot be ignored altogether but must be relevant on salary negotiations, but then the criterion is what must be paid to recruit and retain an efficient staff, when external comparability in the strict sense cannot be applied.

36. In many occupations, the wage or salary paid in outside employment varies among districts according to conditions in the local labour market (as it may do within the State Services for workers under awards or industrial agreements). Does the criterion of external comparability require that State pay rates (other than under awards or agreements) should reflect these local and regional variations? The State Services Commission recommended that, for the time being at least, the State should keep to its practice of paying

uniform rates throughout the country, a practice open to objection on two grounds: it hampers the State from competing for staff in high-wage areas, and exerts an upward pressure on outside rates in low-wage areas. The consequences were disturbing to some witnesses. For example, the Forest Service found it difficult to recruit and retain tradesmen in such key forestry areas as the Bay of Plenty, and the New Zealand Employers' Federation complained that private employers faced unfair competition for tradesmen in districts such as Wanganui. The New Zealand Employers' Federation was emphatic that "State rates should be adjusted to take account of significant regional variations in outside rates by locality allowances or differentials" according to the criterion of external comparability.

37. The State Services Commission, while acknowledging that such a change would agree with external comparability, opposed it for the following five reasons:

(i) A standard adjustment for each district based on cost-of-living data would be inappropriate, since districts in which living costs are similar (e.g., Wellington and Auckland) are not equally affected by staff shortages.

(ii) A standard adjustment for each district would in any case be inappropriate, since in a given district some occupations will be scarce but others will not; but there is at present insufficient information to enable specific adjustments for each occupation in each district to be calculated.

(iii) Even if some specific adjustments could be calculated by district and occupation, what adjustments would be appropriate for the many groups for which no outside comparisons are possible?

(iv) Regional variations in pay would tend to hinder transfers of staff between regions.

(v) In some areas and occupations, the differences between State and outside pay rates result from the now statutory policy of paying women State servants at the same rate as men.

38. Two other objections may be added. The Railways Department noted that to pay a specific rate for each occupational group in each district would make pay administration extremely cumbersome. Second, even if such a system were introduced, anomalies could still arise within districts: pay rates in Nelson, for example, are relatively low, but it may be necessary to pay relatively high rates to Forest Service tradesmen outside Nelson city who are not part of the city labour market and for whom no adequate external comparisons may be available in the forestry area.

39. While we do not find all these objections equally cogent, cumulatively they are sufficient to dissuade us from recommending a general system of regional pay rates, whether standard or specific to occupations. The problem as it affects tradesmen should be alleviated when (as we recommend later) the State abandons the practice of paying a common rate to men in trades for which the average rates in outside employment are significantly different. Nevertheless, if when this has been done serious difficulties continue to arise in recruiting or retaining staff of a given type in certain areas, the situation should be reviewed. At the least, the State Services should then be prepared to deal with exceptional cases by paying a special locality allowance to a specific occupational group for which there is an excessive local demand; but thought should also be given to the scheme favoured by the Glassco Commission, in which uniform rates are maintained only for categories of personnel for which the market is country-wide, while separate rates are paid where the market is regional or local:

> For professional and scientific personnel, for senior administrative and managerial personnel, for the new university graduates, and for those with more advanced degrees, the market is clearly country-wide . . . For clerical and secretarial personnel, for unskilled labour, and for most manual, non-office, and skilled trades operatives, the market is clearly regional and local. Regional differentials for office occupations would have little import for the public service, because most employees in these categories are in larger urban centres where rates tend to be above the national average. For non-office occupations, however, the regional differentials are considerably more important. . . .

Canada is a much larger country than New Zealand, and we do not suggest that the boundary between country-wide and locally-recruited occupations is identical here. But we believe that the distinction is a valid one, on which a limited system of separate rates could be based if it were found necessary.

40. In defining "outside employment" one further problem remains. Should comparisons be made with all outside employers, or should emphasis be laid on those of a certain type? The 1962 Royal Commission, following the Consultative Committee of 1945–46, had declared that "the State should be a good employer and should accept and maintain the standard set by other good employers", and in its submissions the State Services Commission reiterated this view, recognising however that what is "good" cannot be precisely defined, and will change with time. Certainly the 1962 Royal Commission did not intend that employers should be considered "not good", hence excluded from comparisons, merely because they paid lower than average salaries. Rather, the party which wishes to exclude from

comparison a firm or group of firms must discharge the burden of proof by showing that they fail to maintain certain standards which both parties can accept as being the minima of any good employer.

41. The Treasury noted favourably the practice of the Canadian Pay Research Unit in defining its "statistical universe" to include only those firms which satisfied certain specified requirements of size and conditions of service, and suggested that an effort should be made to devise suitable similar requirements for New Zealand. The New Zealand Employers' Federation attacked this proposal on the ground that the employers sampled should be as representative as possible of New Zealand employers, many of whom are small and unable (for example) to maintain a contributory pension scheme, which is one of the Canadian requirements. The Federation recognised however that a sample restricted to large organisations would be appropriate to establish appropriate margins for the various levels of management.

42. The Associated Chambers of Commerce were also emphatic that proper weight should be given to the small employer, a characteristic of the private sector in New Zealand; indeed, they excluded from their survey of fringe benefits (see para. 29 above) such large firms as banks, insurance companies, and oil companies, on the ground that they were "not truly representative of the average employer throughout New Zealand". However, the New Zealand Master Builders' Federation maintained that

> as Government is a major employer the [ruling rates] survey should only be conducted amongst major employers in the private sector. It is well recognised that small employers often pay a premium for their labour but this should not be allowed to distort what is the average ruling rate for the major employers of which Government is one.

43. We consider that as wide a survey as possible should be taken of the private sector when measuring general changes in wages and salaries in outside employment for the purpose of wage *adjustment*. However, when measuring the wage or salary levels of a given occupational group in outside employment for the purpose of wage *fixing*, the nature of the survey must depend on the pattern of employment of that group within the State Services. To take an extreme and hypothetical example: if the State employs shipwrights only in the naval dockyard in Auckland, the appropriate comparison is with shipwrights privately employed in Auckland, not with shipwrights throughout New Zealand. Similarly, it is sound practice to fix the pay of the specialist staff of the Government Printing Office (all of whom are employed in Wellington) by surveying the rates paid to printing tradesmen in large private printing firms in Wellington, rather than in all printing firms in Wellington or elsewhere.

44. For groups such as typists which are widely spread in outside employment, it is reasonable to survey the enterprises in the private sector whose conditions of work most closely compare with those in the State Services, and who are most clearly competing in the same labour market. These may well turn out to be large businesses, and we believe that such comparisons would be fair whether the pay in large firms turns out to be higher than in small firms (as the Employers' Federation believes) or lower (as the Master Builders' Federation believes). We agree moreover with the Treasury's submission that, in making comparisons of this sort, it would be proper to confine the statistical universe to firms in which the conditions of service bear some resemblance to those in the State Services, though we suspect that in other cases (see the example of shipwrights) such restrictions would prove inappropriate and indeed impracticable.

OTHER RELATIVITIES

45. We have dealt at some length with the various complexities arising from the criterion of external comparability. However thoroughly this criterion is applied, it is unlikely to yield for any occupational group enough points of comparison to enable every position in the wage or salary scale for that group to be determined. Rather, it will provide a framework (a series of "benchmarks", in the phraseology of the New Zealand Employers' Federation) within which the remaining positions in that group can be related. For this purpose, a further criterion is necessary—that of "internal vertical relativity", expressed in existing legislation as "the need to maintain adequate margins for skill and responsibility".

46. It must also be recognised that there are many occupational groups in the State Services (prison officers, lighthouse keepers, locomotive engineers are a few mentioned by the 1962 Royal Commission, to which we can now add school teachers, policemen, and nurses) for which there is either no market price set in outside employment, or a price which is determined by the State as the predominant employer. The external comparability test is not here available, and the best that can be done as a first approximation towards finding the true market price (that at which supply and demand would balance) is to maintain relativity with groups for which a market price does exist, and in which the work, however dissimilar in job content, requires similar educational qualifications, a similar period of training or a similar degree of skill, or is conventionally regarded as being of similar status. These comparisons are often made within the State Services (hence the designation "internal horizontal relativity"), though there is no reason why they

should not be made with outside groups. The joint submission of the New Zealand Police Association and the New Zealand Police Officers' Guild explained in some detail the British formula for police pay designed by the Willink Commission, which is based on the average basic pay of skilled workers in a wide range of industries, modified to compensate for the absence of overtime and the special conditions and responsibilities of police service.

47. But whether relativity is maintained with one group or with an average of several, inside or outside the State Services, with or without modifications for special conditions, the end result is merely an approximation to the (unknown) market price which a Service must pay to recruit and retain an efficient staff, and which can be accepted as fair by the taxpaying public and by the employees. This is the case whether the relativity is external or internal, vertical or horizontal. Indeed, for our purpose these distinctions must be seen as differences of degree: what we have called external comparability is based on a comparison of jobs which closely resemble each other, but the closeness of the resemblance gradually shades through "broadly comparable work" (1962 *Report*) and "work of comparable responsibility" (Education Amendment Act 1965), until at the other extreme it amounts to no more than a conventional attribution of similar status. Internal relativities, whether vertical or horizontal, add an element of indirectness to this process: the pay for a position is fixed with reference to another position in the State Services for which there is an external comparison.

48. From this perspective there is an obvious solution to the problem of weighting these criteria—in principle, that is, for we recognise practical difficulties. Since all of these tests produce approximations to the market price which a Service must pay to recruit and retain an efficient staff, and which can be accepted as fair by the taxpaying public and employees, that test or combination of tests should be preferred which is likely to produce the closest approximation. In each case, one should look first for a closely comparable post the pay for which is determined by market forces. When such a comparison is possible, the result should be preferred to those derived from more remote (external) or more indirect (internal) comparisons. When no such close comparison is possible, it may well be a matter of judgment whether a more or less remote external comparison will give a better indication of the necessary market price than will the establishment of an appropriate relativity (a so-called "margin and key" relationship) with a post within the State Services for which a close comparison is available. For a given occupation, rates fixed by establishing appropriate vertical relativities (margins for responsibility or skill) between posts for which good external comparisons

are available may be more accurate than independent estimates for the intermediate points based on poor external comparisons. Conventional relationships between rates for key posts in different occupations (i.e., horizontal relativities) carry less weight, partly because they are less closely linked to external comparisons, and partly because market forces are more likely to cause fluctuating margins between occupations than within occupations. But no closer approximation may be available for occupational groups unique to the State Services.

49. Two conclusions follow. First, employing authorities and Tribunals must be prepared to alter horizontal relativities whenever there is evidence of a significant change in the relative remuneration of comparable occupations in outside employment, or indeed when a change in job-content affects the comparison. We appreciate that a change in traditional differentials may arouse discontent, but no witnesses suggested that changes should not for that reason be made, and we feel that it would be generally accepted that existing margins cannot be perpetuated simply on the grounds of dislike for change. However, the preservation of conventional margins for skill may be supported by more sophisticated reasoning: to narrow existing margins (it may be argued) would be unfair in that the skilled worker would no longer receive the reward to which his period of training (with its consequent sacrifices) should entitle him. This contention was not put to us in any comprehensive way, though it may be implicit in certain submissions we received urging either that formal qualifications, or "work value" computed without reference to market forces, should be recognised as a criterion in pay fixing. Other witnesses, among them the Treasury and the New Zealand Employers' Federation, were of a contrary opinion, maintaining that pay differentials (as an allocative mechanism) must reflect the present and future needs for various types of skill as revealed by market forces or manpower planning. We accept this view, believing that when it is clear that conventional margins are no longer maintained in outside employment, they cannot be justified in the State Services whether on grounds of economics or of fairness.

RECRUITMENT AND RETENTION

50. Second, since the relativity criteria can only give approximations to the market price which a Service must pay to recruit and retain an efficient staff, and which can be accepted as fair by the taxpaying public and by employees, employing authorities should check the accuracy of the approximations by closely watching recruit-

ment and retention rates in the various occupations. They should be prepared to change pay rates based on relativities when abnormal ease or difficulty in recruitment and retention suggests that existing rates are out of touch with market realities. The need to pay as much as (but no more than) is necessary to recruit and retain an efficient staff must thus be listed as a criterion to which employing authorities and Tribunals must have regard.

51. At first sight it may seem odd to list among the criteria an underlying principle on which the other criteria are supposedly based. In practice this is necessary, for two reasons. On the one hand this principle cannot replace the relativity criteria since, as a guide to pay fixing, it suffers from the serious disadvantages pointed out by the 1962 Royal Commission. It gives no indication of the amount by which pay should be increased if the State Services are failing to recruit and retain enough efficient staff in a given occupation. It is not a sensitive enough test, since before a consistent failure to recruit and retain efficient staff becomes apparent much damage may have been done to efficiency and to morale. On the other hand, the tests (based on relativities) which indicate quickly where pay rates need to be changed, and by how much, may in some cases prove too inaccurate to satisfy the underlying requirements, hence it is important that these requirements, despite their deficiencies, should be available as a criterion of last resort.

52. This is especially needful where the comparisons on which relativities are based are rough or indirect, but as they can never be perfect (for reasons noted in paragraph 26 above) the principle applies in all cases. To specify external comparability as the sole criterion whenever a close comparison is available is to run the risk of confining attention to those elements in the comparison which are measurable—to assume that an approximation is a true answer. There may be a strong presumption that painstaking pay research will give a wage or salary scale which, for any given occupation, will be sufficient to enable the State to compete fairly with outside employers in recruiting and retaining staff, but the criteria should allow the possibility of rebutting this presumption. For this reason, we agree with the 1962 Royal Commission's conclusion that the external comparability criterion should be so qualified as to make it clear that the need to recruit and retain an efficient staff is an overriding consideration.

53. The New Zealand Employers' Federation objected to this conclusion of the 1962 Royal Commission, and to the related proviso that the need to maintain adequate margins for responsibility may also override external comparability. It objected also to the

Treasury's contention that the dominant criterion should be the price needed to recruit and retain the necessary amount and quality of labour, partly on the ground that these are not tests which could show what rate should be paid, and partly on the ground that, in a labour shortage when all employers find it hard to recruit and retain staff, any attempt by the State to bid itself out of the general difficulty would be unfair and inflationary.

54. We agree that "the need to recruit and retain an efficient staff" is not a criterion which indicates what rates should be paid, but this is not a conclusive objection. In our view, as we have made clear in paragraph 52, it becomes an overriding consideration only when the external relativities being used as an indicator are demonstrably preventing the State from competing on equal terms, and hence cannot be based on fair comparisons. The "margins for responsibility" proviso of the 1962 Royal Commission should be interpreted similarly, as indicating the underlying need not merely to recruit and retain staff in the lower grades, but to offer sufficient inducements to qualified staff to accept responsible positions. We accept the proposition of the New Zealand Employers' Federation that pay research will normally indicate margins adequate for this purpose, but again consider this a presumption which in a given case might be rebutted, a possibility which the criteria should therefore make explicit. When presumptions are to be rebutted in this fashion, the onus of proof rests on those who wish to challenge the relativities which are being used. (The provisos specified by the 1962 Royal Commission applied, it will be remembered, to internal relativities as well as to external comparabilities, and they are likely to be of much greater importance in the former case.) In our view challengers must demonstrate, not merely that there are unfilled established posts, or that there is an undesirably high staff turnover, but either that other employers are being more successful in recruiting or retaining similar staff, or that the shortages are serious enough to impair the effectiveness of the Service. If such standards of proof are specified, then we think that the State would not be competing unfairly with private employers for staff, nor would it be contributing unnecessarily to inflationary pressure.

55. We should make it clear, in passing, that these considerations have no direct bearing on the controversial question of the "tradesmen's margin". While the 1967 decision of the Railways Tribunal made some reference to the immediate problem of recruiting and retaining tradesmen, less weight appears to have been placed on this than on the long-term need to encourage more young men to gain trade skills, and it would clearly be premature to conclude that external comparisons (as revealed in the ruling rates survey) are

inadequate when those comparisons have never been properly used. As we shall explain more fully in chapter 7, the first step to be taken if the State is to compete effectively and fairly for tradesmen is to abandon the practice of paying a common rate to men in trades for which the average rates in outside employment are significantly different.

OTHER POSSIBLE CRITERIA

56. We have to this point explored the relationship between external comparability and the various other criteria (internal horizontal relativity, margins for skill and responsibility, inducement for recruitment) specified in the existing legislation. Two further possible criteria not in the existing legislation can usefully be considered at this point.

Manpower Policy

57. The possibility that a Government might wish to use its powers as an employer in the interests of manpower policy was put to us by the Treasury, which held that this consideration might in some circumstances properly override external comparability. Where the State's demand for labour is an important—perhaps the most important—component of the total demand for labour of a given type, a policy of following outside rates may keep the price of that labour lower than is economically justified, and hence fail to persuade enough potential recruits into it to meet the community's needs. We have already noted (para. 32) that external comparability is not a suitable criterion when outside rates are themselves based on State pay rates, as may be the case whenever the State is the predominant employer.

58. The Treasury's case seems to us to go further, in two respects: first, in its suggestion that the price of labour may be artificially depressed even though the State is not preponderant, but merely takes an important share of any type of labour; and second, in its implication that a price which enables the State to recruit and retain its fair share of the existing supply of any type of labour is not necessarily sufficient to encourage into that occupation enough potential recruits to meet the community's future needs. In other words, we are asked to recognise that the State is such a large employer that its demands for labour may have important effects on the quantities and qualities of labour in various occupations; and the long-term benefit to the country from attracting more people towards careers and occupations which are (in an economic

or social sense) strategically important may outweigh the short-term disadvantages of abandoning external comparability, and justify the State in taking the lead in improving remuneration to make such careers and occupations more attractive. The latter proposition assumes that economic planning may give a better guide to the rational allocation of labour among occupations than do relative pay rates which reflect (albeit in a modified form) current market forces. We think that this may be so, especially as relative pay rates are in many cases likely to have a medium- to long-run rather than an immediate influence on the allocation of labour among occupations, having a greater effect on prospective recruits to the work force than on people already trained for and experienced in an occupation. Such a policy would be consistent with the "recruitment and retention" principle (though the other application of the policy—that the State should pay less for employees in occupations which are of diminishing significance—would not). It could only be criticised as inconsistent with the "fairness" principle; and we can imagine circumstances in which the long-term advantages of attracting recruits into strategically important occupations would outweigh the temporary loss to the taxpayer.

59. Nevertheless, we are not prepared to recommend that manpower policy be now specified as a criterion for pay fixing. Our reluctance derives partly from the conviction that such a move would be premature. Only when research into future manpower needs, based on economic forecasting, has been intensified will an adequate basis exist for the elaboration of a manpower policy which could properly override external comparability.

60. The Treasury has in effect acknowledged the need for further research by proposing in its submissions the establishment of a manpower planning unit for the State Services. We cannot support the proposal in that form, because manpower planning (which has potentially important consequences in a number of fields, such as educational policy) should in our view be seen as part of the general machinery of economic policy-making, rather than as a by-product of the State's activity as an employer. It is for the Government to decide what priority should be given to manpower research in the light of the competing demands for statisticians and economists in other fields of policy-formation. This is a matter on which it may well receive advice from the National Development Conference.

61. But even if it can be given high priority (as we hope it will), we foresee difficulties in making manpower policy a criterion to which Tribunals should have regard. Properly to do so, a Tribunal would need to have adequate estimates of future manpower needs,

and a policy which defines its priorities in meeting them: before approving a higher-than-external salary for (say) civil engineers it must be sure that the country's prospective needs are not greater for electrical engineers or architects or research scientists or doctors, who must be drawn from the same ability-level in the school population. We doubt whether a Tribunal could be expected to gain such an overall knowledge of future manpower needs, or whether it should be called on to fix the priorities among them, a responsibility more appropriately shouldered by the Government. It is indeed not easy to see how a Government's manpower policy could be given effect through tribunal proceedings. However, since there is no immediate prospect of developing manpower policy to the level at which it could be made a relevant criterion for pay fixing, there is time for the authorities to give further thought to the procedures by which this could best be done. We recommend that the State Services Commission and the Treasury be instructed to study such procedures. For the present it is probably enough to supply any available forecasts of future manpower needs, possibly through the State Services Co-ordinating Committee, to the State employing authorities (which may need them not only for pay fixing but also to help decide on future programmes of, for example, training or mechanisation), and for the forecasts to be given due weight in deciding whether to set a pay rate high or low in the range indicated by external comparisons.

Productivity

62. Changes in productivity is another possible new criterion brought to our notice (though not favoured) by the State Services Commission and the Railways. Our attention was drawn to a 1967 judgment of the Railways Tribunal which sets out at length the difficulties of measuring changes in productivity in many branches of the State Services, and (when such changes can be measured) of attributing them to various occupational groups or to other factors (e.g., increased capital equipment).

63. We are aware that these difficulties may also arise in outside employment. The following passage from the Sixth Report of the (British) National Board for Prices and Incomes (1965) is relevant:

> . . . the rate of increase in productivity in an industry is not, taken in isolation, an appropriate guide for remuneration of employees in that industry. For one thing, increases in productivity may be due to causes other than the efforts of the employees. For another, the part played by comparison in wage negotiation may cause wage increases taking place in industries where productivity is rising fast to be copied in industries where it is rising more slowly, with the result that the general movement in earnings is greater than in productivity and, in consequence, prices rise.

> Productivity can, however, be legitimately invoked as a ground for an exceptional pay increase where the employees themselves make a direct contribution towards increasing it, to use the words of the White Paper, by "for example accepting more exacting work or a major change in working practices"; but even then only if some of the benefit accrues to the community in the form of lower prices.

64. While the wording of this passage relates to outside employment, its significance extends to the State Services too. The part comparison plays in State pay fixing, under the criteria already proposed, ensures that increases in national productivity, as far as they become diffused within the wage and salary structure in outside employment, are passed on to State servants. Additional benefits can therefore only be justified if there is clear evidence of special effort. This may occur in either of two ways. First, productivity may rise in the sense that an individual, through increased skill or effort, exceeds the rate of output expected in a given job. Only very occasionally is it possible to fix State pay according to output (for example in the remuneration of pharmaceutical pricing officers in the Health Department), but through merit promotion and, in some circumstances, through providing merit grades (1962 *Report* pp. 208–9) in salary scales, increased skill or effort on the part of an individual can more frequently be encouraged and rewarded. Second, the productivity of a group may rise, as the Prices and Incomes Board points out, if they accept more exacting work or a major change in working practices. It is such changes which "productivity agreements" in outside industry are designed to promote. We think it probable that productivity agreements will be of increasing importance in the future, and that there will be scope for them in certain sections of the State Services, despite the admitted difficulties of measuring changes in productivity and the contribution made to them by the effort of specific groups of employees. Developments of this type deserve every encouragement, and we believe it to be the responsibility of the State employing authorities to take a lead in fostering them. Nevertheless, we recognise that they are likely to be an exceptional, rather than the main, basis for the pay fixing of occupational groups and it will therefore be necessary to fit them into the system of relativities which we have described.

65. Since it is an essential element of productivity agreements that the "job-content" of a position is changed, they can in our view best be incorporated into the State pay system as changes in previously accepted relativities. If the pay for a given position (X) has hitherto been maintained in a defined relationship to that of another position (Y), then a significant change in the job-content of position X would make it appropriate either to adopt a new relationship to position Y, or to establish a relationship with a different

position (Z). This will be the case whether Y and Z are inside or outside the State Services. It follows that, when pay research is established (in accordance with our recommendation on p. 152), care must be taken to allow for the effects on job-content of changes in productivity both for X and for Y between one round of comparisons and the next. It also follows that there is no need to include changes in productivity as a separate wage-fixing criterion in the State Services.

66. The Treasury brought to our notice one further way in which attention could be focussed on productivity. Whenever existing relativities (external or internal) appear to be inadequate to recruit and retain enough efficient staff, before deciding whether and to what extent those rates should be increased the estimated extra cost of getting more staff at increased pay rates should be compared with the benefit which the State expects to derive from their employment. We agree.

CONCLUSIONS

67. Before summarising our conclusions on criteria, we wish to make three points about their applicability. First, our Warrant requires us to report on pay-fixing criteria for the State Services as a whole, hence our conclusions must be fairly general. We recognise that, in dealing with a great variety of employments, including civil servants, soldiers, policemen, postmen, and professors, it will be necessary to devise formulae and to define relationships which are appropriate to specific Services and that it may be desirable in the legislation governing each employing authority and Tribunal to direct that the special conditions applying to employment in that Service shall be taken into account (as has been done, for example, in the legislation governing the Police Staff Tribunal). Nevertheless we believe that the criteria we have formulated can generally apply to all State pay fixing in New Zealand (for overseas staff see chapter 9), and that whatever action is taken to deal with special conditions in a specific Service should be consistent with those criteria.

68. Second, we have not been able to accept the proposal, made in the final submissions of the State Services Commission, that employing authorities should have regard to a wider range of criteria than Tribunals should. Such a distinction would be practicable only if the role of the Tribunals was confined to fixing minimum rates, leaving it to the employing authorities to determine ruling rates within the State Services. In the private sector, where the role of the Arbitration Court is to regulate but not to eliminate the competition of many employers for staff, it is necessary to distinguish between award rates and ruling rates. But if the State is to be a single employer

within the Government sector (see chapter 3) this need does not arise. The function of pay-fixing Tribunals in the State Services is a different one—to ensure that employing authorities in fixing pay rates conform to the principles and criteria which have been set out in this chapter. We cannot see how a Tribunal can do this job if it is debarred from taking account of those principles and criteria, or any of them.

69. In only one respect—the potential emergence of manpower policy as a criterion—do we foresee special difficulties, and in paragraph 61 we have recommended further study of this problem. Otherwise, we consider that the legislation should require both employing authorities and Tribunals to have regard to the same criteria. We think it important to add that this conclusion does not in our view deprive the employing authorities of the flexibility in pay fixing which was the aim of the State Services Commission's proposal. It should be clear from the discussion in this chapter that the several criteria, as we conceive them, set boundaries to what may properly be done, but within those boundaries allow an employing authority scope to exercise its judgment. External comparisons, for example, point not to a single permissible rate but rather to a range about the mean within which no rate can be presumed to be unfair either to State servants or to the taxpaying public. If an employing authority exercises a wise judgment within this range, it is not to be presumed that a Tribunal applying the same criteria will upset its decision.

70. Finally, we note that existing legislation authorises the various employing authorities and Tribunals to have regard, not only to the criteria specifically enacted, but also to such other matters as may be agreed upon between the employing authorities and the service organisations concerned. Provided that the criteria continue to be expressed in general terms, giving (as we have just pointed out) a degree of flexibility in pay fixing, we see no real need for a clause of this type; but should the Government desire to keep one, as a safeguard against unforeseen contingencies, we consider that it should be confined to such other matters as the Tribunal, after hearing argument, may deem relevant, and as are not inconsistent with the criteria previously specified.

71. We believe that it would be possible to express in legislative terms the proposals made in this chapter. In lieu of a conventional summary, we are thus presenting our conclusions in the form of a draft of a section such as might replace s. 41 (5) of the State Services Act 1962.

PROPOSED DRAFT SECTION

Scales of rates of salaries and wages—(1) In prescribing pay scales, being salary rates or scales of salary rates in accordance with subsection (4) of section 41 of this Act, or wage rates or scales of wage rates in accordance with section 49 of this Act,—

(a) The aim of the Commission shall be to set for each occupational class a pay scale which will enable the State Services to recruit and retain an efficient staff, and will be fair to the taxpaying public and to employees in the State Services; and

(b) The Commission shall give effect to the provisions of this section.

(2) In order that the requirements specified in *paragraph (a) of subsection (1)* of this section may be satisfied, the rewards of employment in the State Services shall be kept broadly in line with those of employment outside the State Services.

(3) In order to achieve the purposes specified in the foregoing provisions of this section, the Commission, in setting a pay scale for any occupational class, shall have regard to the following criteria:

(a) External comparability, being the current remuneration received by employees in positions outside the State Services which are closely comparable with positions in that occupational class, which closely comparable positions are hereafter in this section referred to as benchmark positions:

(b) Vertical relativity, being the adequacy of the margins between benchmark positions and other positions in that occupational class, taking into account differences of responsibility and skill:

(c) Horizontal relativity, being the current remuneration received by those in benchmark positions in other occupations (whether in or outside the State Services) which, however dissimilar in job content, have some similar requirements such as education, training, or skill:

(d) Recruitment and retention, being the need to attract, and to hold at all levels of that occupational class, enough staff of sufficient competence to ensure efficiency, and the adequacy of the current pay scale for these purposes.

(4) In applying the said criteria, they shall be given weight as follows:

(a) The closer the resemblance between the benchmark positions which are being compared, the greater shall be the weight to be given to external comparability in comparison with other relativities:

(b) The more closely pay rates based on vertical relativity are linked to external comparability, the greater shall be the weight attached to vertical relativity; and in this connection, without limiting the generality of the foregoing provisions of this paragraph,—

(i) The more accurately a benchmark has been fixed by external comparability, the greater shall be the confidence in margins calculated from it:

(ii) The greater the number of benchmarks within a class which have been fixed by external comparability, the greater shall be the confidence in a structure of margins based on that framework:

(iii) The narrower the range between benchmarks, the greater shall be the confidence in interpolated margins:

(iv) Interpolated margins shall command more confidence than extrapolated margins,

so that a pay rate which, for reasons such as those specified in *subparagraphs (i) to (iv)* of this paragraph, commands a high degree of confidence may outweigh one insecurely based on external comparability:

(c) Horizontal relativities shall have weight only when no closer comparisons are available; and, in choosing between them the more likely a comparison is to indicate a realistic market price for the occupation under review, the greater shall be its weight:

(d) Whenever abnormal ease or difficulty in attracting and holding enough competent staff indicates that rates based on relativities are out of touch with market realities, recruitment and retention shall outweigh the relativity criteria.

(5) In applying the foregoing provisions of this section, the following provisions shall apply:

(a) Current remuneration means current wage or salary rates, unless it can be shown, taking into account other conditions of service, that effective remuneration differs from wage or salary, and that such a difference can be evaluated:

(b) Where the remuneration of those doing comparable work outside the State Services can be shown to be based on pay rates in the State Services, or where their conditions of employment other than pay differ sufficiently to prevent fair comparison, external comparability shall not apply:

(c) References to employment outside the State Services shall be limited to employment in New Zealand unless it can be shown that there is an effective demand outside New Zealand for New Zealand staff of the occupation and grade concerned,

in which case the pay scale shall be fixed (taking into account overseas salaries together with other relevant factors) at a level which will enable the State Services to recruit and retain an efficient staff:

(d) References to employment outside the State Services shall not include self-employed persons:

Provided that, when so many of the counterparts of those in the occupation and grade concerned are self-employed as to prevent the application of external comparability, then the pay scale shall be fixed (taking into account the incomes of self-employed persons together with other relevant factors) at a level which will enable the State Services to recruit and retain an efficient staff:

(e) References to employment outside the State Services shall be limited to employment with good employers, that is to say, those maintaining standards which are generally accepted for the time being as necessary minima; and (apart from general adjustments, based on the widest sampling of the sector outside the State Services) comparisons shall where possible be made with employers who are competing in the same labour market as the State Services and whose conditions of employment are similar:

(f) External comparability shall require, not that State Services pay for a benchmark job shall correspond to the mean of the rates for its counterparts outside the State Services, but that it shall fall within a reasonable range about that figure, taking into account such other relevant considerations as the quality of performance sought, the record of recruitment and retention in that occupation, and likely changes in future demand:

(g) External comparability shall not require the setting of separate district pay scales for occupational classes which have a distribution throughout New Zealand, and State Services pay scales (except under awards and industrial agreements) shall be uniform throughout New Zealand:

(h) References to abnormal ease or difficulty in recruiting and retaining staff of a given occupation in the State Services mean ease or difficulty that is shown to be greater than that of employers outside the State Services, or difficulty of such magnitude that it impairs the effectiveness of the State Services; and whenever existing relativities are abandoned as inadequate to recruit or retain an efficient staff, the estimated extra cost of getting more staff at increased rates shall be compared with the benefit which the State Services expect to derive from their employment.

(6) Conditions of service, other than pay, shall be fixed according to external comparability, except when the special features of employment in the State Services make this inappropriate.

RECOMMENDATIONS

We recommend that:

(19) The criteria that should be applied by all State Service employing and other authorities in determining salaries and wages, and the terms and conditions of employment of employees in the State Services of New Zealand be as set out in paragraph 71.

(20) If, after the common trades rate (as and to the extent that we propose later) has been abandoned, serious difficulties continue to arise in recruiting or retaining staff of a given type in certain areas, the situation as to national scales be reviewed, and consideration be given to the changes suggested in paragraph 39.

(21) The State Services Commission and the Treasury be instructed to study the procedures by which manpower policy (when developed to a sufficiently high level) could be made a relevant criterion for pay fixing (para. 57–61).

Chapter 6. ROLE AND MEANS OF PAY ADJUSTMENT

1. In chapter 5 we concluded that the pay of each occupational group in the State Services should be kept reasonably in line with that of any similar group whose pay resulted from market forces. Consequently, accurate information on pay rates in non-State industry and commerce must be collected. Our Warrant obliges us to examine present machinery (such as the ruling rates survey) for doing this, and any need for additional aids (such as a pay research unit).

2. The 1962 Royal Commission recommended that the Public Service divisional classification of the time be replaced by one based on occupational classes; that pay and conditions of service be fixed according to the particular needs of occupational classes; and that a Pay Research Unit and a Higher Salaries Advisory Committee be established to give information about the pay and conditions of service of comparable groups in outside employment. The reclassification of the Public Service and the concomitant occupational pay fixing have not yet been completed; a Higher Salaries Advisory Committee has been set up, but not a Pay Research Unit.

3. The 1962 Royal Commission, while emphasising pay fixing for specific occupations, and therefore pay research as a means of making proper comparisons, considered "that for some time at least such comparisons could not be made often enough to eliminate the need for interim adjustments" affecting State pay rates generally. It recommended that, "Until such time as outside comparisons can be made for each occupational class often enough to eliminate the need for interim adjustments, such adjustments continue to be based on ruling rates surveys . . .".

4. The 1962 Royal Commission had in mind a system in which the standard procedure would be occupational pay fixing, supplemented by general pay adjustments only to a limited extent. It specified, for example, that "The work of the Pay Research Unit should be programmed to provide an external comparison (where one is possible) for each occupational group at least once every 5 years", and looked forward to a time when such comparisons might be made often enough to eliminate the need for interim adjustments.

5. Such frequent comparisons may come; but the evidence we have received, enriched by a further 7 years' experience, convinces us that, for the present, they must be treated as a long-range objective

not likely to be reached in the shorter future which can be planned for. Indeed the Government Statistician stated that "surveys for individual occupations must, in practice, be so inadequate in their coverage as to make it essential to regard the broadly based adjustments virtually as permanent adjustments for a wide range of occupations inside the State Services." We hope that the range of occupations covered by the more specific reviews can, in time, be more extensive than the Government Statistician anticipates. Nevertheless we must for the present move the emphasis, and conceive a system based not on pay research supplemented by interim adjustments but, mainly, on general adjustments checked and (where necessary) modified by pay research. Thus, for some time, the more important machinery will measure general movements in pay rates outside the State Services and apply them to State rates. Other pay-fixing aids will have to be related to this structure.

6. We have reached this conclusion reluctantly. Such a system is bound to be less satisfactory than the one recommended by the 1962 Royal Commission, in that its results will conform less closely to the principles set out in chapter 5. We must therefore stress that the priority which we have felt obliged to give to the machinery for general adjustments does not mean that pay research is less urgently needed. On the contrary, a better system can evolve only as far as the scope of pay research is expanded.

7. In the following sections we consider: first, the evidence which has persuaded us that general adjustments must, for the time being, be the central feature of State pay fixing; second, the basis for making general adjustments; third, how the system must be modified to give separate treatment to occupational groups, where pay research or other considerations make this desirable. Proposals for the development of pay research and of other aids to occupational pay fixing will be made in the next chapter.

THE NEED FOR GENERAL ADJUSTMENTS

8. The State Services Commission, the Treasury, the Post Office, the Railways, and the Government Statistician all agreed that interim adjustments would continue to be necessary for the foreseeable future.

9. Indeed, the Government Statistician said:

> . . . it is virtually impossible, except over a very limited range, to obtain identical mixtures of occupations, training, experience, working conditions, etc., for the inside and outside occupations. . . . [And because] it is quite impracticable to have enough up-to-date surveys to provide specific matchings of more than a very small proportion of inside and outside occupations at any given time . . . it becomes

absolutely essential to have available, at frequent intervals, broadly based surveys of outside occupations which can be used as a basis for making interim adjustments to the general levels of State Service rates. . . .

EMPLOYERS' FEDERATION SUGGESTIONS

10. The New Zealand Employers' Federation, however, considered that State rates should be adjusted by referring to current outside pay levels and not by reference to *movements.* It quoted with approval the submissions of the British Treasury to the Priestley Commission (1953–55 para. 131):

Any method of comparison was likely (though not certain) to be misleading which—

(i) Relied on movements of any kind as distinct from current levels of remuneration;
(ii) Relied on earnings as distinct from rates;
(iii) Relied on what had happened in a group differently constituted from the group whose pay was in question;
(iv) Relied on averages per head.

11. The Federation interpreted the Priestley Commission's response as fully supporting the British Treasury's argument, and condensed the Commission's comment to the words "We consider that these contentions are soundly based. It must be right to use current rates rather than trends."

12. But what the Priestley Commission said (para. 132) was ". . . that in principle it must be right to use current rates rather than trends." Admittedly, it added "We do not consider that even the available [outside] material [on current rates], still less that which we hope may become available in the future, is so inadequate as to force us to recommend that any great reliance must be placed on trends." However, in a later section of the report the Priestley Commission recognised that its recommended methods of ascertaining and applying current outside rates would not be "wholly adequate in a period when wages and salaries rise or fall unusually rapidly and substantially . . .". It thought that in such circumstances its recommended machinery would not be able to move quickly enough to ensure that Civil Servants were not placed at a marked disadvantage or advantage compared with outside employees, and recommended:

In times of unusually marked and rapid movement in outside rates, the pay of the lower and middle ranks of the Service should be adjusted by means of a central settlement based on a single formula. . . .

13. We note that, although the pay-research measures recommended by the Priestley Commission have now been working in

Britain for some years, "central settlements" have still been found necessary (though severely curtailed in 1966 by the British Government's policy of price and income restraint).

14. The Employers' Federation also argued that periodic adjustment of State pay to outside trends "would retard the development of occupational data which is most essential for both pay research and manpower planning". The Priestley Commission saw this danger too, and warned "It is most important that the use of a method which is inevitably rough and ready should not be allowed to lead to the creation of rigidities in the structure . . .".

15. The danger is very real. Employers and employees, the parties immediately concerned, may well feel that there is no special urgency about developing pay-research machinery which may or may not produce evidence leading to desired changes, or even to any changes at all. Indeed this may explain why no progress has been made in this matter since 1962. We cannot allow this consideration, however, to obscure the immediate question whether interim adjustments are necessary and fair. We stress again that effective pay-research machinery is necessary in the interests, not only of State employer and employee, but of the State and the public. We hope that the authorities and the employee organisations will be determined to forge this vital procedural link quickly, and as effectively as they can.

16. The Employers' Federation thought that a system of periodic adjustments based on movement would be unnecessary if the ruling rates survey could be replaced

> . . . by annual surveys of occupational pay on a broader basis, including benchmark jobs or "key" occupational categories at various levels of the Government wage and salary structure. Such surveys to be designed and supervised by the Pay Research Bureau which we shall recommend could be carried out in conjunction with one of the half-yearly surveys. In this way reliable data on occupational wage *levels* would be available at annual intervals and these would permit an annual review of the Government wage and salary structure in comparison with representative benchmark jobs in private enterprise.

17. To this extent the Federation acknowledged the need for periodic adjustments, but insisted that they could and should be adjustments to the *levels* based on external comparability as distinct from adjustments based on *trends* or *movements*, which assume that present external relativities are and remain correct. Though we might in theory prefer the Federation's approach, we must limit our consideration to procedures which are practicable in the present or near future.

18. The Federation's claim that its suggestions were practicable was based on its own experience in making an annual wage-rate survey of 75 defined job categories, and on United States and Canadian practices.

19. We have no doubt the Federation's survey gives it information which is extremely useful for its members' purposes, but these do not include the construction of pay scales for large occupational classes of State servants. For this something much wider and much more specific is needed.

United States Practice

20. The Bureau of Labour Statistics of the United States Department of Labour carries out an annual survey of professional, administrative, technical, and clerical pay. We have studied its latest survey report of January 1968, relating to a survey of June 1967 which was based on a series of occupational definitions which help the Bureau's "field staff in classifying into appropriate occupations, or levels within occupations, workers who are employed under a variety of payroll titles and different work arrangements from establishment to establishment and from area to area". In the United States such occupational definitions are prepared and recognised with the support of the Classification Act, and of a Dictionary of Occupational Titles.

21. In New Zealand there is no such system of occupational *definitions*. In the State Services, the emphasis is on occupational *classification*—on groups doing broadly similar work but at varying levels of skill and responsibility. The Employers' Federation spokesman recognised that this difference in structure might require a different approach and suggested that an alternative was "to use job clusters", so that "instead of having a broad scale you have a number of scales in different clusters".

22. There are other practical difficulties. While the Federation suggested that a postal survey of benchmark jobs at various levels could be carried out at the same time as one of the Labour Department's half-yearly surveys, the Government Statistician pointed out that the matching of occupations, essential to the Federation's purpose, could not be done by a postal survey. We note, too, that in the United States (1967 Survey, p. 37) "Data were obtained by personal visits of Bureau field economists [except that] . . . surveys in metropolitan areas, used to develop the nationwide estimates for the drafting and clerical occupations, provide for collection by a combination of mail and personal visits in alternate years."

23. The Government Statistician stated that the smaller total numbers in New Zealand would not mean that the size of samples would be *correspondingly* smaller. New Zealand would need to spend relatively more manpower to carry out a survey of equivalent value and thus would have to accept more compromise between the ideal and the practicable. He firmly believed that when everything had been done which was possible in New Zealand, much of the Service would still depend on adjustments based on movement, and that the extra demands of an annual "benchmark" survey would seriously compromise the development of effective occupational-class pay research.

24. Moreover, the United States survey does not serve the purpose which the Federation proposed for the occupational levels survey in New Zealand. The preface to the survey report states (italics ours):

> It provides a fund of broadly based information on salary levels and distribution in private employment. As such, the results are *useful as a guide for salary administration purposes* and for general economic analysis. In addition, they provide information on pay in private industry *in a form suitable for use in appraising* the compensation of salaried employees in the Federal civil service. It should be emphasised that these surveys, like any other salary surveys, are in *no sense calculated to supply mechanical answers to questions of pay policy.*

Canadian Practice

25. We have not made a close study of the Canadian procedures because there have been recent important changes in them, and it is too early to judge their effects. We are satisfied, however, that even if the Canadian experience fully supported the submissions made by the Employers' Federation, it could not justify an expectation that a similar scheme would be practicable and effective in New Zealand in the near future.

Practicable Alternatives

26. A great deal more could certainly be done in the annual collection and provision of statistical material about pay, and such extra material would be most valuable in determining State pay rates. However, we must conclude, with the 1962 Royal Commission, that interim adjustments are still needed (and therefore a system of making the adjustments). There is at present no practical (or foreseeable) alternative to making adjustments on "outside" *movement*. It remains to be determined what system should be used and how it may best be applied.

ALTERNATIVE MEASURES OF MOVEMENT

27. There are two real alternatives: the present "Ruling Rates Survey", and the Labour Department's "Half-yearly Surveys of Employment". The possibility that pay research into key occupations may produce a new index is also examined (see para. 48).

28. The automatic application of General Wage Orders was a partial alternative which was discontinued on the recommendation of the 1962 Royal Commission. No one has suggested a reversion to this method, but it should be noted that its discontinuance was recommended only if ruling rates surveys were made regularly every six months. It was eventually decided that ruling rates surveys should be made annually, with an additional survey three months after the effective date of any General Wage Order. If general adjustments based on ruling rates were discontinued, and no suitable and acceptable alternative found, the question of applying General Wage Orders would inevitably arise again.

RULING RATES SURVEY AS A MEASURE OF MOVEMENT

29. When the 1962 Royal Commission recommended that periodic adjustments should continue to be based on the ruling rates survey it was aware that there were legitimate objections. It quoted the New Zealand Employers' Federation's criticism: "The sampling of tradesmen's and labourers' wage rates to determine increases for clerical workers is one of the more obvious crudities of the present system", and its recommendation was made specifically "despite its crudity", in the hope that "Pay Research may discover some other easily sampled groups which could be added to those covered by the present survey . . .".

30. As pay research has not been developed, the movement in tradesmen's rates has remained the chief basis for interim adjustments to State pay scales. It has not, however, been the only basis. The Higher Salaries Advisory Committee has conducted general reviews triennially and has made recommendations covering key positions for a wide range of positions throughout the State Services. Thus two measures of movement have operated. Periodic adjustments to the lower end of the pay scale (covering the great bulk of the Services) have been based on movements disclosed by the ruling rates survey. The amounts grow less the higher up the scale until they disappear in the higher middle zone. Less frequent adjustments to the top of the scale, based on the findings of the Higher Salaries Advisory Committee, have been carried down to the higher middle zone to amplify the partial adjustments already made there.

How the Present System Works

31. In order to understand the objections that are made to the present system it is necessary to set out in some detail how it works.

32. The Labour Department surveys ruling rates in two industries (building and engineering), for eight trades (carpenters, painters, electricians, plumbers, fitters or fitter-turners, boilermakers, welders (first class), and three grades of motor mechanics), and for builders' and engineering labourers, in eight urban districts (Auckland, Hamilton, Wanganui, Wellington, Lower Hutt, Christchurch, Dunedin, and Invercargill). The trades and localities were originally selected for their relevance to most of the tradesmen employed in the State Services, and for their substantial coverage and fair sampling of the occupations.

33. Labourers and tradesmen were included mainly because those occupations alone were clearly and uniformly defined in awards and industrial agreements and thus could be satisfactorily identified in employers' time and wage records. Hence the Department's Factory Inspectors could extract the individual rates from wages books and be reasonably certain that essential data were uniform.

34. To get a representative sample of these employees, all those employed by selected firms are surveyed, and the selection of firms in each district is by ballot. The ballot is confined to firms with apprentices. The sample is "stratified" so that roughly equal numbers of employees from larger and from smaller firms are included.

35. The Department has often consulted the Government Statistician about the soundness of the survey's basis and sampling.

36. Survey results are tabulated and given to State employers and staff organisations, and form the basis for negotiations on State pay adjustment.

Views on the Present System

37. In the evidence, there was no common judgment on, or great enthusiasm for, the ruling rates survey as a measure of wage movement on which to base State pay adjustments. The Labour Department maintained that the procedures had been so designed, tried, and tested, that any allegation of crudity was unwarranted. Possible sampling errors had been kept within reasonable limits; and, indeed, as the rates themselves had been increasing, a larger sampling error (in money terms) could well be statistically acceptable. It said that the survey was already a heavy burden on its experienced staff. It did not want the burden increased by refinements and extensions which would make an insignificant difference to the results.

38. Few of the employee organisations commented on the survey. The Police associations thought that it should have a wider base; the Education Officers' Association saw the work of a pay research unit eventually supplanting it by widening the field of inquiry; the Association of Teachers in Technical Institutes considered it to be "inappropriate as the basis for granting increases to tutors".

39. The Railways Department thought the survey deficient because its restriction to certain tradesmen and labourers "inhibits the application of the principle of fair relativity in the widest possible way to State Services rates of pay", and because it presupposes a similar wage movement to have taken place in unsurveyed occupations. The Education Department thought the system had worked "reasonably satisfactorily". The Post Office acknowledged its value as an index of movement "despite its acknowledged imperfections", and thought that pay research might in time develop as an alternative index to give more precise information over a greater range of "key" rates.

40. The State Services Commission instanced difficulties which had arisen over "ruling rates" increases in the past, and outlined others that may be expected to arise. Some would apply to whatever measure of movement might be adopted (for example, date of application, flat or percental application), and are discussed later. Other difficulties derive from a fundamental defect in that the ruling rates survey has been expected to serve as a measure of external comparability for labourers and tradesmen, and as a measure of wage movement for the rest of the State Services.

41. The two roles are not necessarily incompatible when they are clearly differentiated. Unfortunately they have not always been kept apart. For instance, s. 42 of the State Services Act which provides for ruling rates surveys to be made and applied, does not differentiate between the occupational classes for which the surveys serve as an index of movement, and those for which they serve as a measure of external comparability. Section 42 specifies only one criterion, the maintenance of fair external relativity, and does not mention the other criteria which the State Services Commission must take into account in "prescribing" salary scales for occupational classes. Though these other criteria are irrelevant to interim adjustments based on an index of movement, they are certainly relevant when State rates for an occupational group are to be *fixed* by comparison with outside rates, for example, for tradesmen. The insufficiently differentiated dual role of the ruling rates survey has contributed very largely to the confusion and disagreements to which we have referred elsewhere, and this would, in our opinion, be a good reason for adopting some other measure of movement if a suitable one could be found.

42. In any case, the State Services Commission concluded that

> the present ruling rates survey does not cover an adequate area of employment outside the State services and this is a serious defect in view of the extent to which adjustments based on the survey are applied throughout the State services. For this reason, the Commission does not advocate its continued use.

The Treasury agreed that the ruling rates survey was not suitable "as a basis for general adjustments".

43. The New Zealand Employers' Federation was the most stringent critic. Most of its criticisms had particular relevance to the survey being used as a pay-research exercise for labourers and tradesmen, and are referred to later. However, in discussing its role as a measure of movement, the Federation claimed that the possible statistical error in the all-trades average could be 14 cents an hour, and if the error were applied to all State rates it could add an extra $\$1\frac{1}{2}$ million a year. The reverse could obviously be true, and if the Federation's calculations are correct, State employees could receive $\$1\frac{1}{2}$ million less a year than they might have been entitled to. But we are satisfied that the chances of either happening are remote. It is much more likely that any actual error either way would be much less than the maximum of 14 cents an hour, and would soon be balanced out by an approximately equal error the other way. We are also convinced that the work involved and the limitations of the exercise would make it impracticable to reduce the possibilities of error as far as the Federation advocated.

44. Even statistical perfection would not remove all imprecision, a fact emphasised by the Secretary of Labour:

> The concept of "fair comparison", "fair relativity" or whatever other term is used to suggest the proper relationship of State rates to private industry rates, is an imprecise concept itself—a guiding principle and not a formula. . . . While I agree that reasonable measures should be taken to ensure that the private industry rates used are representative, I suggest that mathematical precision and statistical niceties can never give complete validity to so imprecise a comparison.

45. We had no evidence that either the Government or its employees have lost by the use of the ruling rates survey as an index of wage movement. The Labour Department gave figures (see appendix 8) to show that the survey results had matched those of its own half-yearly surveys. In the past 11 years the half-yearly surveys of average ordinary-time hourly wages in the private sector showed total increases of 49.9 percent, while the ruling rates survey showed total increases in the tradesman's rate of 50.5 percent. The 1962–67 figures were 25 percent and 24.6 percent respectively.

46. The evidence obliges us to conclude that the ruling rates survey has served well as an index of outside wage movements. Nevertheless, it has major defects. Its narrow industrial and occupational base tends to make it vulnerable to pressures and distortions which could adversely affect either the Government or its employees and lead to a lack of confidence. Moreover, the concept of adjusting the salaries of engineers, scientists, teachers, and administrators by what has happened to tradesmen seems to be regarded with considerable suspicion, however well it may have worked out. Finally, there is the survey's dual purpose, which we have already discussed in paragraphs 40–41 above.

47. For all these reasons we prefer some other index of wage movement if a suitable one can be found or constructed.

Measure Based on Key Occupations

48. We are convinced that it is not practicable at present to establish a new index of movement by pay research methods, using a number of key occupations. Pay research has not developed far enough to show whether, or when, this might be possible. We prefer to consider present statistical aids which may be useful.

THE LABOUR DEPARTMENT'S HALF-YEARLY SURVEY

49. The State Services Commission, the Treasury and the Government Statistician preferred this half-yearly survey to the ruling rates survey. It is carried out in the middle of April and October each year, and as the data are collected in broad industrial groups the private sector can be separated from the State Services. The information is supplied by employers answering a questionnaire card, which is checked by the Department and referred back where necessary. From these data the Department calculates, *inter alia,* average ordinary-time weekly and hourly earnings (including bonus and special payments). The average weekly earnings in ordinary time is the preferable basis for our purpose as it derives more directly from the data, it is clearly differentiated from the hourly averages of the ruling rates survey, and it keeps separate any trend in average hours worked in a week.

50. The 1962 Royal Commission gave some consideration to the half-yearly survey as an index of change, and in commenting on criticisms of the ruling rates survey said:

> But equally strong objections could be made against any other measure at present available. An average based on the half-yearly statistical series for actual earnings, prepared by the Department of Labour, might be reckoned unsuitable on the grounds that it is based on earnings and not on rates of pay, that it does not distinguish between male and female employees, and so on.

Advantages of Half-yearly Survey

51. However, the half-yearly survey has three obvious advantages over the ruling rates survey. First, it is very widely based on almost all industries and very many occupations (manual, clerical, technical, and professional) in all districts. This must ensure greater stability, and, we think, promote a more general acceptance.

52. Second, unlike the ruling rates survey, it is not used at one and the same time for two different purposes (for external comparability and as an index of change) and thus does not have to be treated differently in its application to different occupational classes.

53. Thirdly, it is half-yearly, allowing State wage adjustments to be made twice a year (as the 1962 Royal Commission suggested) with less inflationary impact and, we would imagine, greater satisfaction to State employees, particularly when outside wages are rising quickly.

Disadvantages

54. The chief disadvantage of the half-yearly survey as a measure of wage movement is that, being so comprehensive in coverage, it produces an average which is affected not only by changing rates of pay but also by changes in the composition of the labour force. Two such changes are markedly seasonal, while two others vary rather with economic conditions:

(a) Seasonal workers are more numerous in April than in October, especially in the meat industry. They tend to raise the April average, as compared with the October;

(b) School leavers start work in December and January. They tend to depress the April average, as compared with the October;

(c) Women workers constitute a higher proportion of the labour force in times of high demand for labour. Since their wage rates, outside the State Services, are lower than men's (though in recent years the gap has tended to narrow), an increase in the proportion of women in the labour force will tend to reduce the average wage, and a decrease will raise it;

(d) Part-time workers also constitute a fluctuating proportion of the labour force.

55. The disadvantages are not decisive. Ways of overcoming or at least of mitigating them have been suggested to us.

56. The main seasonal industries (meat-processing, fruit- and vegetable-preserving and dairy industries) could be omitted from the survey average on which movement is calculated. This would reduce

private employees by 25,000 to about 525,000 without greatly impairing coverage.

57. However, the Government Statistician thoroughly analysed seasonal movements in half-yearly surveys (after eliminating the effect of General Wage Orders) and found that the inclusion of seasonal industries did not lead to any significant seasonal movement in the average rates. He suggested that, in effect, their influence in April offset the December-January influence of the school-leavers. Tables given to us by the Labour Department support this suggestion. He recommended therefore that seasonal industries be included, and no other correction made for the influence of school-leavers. We agree. The question of including seasonal industries is discussed in another context in paragraph 67.

58. The Government Statistician thought that the effects of varying proportions of women could be reasonably accurately corrected. The corrections would assume that women's average pay stands in some constant relationship to the men's average (for example $^{5}/_{10}$ or $^{6}/_{10}$). This relationship would be revised after each population census. The Labour Department agreed that such a correction should be made to the survey averages by the Government Statistician. We also agree, and recommend that the $^{6}/_{10}$ relationship should be adopted until there is evidence for a change.

59. Part-time workers are included in the survey. The Labour Department defines a part-time worker as one working less than three-quarters of the ordinary working hours, and counts each part-time worker as a half-unit in working out its average weekly rate. This could cause minor distortion to the extent that part-time workers receive a lower wage than full-time, and that the proportion of part-time workers changes from survey to survey. However, most part-time workers are women, and as the varying proportions of women workers (including those part time) can be allowed for, no further correction needs to be made.

60. The New Zealand Employers' Federation thought it was wrong to use the half-yearly survey as an index of wage movement because it would be

> . . . another example of applying statistics to the wrong purpose. The half-yearly surveys are designed to provide employment, hours, and average earnings data for broad industry classifications using the United Nations Standard Classification of Industries. The survey does not provide data on occupational categories. It reports average industry earnings and not occupational rates of pay. It does not distinguish between male and female, adult and juvenile and cannot be expected to provide comparative data for comparable jobs.

61. Most of these criticisms have already been considered. We think it advantageous that the survey deals with "average earnings" rather than simple rates of pay, because it would be wrong to conclude that "outside" rates had risen and to adjust State rates to them, if for instance an increase in hourly rates had been balanced by the cancellation of a weekly attendance bonus or some other special payment.

62. The half-yearly survey obviously does not report occupational rates of pay; but that is no disadvantage in a general index of adjustment. Paragraph 66 below explores a suggestion that several broad occupational adjustments should be made instead of one general adjustment.

63. The fact that the survey was designed for other purposes does not, in our opinion, disqualify it from serving as an index for general State pay adjustments, provided it can be made to serve that purpose fairly and effectively. We are satisfied that it can, and agree with the Government Statistician who said that, subject to the modifications referred to, "I doubt whether, with the resources likely to be available, it will ever be possible to devise a survey which will be more appropriate for this special purpose than are the half-yearly surveys". We conclude therefore that the Labour Department's half-yearly survey should be adopted as the general index of movement, in place of the ruling rates surveys.

Exclusions from the Private Sector

64. There are other aspects, however. First, what employment field is to be used in determining the index by which State rates are to be adjusted? The inclusion of seasonal industries may be an advantage (para. 57). The private sector can be separated from the public sector (para. 49). The Government Statistician recommended that "the survey averages used should exclude Government employment, local authority employment, and if practicable, employment in public corporations", on the twin principles that all rates of pay *affected* by interim adjustments should be excluded, and that the averages used should give effect to the general intention of matching State pay rates to "outside rates". This would coincide with the State Services Commission's view that "it is incorrect to allow groups within the State Services to gain the advantage of comparisons made with outside positions which themselves have received increases resulting from rises in State salaries". We accept that this is sound in respect of the employees of State departments and those whose salary movements are co-ordinated with them, and agree that the whole of the State Services (embracing education and hospital services, universities and

public corporations) should be excluded from the half-yearly survey averages used to measure the movement of pay. We could not recommend that increases given to State servants should play any part in determining the survey movement, and thus in determining what increase they themselves should receive. There appear to be no practical difficulties in making these exclusions. Although Government corporations have up to now been included in the private sector, the Labour Department has said that they will be separated in future surveys.

65. The place of local authorities is not so clear. Local authorities commonly apply State Service adjustments (at present based on ruling rates surveys) to the salary scales of many of their staff, but this is done quite independently of the State, and therefore does not of itself justify excluding them from the proper field of external relativity. There are however other reasons for exclusion; local authority employees have never been included in the ruling rates survey; they are not now included in the "private" sector of the half-yearly survey; and they are not in general as disciplined by the need to make profits as is the private sector. For these reasons we agree that they should be excluded.

One Index or Several?

66. The next matter arises from the Treasury's suggestion that instead of calculating one general average from the half-yearly survey "it would be possible to split up movements in rates into broad groups which would have an occupational content roughly similar to similar groups in the Services". The Treasury did not positively recommend this course, and indeed pointed out that, in the subclassifications of the half-yearly survey, groups were defined not by occupations but in relation to the output of the industry employing them. This is so, but it could nevertheless reasonably be expected that industries classified under such headings as Engineering and Machinery, Vehicle Repair, and Building and Construction, will reflect trends in manual occupations, and that Finance, Insurance, and Legal, Accounting, etc., will reflect trends in clerical occupations. It is a more conclusive objection that differences in trends among manual occupations are likely to be as important as the difference between manual and clerical occupations. Moreover, the Labour Department stated that in the short run, average rates in the industrial groups behave somewhat erratically, and if these movements were followed, some State groups would sometimes fall behind others and at other times would gain an advantage. This would disturb employer-employee relations. We are satisfied that the average for all industries in the private sector should be used, and applied generally.

Simple Average or Moving Average

67. Paragraph 57 discusses the stabilising effect of including seasonal industries. The Labour Department opposed this on the ground that including seasonal industries exaggerated in the April surveys, and reduced in the October surveys, the effect of General Wage Orders which preceded them. The Department suggested therefore that seasonal industries be excluded, and that a moving average be adopted. (This means that the increase given after, say, the October 1968 survey would not be the difference between October and the preceding April, but the difference between the average of October 1967 – April 1968 and the average of April 1968 – October 1968.) The Department demonstrated that this would not only eliminate disruptive seasonal influence but would tend greatly to reduce the times when a half-yearly increase was less than the 1 percent suggested by others as the least increase to be given. Although the moving average may have the advantages claimed for it, these appear in the main to be gained (as contrasted with a simple average of all, including seasonal, industries) by distributing part of one half-year's increase to the following half year. We cannot see sufficient justification for doing this, and we fear it would be a source of criticism and friction. Thus we prefer the simple average.

SUMMARY OF CONCLUSIONS

68. It may help to summarise the conclusions already reached.

(a) For the present and probably for some years to come the pay-fixing machinery of the State Services must centre chiefly on general adjustments, checked and (where necessary) modified by pay research.

(b) An index of movement is needed to keep State pay in proper relativity with outside pay.

(c) The Labour Department's half-yearly survey should replace the ruling rates survey as the index of movement.

(d) The index should be derived from the average weekly earnings in the private sector:

  (i) including seasonal industries; but

  (ii) excluding the public sector (in which term we include for this purpose State schools, public hospitals, universities, public corporations and local authorities).

(e) The Government Statistician should make and certify corrections for the varying proportions of women workers on a six-tenths wage-relationship with men until a change is indicated by the census or other cogent statistics.

APPLICATION OF INDEX

FLAT RATE OR PERCENTAL APPLICATION?

Flat Rate

69. The first ruling rates survey in 1950 was applied as a modified and limited percentage of wages. Labourers were awarded a penny an hour, tradesmen 2½d. The lower clerical steps were aligned with labourers, receiving £5 or £10 a year; at the Class VI maximum the increase was £22, equal to the tradesmen's 2½d; and above this, the increases were graded up to £40. Subsequent surveys show no clear pattern. Sometimes the increase was applied as a flat amount, at others, as a modified percentage. Up to 1962, the ruling rates adjustments were interspersed with margins adjustments, and the applications of General Wage Orders and of orders of the Government Service Tribunal. After 1962, the pattern seems to have been that equivalent tradesmen's increases were given to Class VI, sometimes rising in higher classes and then tapering off. For example, the survey of February 1965 produced (through the Government Service Tribunal) £65 for Class VI, £85 from Class II to Class Special 6, and tapered off to £10 at Class Special 10, and gave nothing to classes above that level.

70. The resultant narrowing of margins has been partially corrected in recent years by giving increases to the higher grades when giving effect to the Higher Salaries Advisory Committee's recommendations. Thus in the two years from August 1964 to August 1966, while those on the Class VI maximum received a total of £115 from ruling rates surveys, those in Class Special 10 received only £20 from that source, augmented from April 1966 by £115 when Advisory Committee increases were being applied.

71. Margins in salaries are narrower in New Zealand than they are elsewhere. Chapter 1 refers to the difficulties stemming from the contraction of margins. Though this reason alone cannot justify our recommending that the Government as an employer should give a lead in expanding pay margins, we see no reason why the situation should be aggravated by allowing State margins to lag behind those which, on the best present evidence, prevail outside the State Services. This is unfair to State employees, and detrimental to recruitment and retention and hence to efficiency. Furthermore, it makes it progressively harder to restore State margins because of the sheer size of the increases which become necessary.

Percental

72. The State Services Commission stated that some staff associations had wanted all salaries to be increased after a ruling rates survey by the same percentage as tradesmen received. No doubt there

were difficulties. Because the pay-fixing jurisdiction of the employing authorities is limited to a certain salary, and that of the Tribunals to a still lower salary, a Tribunal or employing authority in awarding a large increase in this way, might find that, by preserving proportionate margins up to the ceiling of its own jurisdiction, it seriously distorted them above that level. Such action would embarrass the authority concerned with the higher salaries, and ultimately embarrass the Government.

73. With some reservations, the State Services Commission supported half-yearly percental adjustments. The Treasury, also with reservations, wished "to maintain proportional margins right through the scale in interim general adjustments". Other employing authorities broadly supported the percental approach. The Government Statistician stated that:

> What the half-yearly surveys do give with reasonable accuracy is a measure of the percentage change from one survey to another in the average rates of salary and wages for ordinary time worked in a wide range of occupations. [adding] . . . If the half-yearly surveys of employment are to be used, then all that should be taken from them is the percentage change in average ordinary-time rates from one half-yearly survey to another. No real meaning can be attached to the average wage expressed in dollars and cents which emerges from each survey. The State Services Commission has suggested that this percentage change derived from half-yearly surveys should be applied to the general run of State Service rates of pay. In my view, this is the most practicable suggestion which can be made.

74. We agree that the adjustments from the half-yearly surveys should be applied generally as a percentage of wages and salaries within limitations and subject to certain reservations and exceptions as stated below.

PRACTICAL LIMITATIONS ON ADJUSTMENTS

75. The State Services Commission considered that only a movement above 1 percent warranted a half-yearly adjustment. The Government Statistician suggested that "since the surveys are so frequent, . . . some minimum percentage increase should be shown before a change in State Services rates of pay is made". Both intended that any below-minimum increase would be included when applying the next survey. The Labour Department, however, noted that the half-yearly survey average (excluding seasonal industries), October-April 1958–1964, showed a percentage movement of less than 1 percent in five out of the seven years. It considered that:

> The employee organisations, having been promised a half-yearly adjustment, would be disillusioned if this kind of thing occurred and bad industrial relations would result. The possibility of a small increase in the October/April half-year is probably greater in the future than in the past.

Hence the Department did not support a limitation. The Treasury thought that 1 percent "may be a little high".

76. In practice, there must be some lower limit. The survey increase could be so small as to be worth no more than a dollar a year to State servants, an amount which would not justify the labour and expense. We think 0.5 percent a reasonably realistic figure, giving increases of 0.5c an hour for a tradesman and, say, $11 a year for the top of Class VI, and, say, $36 a year at the present limit ($7,300) of the State Services Commission's jurisdiction.

77. The limitation has another advantage in limiting a decrease if outside rates should fall (see further, para. 80).

78. We see percentage increases being "rounded off" at particular salary points. Thus a 1 percent increase would give $22.60 a year at the top of Class VI, and $27.20 at Class IV. We imagine both figures would be rounded to $25 unless a residue from a previously "rounded" increase suggested, say, a Class IV increase of $30. We expect that such detail would be settled between the parties.

SURVEY DISCLOSING A DECREASE

79. The 1962 Royal Commission, after concluding that State pay should keep in step when outside rates are rising, stated (*Report* Ch. 7, 17): "If this be so a further conclusion follows: that in times of declining wages, there is an equally strong presumption that State pay must also go down in agreement with the fair relativity principle."

80. A fall in outside pay rates must be provided for. If the tolerance of 0.5 percent has been accepted for increases, State rates will not need adjusting for a decrease less than 0.5 percent. If a rise in the next half-yearly survey more than recovers the decrease, any *net* increase, if above the 0.5 percent minimum, will be applied.

81. We think that the first decrease even if it is above the 0.5 percent should not be applied, for two good practical reasons. First, it will be "against the run of play", and therefore likely to be quickly reversed. Second, State pay has lagged behind outside rates for at least the last 20 years as the ruling rates and other surveys have consistently demonstrated. It would be no more than fair to allow six months' leeway to make sure that the fall is part of a declining trend, and not merely a temporary downturn in an upward trend.

RESERVATIONS ABOUT APPLICATION

AWARDS AND INDUSTRIAL AGREEMENTS

82. Our first reservation concerns those whose minimum wages are fixed by awards and industrial agreements. We cannot say that interim adjustments based on the half-yearly survey should be applied as a matter of course to their wages because these seem to be determined in many different ways by many different authorities.

83. The wages of these workers differ from those of most State servants in being directly affected by awards of the Court of Arbitration and by General Wage Orders.

84. Nevertheless, we are aware that some awards purport to provide for the application of State adjustments with a compensating exemption from the application of General Wage Orders (for example, the Taranaki, Wellington, Marlborough, Nelson, and Westland Hospital Boards' Clerical Workers Award, No. 104, of 23 May 1966). We are also aware that in other cases the actual wages paid are "kept in line" with those of comparable, but adjusted, State rates. We do not wish to interfere with such practices or with the application of interim adjustments in any justifiable cases. But we cannot recommend that the interim adjustments be made *as a general rule* to the wages of employees under awards or industrial agreements.

OCCUPATIONAL CLASSES AFFECTED BY SPECIFIC REVIEWS

85. The half-yearly surveys if used as an index of movement will be only a part of the machinery for keeping State pay in proper relationship with outside rates. They form a basis for *interim* adjustments which will be checked, and (where necessary) modified by less frequent specific reviews of different occupational classes.

86. The interim nature of the half-yearly adjustments must be stressed, for they merely *assume* that a State occupational class stands at a particular time in a correct pay relationship with a comparable outside group; and they merely *expect* that the pay of the comparable outside group is moving at the same rate as the half-yearly average of all surveyed employees. When this "assumption" and this "expectation" are in fact checked by a specific review of one occupational class, there is no question but that the specific review overrides the general survey. At what point of time, however, is this given effect to?

87. Chapter 7 recommends the machinery for making specific occupational reviews. Whatever the machinery, there is likely to

be delay between the selection of an occupational group and the completion of the specific review. There may also be considerable delay between the completion of the review and the end of negotiations to decide how its results should be applied. The State Services Commission proposed that if the delay continued beyond the taking of a half-yearly survey, the survey results could be applied as an interim adjustment. If the interim amount exceeded that finally settled in the delayed pay-research negotiations, an adjustment would be made after the next half-yearly survey.

88. The Government Statistician suggested that State groups for whom the *results* of a specific occupational review *had become available* since the last half-yearly adjustment would be excluded from the next half-yearly adjustment. He did not advise excluding "a group from the application of the broadly-based survey just because its own special occupational survey is under way". We agree, but only on the understanding that the results are deemed to be "available" as soon as they have been supplied to the negotiating parties. Even though the parties may still have to agree, or arbitrate, on what the results mean, we see good reasons why in such circumstances an interim adjustment should not apply.

89. In a typical case, if a specific occupation is to be reviewed at 15 April 1969, the planning of the review will have been started well before then. Nevertheless any interim adjustment from the April 1969 half-yearly survey will be applied to the group. If the special review is completed and the results then given to the parties in August 1969 the group under review will not receive any adjustment from the October 1969 half-yearly survey. A decision made in December 1969 arising out of the specific April review will apply from April 1969, and to this will be added any percental adjustment from the October 1969 half-yearly survey. If the pay rate thus fixed on the basis of the specific review is less than the existing rate, a "pay pause" will be necessary. In other words the current rate paid to the group concerned will stand still until the new rate, augmented by interim adjustments, exceeds the rate being paid. Appendix 11 sets out some examples of the way in which we envisage our recommendations working in practice.

Linked Groups

90. The same principles apply to State groups which, though not directly comparable with the outside group under review, are properly linked with the State group for which the review is being made. Thus if a review is being made for State group A, and if State group B, which has no counterpart outside of the Service, is taken to have

a special relationship with group A, then it may well be decided to apply any adjustment for A simultaneously and proportionately to B. What groups are to be linked to any reviewed group must be decided before the review is begun, so that there will be no dispute after the review results become known about which groups are to receive half-yearly adjustments and which groups are to receive the adjustment from the specific review.

Other Methods of State Pay Adjustment

91. General movement surveys and specific occupational reviews are not, and will not be, the only ways in which the pay of State groups is changed. We must therefore consider how interim adjustments will apply when changes are made in other ways.

92. Pay changes have many possible causes, including a decision of the employing authority that present salaries are inadequate for recruitment and retention, or an association's claim based on internal or external relativity, or other grounds. Interim adjustments should continue, notwithstanding that such a claim has been made or is being negotiated. When the claim is settled, the question of the application of the next interim adjustment should be settled at the same time. Thus if a Tribunal in June determines new salary scales for State surveyors on the basis of outside evidence collected in February, it would no doubt direct that the following October adjustment should be added in full to the new scales. But if the decision were made in September on the basis of July evidence, it might direct that only half the October interim adjustment be added to the new scales.

93. However, if the change is being made on the grounds of internal relativity, that is to correct the relationship of one State group with another State group, the correction will presumably be made from a date on which an interim adjustment applies. Following interim adjustments would be applied in the usual way.

Higher Salaries

94. There are several groups, which, if our recommendations are adopted, will be specially reviewed, but not by the pay research unit. First is the group of permanent heads and other senior officers whose salaries are fixed (generally every three years) after a report by the Higher Salaries Advisory Committee. The State Services Commission proposed that:

> the results of the [half-yearly] surveys should be applied percentally for the first two years only with a suitable fading out in order to preserve reasonable margins between the limit of jurisdiction of the employing authorities and appropriated salaries. A decision by Government would be needed on any adjustment that might be made to

appropriated salaries in the light of increases at lower levels. The adjustments arising from the survey in the third year would then be made as flat amounts until higher salaries were fixed by the Government, so that the total adjustments for the period could be determined within the limits set by the movement in higher salaries.

95. However, the Treasury proposed that senior officers receive the full interim percental adjustments in the first and second years of the cycle and that "the actual variation in the third year would be decided on by Government as a result of the Advisory Committee's review." The Treasury later elaborated this by proposing that:

> In the third year, to leave room for the Advisory Committee's "fine tuning" . . . those *above* Tribunal jurisdiction receive no increase until the Advisory Committee's review is applied—at which stage margins would be adjusted back down the scale. In the third year Treasury agrees with the Commission that adjustments up to the Tribunal limit should be a flat amount to avoid overlap of scales until margins are adjusted following the higher salaries review.

Under examination, the Treasury representative suggested that the increase applying at the top of Class VI might be adopted as the flat rate above that point, and indicated that the difficulty of overlap might occur about the lower levels of Class Special.

96. The Government Statistician regarded the Higher Salaries Advisory Committee's activities as a type of specific occupational review. Under examination, he made it clear that "the people immediately below the jurisdiction of the Advisory Committee on Higher Salaries should continue to get the half-yearly percentage increases". If in this process they happened to get too much (in relation to the Advisory Committee's later findings), he considered that this should be corrected by a "pay pause" in later interim adjustments. He stressed his opposition to the narrowing of margins below the level of appropriated salaries even for the one year in three suggested by the State Services Commission and the Treasury.

97. The more cautious attitude of the Commission and the Treasury is understandable. They do not wish officers on $7,000 a year to receive increases totalling say $700 over three years when a more specific survey of higher salaries suggests that officers on $8,000 should receive only $600. There is no conflict of principle. Everyone wants to see State margins continue to be comparable with those outside. It is noted that in the 3 years of the Higher Salaries Advisory Committee's last review, salaries at the limit of the State Services Commission's jurisdiction rose by 17.7 percent, and this is presumably in line with what the Committee had found for non-State salaries. In the same period, the half-yearly survey average rose by 19 percent. Thus if all the percental increases had been carried through the scales a correction of approximately $90 would have been needed at the $7,000 level at the end of 3 years.

98. In chapter 7 we recommend that the Higher Salaries Advisory Committee continue to carry out its reviews every 3 years and that these reviews be made at April, to coincide with one of the half-yearly surveys. To ensure that in any 3-year period State margins are properly kept up, and that higher State salaries do not rise substantially above those outside, we recommend that:

(a) Except as provided in sub-paragraphs (b) and (c), half-yearly interim adjustments should be applied as a percentage to the highest salary level, and as the last two adjustments made to higher salary levels were made on the basis of the Higher Salaries Advisory Committee's report of March 1967, further adjustments should now be made to give effect to the changes indicated by the half-yearly surveys of October 1967 and April 1968.

(b) For the October survey preceding the Higher Salaries Advisory Committee's review, the increase be applied as a percentage up to and including Class I of the clerical scale (now $3,440), and beyond that, the increase relevant to Class I be applied as a flat rate.

(c) For the April survey which coincides with the Advisory Committee's review, no increase above Class I be made. In effect the survey adjustments and the Advisory Committee's review adjustments would be applied together so that adjustments to higher salaries can be modified up or down as may be.

99. A pay pause would be needed in the unlikely event that the outside movement is found to justify less than the existing State higher salaries. But any upward modification indicated under paragraph 98 (c), should take place from the date of the 3-yearly review. In other words, neither an upward or downward modification should have retrospective effect.

University Salaries Committee and Hospital Medical Officers Advisory Committee

100. In principle, both of these Committees work as specific occupational reviews, and should be so regarded in the context of applying interim adjustments. However, both take more account than other specific reviews of a consideration outside the usual reference of reviews, and certainly outside the occupational field of the half-yearly surveys—namely, the effect of the overseas market on the recruitment and retention of New Zealand university academic, and hospital medical staff. Now, if such salaries have been set in part by the overseas market, should they as well receive interim adjustments based on New Zealand market rates?

101. We think they should. Internal relativities, if properly determined, would be maintained (for example, between university staff and departmental scientists); the inhibiting effect of very large, prospective increases would be avoided; expenditure could be better budgeted for; and the Committees would not have to make their reviews under the same conditions of urgency.

102. Moreover, we do not foresee New Zealand pay rates rising in the near future more quickly than relevant overseas rates; but because this may happen, we recommend that the interim adjustments be applied to the salaries of these two groups not automatically, but only after the relevant Committee has sanctioned the adjustment in each case.

Labourers and Tradesmen

103. In chapter 7 we recommend that modified ruling rates surveys be continued as specific occupational reviews to fix comparable pay rates for the groups covered. But should these groups then receive any of the half-yearly survey adjustments?

104. This question is complicated by the fact that the Labour Department would make both surveys, and the Department reckons it impracticable to make both at the same time. Nor, apparently, would it be practicable to make a ruling rates survey in, say June, "as at" 15 April. The practicable alternative is making tradesmen's and labourers' surveys as nearly as possible before one of the half-yearly surveys. It may be that February, the now usual month, will still be the best choice.

105. Tradesmen and labourers (and perhaps directly related groups) will then be brought into correct external comparability in February (though not necessarily every year). They should not receive the subsequent April interim adjustment but should receive the October one, augmented by, say, one-third of the April adjustment. This seems to be fair and practicable if wages and salaries generally continue to move upwards, and those of outside labourers and tradesmen continue to move at about the same rate as the average.

106. If labourers' and tradesmen's pay falls behind the average outside movement, a February survey may show that State labourers and tradesmen (or both) have moved ahead of proper relativity, by say 1 cent an hour. In such a case the cent would be deducted from the increase payable from the October survey.

CRITERIA

107. There has been some recent confusion about what criteria should apply to ruling rates survey increases. As we see it the criteria

for half-yearly survey adjustments are not in doubt. There is only one: it is an arithmetical application of the criterion of external comparability and should be applied not with reference to other criteria, but within certain rules designed to ensure that the adjustments do no more and no less than maintain external comparability as it may have been determined, or as it may be assumed to have existed. We have tried to show briefly in the foregoing paragraphs what these rules should be.

DATE OF APPLICATION OF INTERIM ADJUSTMENTS

108. In applying ruling rates survey increases it has been assumed that the increase revealed has been taking place at a more or less even pace since the previous survey, and thus it would be fair to "back-date" whatever increase was given to State employees. For example, the increases from the February surveys in 1966 and 1968 were made retrospective to 1 August 1965 and 1967 respectively.

109. A complication arose when a General Wage Order was made in the period between the surveys, because of the assumption that the general wage increase was generally applied outside of the Services within the three months following the Order. The increase from the February 1967 survey, which included a general wage increase from 1 December 1966, was applied from 14 September 1966, presumably to recognise the fact that the total increase had not been spread evenly over the year but a significant part of it had occurred later in the year.

110. We assume that the degree of back-dating in these and other cases was negotiated, and this could be done if half-yearly surveys are adopted as the basis of interim adjustment. However, other difficulties arise in changing from one basis to another, and in relation to specific occupational reviews.

111. The State Services Commission suggested that if pay research reviews were carried out at 15 April or October, a pay change resulting from such a review

> would then be in substitution for the general adjustment. In applying it, however, the amount that would have otherwise resulted from the half-yearly survey would be retrospective to the same date as the survey adjustment. The balance (if any) would then apply from the date of the pay research review only.

112. It is clear that the State Services Commission had in mind that back-dating would be continued if the half-yearly survey was adopted as the basis of interim adjustment. The Treasury also agreed with this, but neither made specific reference to the particular problem

created if and when the ruling rates survey is replaced by a half-yearly survey operating from a different date. They perhaps assumed that this would be settled in negotiation.

113. The Government Statistician, however, took much trouble to devise a system under which back-dating of increases would be eliminated, or at least reduced to a minimum. He suggested that interim adjustments could be applied from the dates of half-yearly surveys: that is, from 15 April and October even in a period when a general wage order has been made. This would involve a "loss" to State employees of three months of each increase (assuming that the adjustments are all increases) in ordinary cases, and either more or less than three months in those cases where a general wage increase had fallen within the period.

114. The Government Statistician proposed compensating for this loss at the time the new system was introduced. Supposing the change to half-yearly survey adjustments is made from October 1968, the increase applied at this date should be the year's increase between October 1967 and October 1968 (instead of the 6 months' increase from April 1968, plus, say, one-third of the October 1967 to April 1968 increase to compensate for the change from the ruling rate survey date of February 1968). He suggested also that the proposed "pay pause", where, on a specific review an occupation had advanced beyond its proper comparability, would further recompense any loss suffered, as would the deferred application of the first decrease from the half-yearly survey (para. 81).

115. He also put forward a "compromise" formula which accepted back-dating but was designed to eliminate the arguments about the date of application, which are likely to arise if this matter is not decided in advance. The formula briefly stipulates:

(a) Adjustments normally to apply 3 months before the date of survey.

(b) Where a previous half-yearly increase has been deferred (being below the minimum), the full year's increase to be back-dated by 3 months, plus a further period calculated arithmetically in the proportion the first half-year's increase bears to the full year's increase. (For example: total increase 1.2 percent; first half-year 0.4 percent; $\frac{0.4}{1.2} = \frac{1}{3}$, therefore the further period is $\frac{1}{3}$ of 6 months, that is 2 months; hence the total back-dating is 5 months, i.e., the original 3 months plus 2 months.)

(c) After a General Wage Order, the adjustment to be applied from half-way between the normal date and the effective date of the Order (for example, normal date 15 July; General Order effective 15 June; apply adjustment from 1 July).

He calculated that this would give a fair result in the long run, and the timing error in any particular case would generally be less than 6 weeks.

116. We do not see it possible to avoid back-dating altogether; as half-yearly surveys are made *as at* mid April and October, the results are not available until about 2 months later, and at least another month elapses before payment is made. Thus, even if the interim adjustments were applied on the survey dates, payment would have to be retrospective for at least 3 months. Nevertheless, we would prefer to limit the back-dating to this unavoidable minimum, if only to minimise recurring retrospective payments which must disturb the economy. For there are about 220,000 State employees involved, for whom even a 1 percent increase with 6 months' back-dating would release over $2 million into circulation twice a year.

117. We appreciate the Government Statistician's efforts to solve this problem. We commend his suggestions to the parties who will have to negotiate such matters. We can see great advantages in avoiding uncertainty and controversy.

118. The parties would need to assess the Government Statistician's suggestion referred to in paragraph 114. What it seems to amount to is that all State employees would be paid more than external comparability justifies, from October 1968 until such time as the pay rates of their particular group are checked by a specific occupational review. For many, perhaps for most, this may be a very lengthy period. The amount of the excess is not at present known. It will be two-thirds of the survey increase from October 1967 to April 1968. If all half-yearly movements were equal, most State employees would probably stand to gain. But the Government would minimise disturbing effects on the economy.

119. In any case, some special adjustment will need to be made if and when the half-yearly survey is adopted as the index of movement. It has to be assumed, for this purpose, that State pay is in proper relativity with outside rates at the date of the last ruling rates survey, February 1968 (and *not* at 1 August 1967 when the survey adjustment was applied. When the August increase was added, State rates were put temporarily ahead of some outside rates, which, on the average, caught up with them at the survey date.) The half-yearly survey of April 1968 will show a certain movement from October 1967. It can then be presumed that two-thirds of this movement took

place before February; and that the one-third which took place after February needs to be taken into account in keeping State rates comparable. When the October 1968 half-yearly survey results are available, further movement will be disclosed, so that the total adjustment to be made will be the April 1968 to October 1968 movement *plus* one-third of the October 1967 to April 1968 movement. If increases are as usual back-dated (and leaving aside any question of a possible General Wage Order), the adjustment will be back-dated by four months, to 15 June 1968. This will also be the case if the Government Statistician's compromise formula is adopted. But if his major suggestion to minimise back-dating is adopted the whole of the increase, October 1967 to October 1968, will be applied from 15 October 1968.

RECOMMENDATIONS

We recommend that:

(22) The Labour Department's half-yearly survey should replace the ruling rates survey as the index of movement which is needed to keep State pay in proper relativity with outside pay (para. 49–63).

(23) The index should be derived from the average weekly ordinary-time earnings in the private sector—

(i) including seasonal industries (para. 57, 67) but

(ii) excluding the public sector (in which term we include for this purpose State schools, public hospitals, universities, public corporations and local authorities) (para. 64–65).

(24) In order that a reliable index figure may be obtained the Government Statistician should make and certify corrections for the varying proportions of women workers included in the survey from time to time, and for this purpose we consider that it would be satisfactory to assume that there is a $^{6}/_{10}$ wage relationship with men's rates until a change is indicated by the census or other cogent statistics (para. 58).

(25) Adjustments indicated by the half-yearly surveys should be applied generally as a percentage of wages and salaries, subject to certain limitations and subject to certain reservations and exceptions (para. 69–74).

(26) No adjustment need be made if the movement disclosed is less than half of 1 percent, but in such cases the movement should be added to or subtracted from any movement disclosed in the next survey (para. 75–77).

(27) Percental increases should be rounded off before being applied to various points in the scales (para. 78).

(28) Where the half-yearly survey discloses a downward movement after a series of upward movements, the decrease should not be applied on the first occasion, to allow the next survey to ascertain whether there is in fact a declining trend or merely a fluctuation in an upward one (para. 79–81).

(29) Where circumstances justify it, interim adjustments should continue to be applied to the wages of employees subject to awards and industrial agreements, but this does not necessarily apply to the wages of all such employees (para. 82–84).

(30) When the result of a specific occupational review is available, even though negotiations about its application are not completed, subsequent interim adjustments should be withheld from the occupational groups affected (including linked groups) until they can be applied with such new pay rates as result from the specific review (para. 85–90, appendix 11).

(31) Where the pay rates of an occupational group are being fixed otherwise than on the basis of a specific occupational review, interim adjustments should be continued up to the actual fixing of new rates, and the application of the next interim adjustment should be determined at the same time as the new rates are fixed (para. 91–93).

(32) (a) Except as provided in subparagraphs (b) and (c) hereof half-yearly interim adjustments should be applied as a percentage to the highest salary level, and as the last two adjustments made to higher salary levels were made on the basis of the Higher Salaries Advisory Committee's report of March 1967 further adjustments should now be made to give effect to the changes indicated by the half-yearly surveys of October 1967 and April 1968;

(b) Above the level of Class I of the clerical scale, the adjustment preceding the Higher Salaries Advisory Committee's periodical review should be applied at the flat rate applicable to Class I;

(c) Above the level of Class I of the clerical scale no adjustment should be made in respect of the half-yearly survey which coincides with the Higher Salaries Advisory Committee's periodic review, so that the rates and scales fixed on the basis of that review will prevail (para. 94–99).

(33) Interim adjustments should generally be applied to the salaries of employees covered by the University Salaries Committee and the Hospital Medical Officers Advisory Committee only after confirmation by those committees in each case (para. 100–102).

(34) If the ruling rates surveys are continued as specific occupational reviews for labourers or tradesmen or both, and continue to be made in February, the April interim adjustment should not be applied to those classes of tradesmen and related classes whose rates have been fixed in the previous February; but a proportion (normally one-third) of the adjustment should be added to the October interim adjustment (para. 103–106).

(35) The criteria which relate to pay-fixing have no relevance to the *application* of interim adjustments which should be applied within rules such as we have set out, and as far as possible determined in advance (para. 107).

(36) Because half-yearly surveys are taken in different months from those in which ruling rates surveys are made, provision should be made on the first occasion that the half-yearly survey is adopted as the index of movement for an assumed movement between the last ruling rates survey so used and the date of the subsequent half-yearly survey (para. 119).

(37) The question of the dates at which interim adjustments are to be applied should be determined, if possible, when the index of movement is changed to the half-yearly survey; and should provide for deferment on account of limits, and for General Wage Orders, and, on the first occasion, for the factor mentioned in the previous recommendation; and should take account of the desirability of minimising back-dated payments (para. 108–111).

Chapter 7. AIDS TO PAY FIXING

1. In the previous chapter we reluctantly concluded that for the time being the emphasis in pay fixing must be placed, not on pay research supplemented by interim adjustments, but mainly on general adjustments checked and (where necessary) modified by pay research. Nevertheless, we insisted that this does not mean that pay research is less urgently needed; but on the contrary, that a better system can evolve only as far as the scope of pay research is expanded. Accordingly, in this chapter we need not spend further time on the need for a pay research unit; but taking the need to be clear, shall concern ourselves rather with its structure and functioning. Such a unit is however not the only aid to better pay fixing for occupational classes. We shall also discuss the continuation of ruling rates surveys, as a form of pay research for tradesmen and labourers. We shall further consider the Advisory Committee on Higher Salaries, whose jurisdiction was discussed in chapter 4. And finally we shall examine the other advisory committees which now have some pay-research functions, and consider whether the scope of the advisory-committee system should be expanded.

PAY RESEARCH UNIT

2. We have no reason to believe that there is any opposition in principle to the establishment of a pay research unit. Certainly we heard of no such opposition. Rather, the need for such machinery seemed to be generally recognised.

3. Nor did we receive any indication that the establishment of such a unit would be impracticable in New Zealand. The State Services Commission described the systems in Britain and Canada where pay research units have been successful and accepted. The Government Statistician who has studied both systems was in no doubt that a successful pay research unit could be established in New Zealand if enough qualified staff were made available, although he advocated important departures from the British and Canadian precedents.

4. In submissions to the 1962 Royal Commission, some of the staff associations were critical of the proposal to establish a pay research unit because of the delays experienced in Britain. We were told by the State Services Commission that it had not been able to obtain

the co-operation of the staff associations to establish a unit and its associated steering committee, largely, it believed, because the associations still feared that pay adjustments would be delayed.

5. It is true that pay research in Britain has worked much more slowly than had been expected. Nevertheless, after 10 years' experience, the staff representatives were able to say in the Whitley Bulletin of January 1968:

> Pay research, and the fair comparisons principle, has now become established as the enduring formula for determining grade pay in the Service. So far as the Staff Side are concerned, the continuance of this formula is essential to industrial peace in the Civil Service.

6. Even more importantly, the conception of pay research supplementing and checking general pay movements based on regular broadly-based surveys should, we think, eliminate any fear that pay research will cause inordinate delays in pay adjustments. If our recommendations in chapter 6 are adopted, interim adjustments will be withheld only when a pay-research report is available and awaiting settlement. As the unit will be able to undertake very few specific reviews in a year, the incidence of delay should be small. With State pay rates moving generally in line with the indications of a broadly based survey, the task of the pay-research machinery will be to identify and to examine those cases where the particular movement appears to diverge most from the general movement, so as to enable comparable State occupational groups to be brought more exactly into line. We accept that initially it will be possible to undertake only a few—perhaps no more than three—assignments in a year as the Government Statistician said; but we hope more will be able to be done as experience is gained, as methods of operation become established, and as the benefits become more apparent. Moreover, when a particular group is being reviewed for a second time, much of the groundwork (e.g., in matching of jobs and occupations) will not have to be repeated in full.

7. For the Pay Research Unit to be effective it will need to be adequately staffed and to have a strong core of professionally-qualified officers. The 1962 Royal Commission suggested "that consideration be given to using in the first instance, in a consultative capacity, industrial consultants experienced in the application of work measurement to clerical and professional activities". We had evidence about how a firm of industrial consultants helps private employers. It seemed to us that this would, in the State Services, be more relevant to routine work than to work with greater responsibility, and might have more relevance to the grading of employees than to the determination of salary scales for occupational groups. Nevertheless it remains true that the pay research unit will need,

among others, officers who are trained to evaluate and match various types of work. The authorities will no doubt consider whether the employment of industrial consultants is necessary, and will no doubt draw on the experience of Britain and Canada. The Government Statistician suggested that interchange of staff with these countries might well be the best way of getting the unit started, and this seems to us to be a sensible proposal.

Location

8. There are two possible locations for the unit; either within the Department of Statistics, or as an independent body. The case for independence was argued by the Employers' Federation on the grounds that it is wrong in principle for the staff of a pay-research body to have a direct financial interest in the results of their own pay research. We accept the principle but find it hard to translate into practice. The State must directly or indirectly pay the staff of the unit and determine the amount they should be paid, whether the unit is within or without the State Services. Moreover, the unit would only rarely, if ever, be surveying occupational groups to which its members belong. On the other hand, it is the duty of the Government Statistician to collect facts in a wide variety of areas and to present them impartially. The Government Statistician has attained a deservedly high reputation in this work, and, as a consequence, we do not believe that the findings of a pay research unit would be suspect if it were part of the Department of Statistics. Also there would be considerable advantage in placing the unit in a major fact-finding department like the Statistics Department, and we recommend accordingly.

Steering Committee

9. It is desirable that the employing authorities and employee associations should collaborate as closely as possible in the work of pay research. This could most conveniently be done by setting up a representative steering or advisory committee. The main roles of this committee would be to select the groups to be reviewed and determine what other State groups should be linked to them, to consult with the director of the unit on various problems as they arise, to watch the progress of the unit and to help make it work expeditiously and successfully, and to serve as a liaison between the director and the official and staff sides, receiving and passing on results and progress reports and discussing suggestions and criticisms emanating from both sides. We are well aware that there will be differences of opinion on many matters. It seems obvious that it is better to thresh these

out, and if possible reconcile them, before reviews are undertaken than to leave them to negotiation and possibly to eventual arbitration after the results of a review.

10. The Government Statistician was concerned to ensure that the pay research unit's activities were properly directed. He maintained that for two reasons the determination of the groups to be surveyed should be a matter for a Tribunal rather than a steering committee: first, because difficulties may arise over the selection of specific groups, leading to an impasse; second, because selection by the steering committee might result in a bias in favour of those groups which were suspected of lagging behind outside rates, as compared with those which might have moved ahead, or a compromise in favour of those whose needs for pay research were less urgent. We appreciate that the selection of specific groups may cause debate between the official and staff sides, but we do not believe that this debate will necessarily be inconclusive, or that it will result in biased decisions. On the contrary, we anticipate that the employee associations would propose groups whose pay appeared to be furthest behind outside rates, while the employing authorities would propose those whose pay appeared to be furthest ahead, and the most likely compromise (granted equal representation) is the inclusion on the unit's agenda of some from both groups—the outcome which is sought by the Government Statistician, and by us.

11. We doubt in any case whether tribunal proceedings would prove a satisfactory way of reaching decisions on the unit's agenda, and fear that the work of the Tribunal might be dislocated if several employing authorities and several employee associations were forced by the pressure of competition to an ever greater elaboration of evidence designed to establish priorities.

12. We conclude therefore that the unit's agenda should be determined by a steering committee. But the considerations raised by the Government Statistician point to the need for an independent chairman. The chairman could be the Chairman of the State Services Tribunal, the Secretary of Labour or an officer of his department, or some other eminent person (possibly retired) acceptable to both staff and official sides. His role would be to bring the parties together to endeavour to reach agreement, and to arbitrate if agreement is not possible.

13. The relationship between the steering committee and the Director of the Pay Research Unit needs to be clearly defined. The main role of the steering committee has been outlined. But the manner in which any review is carried out, the coverage of firms, the statistical techniques employed, and the way in which the final

report is prepared and presented should be the sole responsibility of the Director of the Unit in co-operation and consultation with the Government Statistician and his staff. The steering committee would not be precluded from offering advice and suggestions on matters connected with the survey and we would expect that the Director would welcome such advice, but he should not be bound to accept it. In particular, the Committee could help by suggesting comparable outside groups, or which fringe benefits might be looked for, or possible differences in apparently comparable occupations

Co-operation

14. The 1962 Royal Commission noted the need to obtain the co-operation of employers. The New Zealand Employers' Federation told us that, provided it is in a position to assure its members and affiliates that the survey designs and sampling procedures have been meticulously drawn up to afford fair comparison of pay and conditions with the broad cross-section of the relevant private employing community, then it will assist the pay research unit materially by gaining the necessary employer co-operation. The Federation recommends that it should be consulted on the statistical techniques to be employed. We see no reason why the Director of the unit should not consult and seek advice from the Employers' Federation, as he may from any other body. We have already made clear, however, our view that the Director should not be bound to accept outside advice and that the responsibility for determining the manner by which a survey is to be carried out is his alone.

15. We also heard suggested the possibility that the Federation be represented on the steering committee, and the further suggestion that, if this were to be so, then the Federation of Labour should also be represented. We do not consider that it is appropriate for either of these bodies to be represented on the steering committee, particularly if the independence of the unit in technical matters is assured. Nevertheless, the Employers' Federation or its affiliates might be able to give valuable assistance in indicating likely areas of comparison with State groups which are being considered for survey. To ensure the fullest co-operation between the unit and outside employers, the Federation might be invited to nominate *ad hoc* advisory committees to maintain liaison between the Director of the Unit and the employers from whom information is to be sought in a particular survey.

16. Our recommendations presuppose that the staff associations will co-operate in the establishment of a pay research unit. Although we hope that they will do so, it is possible that they will not agree. In this circumstance we recommend that the Pay Research Unit

should still be established, in a form which will enable them to participate whenever they may decide to do so. There are substantial advantages in gaining their co-operation, but the associations should not have power to veto the establishment of machinery which is necessary to the interests of the State and the community.

TRADESMEN AND LABOURERS—RULING RATES SURVEY

17. As we have mentioned in chapter 6, the ruling rates surveys which serve at present as an index of the movement of outside pay rates, serve also as specific occupational reviews for the occupational classes of tradesmen and labourers. If the Labour Department's half-yearly survey is adopted as the general index of movement, the question arises whether the ruling rates survey should be continued as a specific review for tradesmen and labourers. We are firmly of the opinion that this should be done.

18. We are, however, satisfied that the requirements of external comparability are not met by the present practice of fixing a common tradesmen's rate on the basis of the average rate of the eight different categories of tradesmen surveyed. This we think is amply demonstrated by the following schedule of average weekly earnings (ordinary time) ruling in February 1968.

	$
Carpenters	40.36
Painters	37.60
Electricians	44.70
Plumbers	43.26
Fitters, fitter-turners	43.21
Boilermakers	43.14
Welders	41.63
Motor mechanics—	
A Grade	44.50
Certified	42.98
Other	40.63
Combined	42.33

19. On the basis of these figures, Government Service rates were fixed at:

	Per Week $
Indentured tradesmen	44.04
Grade 1A tradesmen	42.04
Grade 1 tradesmen	41.54

Thus, State-employed electricians are paid at the same rate (if in the same grade) as State-employed painters, whereas outside the Services, the survey shows, on the average electricians receive weekly $7.10 (or nearly 19 percent) more than painters do. Moreover, the State-employed painter or carpenter in Wanganui, where outside rates are comparatively low, will receive as much as the State-employed electrician or fitter in Wellington, where outside rates are comparatively high.

20. A number of effects stem directly from this:

(a) The State is unable to compete on equal terms for certain kinds of tradesmen except in those districts where wages are generally low;

(b) The State over-competes for certain kinds of tradesmen, especially in those districts where wages are low, but probably in most districts;

(c) The efficiency of certain State undertakings is reduced by inability to recruit and retain sufficient of certain kinds of tradesmen;

(d) There are constant pressures by employee associations to distort the wage pattern to enable certain State-employed tradesmen to earn as much as do similar tradesmen in the same place, and by employing authorities, to enable State Departments to compete on more even terms for necessary staff;

(e) The reputation of the State Services for paying rates which are fair to the taxpaying public is seriously undermined.

21. No witness was satisfied with this state of affairs. The consensus of opinion was that, despite the difficulties and likely opposition, separate rates should be determined for separate trades, or at least for appropriate groupings of trades, and that as this would remove the major discrepancy, regional differences would assume less importance. The State Services Commission said that the common national rate for tradesmen had been working many years, and that employee organisations would be strongly opposed to fixing separate rates for separate trades. The Railways and Post Office pointed out that the rates for a number of other occupations were fixed in relation to the tradesmen's rate, and considerable dislocation would follow the abandonment of a common rate. The New Zealand Employers' Federation, which supported separate rates on a regional basis, alleged that the survey had certain statistical deficiencies, which would be accentuated if separate averages were to be used for the separate trades. The Secretary for Labour was strongly opposed to any great expansion of the survey (which a change to separate rates might

involve) as this would bring unreasonable pressures on his departmental resources.

22. The first thing to be determined is whether the splitting of the common rate is feasible. We think that it is. We do not consider it necessary to fix a rate for every individual trade. There is comparatively little difference between some, and the numbers are in other cases too small to justify such precision. What we propose is that for the time being there should be four separate rates:

	Approximate Survey Averages
Building Trades:	$
(i) Carpenters and painters	39.50
(ii) Electricians and plumbers	44.06
Engineering Trades:	
(iii) Fitters, boilermakers, and welders	43.05
(iv) Motor mechanics (3 grades)	40.63 to 44.50

23. Under such a grouping the greatest difference between the surveyed average for a single trade and the "group" average is $1.90 a week (or less than 5 percent) for painters. Future developments in outside rates would have to be watched to see whether this rate should eventually be separated from the carpenters' rate.

24. The proposed grouping has the practical advantage that one pair of groups can be covered in a survey of the building industry, and the other pair in a survey of the engineering industry. We propose that the ruling rates survey itself be split into these two industry groupings, one to be undertaken in one year, and one in the next. This would reduce the load on the Labour Department and enable it to cope with such expansion of the samples as may be necessary to satisfy reasonable statistical requirements.

25. Our proposal does not dispose of the difficulties raised by the Railways and the Post Office. (These were apparently not such as to impede the splitting of the tradesmen's rate to give a separate rate for indentured tradesmen.) We are aware that the rates of some categories of employees that have no outside counterparts have been fixed in relation to tradesmen. If this relativity is still the best "horizontal relativity" available, it seems that the proper course would be to continue to calculate a tradesmen's average rate and fix the rates of the affected categories in relation to it. This would serve where the proper relationship is to tradesmen generally; but if the relationship is to a particular trade, then we think that the "key" should be the rate for that particular trade (e.g., blacksmith's striker to blacksmith).

26. The Deputy General Manager of Railways said that while it was their desire to have differential rates, the change "must be of a long-term nature and be taken small steps at a time". We appreciate that this is so, even though the difficulties were not detailed to us. It is our opinion that the only sensible course is to raise to external comparability the rates of those groups of tradesmen which are found to be below the survey averages for their group and to hold the rates of trades which are above the rate fixed for their group until they are in line with external comparability. This would mean of course that the latter groups would not receive interim adjustments until outside rates had caught up with their present rates.

27. More specifically, we suggest that the next ruling rates survey be confined to the building industry. Electricians and plumbers would be raised from that date to whatever rate was fixed for them. Carpenters and painters would remain on their existing rates and would not receive interim adjustments thereafter until a further building trades survey found them to be in line with outside rates (or until it had become clear between surveys that State rates were no longer above industry averages). Although the engineering trades would not have been surveyed their rates could *on this occasion* be brought up to the relativity with electricians and plumbers which was indicated in the February 1968 survey (that is, fitters, boilermakers, and welders $1 a week less, and A-grade motor mechanics approximately 50 cents more than electricians and plumbers; other motor mechanics in present relativity with the A grade). A year later a survey of ruling rates in the engineering industry would enable those trades to be properly aligned, but would not affect any of the building trades. Nor would subsequent surveys of the building industry affect engineering tradesmen.

28. If this suggestion is adopted, the State will still for a time be paying more for some tradesmen than external comparability justifies (but not more than they are now receiving). Nevertheless the ultimate advantages are considerable, and it would, in our opinion, be undesirable in this instance to attempt to impose wage reductions.

Statistical Aspects

29. We propose now to deal briefly with a number of questions which were raised as to statistical aspects of the ruling rates survey. In the first place, the use of the survey to fix the pay of smaller groups of tradesmen will in some cases require larger samples to be taken. We do not think that there is any need to set a higher standard of sampling accuracy than the present, permitting a possible sampling error of 23 cents a week at the 95 percent confidence level.

This is the equivalent, allowing for changes in the value of money, of the halfpenny an hour originally prescribed for the ruling rates survey. On the other hand, where it is not very hard to find the required sample number, we would like to see a higher standard aimed at, say 20 cents a week at the 95 percent confidence level. Changes in the value of money will in due course warrant changes in standards expressed in cents.

30. Consideration should be given to adding perhaps two other urban districts to the eight now surveyed, paying due regard to the numbers available for survey and to the numbers of State tradesmen in the districts. We do not however think that rural districts should be surveyed, because of the much greater difficulties and because most State tradesmen are urban employees.

31. Samples should continue to be restricted to firms which employ apprentices. The practical reasons for this are persuasive, and we do not think that any significant statistical bias results.

32. It does not seem practicable at present to carry out the survey on a postal or questionnaire basis. However, we think it a pity that factory inspectors should have to be diverted from their proper work to make surveys. We would hope that with the development of pay research it may be possible to train officers who can cope with this type of specific review as with others. At the same time we are not unmindful of the practical difficulties of making a survey simultaneously in 8 or 10 different cities.

33. If our recommendations are adopted we do not see the Labour Department being placed under any heavier work-load than at present. The load may even be lightened.

34. The Secretary of Labour stated that if other specific occupational surveys were likely to be some years apart there might be no justification for reviewing State labourers and tradesmen more frequently: indeed, because of past internal relativities between tradesmen and others, it might be desirable that the methods of pay adjustment used be as consistent as possible.

35. On general principles, we would be disposed to agree. However, if the State trades rates are to be separated and if the consequent adjustments are to be made as we recommend, it is essential for the present to keep to the annual review, which means in practice a review every second year for each industry. When the separate groups are finally brought into line, less frequent reviews could be considered, taking into account the degree of similarity in movement between the tradesmen's rates and the half-yearly survey average.

36. It was also suggested that the tradesmen's average should be obtained by eliminating the very high rates and the very low rates, or, to ensure that only "good" employers were compared with the State, to eliminate only the lower rates—the bottom quartile. We do not think that this is necessary or justifiable, although, as we understand is the practice, both very high and very low rates need to be carefully scrutinised to ensure that there is no hidden element which disqualifies the rate as a true sample. For example, an employer may be able to offer low basic rates along with substantial guaranteed overtime at high rates.

Labourers

37. By splitting the ruling rates survey into two industries surveyed in different years, we have created a new problem in respect of labourers. There is a significant difference between the average labourers' rates in the two industries, and we do not think it would be proper to fix State rates on the basis of either alone. We suggest therefore that labourers continue to be surveyed along with tradesmen in each industry. If the building industry is surveyed first (as we recommend) no change should be made at that stage, and labourers should continue to receive interim adjustments. When the engineering industry has been surveyed a year later (say February 1970), an average should be struck between (a) the engineering labourers' rate estimated at 15 April 1970; and (b) the building labourers' rate estimated at 15 April 1970. The two estimates would be arrived at as follows:

(a) Engineering labourers—survey average February 1970, plus one-third of the half-yearly interim adjustment of April 1970;
(b) Building labourers—survey average February 1969, plus one-third of the half-yearly adjustment of April 1969, and the whole of the half-yearly adjustments of October 1969 and April 1970.

State labourers would in the meantime have received the adjustments arising from the half-yearly surveys of October 1968 (including one-third of April 1968) and of April and October 1969. Their rates would then be brought into proper relativity with the average arrived at as above. They would thus receive either more or less than the April 1970 survey would have given them, depending on whether the rates of labourers had in fact moved faster or slower than average rates in industry.

ADVISORY COMMITTEE ON HIGHER SALARIES

38. In chapter 4 we concluded that the ordinary machinery for negotiation and arbitration is inappropriate for the most senior public servants, and that an alternative method is therefore needed for

regularly reviewing their salaries and for keeping them at a satisfactory level. This need is met by the Advisory Committee on Higher Salaries. We explained in chapter 2 that the Government set it up in 1962 to make recommendations to the Prime Minister on appropriate salary levels for departmental heads and certain other officers; the positions reviewed by the Advisory Committee in 1967 are listed in appendix 5. It consists of five distinguished people from industry and commerce, and is so constituted to be able by private approaches to obtain information about salary levels of senior executives in outside employment. Hence it can properly be regarded as a pay-research organisation, operating in an area which would be inaccessible to an ordinary pay research unit.

39. The decision to establish the Advisory Committee conformed with a recommendation of the 1962 Royal Commission. However, the range of positions on which it has been asked to advise is somewhat wider than that envisaged in the original recommendation; in 1967, for example, it included four positions in the teaching service, and in chapter 4 we propose that these should be transferred to tribunal jurisdiction, so that in negotiation and arbitration the occupational groups in the teaching service could be dealt with as a whole.

40. Our proposal is contrary to the views of the Director-General of Education, and calls for justification at this point. His case was not that headmasters and principals are unsuitable for tribunal jurisdiction, but rather that they are suitable for consideration by the Advisory Committee. It is not clear why this should be so; their professional responsibilities do not obviously resemble those of the senior administrators on whose pay the Advisory Committee is specially qualified to advise. Rather, the impression emerges that the Advisory Committee is seen by the Department of Education as judging the value to the community of the educational system, and of certain specific positions within it. We believe this to be a misconception. For pay-fixing purposes, value is determined not by a process of judgment but by market forces. Judgment comes in as one appraises the evidence in order to decide what price must be paid to secure enough staff of the right quality. A Tribunal, supplied with evidence by the parties and empowered to consider the occupational groups in the teaching service as a whole, should be better situated to do this than is the Advisory Committee.

41. We need scarcely add that this comment implies no criticism of the Higher Salaries Advisory Committee. The evidence was virtually unanimous that it has been a highly successful innovation. Indeed, so successful has it been that the proposals for change most often made were that it should make more frequent reviews, for a greater range of positions.

42. We cannot support either of these requests. For the reasons already stated, we believe that the Advisory Committee's proper field is that of senior administrators; and within this field, we are satisfied that it should generally continue to confine its attention to one key position within each Department, usually that of permanent head. The State Services Commission, noting the concern expressed by employee associations at the percental widening of the margin between permanent heads and their deputies, suggested that the Advisory Committee should be asked "to comment on what it considers to be appropriate margins between the holders of the key positions in the State services which it reviews and the deputies to those positions". We are uneasy at this proposal, on the ground that both in the State Services and outside, these margins cannot be uniform from one organisation to another, but must depend on the specific allocation of responsibilities and duties between the head and his deputy. We see no problem in asking the Advisory Committee to investigate and make recommendations on the positions of a few designated deputies in each review, but to cover them all properly would add too much to its work.

43. The request for more frequent reviews arises because there has hitherto been no regular procedure for making interim adjustments to appropriated salaries. In chapter 4 we suggested that there was no need for the continued appropriation of specific salaries (except perhaps for those in the Civil List and special Acts), and in chapter 6 that general adjustments be applied right through to the top (except when an Advisory Committee review is about to be, or is being, made). If these proposals are accepted, Advisory Committee reviews will only be needed at triennial intervals; and we have suggested in chapter 6 that they should coincide with the April half-yearly survey.

44. If our proposals are not accepted, there would be a strong case for more frequent Advisory Committee reviews. However, it must be recognised that there are limits to what could reasonably be required of the Advisory Committee. This makes more frequent reviews an alternative inferior to the application of interim adjustments to higher salaries. The authoritative nature of the Advisory Committee's reports is a consequence of the fact that its members are not only distinguished but also very active in the business world; the heavier the burden of Advisory Committee work, the more difficult it will be to recruit such members. The Advisory Committee's 1967 *Report* noted that:

> In addition to attending 10 formal meetings, the members of the Committee have held many informal discussions and have been required to consider more than 750 pages of specially submitted written material as well as a large number of reports and other documents.

It would be wrong to expect an exercise of this magnitude to be undertaken more often than every other year, and we are strongly of the view that it should be triennial, with interim adjustments.

45. As already noted, to apply interim adjustments at top levels would mean abandoning the specific appropriation of those salaries at present individually listed in the annual Estimates. We recommend instead that the salaries of those officers who are outside the Tribunals' jurisdiction be promulgated by Order in Council, so that Parliament retains an opportunity to discuss them. State pay scales would thus be issued in one of the following ways: by Order in Council; by a determination of an employing authority, or a tribunal order varying or replacing such a determination; or by an award or industrial agreement of the Court of Arbitration.

OTHER ADVISORY COMMITTEES

46. Before looking at other advisory committees, existing or proposed, it is necessary to consider their general place in pay fixing. It may have been the success of the Higher Salaries Advisory Committee which prompted several organisations to propose to us that they too should have an advisory committee. The demand may also stem in part from frustration with the tribunal system, which (as we saw in chapter 4) has been hampered in dealing with many occupational classes by the fragmentation of pay-fixing authority between Tribunals, employing authorities, and parliamentary appropriation. There may also be a tendency in some quarters to suppose that pay-fixing problems could be better solved if handed over to a committee of wise men.

47. While we consider that advisory committees may be very useful in some circumstances, we do not credit them with magical qualities. As we have already said, there is no machinery which will permanently eliminate disagreements about pay, and the current enthusiasm for advisory committees would not long survive their indiscriminate introduction. They must be appraised in the light of our earlier remarks about the value of negotiation which brings the parties together to resolve as far as possible their differences, and of arbitration to deal with those which remain. Both sides thereby gain a better understanding of the facts and a greater sense of responsibility for and acceptance of the outcome.

48. We have recognised elsewhere (chapter 3, para. 34) that there is a place for two types of "consultative" committees. The first, which can be thought of as a study group composed equally of representatives of the official and staff sides, is clearly an extension of

the usual negotiating processes (for example, to undertake a large-scale review of pay and conditions of service which might tend to clog the ordinary machinery); hence wholly agrees with the principle just expressed. The second (for example, the Hughes Parry Committee which investigated the New Zealand university system in 1959) consists of independent experts and/or laymen to whom submissions can be made by those interested. The Government may well find it useful to appoint committees of this type from time to time to review sectors of the State Services, and they may have to comment at least in general terms on levels of pay and conditions of service; but since they cut across the ordinary processes of negotiation and arbitration, we see them as exceptional rather than as standard—as a medicine but not a diet.

49. From some submissions which we received it seems to be insufficiently appreciated that an independent advisory committee, especially a permanent one, would fit uneasily in harness with a Tribunal. Some witnesses seemed to assume that the reports of an independent advisory committee could usefully be quoted in tribunal proceedings. But we doubt that a Tribunal would be prepared, for any significant time, to accept the judgments of another body as its own; nor is it likely that members would continue for long to serve on an independent advisory committee if their views were publicly disregarded by a Tribunal. As a general rule, an independent advisory committee must be seen not as an adjunct, but as an alternative, to a Tribunal.

50. In some of the areas where no Tribunal can operate, an independent advisory committee may be of great value. The Higher Salaries Advisory Committee is an obvious example. But where a Tribunal can operate, it should be preferred, since an independent advisory committee is conducive neither to negotiation nor to arbitration.

51. The most challenging proposal put to us on this topic was that for a Committee on Professional Salaries, advocated by the Association of Scientists. The Association, which numbers among its members scientists engaged in Government research, in university teaching and research, and in school teaching, was keen to give reality to the concept of the State as sole employer, which we have already discussed and supported (chapter 3, para. 2). It was disturbed at the disparities which it believed to exist among the different State agencies employing scientists; it was also very conscious of the potential contribution which science could make to the future of New Zealand, if pay scales were adequate to recruit and retain enough scientists of sufficiently high quality. It concluded therefore that a single authority, consisting of

independent and distinguished persons capable of appraising the issues involved, should be responsible for considering the pay of all State scientists; and recognising that scientists were not unique, it broadened this conception to take in other professional groups. It proposed therefore a Committee on Professional Salaries, with subcommittees to consider each professional group, and with power to issue salary scales which would become effective, if not rejected by Parliament within 30 days.

52. This is a bold conception, departing so much from the current pattern that major problems would arise in implementing it. We doubt that disparities between separate agencies could be altogether eliminated without a common system of classification and grading: the systems are now very different in the Public Service, the schools, and the universities. The State would need to become the sole employer not only for pay-fixing purposes but also in matters of hiring, and of promotion; and the proposed Committee would have to decide, for example, whether people teaching some science in schools were to be treated as scientists or school teachers. It is a major objection to the proposal that it makes no provision for negotiation, and provides for arbitration only if the Committee is given the powers, and adopts the procedures, of a Tribunal. Moreover, experience with a two-tier system of advisory committees in the hospitals field has not been encouraging, as we saw in chapter 3. We do not doubt that science has a substantial contribution to make to the future of New Zealand, as have other forms of professional employment; but unless the relevant employee groups are capable of persuading the relevant employer groups, in face-to-face discussion, of the potential size of that contribution and (in some degree, at least) of its implications for salary scales, we doubt that an independent advisory committee will solve their problems, since its advice (if favourable to the employees) must be offset in some degree by that of the employing authorities, who are in closer and more continuous contact with the Government.

53. We see no reason therefore to prefer an independent advisory committee to a properly functioning system of negotiation and arbitration, in which Tribunals have jurisdiction over entire occupational classes. We attribute the current dissatisfaction of scientists, and of other professional groups such as engineers, with the tribunal system to the fragmentation of jurisdiction which so often affects the classes to which they belong. We have made recommendations for overcoming this problem. Accordingly, we shall confine our further consideration of advisory committees to those areas in which Tribunals do not operate.

54. The Hospital Medical Officers Advisory Committee was briefly described in chapter 2, and in chapter 4 we suggested that for the time being the hospital doctors should not be brought within the scope of the tribunal system. The Advisory Committee, which is equally composed of employer and employee representatives under an independent chairman, is not an independent advisory committee of the type which we have just been discussing, but a properly constituted negotiating body. When the existing disparities between the New Zealand and overseas salary levels have been substantially overcome it would be reasonable to provide for arbitration as well as for negotiation. In the meantime, we have only one change to recommend. The Hospital Boards' Dental Surgeons' Association proposed that dentists as well as doctors should be brought within the Advisory Committee's scope. This is apparently the practice in Great Britain, and the professions are so similar in many respects that we see no reason why it should not be adopted here. We recommend that discussions be started to this end.

55. The University Salaries Committee, also described in chapter 2, is dissimilar in that it contains no employee representatives. For this and other reasons the Association of University Teachers showed no great enthusiasm for it. On the other hand, the university institutions and the University Grants Committee, pointing out that the Committee was established as recently as 1966 after considerable discussion, felt that it should be given a longer trial and that no changes should be made at present. We recognise in chapter 4 that, for the time being, this is not an area in which a Tribunal should operate, hence we cannot accept the proposal of the Association of University Teachers that a reconstituted Committee should be given pay-fixing powers. The absence of any adequate machinery for negotiation persuades us that the system cannot in the long run command the confidence of the academic staff, nor impose on them the valuable discipline of having to defend their pay claims in face-to-face discussion with the employing authorities. But neither would the system be much improved by amending the Committee as the Association of University Teachers proposed: by substituting for some lay members of the University Grants Committee, lay members of University Councils; by substituting for the representative of the State Services Commission a representative of the Treasury; by adding one member to represent the Association, but without voting rights; and by adopting a more formal procedure for the Committee's hearings. In the circumstances we favour making no change for the time being. After the system has had a longer trial we expect that its deficiencies will become increasingly apparent, to employer as well as to employee interests. In those circumstances the parties will be better prepared

to give thought to a more drastic restructuring of the Committee, perhaps taking the Hospital Medical Officers Advisory Committee as a model.

56. For reasons explained in chapter 4 the Armed Services must remain outside the framework of the tribunal system. It is thus important that there be some alternative system to ensure the regular review of their pay rates. We explained in chapter 2 that there are two advisory committees for this purpose. One, the Principal Personnel Officers Committee, operates through ordinary departmental channels, and can be relied on to ensure that all general adjustments are applied to Armed Services' pay, and that the needs of recruitment are considered when pay scales are fixed. The other, the Armed Services Pay and Conditions Advisory Committee, is available as an independent committee of inquiry whenever the Minister of Defence may wish to seek advice other than through departmental channels. We mentioned in chapter 4 that the Returned Services' Association saw the need for such a committee of inquiry to conduct regular reviews, in the course of which it could receive evidence from the Association and other organisations similarly interested. In our view, the need for an outside review depends on the frequency and efficiency of the reviews conducted within the Ministry of Defence. We are confident that the Returned Services' Association and similar organisations can be relied on to detect inadequacies in the scales resulting from those reviews, and to make representations to the Minister that the Armed Services Pay and Conditions Advisory Committee should be convened to report on them. In these circumstances we see no reason to recommend that it should make reviews at prescribed intervals.

57. Apart from Post Office employees, who remain outside the tribunal system because they so wish it, the only other major group outside that system is the Judiciary. No advisory committee operates in this area. It is a constitutional principle that the Judiciary must be, and be seen to be, independent of the Executive: though in the service of the State, they are not "State servants" in the customary sense. Accordingly, there would be strong opposition to any proposal to bring them within the ambit of any existing advisory committee. To symbolise this independence, judicial salaries are fixed by legislation, and do not require to be appropriated annually. However, in times of inflation it is necessary periodically to revise these Acts, and there must be machinery for drawing the attention of the Government to this need. By custom this is done by the Chief Justice consulting with the Prime Minister. Neither the judges nor the magistrates saw any need for a change in the system, though the Chief Justice pointed out that legislation passed in Great Britain in

1965 provided for increases in the salaries of judges to be made by Order in Council, up to limits expressed in the Act. We make no recommendation, but merely comment that such a change would not be inconsistent with the proposals made elsewhere in this report.

CO-ORDINATION AMONG ADVISORY COMMITTEES

58. Both the State Services Commission and the Treasury proposed certain changes, designed to secure a measure of co-ordination among the Higher Salaries Advisory Committee, the Hospital Medical Officers Advisory Committee, and the University Salaries Committee. The State Services Commission proposed that the reviews of the three committees should be carried out contemporaneously, and that there be a formal requirement for consultation between them before they make their reports to the Government. The Treasury went further: to ensure consistency in the advice tendered, it proposed that the Higher Salaries Advisory Committee should be solely responsible for recommending to the Government the salaries to be paid to senior staff in the universities and the hospital medical service, leaving to the other two committees the responsibility of recommending salaries for the positions below them.

59. Three issues are at stake. First, there is the problem of overlap. It is generally admitted that there should not be two advisory committees proposing independently a salary for the same position. Should the clinical staff of the Medical Schools then be within the jurisdiction of the Hospital Medical Officers Advisory Committee or the University Salaries Committee? The Chairman of the University Salaries Committee stated that his Committee had recently recommended that university medical salaries should be brought into certain relationships with hospital salaries, thereby in effect transferring university medical staff to the jurisdiction of the Hospital Medical Officers Advisory Committee. This seems to be the most glaring example of potential overlap, and if it can be thus resolved by reasonableness on the part of both committees we are confident that any lesser problems can be similarly dealt with.

60. Second, granted that each committee has a distinct jurisdiction, how much co-ordination should there be between them? We have recommended that the Higher Salaries Advisory Committee should report triennially, but experience has shown that the University Salaries Committee may need to report more frequently if there are major changes in academic scales in Great Britain or Australia, and a similar flexibility may also be necessary for the Hospital Medical Officers Advisory Committee if it is to respond to changes in the international market. Accordingly, we cannot accept the State Ser-

vices Commission's proposal that the three committees should report contemporaneously. We recognise that, when reviews are taking place contemporaneously, it is desirable that each committee should be aware of the others' intentions. This should not be difficult, since the State Services Commission is represented on two of the committees and could keep in touch with the third. We think it preferable however that the chairmen of the three committees should keep each other informed of their intentions. But while an exchange of information is desirable, it is for each committee finally to decide what its recommendations shall be.

61. Third, should the Higher Salaries Advisory Committee occupy a position of primacy, as the Treasury has proposed, by being given the sole responsibility for advising on top academic and hospital medical salaries? To answer this question it is necessary to remember what in our view the three committees are for. The Higher Salaries Advisory Committee is a pay-research organisation with special knowledge of high executive salaries in New Zealand, permanently needed because the ordinary processes of negotiation and arbitration are inappropriate for senior State administrators. The reasons for the Hospital Medical Officers and University Salaries Committees are different. We have suggested that they are only temporarily needed, to give the Government some discretion in choosing between politically important alternatives during a period of marked disparity between New Zealand and overseas salary structures. We have concluded that, while this situation persists, it would be undesirable to place medical and academic staff within tribunal jurisdiction, where in normal circumstances they should be. In the meantime, their pay scales should continue to be approved by the Government; but the Government needs expert advice on the level of salaries which it would be necessary to pay if the standards of the hospitals and universities are to be maintained, before it can decide whether it can afford to maintain them. The Hospital Medical Officers and Universities Salaries Committees thus perform certain pay-research functions, in areas distinct from that of the Higher Salaries Advisory Committee; but there is less presumption that the Government should accept their advice than there is in the case of the Higher Salaries Advisory Committee. Indeed, it can be expected that the salaries proposed by the first two committees will be out of line with those proposed by the third, because important factors apply more strongly to the first two than to the third. It is because we see the need for these factors to be considered by the Government that we do not recommend leaving them to the normal processes of negotiation and arbitration. It is therefore indispensable that these committees should continue to report to the Government on the whole range of medical and academic salaries.

FACILITIES FOR ADVISORY COMMITTEES

62. The pay-research activities of advisory committees entail a considerable amount of correspondence and of document reproduction. Sometimes an advisory committee can rely on permanent staff to perform this work (as the University Salaries Committee can rely on the staff of the University Grants Committee), but this, we were told, is not always the case. When it is not the case, the Government should recognise the obligation to make staff and equipment available for this purpose. It must be remembered that committee members are invariably busy men whose services are often given without remuneration. They are entitled to be serviced in ways which relieve them of all unnecessary burdens. If this is not done, it may prove difficult in future to obtain suitable members; and on the quality of members depends the quality of the advice received. We think it appropriate to draw attention to this matter.

RECOMMENDATIONS

We recommend that:

(38) A Pay Research Unit be established in the Department of Statistics (para. 8).

(39) A steering or advisory committee be established, with an independent chairman, but otherwise representative of employing authorities and employee associations, to be responsible, *inter alia,* for the selection of occupational groups to be reviewed by the unit (para. 9 ff).

(40) The manner in which any review is carried out, the coverage of firms, the statistical techniques employed, and the way in which the final report is prepared and presented, be the sole responsibility of the Director of the Unit in co-operation and consultation with the Government Statistician and his staff (para. 13).

(41) If the staff associations are not willing to co-operate in the establishment of the unit, it should still be established in a form which will enable them to participate whenever they may decide to do so (para. 16).

(42) The ruling rates survey be continued as a specific review for tradesmen and labourers (para. 17).

(43) The present common tradesmen's rate be split into four separate rates within two industry groups (para. 22):

Building Trades

(i) Carpenters and painters
(ii) Electricians and plumbers

Engineering Trades

(iii) Fitters, boilermakers, and welders
(iv) Motor mechanics (3 grades).

(44) The survey of ruling rates be split into these two industry groups, one to be undertaken one year, and one in the next (para. 24).

(45) The next ruling rates survey be confined to the building trades and, consequent to this survey, wage adjustments be made as outlined in paragraph 27.

(46) Ruling rates for labourers continue to be surveyed in both industries, and be combined every second year (as outlined paragraph 37) to obtain an average on which to base State labourers' rates.

(47) The Higher Salaries Advisory Committee continue to conduct general reviews trienially, at April (para. 42–44).

(48) The salaries fixed on or following the recommendations of the Higher Salaries Advisory Committee be promulgated by Order in Council and not by specific appropriation by Parliament (para. 45).

(49) The Hospital Medical Officers Advisory Committee continue to recommend pay scales for hospital doctors, and steps be taken to bring hospital dentists within its scope (para. 54).

(50) The University Salaries Committee continue to recommend pay scales for university teachers, and no change be made for the time being in its composition and procedures (para. 55).

(51) The Principal Personnel Officers Committee and the Armed Services Pay and Conditions Advisory Committee continue to recommend pay scales for the Armed Services, the former conducting frequent and regular reviews, and the latter conducting such inquiries as the Minister of Defence from time to time may direct (para. 56).

(52) No change be made in the procedures for recommending changes in the remuneration of the Judiciary (para. 57).

(53) When the Higher Salaries Advisory Committee, the Hospital Medical Officers Advisory Committee and the University Salaries Committee are conducting contemporaneous reviews, the chairmen of the three committees keep each other informed of their intentions, but each committee remain free to decide what its recommendations shall be (para. 60).

Chapter 8. CO-ORDINATION BETWEEN THE STATE SERVICES AND OTHER AGENCIES

1. What we have called Phase II of our Warrant requires us to:

> . . . receive representations upon, inquire into, investigate, and report upon the necessity or desirability of co-ordinating the methods of determining the salaries and wages, and the terms and conditions of employment, in the State Services as defined herein on the one part, and other corporations, agencies, and authorities whose funds are derived principally from money appropriated by Parliament or who have a governing body a majority of whose members are persons who are either Ministers of the Crown, employees in the Government service, or persons appointed by the Governor-General or a Minister of the Crown on the other part, together with any changes that are desirable or practicable in the existing procedures and methods of co-ordination.

We need not here concern ourselves with persons appointed as chairmen or members of the governing bodies of the many Government agencies brought within the scope of our inquiry by this phase of the Warrant. Full-time chairmen and members are within Phase I, and the remuneration of part-time chairmen or members is either prescribed by the Fees and Travelling Allowances Act 1951 or fixed by agreement. We are here concerned only with the staffs of the agencies mentioned, or rather with the staffs which are not provided by departments of the Public Service or some other branch of the State Services.

2. The evidence we heard, whether in relation to Phase I or Phase II, gave us no reason to believe that there is now any critical absence of co-ordination between the pay of such agencies and that of the State Services. By way of contrast, there was some evidence of occasional difficulty from there being no effective co-ordination between local body and State pay, but the terms of our Warrant do not include local government.

3. A submission presented jointly by the State Services Commission and the Treasury was the only one which urged further co-ordination between the relevant agencies and the State Services, and even this did not suggest any radical departure from present practices. After acknowledging the difficulty of defining any principle by which the various agencies might be separated into clear and distinct categories, it divided them into three separate groups (see appendix 12 for detail). The grouping may be summarised:

Group 1: Organisations whose expenses are met wholly by a levy on those who benefit directly from their work (that is, mainly primary produce marketing boards).

Fishing Industry Board
N.Z. Apple and Pear Marketing Board
N.Z. Milk Board
N.Z. Poultry Board
N.Z. Wheat Board
N.Z. Wool Board
N.Z. Wool Commission
Potato Board
Workers' Compensation Board.

Group 2: Agencies owned exclusively by the Government of New Zealand.

Air New Zealand Ltd.
Bank of New Zealand
Linen Flax Corporation
National Airways Corporation
Natural Gas Corporation
N.Z. Broadcasting Corporation
Reserve Bank of New Zealand
Tourist Hotel Corporation

Group 3: Boards, commissions, councils, and authorities who come within Phase II by reason of the method of appointment of the governing body or the authority.

Consumer Council
Industrial Design Council
Medical Research Council of New Zealand
Monetary and Economic Council
N.Z. Foundation for the Blind
N.Z. Inventions Development Authority
N.Z. Trades Certification Board
Ombudsman
Queen Elizabeth II Arts Council of New Zealand
Standards Council
University Grants Committee
Waterfront Industry Commission.

4. We find this grouping valid and helpful, and will now consider the joint submission in relation to each of the three groups.

Group 1

5. We agree with the joint submission that it is primarily the Government's financial interest in any agency which justifies its control of pay structures and conditions of employment. As the Boards

listed in Group 1 (industry boards) are not supported at all by Government funds, the submission accepts that there is no need to seek any co-ordination between their pay and that of the State Services. We agree with this. Therefore we do not recommend that the pay of Group 1 be controlled in the interests of co-ordination.

6. The New Zealand Wheat Board, however, needs special mention. Section 16 of the Wheat Board Act 1965 (which establishes the Board) provides for the salaries and wages of the Board's employees being fixed "within scales approved by the Minister of Finance". This is obviously a co-ordinative provision, but the State Services Commission and the Treasury are agreed that it is no longer needed, and favour an amendment giving the Board the unrestricted pay authority which the other Boards in Group 1 possess. We recommend that this be done.

Group 2

7. Group 2 agencies are owned exclusively by the New Zealand Government. Those whose ownership is shared by the Government and private investors are accepted by the joint submission, and by us, as being outside our Warrant.

8. The corporations (in which term we include companies incorporated under the Companies Act 1955) in this group vary widely in composition and function. Some, but not all, of their statutes give their Ministers power to issue directions about corporation business or functions. The Corporations must comply with such directions. Section 10 of the Tourist Hotel Corporation Act 1955 is typical:

> In the exercise of its functions and powers the corporation shall have regard to any representations that may be made by the Minister in respect of any functions or business of the corporation and shall give effect to any decision of the Government in relation thereto conveyed to the corporation in writing by the Minister.

A free interpretation might be that the wording of such a section would empower a Minister in charge of a corporation to make representations or give directions about pay. But this, it seems, is a matter of doubt. We understand that the Government has never adopted this interpretation, though some corporations thought it was the correct one.

9. However, the statutes of some corporations (for example, the New Zealand Broadcasting Act), but not all, contain explicit requirements for co-ordinating pay and conditions of service. These, too, vary widely in language and rigidity.

10. In general, then, the position of corporations in this matter is uncertain, and there is no assurance of general co-ordination of

pay. In chapter 3 we stressed the importance of "reasonable co-ordination" among all Government organisations. We conclude that some formal machinery is needed to prevent potentially harmful divergencies between State Services' pay and conditions and those of corporations. Moreover, situations may arise when the Goverment, or a Minister acting on his own initiative, would properly wish to direct the Board of a corporation on a matter affecting the pay of its employees. The absence of a positive power to do so could create difficulty. Moreover, there must be greater certainty, and some increase in uniformity in legislation.

11. The joint submission of the State Services Commission and the Treasury makes a case for some co-ordination among all Group 2 corporations to be brought in by legislation couched in terms such as these: "The Corporation (or Board) shall have regard to any representations that may be made by the Minister in respect of the salaries and wages, allowances and terms and conditions of employment of such officers and employees as it may appoint from time to time."

12. Not all in Group 2 gave evidence, but those which did viewed this proposal unfavourably. Indeed, it seems that all corporations aspire to complete independence, despite the difficulty in some cases of distinguishing their needs from those of some State departments (for example, the Public Trust, the State Insurance Office and the Government Life Insurance Office). Their various objections to any form of control over pay fixing may be summarised thus:

(a) They are subject, in varying degrees, to business competition, and should not be prevented by controls from responding flexibly, *inter alia,* by bidding for the staff they need at whatever price they have to pay.

(b) They must be seen to be free from political interference. The New Zealand Broadcasting Corporation, in particular, placed considerable emphasis on this argument.

(c) Some depend for their finance on loans, and possibly other forms of finance, which must be attracted from a business sector which views Government control of any kind critically.

The Secretary of the New Zealand Federated Clerical and Office Staff Employees' Industrial Association of Workers also thought that the obligation to heed a Minister's representations would limit an employer's freedom in negotiation, and was therefore objectionable.

13. We do not place great value on the proposal of the joint submission. It merely requires the corporation to "have regard" to representations; it confers no power of direction on the Minister, so

that his representations, having been formally "regarded", can be legally disregarded, a serious embarassment. This may be unlikely to occur, but it could happen in the case of a determined board whose appointments were for fixed terms.

14. Something more positive is needed to ensure reasonable co-ordination for Group 2 corporations. Two things seem essential: first, knowledge of changes which have taken place in areas where the normal State co-ordinating machinery does not operate; second, the power to eliminate possibly harmful divergencies between corporation and State pay.

15. The first would imply the keeping of an up-to-date record of the pay and conditions of all Government agencies, and would require each agency to notify the State Services Commission, within (say) 28 days of promulgation, of any pay scales or changes. The State Services Commission could, in turn, be required to inform all other employing authorities affected, who could then discuss the scale or change with the agency concerned, and, if necessary, through their Ministers, make representations upon it.

16. The second could be met by the Minister in charge of each agency being given an unambiguous power to issue directions in writing about pay and employment conditions. Though there may be subtle ways in which a Minister can make his influence felt on such issues even when he has not been given express power, the need is for clarity and certainty, a need emphasised by the present confusion about the meaning of, for example, s. 10 of the Tourist Hotel Corporation Act 1955. The Minister's power could, if a check were thought desirable, be limited to use in circumstances when he certifies that he is satisfied of a need for the written direction.

17. These suggestions were put to the Chairman of the State Services Commission at the time of the joint submission. It appeared that he thought that they went further than the situation demanded, and he noted the extra work the corporations and the State Services Commission would be put to in sending and recording the pay information. The corporations were more positively opposed to the suggestion. They were not concerned about the extra routine work involved, but about a Minister's authority to direct corporations.

18. We believe that the corporations we heard place too much weight on the arguments set out in paragraph 12 above. While they raise issues which a Minister will doubtless weigh before issuing a directive, they do not show that he would never be justified in doing so. We do not accept, as (a) asserts, and the New Zealand Federated Clerical Associations thought, that a power in a Minister to direct must substantially hinder a Corporation's ability to negotiate with or

compete for staff. It does not seem to have done so in the past, and we do not think it will in the future, especially if the power is to be used only in the limited circumstances which we have mentioned. Arguments (b) and (c) seem to us to have even less force. Many of the corporations are already obliged to give effect to Government decisions about their functions or business. We heard no evidence that the obligation had impaired political independence or the capacity to attract finance. The suggested power to issue directions about pay is even less likely to affect those qualities.

19. We therefore recommend the adoption of the machinery suggested in paragraphs 14, 15, and 16. We would see it applied to all Group 2 corporations to ensure reasonable co-ordination as well as certainty and uniformity. As for notification of pay scales and changes, the ideal would be to do this before promulgation; but that, we think, would impede negotiations with employees and obstruct efficient administration. Notification after promulgation is therefore preferable, a preference which accepts the possibility of some harm being done before notice is received. For that case, the employing authorities affected could make vigorous representations through their Ministers (if necessary to Cabinet itself) to ensure that no further breach of reasonable co-ordination takes place. We concede, however, that there could be more than one view regarding the advisibility of making each of these corporations subject to its Minister's power to direct. Our proposal may suit some less than others. Nevertheless, on balance, we favour its application to all. Certainly a corporation should be excluded only if political independence or the degree of separation from Central Government machinery plainly justify the exclusion.

20. The joint submission stated that, whatever might be our views about most of the Group 2 agencies, a special case could be made out for maintaining the strict co-ordinating provisions at present in two sections of the Broadcasting Act 1961. Section 16 of the Act, as subsequently amended, provides that the salary of the Director-General shall be appropriated by Parliament. (Indeed, this particular salary has been one of those considered by the Advisory Committee on Higher Salaries.) Section 17 relates to the salaries and wages of other officers and employees; they must be determined by the Corporation "in agreement with" the State Services Commission. The joint submission would retain both these provisions; but the Corporation sought complete freedom, stressing its commercial nature, the present and anticipated increased competition for radio and television performers, administrators, and technicians, and the need to make frequent adjustments to meet changes in an extremely variable industry.

21. So far as the salary of the Director-General is concerned, we are unconvinced either by the arguments in the joint submission for retention of the present provision for parliamentary appropriation, or by the contrary arguments of the Corporation that it should be free to fix the salary at such sum as it considers appropriate for the person holding, or to hold, the office. In principle, we doubt the justification for a treatment of this salary, and, for that matter, of that of the Governor of the Reserve Bank, different from those of the heads of other corporations which have complete freedom; but neither have we been shown adequately that a point has been reached in the movement of broadcasting away from departmental administration where complete autonomy in this respect is desirable. We imagine that if ever the post is to be filled with an appointment from overseas, it could then be plainly necessary. The timing of such a change is properly a matter for negotiations between the Board and the Minister, which we have no wish to jeopardise. We thus make no recommendation on this salary.

22. On the other hand, we have a definite view about the salaries of other Broadcasting Corporation employees. We agree that it should have the same freedom with those salaries as have the other Group 2 corporations. We are familiar with the history of the evolution of the Corporation from departmental status within the Public Service, and with the continuing membership of many of its employees in the Public Service Association. We appreciate, too, that it has key occupational groups in common with departments of the Public Service. Nevertheless, we consider that it should be trusted to consult the State Services Commission where necessary and to exercise a wise discretion in fixing its salaries and conditions of employment, and maintain therein reasonable co-ordination. Should it or any of the other State agencies fail to do that, the proper remedy is a ministerial directive, for which our recommendations have already provided.

Group 3

23. Group 3 covers 12 different State or State-sponsored agencies whose inclusion is justified by the method of appointment of the governing body. These 12, too, differ widely in their constitutions and functions, and it is difficult to view them as a group. We understand that co-ordination is sought here because, except for the University Grants Committee, their administrative costs, or some part of them, are met by the Government, either directly or indirectly.

24. The joint submission asks in respect of this group (but excluding the University Grants Committee) first, that where at present the legislation applying to a particular organisation requires the approval

of the Minister of Finance to terms and conditions of employment, "the Minister of State Services" should be inserted for "the Minister of Finance". Second, where the organisations may at present fix pay "after consultation with" the State Services Commission, this should be changed to "in agreement with". Third, those organisations (for example, the Medical Research Council) where neither requirement at present applies, should be required to fix pay and conditions of employment "in agreement with" the State Services Commission.

25. We see no reason to differentiate between Group 3 and Group 2 in recommending special machinery. Our arguments about Group 2 apply to Group 3, with two additions. First, we agree with the joint submission that, as the administration expenses of the University Grants Committee are not met by the Government, the Committee should retain its present independence in settling pay and conditions of employment of its own staff, but not those of universities.

26. Second, concerning the Waterfront Industry Commission, which stands in a position somewhat different from the other bodies in Group 3. In so far as the bulk of its funds are raised by levies on employers of waterfront labour, it might be thought it should be placed in Group 1. But its funds are also subsidised by Government grant. Section 48 of the Waterfront Industry Act 1953 provides for the pay and allowances of its employees to be fixed by the Minister of Labour, or, where the payments are made from Government grant, by the Minister of Finance. The staff of the Commission have formed their own Guild, and a practice has developed for salary scales to be negotiated with the Commission, and to be then referred to the appropriate Minister who takes the advice of the State Services Commission before prescribing rates. The salary of the Commissioner is advised upon by the Higher Salaries Advisory Committee. These procedures seem to work satisfactorily, and neither the State Services Commission nor the Waterfront Industry Commission seek to change them.

RECOMMENDATIONS

We recommend that:

(54) The need for co-ordination in pay fixing between the State Services and an organisation or agency should be tested first with reference to the Government's financial interest in it, and where there is no such interest there is no need to control its pay-fixing powers in the interests of co-ordination (para. 5).

(55) Those organisations whose expenses are met wholly by a levy on those who benefit directly from their work, and which are listed as group 1 in paragraph 3 be free to determine their pay rates without any requirement to co-ordinate with State Service pay (para. 5).

(56) Section 16 (3) of the Wheat Board Act 1965 which now requires the approval of the Minister of Finance for salaries and wages of employees of the New Zealand Wheat Board be repealed (para. 6).

(57) As the Government of New Zealand clearly has an important financial interest in those agencies which are owned exclusively by it, such as are set out as group 2 in paragraph 3, a degree of co-ordination is required, and therefore:

(a) Such agencies be required to notify the State Services Commission of the details of pay scales, and changes in pay scales or in relevant terms and conditions of employment, within 28 days of the scales being issued, or the changes being made (para. 19).

(b) The Minister-in-Charge of any such agency be given power to issue directions in writing to the agency, in matters of pay and conditions of employment, this power being given by amending the relevant constituting statutes except in the case of Air New Zealand Limited (which has no statute) where the power should be taken by ministerial direction to the Board of Directors (para. 19).

(58) Where the Government meets the administrative costs of agencies, or some part of them, and has power of appointment of the governing bodies of such agencies, such as are set out as group 3 in paragraph 3 (but excluding the University Grants Committee and the Waterfront Industry Commission), a degree of co-ordination is required and the same requirements should be imposed and powers given as are recommended to be imposed and given in the preceding recommendation (para. 19).

(59) The statutory provisions requiring the approval of the Minister of Finance for salaries and allowances of the employees of the Queen Elizabeth II Arts Council, the Monetary and Economic Council, and the Ombudsman, be repealed (para. 25).

(60) The statutory provisions requiring the pay and conditions of employment of the following to be determined in agreement or consultation with the State Services Commission be repealed: employees of the New Zealand Broadcasting Corporation, the Natural Gas Corporation, the Standards Council, the Consumer Council, the New Zealand Inventions Development Authority, the New Zealand Trades Certification Board, the New Zealand Foundation for the Blind, and the Industrial Design Council (para. 25).

(61) The University Grants Committee retain its present independence in matters of pay and conditions of service for its own employees (para. 25).

(62) No changes be made in the statutory provisions relating to pay and conditions of employment of the Waterfront Industry Commission (para. 26).

Chapter 9. GENERAL MATTERS

1. In preceding chapters we have discussed the major matters central to our Inquiry. Some peripheral matters remain:

(a) Legislation,
(b) Overseas staff,
(c) Chairmen and members (full-time) of Boards and Commissions,
(d) Superannuation,
(e) Grading and rights of appeal, and
(f) Submissions outside our scope.

LEGISLATION

2. Item 4 of our Warrant requires us to report upon "Any amendments that should be made in existing enactments and administrative procedures in the matters aforesaid".

3. We have dealt extensively with administrative procedures, and have recommended many changes, some of them substantial. We have not felt obliged to draft the different statutory amendments that will be needed if the Government adopts our recommendations, nor have we had time available to do this. Moreover, that is a job for law draftsmen and will best be undertaken after the Government has discussed our proposals with interested parties (as it has said it will do) and has decided to what extent our recommendations are to be adopted.

4. We have made an exception in respect of the criteria we believe should be applied in negotiation and in fixing State pay. Here, it seemed to us, because of the criticisms about the departures which were made (often unintentionally it was said) in translating the 1962 Royal Commission's recommendations on this subject into statutory amendments, we should ourselves try to recommend a suitable statutory form for the complex criteria which seem to us to be needed. We have done that in paragraph 71 of chapter 5.

5. Our recommendations would seem to imply amendment to the following statutes:

Phase I

The Education Act 1964
The Government Railways Act 1949
The Government Service Tribunal Act 1965

The Hospitals Act 1957
The Navy Act 1954
The New Zealand Army Act 1950
The Police Act 1958
The Post Office Act 1959
The Royal New Zealand Air Force Act 1950
The State Services Act 1962

Phase II

The Bank of New Zealand Act 1945
The Broadcasting Corporation Act 1961
The Consumer Council Act 1966
The Industrial Design Act 1966
The Inventions Development Act 1966
The Linen Flax Corporation Act 1945
The Medical Research Council Act 1950
The Monetary and Economic Council Act 1961
The Natural Gas Corporation Act 1967
The New Zealand Foundation for the Blind Act 1963
The New Zealand National Airways Act 1945
The Parliamentary Commissioner (Ombudsman) Act 1962
The Queen Elizabeth the Second Arts Council of New Zealand Act 1963
The Reserve Bank of New Zealand Act 1964
The Standards Act 1965
The Tourist Hotel Corporation Act 1945
The Trades Certification Act 1966
The Wheat Board Act 1965

OVERSEAS STAFF

6. Apart from those in New Zealand's island territories, 938 State servants are employed overseas, being 360 seconded from New Zealand, and 578 staff locally recruited in the country of employment. These numbers have increased substantially since the Royal Commission reported in 1962.

7. The allowances and conditions of service of both kinds of overseas staff are determined by the Minister of External Affairs (for staff appointed under the External Affairs Act), the Minister of Defence (for military liaison staff) and the State Services Commission (for others), all on the advice of the Overseas Staff Committee. The Committee, established in 1947, is required to "Consider and formulate recommendations as to the remuneration and terms of appointment of any officer of the New Zealand Public Service

appointed to an overseas post or of any officer appointed under the External Affairs Act, 1943". It comprises the Chairman of the State Services Commission (Chairman), the Secretary of the Treasury, the Secretary of External Affairs, the Secretary of Industries and Commerce and the Secretary of Defence.

8. We received a number of submissions from seconded and locally recruited staff, but these referred to particular problems of pay and conditions rather than to the principles and procedures that should be followed in determining pay and conditions. Although we did not concern ourselves with the particular matters they raised, they gave us a fuller understanding of the issues which the co-ordinating machinery must be adequate to deal with.

9. The State Services Commission told us of the recent extensive changes in the basis of computation of overseas pay and conditions for seconded officers, and we agree with the Commission that it is now desirable to allow some time for testing how the changes work. We were also told that the Overseas Staff Committee is at present studying unified jurisdiction over staff in any one post, and the development of a code of conditions of service for locally recruited staff. We accept therefore that the Committee is doing the job for which it was set up. No changes were proposed to us and we do not recommend any.

10. The Department of External Affairs agreed that the Overseas Staff Committee had worked reasonably well, but noted the absence of machinery to resolve disagreements arising within that Committee. Moreover, the arrangements for determining overseas pay and allowances do not provide for conciliation or arbitration. It is difficult to do so. There are relatively few overseas employees at any one time, they are scattered, and cannot effectively form associations to represent their interests. The Department must watch those interests as best it can. This often places a head of mission in a difficult situation. The Secretary of External Affairs, who has had extensive personal experience in overseas posts, said that "when it came to the crisis I found myself seriously inhibited by this dual role—the necessity to be fair as an employing authority, to take the interests of the Minister and the Government into account, and at the same time to feel that I was the only advocate in the interests of the staff". When asked whether the situation could be met by reports from him to the Minister, he said, "I do in fact make a separate report, if I think it necessary, to the Minister, but in practice how can one expect a Minister to be able to consider, and, particularly in our case where the Minister is customarily also Prime Minister, to give the time and attention necessary to understand all these very complicated mechanics of arriving at new systems of allowances".

11. We think the Department's point is valid. Obviously, it would be unsuitable to interpose some arbitrating machinery between an officials' committee and the Minister, for if there is conflict among officials, then, in theory at least, it is for the Minister to resolve the conflict. But we see no reason why in circumstances such as arise with overseas staff, a Minister should not have on occasions like the Secretary mentioned, the assistance of some further advice. It was suggested that the job could be done by one person who was acceptable to all, or, alternatively, by a committee which might include a retired career ambassador, a retired senior official from some other Department (for example, a retired Chief of Staff), and a Chairman with judicial experience. We hesitate to recommend permanent machinery of this character, but we do see advantages in *ad hoc* advisers to deal with particular problems, especially those of a specific locality. We would favour the work being done by a single adviser in each case.

CHAIRMEN AND MEMBERS (FULL-TIME) OF BOARDS AND COMMISSIONS

12. Our Warrant specifically includes within Phase I of the Inquiry "chairmen and members (full-time) of boards and commissions who are paid out of money appropriated by Parliament." The Treasury told us that the Minister of Finance determines what they are paid having regard to the relative importance of their work, the amount of time it takes, and, to some extent, to the qualifications of the people appointed. Rates are adjusted in line with movements in higher salaries resulting from the periodic reviews of the Advisory Committee on Higher Salaries. When these movements occur, the State Services Commission and the Treasury prepare a joint report to the Chairman of the Cabinet Committee on Government Administration and the Minister of Finance. The Cabinet Committee later recommends the rates to be set by the Minister of Finance.

13. We received one submission from members of a board. They suggested "That if it is considered that some person or authority other than the Honourable the Minister of Finance should be required to make recommendations as to the remuneration of the Chairman and members of this Board, a tribunal or authority such as would make recommendations concerning the salaries of Judges of the Supreme Court and of Stipendiary Magistrates should be entrusted with that responsibility". However, we do not intend to propose changes in the present procedures of determining judicial salaries. As the work of chairmen and members of boards is more often relatively short-term and contractual, and not "career" work, we think it is undesirable to

create more elaborate machinery than there is at present. Nevertheless, we are surprised to learn of the protracted delays which have sometimes arisen in making adjustments in this area, and consider that the Treasury should arrange for an expeditious review of rates after each report of the Higher Salaries Advisory Committee.

SUPERANNUATION

14. Witnesses mentioned the need to maintain superannuation payments to retired State servants at a value in line with the cost of living. For two reasons we did not consider that we should deal with this question. First, we repeat that we are concerned with the machinery by which pay and conditions are fixed and not with the rates and conditions which should apply from time to time. Second, we are aware that the Government has established a consultative committee of representatives of both official and staff sides to examine this very matter. The main issue raised (of automatic adjustments to superannuation allowances in line with the cost of living) is therefore capable of being dealt with (and is being dealt with) within present machinery.

15. Nevertheless superannuation is an important condition of service; and yet it lies outside the scope of Tribunals and indeed outside the scope of employing authorities, for superannuation conditions are fixed by statute. Changes in these conditions must, at present, be negotiated directly between the Government and the staff associations and then enacted in legislation. But both the employing authorities and the associations are represented on the Government Superannuation Board, which though primarily concerned with administering the Act, makes policy recommendations to the Government. We received no other proposals for change except the matter mentioned in the preceding paragraph. We have not considered whether any changes should be made.

GRADING AND RIGHTS OF APPEAL

16. In the Public Service, Railways, and Post Office there have been for many years certain limited rights of appeal against grading. These were extensively reviewed by the 1962 Royal Commission.

17. The situation is very different in the Education and Hospital Services. The grading of teachers is generally governed by the position held and by the size of the school in which it is held. The grading of nurses is again generally governed by the position held, although the grading of positions like that of matron may differ in hospitals of different sizes. There are however in both Services a number of

groups whose classification and grading structure is not greatly different from that in the Public Service. In neither Service, however, is there a right of grading appeal similar to that in the Public Service. Some staff associations sought the establishment of improved appeal rights.

18. We stress that we interpret our Warrant as requiring us to concern ourselves with the fixing of pay scales, rather than with the placement of individuals on these scales, and the Warrant was apparently similarly interpreted by most of those who made submissions to us. Consequently we have not considered the special problems of grading rights-of-appeal in the Education and Hospitals Services. We would however refer the employing authorities and the staff associations in these Services to the relevant sections of the 1962 *Report* and suggest that this question should be discussed between them and that it should be recognised that the grading of a position or of an employee may well be of greater importance to the individual than is the determination of the scale on which he is graded.

SUBMISSIONS OUTSIDE OUR SCOPE

19. We heard other submissions which also fell outside the scope of our Inquiry, as we see it. Some related not to criteria or machinery for wage fixing, which are our concern, but to products of the machinery, especially wage scales. We appreciate that those who prepared such submissions went to much trouble, and we acknowledge their help. But we are not able to make any recommendations about the questions raised by them. We put into this class, submissions by the Royal New Zealand Institute of Horticulture, the Department of Horticulture of Massey University, the Seconded Officers' Association (London), Messrs P. E. Holdaway and F. Murphy of Athens, G. H. McEachrane of Trinidad, and one by the Royal New Zealand Society for the Health of Women and Children (Plunket Society) about the grading of its Medical Director.

20. A lengthy submission presented by the New Zealand Medical Association was, for our narrower purposes, of marginal rather than of central importance. It advanced a case for payment of full- and part-time medical officers in hospitals by fee instead of by salary. To express an informed preference for payment by fee in place of salary, we would need to make a detailed investigation of the operation of the New Zealand hospital services, and of the application of social security medical benefits. This, quite clearly, was not intended to be a job for this Royal Commission. It would need a body of an entirely different composition. Nevertheless, as we were concerned with the criteria and machinery for pay fixing, it was necessary for us to ensure

that the criteria and machinery which we recommend could cope with a development towards payment by fee, should that be finally decided upon. We think that they could cope with such a development.

21. The New Zealand Medical Association, the New Zealand Government Employees' Society, and the New Zealand Teachers' College Association made submissions to us about the recognition of staff associations in pay negotiations. We have stressed in this Report the importance of effective negotiating machinery enabling negotiations to take place between equal parties fully representative of employee and employer. Obviously this cannot be done if staff associations which ought to be represented are not represented. Problems of representation will be accentuated by the widening of the area over which the State is recognised as the sole employer, and the increased emphasis on service-wide problems. Nevertheless, this is a matter primarily for the staff associations to solve, although the Government control agencies also have a responsibility. We consider that we need not give any advice on it.

Chapter 10. CONCLUSION

1. It will be clear from our previous chapters that we have been concerned rather to seek remedies for present problems than to devise machinery and principles of eternal validity. Indeed, we do not believe that we have been involved in areas of absolutes; as social philosophies, political conditions and economic circumstances change, so will pay systems. At most, one can hope to select from the available options the best for a reasonable time ahead. And the range of options is itself limited by the present system and the attitudes which have grown up around it. If we could start with a clean sheet, our recommendations would doubtless be significantly different; but in human affairs, viable systems are not produced at the drawing board but by adapting what already exists and by encouraging where possible a desirable pattern of growth.

2. But although our approach has been pragmatic, it is founded on principle. We have no doubt that each of our recommendations will be closely scrutinised by the many organisations affected, and that there will be disagreement about which should be implemented. While we do not pretend that each proposed change would be valueless if introduced on its own, we believe that our conclusions are in some measure interdependent, being informed by a common philosophy. Thus they should be viewed as a whole and not as a random collection of remedies.

3. The 144 submissions presented to us, and the oral testimony in which they were elaborated, contained a host of different proposals on an immense variety of issues. We have not sought to deal with them all. We have preferred to select those which seem to us to raise questions of importance, and to deal with those questions in detail. Some readers may consider that we have descended into too much detail. We have felt, however, a responsibility to assist those who may later be called upon to apply by administrative actions the recommendations which we have made. We have sought, too, to provide against an implementation which departs from the intentions which lie behind those recommendations.

4. We do not imagine that they are likely to give universal satisfaction. On few, if any, topics brought before us was there a broad consensus of opinion. But from the diverse evidence it was clear that many problems are demanding of solution. We are confident that our recommendations, if accepted, will effect an improvement. It is not to be expected that they will put an end to conflicts of viewpoint and personal dissatisfactions. Those will doubtless remain as long as people are paid for their services.

RECOMMENDATIONS

The following is a list of the recommendations we make in the course of our Report in the order in which they appear:

Chapter 3: PROPOSED PROCEDURES FOR CO-ORDINATING AND NEGOTIATING

(1) The State Services Co-ordinating Committee be expanded to include the Defence, Hospitals, and Education Services (para. 13, p. 31).

(2) An executive subcommittee with parallel Service representation be established to become, under delegation from the State Services Co-ordinating Committee, the main negotiating body for most inter-service issues (para. 19, p. 36).

(3) The executive subcommittee ascertain whether any proposal has a significant inter-service content, and arrange for inter-service negotiating parties constituted as set out in paragraphs 24 and 25 (p. 37) or for representation on single-service committees where required (para. 19, p. 36).

(4) A Hospital Service Committee be established under the chairmanship of the Director-General of Health, and with representatives of the Health Department, the Hospital Boards' Association, and the State Services Commission, to be in charge of negotiations, and to advise the Cabinet Committee on Government Administration (through the Minister of Health), on matters affecting public hospitals staff and not being of an inter-service nature (para. 14, 20–24, pp. 35–37).

(5) An Education Service Committee be established under the chairmanship of the Director-General of Education and with representatives of the Education Department, the Education Boards' Association, the Secondary School Boards' Association and the State Services Commission to be in charge of negotiations, and to advise the Cabinet Committee on Government Administration (through the Minister of Education), on matters affecting education service staff (excluding universities) and not being of an inter-service nature (para. 14, 20–24, pp. 35–37).

(6) The members of the State Services Co-ordinating Committee be given equal power in respect of the Services which they individually represent, to negotiate and to issue determinations within any limitations set by the Cabinet, the Cabinet Committee on Government Administration, or the State Services Co-ordinating Committee (para. 29, p. 39).

(7) The Commissioner of Police be given power to issue determinations, within any limitations set by the Cabinet Committee on Government Administration or the Chairman of the State Services Co-ordinating Committee (para. 30, p. 40).

(8) The non-teaching staffs of the Secondary School Boards (and if necessary other Boards and Councils within the Education Service) be brought within the operation of the appropriate pay-fixing regulations (para. 33, p. 41).

(9) The Cabinet and Cabinet Committee on Government Administration expand their delegations to take full advantage of the proposed improved co-ordination machinery (para. 29, p. 39).

Chapter 4: TRIBUNALS IN PAY FIXING

(10) As soon as practicable a single Tribunal for the State Services be established; but if this is not at present acceptable to the Government, a State Services Tribunal be established forthwith to deal with inter-service cases, and other Tribunals be restricted to single-service cases (para. 54, p. 64).

(11) The State Services Tribunal (and all single-service Tribunals, so long as they exist) consist of three persons: a Chairman, a Government member, and a Service member (para. 55, p. 64), and be served by a common registry, permanently staffed (para. 59, p. 65).

(12) The Chairman of the State Services Tribunal have the standing of a Judge of the Court of Arbitration (and be *ex-officio* Chairman of all single-service Tribunals so long as they exist) (para. 56, p. 64).

(13) The Act constituting the State Services Tribunal (and the Acts constituting all single-service Tribunals, so long as they exist) provide for assessors in like terms to s. 42 of the Industrial Conciliation and Arbitration Act 1954 and not as members of the Tribunal (para. 58, p. 65).

(14) So long as single-service Tribunals exist, and are sought by hospital employees and by teachers, there be Tribunals for hospital employees and teachers, separate from those now existing (para. 60, p. 65).

(15) So long as single-service Tribunals exist, any such Tribunal have power to refer any case to the State Services Tribunal, and be obliged so to refer it if it has important inter-service implications, and to give any employing authority or staff association recognised by any Tribunal an opportunity to show cause why it should be so referred (para. 62, p. 66).

(16) Each employing authority be empowered *inter alia* to issue determinations prescribing pay rates and allied conditions of service for all classes of its employees which are within tribunal jurisdiction; and the State Services Tribunal to issue orders varying or replacing the determinations of any employing authority, and (in the event that after a reasonable period of negotiations no such determination has been made) to issue orders prescribing pay rates and allied conditions of service; and all single-service Tribunals, so long as they exist, have similar powers each within its own jurisdiction (para. 39–44, pp. 58–61).

(17) All classes of State servants be within tribunal jurisdiction except the following:

- Those under awards or industrial agreements.
- Members of Boards and Commissions, and other people paid other than by wage or salary.
- Members of the Armed Services.
- Members of the Security Service.
- Members of the Judiciary.
- For the time being, and in respect of single-service matters, employees of the Post Office.
- For the time being, people whose salaries are fixed on the recommendation of the Hospital Medical Officers Advisory Committee or the University Salaries Committee.
- Occupants of positions specifically excluded by the Government from tribunal jurisdiction on the ground that they involve substantial responsibility not only for management but also for formulating and advising on policy (para. 38, p. 58).

(18) The employing authorities and the State Services Tribunal (and, so long as it exists, each single-service Tribunal within its own jurisdiction) having by the effect of recommendations (16) and (17) been given power to fix pay and allied

conditions of service for entire occupational classes, be not restricted in the exercise of that power by any upper monetary limit as at present but be guided by the criteria hereafter recommended: with the effect that in fixing the maximum salary for any occupational class, the Tribunal be bound to have regard to salaries fixed by the Government for positions excluded from tribunal jurisdiction, but not to maintain existing relativities with those positions except as the criteria justify them (para. 17–21, pp. 50–52).

Chapter 5: CRITERIA FOR PAY FIXING

(19) The criteria that should be applied by all State Service employing and other authorities in determining salaries and wages, and the terms and conditions of employment of employees in the State Services of New Zealand be as set out in paragraph 71. That paragraph reads:

> We believe that it would be possible to express in legislative terms the proposals made in this chapter. In lieu of a conventional summary, we are thus presenting our conclusions in the form of a draft of a section such as might replace s. 41 (5) of the State Services Act 1962.
>
> **Scales of rates of salaries and wages**—(1) In prescribing pay scales, being salary rates or scales of salary rates in accordance with subsection (4) of section 41 of this Act, or wage rates or scales of wage rates in accordance with section 49 of this Act,—
>
> (a) The aim of the Commission shall be to set for each occupational class a pay scale which will enable the State Services to recruit and retain an efficient staff, and will be fair to the taxpaying public and to employees in the State Services; and
>
> (b) The Commission shall give effect to the provisions of this section.
>
> (2) In order that the requirements specified in paragraph (a) of subsection (1) of this section may be satisfied, the rewards of employment in the State Services shall be kept broadly in line with those of employment outside the State Services.
>
> (3) In order to achieve the purposes specified in the foregoing provisions of this section, the Commission, in setting a pay scale for any occupational class, shall have regard to the following criteria:
>
> (a) External comparability, being the current remuneration received by employees in positions outside the State Services which are closely comparable with positions in that occupational class, which closely comparable positions are hereafter in this section referred to as benchmark positions:

(b) Vertical relativity, being the adequacy of the margins between benchmark positions and other positions in that occupational class, taking into account differences of responsibility and skill:

(c) Horizontal relativity, being the current remuneration received by those in benchmark positions in other occupations (whether in or outside the State Services) which, however dissimilar in job content, have some similar requirements such as education, training, or skill:

(d) Recruitment and retention, being the need to attract, and to hold at all levels of that occupational class, enough staff of sufficient competence to ensure efficiency, and the adequacy of the current pay scale for these purposes.

(4) In applying the said criteria, they shall be given weight as follows:

(a) The closer the resemblance between the benchmark positions which are being compared, the greater shall be the weight to be given to external comparability in comparison with other relativities:

(b) The more closely pay rates based on vertical relativity are linked to external comparability, the greater shall be the weight attached to vertical relativity; and in this connection, without limiting the generality of the foregoing provisions of this paragraph,—

(i) The more accurately a benchmark has been fixed by external comparability, the greater shall be the confidence in margins calculated from it:

(ii) The greater the number of benchmarks within a class which have been fixed by external comparability, the greater shall be the confidence in a structure of margins based on that framework:

(iii) The narrower the range between benchmarks, the greater shall be the confidence in interpolated margins:

(iv) Interpolated margins shall command more confidence than extrapolated margins, so that a pay rate which, for reasons such as those specified in subparagraphs (i) to (iv) of this paragraph, commands a high degree of confidence may outweigh one insecurely based on external comparability:

(c) Horizontal relativities shall have weight only when no closer comparisons are available; and, in choosing between them the more likely a comparison is to indicate a realistic market price for the occupation under review, the greater shall be its weight;

(d) Whenever abnormal ease or difficulty in attracting and holding enough competent staff indicates that rates based on relativities are out of touch with market realities, recruitment and retention shall outweigh the relativity criteria.

(5) In applying the foregoing provisions of this section, the following provisions shall apply:

(a) Current remuneration means current wage or salary rates, unless it can be shown, taking into account other conditions of service, that effective remuneration differs from wage or salary, and that such a difference can be evaluated:

(b) Where the remuneration of those doing comparable work outside the State Services can be shown to be based on pay rates in the State Services, or where their conditions of employment other than pay differ sufficiently to prevent fair comparison, external comparability shall not apply:

(c) References to employment outside the State Services shall be limited to employment in New Zealand unless it can be shown that there is an effective demand outside New Zealand for New Zealand staff of the occupation and grade concerned, in which case the pay scale shall be fixed (taking into account overseas salaries together with other relevant factors) at a level which will enable the State Services to recruit and retain an efficient staff:

(d) References to employment outside the State Services shall not include self-employed persons:

Provided that, when so many of the counterparts of those in the occupation and grade concerned are self-employed as to prevent the application of external comparability, then the pay scale shall be fixed (taking into account the incomes of self-employed persons together with other relevant factors) at a level which will enable the State Services to recruit and retain an efficient staff:

(e) References to employment outside the State Services shall be limited to employment with good employers, that is to say, those maintaining standards which are generally accepted for the time being as necessary minima; and (apart from general adjustments, based on the widest sampling of the sector outside the State Services) comparisons shall where possible be made with employers who are competing in the same labour market as the State Services and whose conditions of employment are similar:

(f) External comparability shall require, not that State Services pay for a benchmark job shall correspond to the mean of the rates for its counterparts outside the State Services, but that it shall fall within a reasonable range about that figure, taking into account such other relevant considerations as the quality of performance sought, the record of recruitment and retention in that occupation, and likely changes in future demand:

(g) External comparability shall not require the setting of separate district pay scales for occupational classes which have a distribution throughout New Zealand, and State Services pay scales (except under awards and industrial agreements) shall be uniform throughout New Zealand:

(h) References to abnormal ease or difficulty in recruiting and retaining staff of a given occupation in the State Services mean ease or difficulty that is shown to be greater than that of employers outside the State Services, or difficulty of such magnitude that it impairs the effectiveness of the State Services; and whenever existing relativities are abandoned as inadequate to recruit or retain an efficient staff, the estimated extra cost of getting more staff at increased rates shall be compared with the benefit which the State Services expect to derive from their employment.

(6) Conditions of service, other than pay, shall be fixed according to external comparability, except when the special features of employment in the State Services make this inappropriate.

(20) If, after the common trades rate (as and to the extent that we propose later) has been abandoned, serious difficulties continue to arise in recruiting or retaining staff of a given type in certain areas, the situation as to national scales be reviewed, and consideration be given to the changes suggested in paragraph 39 (p. 84).

(21) The State Services Commission and the Treasury be instructed to study the procedures by which manpower policy (when developed to a sufficiently high level) could be made a relevant criterion for pay fixing (para. 57–61, pp. 91–92).

Chapter 6: ROLE AND MEANS OF PAY ADJUSTMENT

(22) The Labour Department's half-yearly survey should replace the ruling rates survey as the index of movement which is needed to keep State pay in proper relativity with outside pay (para. 49–63, pp. 111–114).

(23) The index should be derived from the average weekly ordinary-time earnings in the private sector—

(i) including seasonal industries (para. 57, 67), but

(ii) excluding the public sector (in which term we include for this purpose State schools, public hospitals, universities, public corporations and local authorities) (para. 64–65, pp. 114–115).

(24) In order that a reliable index figure may be obtained the Government Statistician should make and certify corrections for the varying proportions of women workers included in the survey from time to time, and for this purpose we consider that it would be satisfactory to assume that there is a $\frac{6}{10}$ wage relationship with men's rates until a change is indicated by the census or other cogent statistics (para. 58, p. 113).

(25) Adjustments indicated by the half-yearly surveys should be applied generally as a percentage of wages and salaries, subject to certain limitations and subject to certain reservations and exceptions (para. 69–74, pp. 117–118).

(26) No adjustment need be made if the movement disclosed is less than half of 1 percent, but in such cases the movement should be added to or subtracted from any movement disclosed in the next survey (para. 75–77, pp. 118–119).

(27) Percental increases should be rounded off before being applied to various points in the scales (para. 78, p. 119).

(28) Where the half-yearly survey discloses a downward movement after a series of upward movements, the decrease should not be applied on the first occasion, to allow the next survey to ascertain whether there is in fact a declining trend or merely a fluctuation in an upward one (para. 79–81, p. 119).

(29) Where circumstances justify it, interim adjustments should continue to be applied to the wages of employees subject to awards and industrial agreements, but this does not necessarily apply to the wages of all such employees (para. 82–84, p. 120).

(30) When the result of a specific occupational review is available, even though negotiations about its application are not completed, subsequent interim adjustments should be withheld from the occupational groups affected (including linked groups) until they can be applied with such new pay rates as result from the specific review (para. 85–90, pp. 120–121, appendix 11).

(31) Where the pay rates of an occupational group are being fixed otherwise than on the basis of a specific occupational review, interim adjustments should be continued up to the actual fixing of new rates, and the application of the next interim adjustment should be determined at the same time as the new rates are fixed (para. 91–93, p. 122).

(32) (a) Except as provided in subparagraphs (b) and (c) hereof half-yearly interim adjustments should be applied as a percentage to the highest salary level, and as the last two adjustments made to higher salary levels were made on the basis of the Higher Salaries Advisory Committee's report of March 1967 further adjustments should now be made to give effect to the changes indicated by the half-yearly surveys of October 1967 and April 1968;

(b) Above the level of Class I of the clerical scale, the adjustment preceding the Higher Salaries Advisory Committee's periodical review should be applied at the flat rate applicable to Class I;

(c) Above the level of Class I of the clerical scale no adjustment should be made in respect of the half-yearly survey which coincides with the Higher Salaries Advisory Committee's periodic review, so that the rates and scales, fixed on the basis of that review will prevail (para. 94–99, pp. 122–124).

(33) Interim adjustments should generally be applied to the salaries of employees covered by the University Salaries Committee and the Hospital Medical Officers Advisory Committee only after confirmation by those committees in each case (para. 100–102, pp. 124–125).

(34) If the ruling rates surveys are continued as specific occupational reviews for labourers or tradesmen or both, and continue to be made in February, the April interim adjustment should not be applied to those classes of tradesmen and related classes whose rates have been fixed in the previous February; but a proportion (normally one-third) of the adjustment should be added to the October interim adjustment (para. 103–106, p. 125).

(35) The criteria which relate to pay fixing have no relevance to the *application* of interim adjustments which should be applied within rules such as we have set out, and as far as possible determined in advance (para. 107, p. 125).

(36) Because half-yearly surveys are taken in different months from those in which ruling rates surveys are made, provision should be made on the first occasion that the half-yearly survey is adopted as the index of movement for an assumed movement between the last ruling rates survey so used and the date of the subsequent half-yearly survey (para. 119, p. 128).

(37) The question of the dates at which interim adjustments are to be applied should be determined, if possible, when the index of movement is changed to the half-yearly survey; and should provide for deferment on account of limits, and for General Wage Orders, and, on the first occasion, for the factor mentioned in the previous recommendation; and should take account of the desirability of minimising backdated payments (para. 108–111, p. 126).

Chapter 7: AIDS TO PAY FIXING

(38) A Pay Research Unit be established in the Department of Statistics (para. 8, p. 134).

(39) A steering or advisory committee be established, with an independent chairman, but otherwise representative of employing authorities and employee associations, to be responsible, *inter alia,* for the selection of occupational groups to be reviewed by the unit (para. 9 ff, p. 134 ff).

(40) The manner in which any review is carried out, the coverage of firms, the statistical techniques employed, and the way in which the final report is prepared and presented, be the sole responsibility of the Director of the Unit in co-operation and consultation with the Government Statistician and his staff (para. 13, p. 135).

(41) If the staff associations are not willing to co-operate in the establishment of the unit, it should still be established in a form which will enable them to participate whenever they may decide to do so (para. 16, p. 136).

(42) The ruling rates survey be continued as a specific review for tradesmen and labourers (para. 17, p. 137).

(43) The present common tradesmen's rate be split into four separate rates within two industry groups (para. 22, p. 139):

Building Trades

(i) Carpenters and painters
(ii) Electricians and plumbers

Engineering Trades

(iii) Fitters, boilermakers, and welders
(iv) Motor mechanics (3 grades).

(44) The survey of ruling rates be split into these two industry groups, one to be undertaken one year, and one in the next (para. 24, p. 139).

(45) The next ruling rates survey be confined to the building trades and, consequent to this survey, wage adjustments be made as outlined in paragraph 27 (p. 140).

(46) Ruling rates for labourers continue to be surveyed in both industries, and be combined every second year (as outlined in paragraph 37, p. 142) to obtain an average on which to base State labourers' rates.

(47) The Higher Salaries Advisory Committee continue to conduct general reviews triennially, at April (para. 42–44, p. 144).

(48) The salaries fixed on or following the recommendations of the Higher Salaries Advisory Committee be promulgated by Order in Council and not by specific appropriation by Parliament (para. 45, p. 145).

(49) The Hospital Medical Officers Advisory Committee continue to recommend pay scales for hospital doctors, and steps be taken to bring hospital dentists within its scope (para. 54, p. 148).

(50) The University Salaries Committee continue to recommend pay scales for university teachers, and no change be made for the time being in its composition and procedures (para. 55, p. 148).

(51) The Principal Personnel Officers Committee and the Armed Services Pay and Conditions Advisory Committee continue to recommend pay scales for the Armed Services, the former conducting frequent and regular reviews, and the latter conducting such inquiries as the Minister of Defence from time to time may direct (para. 56, p. 149).

(52) No change be made in the procedures for recommending changes in the remuneration of the Judiciary (para. 57, p. 149).

(53) When the Higher Salaries Advisory Committee, the Hospital Medical Officers Advisory Committee and the University Salaries Committee are conducting contemporaneous reviews, the chairmen of the three committees keep each other informed of their intentions, but each committee remain free to decide what its recommendations shall be (para. 60, p. 150).

Chapter 8: CO-ORDINATION BETWEEN THE STATE SERVICES AND OTHER AGENCIES

(54) That the need for co-ordination in pay fixing between the State Services and an organisation or agency should be tested first with reference to the Government's financial interest in it, and where there is no such interest there is no need to control its pay-fixing powers in the interests of co-ordination (para. 5, p. 155).

(55) Those organisations whose expenses are met wholly by a levy on those who benefit directly from their work, and which are listed as group 1 (para. 3, p. 154) be free to determine their pay rates without any requirement to co-ordinate with State Service pay (para. 5, p. 155).

(56) Section 16 (3) of the Wheat Board Act 1965 which now requires the approval of the Minister of Finance for salaries and wages of employees of the New Zealand Wheat Board be repealed (para. 6, p. 156).

(57) As the Government of New Zealand clearly has an important financial interest in those agencies which are owned exclusively by it, such as are set out as group 2 (para. 3, p. 154), a degree of co-ordination is required, and therefore:

(a) Such agencies be required to notify the State Services Commission of the details of pay scales, and changes in pay scales or in relevant terms and conditions of employment, within 28 days of the scales being issued, or the changes being made (para. 19, p. 159).

(b) The Minister-in-Charge of any such agency be given power to issue directions in writing to the agency, in matters of pay and conditions of employment, this power being given by amending the relevant constituting statutes except in the case of Air New Zealand Ltd. (which has no statute) where the power should be taken by ministerial direction to the Board of Directors (para. 19, p. 159).

(58) Where the Government meets the administrative costs of agencies, or some part of them, and has power of appointment of the governing bodies of such agencies, such as are set out as group 3 in paragraph 3 (but excluding the University Grants Committee and the Waterfront Industry Commission), a degree of co-ordination is required and the same requirements should be imposed and powers given as are recommended to be imposed and given in the preceding recommendation (para. 19, p. 159).

(59) The statutory provisions requiring the approval of the Minister of Finance for salaries and allowances of the employees of the Queen Elizabeth II Arts Council, the Monetary and Economic Council, and the Ombudsman, be repealed (para. 25, p. 161).

(60) The statutory provisions requiring the pay and conditions of employment of the following to be determined in agreement or consultation with the State Services Commission be repealed: employees of the New Zealand Broadcasting Corporation, the Natural Gas Corporation, the Standards Council, the Consumer Council, the New Zealand Inventions Development Authority, the New Zealand Trades Certification Board, the New Zealand Foundation for the Blind, and the Industrial Design Council (para. 25, p. 161).

(61) The University Grants Committee retain its present independence in matters of pay and conditions of service for its own employees (para. 25, p. 161).

(62) No changes be made in the statutory provisions relating to pay and conditions of employment of the Waterfront Industry Commission (para. 26, p. 161).

Appendix 1

ORGANISATIONS AND PEOPLE WHO MADE SUBMISSIONS

(Most submissions were presented orally at a public sitting and the people who appeared were subject to questioning. Those submissions that were not presented orally are distinguished by an asterisk. The figures in brackets refer to the number of papers presented.)

PHASE I

Chambers of Commerce, Associated .. .. .. (1)
*Civil Service Institute .. .. (1)
Civil Service Legal Society .. .. (1)
*Chief Justice: On behalf of Judiciary .. .. .. (1)
On behalf of Magistrates .. .. .. (1)

Defence, Ministry of .. .. (3)
*Dietetic Association (Inc.), N.Z. .. .. .. (1)

Education Boards' Association (Inc.), N.Z. .. .. (1)
Education, Department of .. .. (6)
Education Institute, N.Z. .. .. (1)
Education Officers' Association (Inc.) .. .. .. (1)
Employees Society (Inc.), N.Z. Government .. .. (1)
Employers' Federation (Inc.), N.Z. .. .. .. (1)
Engineers, N.Z. Institution of .. .. (1)
External Affairs, Department of .. .. .. (2)

Forest Service, N.Z. .. .. (1)

*Government Life Insurance Office .. .. .. (1)
Government Statistician .. .. (2)

Health, Department of .. .. (3)
Health of Women and Children (Inc.), Royal N.Z. Society for the—(Plunket Society) .. .. (1)
Horticulture (Inc.), Royal N.Z. Institute of .. .. (1)
Hospital Boards' Association of N.Z. .. .. .. (1)
Hospital Boards' Dental Surgeons' Association, N.Z. .. (1)
Hospital Engineers Association, N.Z. .. .. .. (1)
Hospital Officers' Association, N.Z. .. .. .. (1)
*Hospital Physicists' Association, N.Z. .. .. .. (1)

Industrial Consultants Ltd., Associated .. .. .. (1)

*Justice, Department of .. .. (1)

Labour, Department of .. .. (4)
*Law Draftsman .. .. (1)
*Legislative Department .. .. (1)
Library Association (Inc.), N.Z. .. .. .. (1)
*Locally Recruited Staff, N.Z. Consulate General, Los Angeles (1)

Massey University, Horticulture Department .. .. (1)
*Master Builders' Federation (Inc.), N.Z. .. .. (1)
Medical Association of N.Z. .. .. (1)
*Medical Laboratory Technology (Inc.), N.Z. Institute of .. (1)
Medical Social Workers' Interest Group .. .. (1)

N.Z. Medical Association .. .. (2)

*Occupational Therapists Association (Inc.), N.Z. Registered (1)

Physiotherapists, N.Z. Society of .. .. .. (1)
Police Association, N.Z. .. .. (1)
Police Department .. .. (2)
Post Office, N.Z. .. .. (5)
Post Primary Teachers Association .. .. .. (1)
*Psychological Society (Inc.), N.Z. .. .. .. (1)

Radiographers (Inc.), N.Z. Society of .. .. .. (1)
Railways Department, N.Z. Government .. .. (2)
Registered Nurses' Association (Inc.), N.Z. .. .. (1)
Registered Male Nurses of N.Z. (Inc.), Society of .. (1)
Returned Services' Association (Inc.), N.Z. .. .. (1)

Scientific and Industrial Research, Department of .. (1)
Scientists (Inc.), N.Z. Association of .. .. .. (1)
*Seconded Officers' Association, London .. .. .. (1)
*Security Service, N.Z. .. .. (1)
Social Workers (Inc.), N.Z. Association of .. .. (1)
State Services Commission .. .. (11)

*Taxation Board of Review .. .. (2)
Teachers' Colleges Association (Inc.), N.Z. .. .. (1)
Teachers in Technical Institutes (Inc.), Association of .. (1)
Treasury .. .. (6)

University Grants Committee .. .. (2)
University Teachers of New Zealand (Inc.), Association of.. (1)

Veterinary Association (Inc.), N.Z. .. .. .. (1)
Vice-Chancellors' Committee, N.Z. .. .. .. (1)

*Atkinson, J. D. .. .. (1)
*Casbolt, D. V. .. .. (1)
*Cox, J. .. .. (1)
*Crisp, G. A. .. .. (1)
*Foster, W. H. .. .. (1)

*Griffiths, G. T. (for staff of State Secondary School Boards) .. (1)
*Holdaway, P. E. .. .. (1)
*Maddock, A. C. .. .. (1)
*McEachrane, G. H. .. .. (1)
*Murphy, F. J. .. .. (1)
*Park, A. D. .. .. (1)
Spiller, Dr D. .. .. (1)
Williamson, W. A. .. .. (1)

PHASE II

Air New Zealand Ltd. .. .. (2)
Broadcasting Corporation, N.Z. .. .. .. (2)
*Fishing Industry Board .. .. (1)
*Linen Flax Corporation of N.Z. .. .. .. (2)
Medical Research Council of N.Z. .. .. .. (1)
*Monetary and Economic Council .. .. .. (1)
National Airways Corporation .. .. (2)
*National Parks Authority .. .. (1)
New Zealand Federated Clerical and Office Staff Employees' Industrial Association of Workers .. .. .. (1)
*New Zealand Foundation for the Blind .. .. .. (1)
*Ombudsman .. .. (2)
*Queen Elizabeth II Arts Council of New Zealand .. .. (2)
Reserve Bank .. .. (2)
*Standards Association of N.Z. .. .. (1)
State Services Commission, Treasury } Jointly .. .. .. (1)
Tourist Hotel Corporation .. .. (2)
Trades Certification Board .. .. (1)
*Wheat Board, N.Z. .. .. (1)
*Wool Commission, N.Z. .. .. (1)
*Waterfront Industry Commission .. .. .. (1)

Appendix 2

GOVERNMENT SECTOR SALARIES AND WAGES IN RELATION TO NATIONAL INCOME COMPONENTS

$ million

—	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67
1. Government salaries and wages*	270	292	309	328	343	377	406	421
2. Hospital Board salaries and wages†	26	28	29	32	39	44	51	57
3. Total Government salaries and wages	296	320	338	360	382	421	457	478
4. Private income: total salary and wage payments plus Armed Forces pay and allowances	1208	1306	1392	1474	1585	1756	1916	2093
5. Private income: total before tax	2250	2429	2502	2695	2939	3186	3419	3613
6. Gross National Product	2434	2622	2721	2924	3200	3483	3736	3937
7. Government current expenditure	585	631	655	691	737	802	872	936
8. Government capital expenditure	141	149	148	154	180	196	218	243
9. Total Government expenditure	726	780	803	845	917	993	1090	1179
Percentages								%
Item 3 as a percentage of item 4	24.5	24.5	24.3	24.4	24.1	24.0	23.9	22.8
Item 3 as a percentage of item 5	13.2	13.1	13.5	13.4	13.0	13.2	13.4	13.2
Item 3 as a percentage of item 9	40.8	41.0	42.1	42.6	41.7	42.2	41.9	40.5

*As shown in appendix to Accounts of the Government Sector. Includes Government contributions to Government Superannuation Fund.
†Total salaries as shown in *Hospital Statistics of New Zealand*—a publication of the Division of Hospitals, Department of Health.

Source: *The Treasury*

Appendix 3

EXISTING STATUTORY OR OTHER AUTHORITIES FOR THE DETERMINATION OF SALARIES AND WAGES AND TERMS AND CONDITIONS OF EMPLOYMENT IN THE STATE SERVICES

(The salary rates quoted in this paper are according to scales effective from 1 April 1968)

The Public Service

This is defined in section 2 of the State Services Act 1962 as:

"That part of the State Services to which Parts III to V of this Act apply in accordance with section 22 of this Act; and does not include the Legislative Department, the Post Office, the New Zealand Government Railways Department or any other Department or part of the State Services to which Parts III to V of this Act do not apply in accordance with that section."

The State Services Commission's present salary and wage fixing powers are as follows:

(a) For the permanent staff in terms of section 41 (4) of the State Services Act for salaries not exceeding $7,300.

(b) For the temporary staff in terms of section 48 (2). The practice is to pay salaries equivalent to those paid to permanent officers performing similar duties.

(c) For wage workers in terms of section 49 (3).

A salary in excess of $7,300 may be paid to any officer or probationer if it is provided for in the annual estimates and appropriated by Parliament (section 43 (2)).

The precise wording of the legislation is as follows:

"S. 41(4) The Commission shall subdivide each occupational class into grades according to its assessment of the relative levels of responsibility and skills required to be exercised by officers and probationers of the occupational class, and shall prescribe a salary rate and a maximum salary rate and annual incremental steps for each such grade not exceeding the amount for the time being prescribed by Order in Council as the maximum amount that the Commission may prescribe. Any such Order in Council shall come into force on a date to be specified therein in that behalf (whether before or after the date of the Order in Council) and if no such date is specified shall come into force on the date of its notification in the *Gazette*.

"S. 43(2) A salary in excess of the amount for the time being prescribed by Order in Council as the maximum amount that the Commission may prescribe may be paid to any officer or probationer if salary is provided in the annual estimates and appropriated by Parliament.

"S. 48(2) Temporary salaried employees shall be paid such salaries and be subject to such conditions of employment as may from time to time be determined by the Commission.

"S. 49(3) The Commission may from time to time make determinations, to be known as wage worker determinations, prescribing all or any of the following matters:

(a) Conditions to be met for engagement:

(b) Wage rates;

(c) Annual and special leave and the days to be observed as public holidays by wage workers:

(d) Ordinary hours of work and the period to be worked before overtime rates become payable:

(e) Rates of remuneration and conditions in respect of minimum earnings, overtime, travelling time, shift work, night shift, and special duties or conditions, and in respect of work on public holidays and any time outside the ordinary hours of work:

(f) Separation allowances, locality allowances, dirty work allowances, and other allowances relating to conditions of work:

(g) Tool, travelling, lodging, camp, and meal allowances:

(h) The terms and conditions on which industrial clothing may be issued."

In terms of section 43 (3) of the State Services Act, certain enactments repealed by the Act so far as they relate to classification and grading continue to apply to all officers and probationers not for the time being graded in accordance with section 43. One effect of this is that some officers remain at present in the Administrative Division of the Public Service, defined in section 18 of the Public Service Act 1912 as including "all persons whose offices the Governor-General, by notification in the *Gazette*, declares to belong to that Division". In accordance with section 19 of the same Act "the officers in the Administrative Division, except in the case of officers paid by virtue of any Act, shall be paid such emoluments, salaries, and allowances as may be provided in the annual estimates and authorised by Parliament". Assistant Public Trustees in the Public Trust Office fall into this category even although the current salaries are not in excess of $7,300.

In addition to the powers to prescribe salary rates conferred by section 41 of the State Services Act, the State Services Commission may prescribe terms and conditions of employment. Section 41 (6) states:

"In addition to the powers to prescribe salary rates conferred by this section, the Commission shall have power to prescribe for the Public Service annual and special leave, public holidays, ordinary hours of work, and the period to be worked before overtime rates become payable; rates of remuneration and conditions in respect of minimum earnings, overtime, travelling time, shift work, night work, and special duty, and in respect of work on Saturdays, Sundays, and public holidays, and any other time outside the ordinary hours of duty; separation allowances, locality allowances, dirty work allowances, and other allowances relating to conditions of work; tool allowances, travelling allowances, lodging allowances, camp allowances, and meal allowances; and the terms and conditions on which industrial clothing may be issued."

In terms of section 42 of the State Services Act, the Commission may adjust rates of remuneration and conditions of employment. The legislation states:

"S.42. Ruling rates surveys—(1) A survey of ruling rates of remuneration, and (as far as is practicable) conditions of employment, in occupations outside State Departments, shall be made during February in each year or, after consultation with service organisations whose members are likely to be affected thereby, at such other time as may be deemed more appropriate, to enable the Commission to make such adjustments in rates of remuneration as may be considered necessary to maintain fair relativity between remuneration and the conditions of employment for any occupational class or classes and group or groups of wage workers in the Public Service, and the remuneration and conditions of employment for the same or an equivalent occupational class or classes or group or groups of wage workers outside State Departments.

"(2) Any general order of the Court of Arbitration made under any regulations under the Economic Stabilisation Act 1948 shall be applied by the Commission, for the purposes specified in subsection (1) of this section, to the Public Service as from the date on which it took effect, to the extent that such order has been applied generally outside State Departments as shown by a ruling rates survey, which shall be taken three months after the date on which that order took effect, or at such other date as may be agreed upon between the Commission and the service organisations consulted under subsection (3) of this section."

After certain provisions relating to the scope and mode of making each survey, and to consultation with the service organisations, the legislation provides as follows:

"(6) Without restricting any other power conferred on it by this Act, it is hereby declared that the Commission may, for the purposes of this section, issue a Public Service determination or a wage worker determination which specifies—

(a) The occupational classes or groups of wage workers in the Public Service to which adjustments are to be made; and

(b) Such adjustments in the rates of remuneration and conditions of employment of each such occupational class or group of wage workers as may be considered necessary; and

(c) The date on which the determination is to come into force; and in fixing any such date the Commission may provide for adjustments to be applied retrospectively to a date which will ensure that employees in the Public Service are not at a disadvantage, compared with persons outside the Service by reason of changes in ruling rates that have taken place since the date of the last survey. Where the determination results from a survey made in accordance with subsection (2) of this section, the adjustments shall be applied retrospectively to the date on which the general order of the Court of Arbitration took effect."

The Government Service Tribunal

This Tribunal is an appellate body from determinations of the State Services Commission. It may therefore prescribe salary and wage rates and terms and conditions of employment varying or replacing those prescribed by the Commission under the provisions of sections 41 (4), 41 (6), 42 (6), and 49 (3) of the State Services Act.

Limitations on the jurisdiction of the Tribunal are specified in section 11 (4) of the Government Service Tribunal Act 1965:

"The Tribunal shall not have jurisdiction to alter any salary or wages rate or conditions of service prescribed in a determination in respect of employees who receive salary or wages exceeding such amount or rate as may from time to time be fixed by Order in Council made in that behalf under this Act, or in respect of any senior persons or classes of senior persons or positions referred, at any time within the immediately preceding five years, by the Prime Minister to the Advisory Committee on Higher Salaries in the State Services in terms of section 19 of the State Services Act 1962."

In terms of an Order in Council issued under section 11 (4), the monetary limit of the Tribunal is an amount not exceeding any salary for the time being payable to officers of subdivision 7 of Class Special of the Clerical Division of the Public Service ($5,300). The limitation in respect of persons or positions referred to the Advisory Committee on Higher Salaries in the State Services is at present of no effect in practice.

In addition to the powers already described, being in the case of the State Services Commission powers which it may exercise by the issue of Public Service determinations, the State Services Act makes the following provisions in respect of certain matters that may be classed as terms and conditions of employment:

Regulations, etc.

"S.51. Allowances for adult and married employees—(1) The Commission may from time to time, by a determination published in the *Public Service Official Circular*, determine the minimum rates of remuneration for adult employees and for married employees or for any class or classes of them.

"(2) Where the minimum rate of remuneration determined under this section exceeds the rate of salary or wages otherwise payable to an employee, he shall receive in addition to his salary an allowance of an amount equal to the difference between the minimum remuneration and his salary or wages.

"S.52. Allowances and grants—The Commission may approve the payment of allowances and grants to employees or other persons in accordance with regulations made under this Act.

"S.67. Medical examinations—The Commission or any permanent head may require any applicant for appointment to the Public Service or any employee to submit himself to medical examination at his own expense or otherwise by a registered medical practitioner nominated by the Commission or the permanent head, as the case may be.

"S.68. Educational qualifications—The Commission may from time to time prescribe and if necessary conduct examinations for the purpose of ascertaining the merit of candidates for appointment and employees for promotion.

"S.69. Employee may be charged rent—(1) If arising out of or in connection with his employment any employee of the Public Service is supplied by the Crown with any house or other premises for the purposes of residence, the Commission may, if he is not entitled to free quarters, direct that a fair and reasonable sum as rent thereof be deducted from the employee's salary and the amount of that sum shall from time to time be fixed by the Commssion.

"(2) In fixing rental policy under this section the Commission shall consult with the appropriate service organisations.

"S.72. Regulations—(1) The Governor-General may from time to time, by Order in Council, make regulations for all or any of the following purposes [here follow a number of items, those relating to terms and conditions of employment being as under]:

(b) Prescribing standards of and conditions relating to office accommodation and physical working conditions:

(d) Prescribing normal or special hours of attendance or duty, and modes of recording times spent on duty:

(f) Defining the terms and conditions of occupancy of Government dwellings or residential properties in terms of section 69 of this Act, and fixing the rentals payable for such dwellings or residential properties and matters ancillary thereto:

(j) Prescribing the nature and duration of leave of absence that may be granted to employees, and the terms and conditions of such leave:

(k) Empowering the Commission to prescribe allowances and make grants, and to prescribe the terms, conditions, and rates or amounts of allowances and grants that may be paid to employees in addition to, or instead of, salary or wages:

(l) Fixing terms, conditions, rates or amounts that may be paid to any person to recoup expenses incurred or to be incurred by such persons on the instructions or in the service of the Commission:

(o) Prescribing terms and conditions of employment in respect of temporary salaried employees and wage workers:

(p) Prescribing conditions of retirement:

(r) Providing for such matters as are contemplated by or necessary for giving full effect to the provisions of this Act and for the due administration thereof.

"(2) Regulations made pursuant to subsection (1) of this section may be made either generally or with respect to any particular case or class of cases."

The regulations made pursuant to section 72 are the Public Service Regulations 1964 (1964/115), as amended by the Public Service Regulations 1964, Amendment No. 1 (1965/123), and the Public Service Regulations 1964, Amendment No. 2 (1967/39).

New Zealand Government Railways

The Government Railways Industrial Tribunal has the power, in terms of section 104 (1) of the Government Railways Act 1949, to fix salaries and wage rates up to a limit corresponding to the limit of jurisdiction of the Government Service Tribunal, i.e., $5,300, and to prescribe terms and conditions of employment. The precise wording of the legislation is as follows:

"S. 104. Principal orders as to pay and conditions of service—(1) Subject to the provisions of this Act, the Tribunal may from time to time, in respect of

employees of the Department (other than administrative officers), make principal orders not inconsistent with this Act or any other enactment for all or any of the following purposes:

(a) Prescribing scales of salaries for grades in the Salaried Division and for any subdivisions of the grade; and classifying the General Division and prescribing rates of wages for the respective classes and for any subdivisions of the classes:
(b) Prescribing holidays, ordinary hours of work, and the period to be worked before overtime rates become payable; and prescribing rates of remuneration and conditions in respect of minimum earnings, overtime, travelling time, standing time, night work, and special duty, and in respect of work on Saturdays, Sundays, holidays, and any other time outside the ordinary hours of duty, and in respect of payments to engine crews on the basis of the mileage run during any shift:
(c) Providing for intervals between shifts and during shifts:
(d) Prescribing minimum rates of pay for adult employees and for married employees:
(e) Prescribing the conditions on which free travelling on the railways or travelling at reduced rates may be granted:
(f) Prescribing the terms and conditions on which leave of absence may be granted and the rates of remuneration, if any, in respect thereof:
(g) Prescribing the terms and conditions in which relieving, travelling, lodging, night, rest, transfer, and meal allowances and expenses may be granted and prescribing the amounts of any such allowances or expenses as aforesaid:
(h) Prescribing tool allowances and allowances in the nature of additional pay for classes or conditions of work warranting the payment thereof:
(i) Prescribing the terms and conditions on which industrial clothing may be issued."

In terms of section 103A of the Government Railways Act 1949 (as inserted by section 3 of the Government Railways Amendment Act (No. 2) 1962) the Government Railways Industrial Tribunal may adjust rates of remuneration and conditions of employment. This would follow a survey of ruling rates of remuneration under provisions almost identical with those set out in section 42 of the State Services Act 1962, and already quoted in full in the earlier section of this paper dealing with the Public Service.

Regulations

In addition to the powers vested in the Government Railways Industrial Tribunal, the Government Railways Act 1949 provides for the making of regulations affecting, in some cases, terms and conditions of employment. The relevant section reads:

"S. 120. Regulations—(1) The Governor-General may from time to time, by Order in Council, make regulations not inconsistent with this Act for all or any of the following purposes [and here follow various items, those of particular relevance being as follows]:

(a) Determining the manner in which and the terms and conditions on which candidates for employment in the Department may enter the service thereof:
(b) Providing that membership of a service organisation shall be a condition of employment or of continued employment in the Department of employees other than administrative officers, and making such provisions as may be deemed necessary or expedient in relation thereto:
(k) Providing for the temporary employment of persons in the Department, and for any matters in relation thereto:
(l) Prescribing conditions of service for administrative officers:
(m) Enabling the General Manager or any person authorised by him either generally or specially to grant special or emergency leave of absence, or free travelling on the railways, or travelling at reduced rates, or any other privileges, or any allowances:
(n) Fixing the ages at which members shall retire in the different branches of the Department:

(p) Prescribing the terms and conditions of occupation by employees of house or other accommodation provided by the Department and used or occupied by employees for domestic purposes:

(q) Generally providing for any other matters that by this Act are expressly prescribed or that may be deemed necessary in order to give full effect to the Act."

The regulations made in accordance with section 120 are the Government Railways (Staff) Regulations 1953 (1964/197) as amended from time to time. They provide for, *inter alia*,

(a) Salary rates between the limits of the jurisdiction of the Government Railways Industrial Tribunal and $7,300 a year (regulation 42); and

(b) Salaries in excess of $7,300 a year to be provided for in the annual estimates of the Department and appropriated by Parliament (regulation 41).

New Zealand Post Office

The authority to fix salaries and wage rates derives from the classification of officers rather than any monetary limit.

The Director-General is empowered under section 219 of the Post Office Act 1959 to fix the salaries of officers graded in the Second Division. This comprises a large staff of skilled, semi-skilled, and unskilled workers such as tradesmen, linemen and skilled linemen, shorthand typists, typists, machinists, telephone exchange operators, chauffeurs, postmen, storemen, etc.

The First Division comprises all clerical and engineering officers and the majority of the controlling or executive officers who supervise and direct the activities of the Second Division employees. Salaries are prescribed by regulations under Part VI of the Post Office Act 1959, up to a maximum of $7,300 (1.4.68 scales).

The precise wording of the section is as follows:

"S.219. Salaries and allowances of officers—(1) Officers of the First Division shall be paid such salaries as may be prescribed by regulations under this Part.

"(2) Officers of the Second Division shall be paid salaries in accordance with a fixed amount or a scale determined by the Director-General.

"(3) Officers of the Post Office, other than permanent officers appointed by the Governor-General and officers of the First or Second Division, shall be paid such salaries or wages as may be determined by the Director-General."

The remaining groups of "administrative officers", appointed by Warrant under the hand of His Excellency the Governor-General, are paid in terms of section 6 of the Post Office Act 1959, as amended by section 2 of the Post Office Amendment Act 1966, which states:

"S. 6. Appointment of Director-General, Deputy Director-General and other Administrative Officers—(1) The following officers shall be appointed by the Governor-General:

(a) The Director-General and the Deputy Director-General of the Post Office:

(b) All other officers appointed to such positions as may from time to time be declared by the Governor-General by Warrant under his hand, to be administrative positions.

"(2) All persons who at the commencement of this Act hold offices in the Post and Telegraph Department to which they have been appointed by the Governor-General shall be deemed to have been appointed under this section and shall continue to hold Office accordingly.

"(3) Officers appointed by the Governor-General shall be paid such salaries, not exceeding an amount for the time being prescribed in that behalf by Order in Council, as may be prescribed for officers of the First Division by regulations under this Act.

"(4) Salaries in excess of the amount prescribed in that behalf by Order in Council may be paid to officers appointed by the Governor-General as provided by the annual estimates and appropriated by Parliament.

"(5) Any such Order in Council shall come into force on a date to be specified therein in that behalf (whether before or after the date of the Order in Council) and if no such date is specified shall come into force on the date of its notification in the *Gazette*.

Regulations, etc.

The Post Office Act 1959 makes the following provisions relating directly to terms and conditions of employment:

"S. 220. Minimum remuneration for adult or married officers—(1) Regulations under this Part may prescribe minimum rates of remuneration for adult or married persons employed in the Post Office.

"(2) Where the minimum remuneration prescribed for any person under this section exceeds the salary to which he is entitled under any scale he shall be entitled to receive, in addition to his salary, an allowance of an amount equal to the difference between the minimum remuneration and his salary.

"S.223. Regulations—(1) The Governor-General may from time to time, by Order in Council, make regulations in regard to any matter or for any purpose for which regulations are prescribed or contemplated by this Part of this Act, and may make all such other regulations as may in his opinion be necessary or expedient for giving full effect to the provisions of this Part, and for the due administration thereof.

"(2) Without limiting the general power to make regulations conferred by this section, regulations may be made under this section—

(a) Providing for the organisation and discipline of the Post Office:

(b) Prescribing the duties of officers:

(c) Authorising the granting to certain officers of special increments of salary on account of outstanding merit and ability combined with good and diligent conduct:

(d) Providing for the leave of absence of officers:

(e) Providing for inquiries into charges of inefficiency or misconduct against officers:

(f) Providing for the suspension of officers charged with inefficiency or misconduct, and prescribing the results of suspension on the salary, rights, and privileges of any such officers:

(g) Providing that officers proved on inquiry to be inefficient, or guilty of misconduct, may be punished by way of fine, reduction of salary, deprivation of privileges, reduction in grade or class, or dismissal from the Post Office:

(h) Authorising the imposition of fines, not exceeding two dollars in any case, in respect of any minor breach or neglect of duty by officers:

(hh) Providing for the recovery from an officer, after inquiry and with the concurrence of the Controller and Auditor-General, of an amount not exceeding the amount of any ascertained or assessable damage to Crown property or loss to the Crown due to any omission or default by the officer:

(i) Determining the mode, terms, and conditions on which candidates for employment in the Post Office shall enter the service of the Post Office:

(j) Providing for the fixing of minimum educational attainments required of candidates for employment in the Post Office, prescribing qualifications required to be held by any person before his promotion or advancement in the Post Office, providing for examinations to be conducted by the Post Office in respect of the employment or promotion of officers, and prescribing fees payable in respect of any such examinations:

(k) Providing for the appointment of officers on probation, and determining the period and conditions of probation:

(l) Providing for the employment of persons in the Post Office otherwise than as permanent officers or as persons permanently employed but on probation for the time being, and determining the conditions of any such employment:

(m) Empowering the Director-General to prescribe allowances and make grants, and to prescribe the terms, conditions, and rates or amounts of allowances and grants, that may be paid to officers in addition to, or instead of, salary or wages:

(n) Prescribing conditions of retirement and providing for the retirement of officers who are medically unfit.

"(3) Any regulations made under this section shall come into force on a date to be specified therein in that behalf (whether before or after the date of which they are made), or, if no such date is specified, shall come into force on the date of publication in the *Gazette* of a notification of the making of the regulations."

The regulations made in accordance with section 223 are the Post Office Staff Regulations 1951 (1951/158).

The Post Office Staff Tribunal

The Post Office has no tribunal with wage fixing powers. The Post Office Staff Tribunal is advisory only to the Postmaster-General on salaries and wages and a number of other matters, some of which, in other branches of the State services, do not come within the jurisdiction of the appropriate Tribunals.

Legislative Department

The Standing Orders of the House of Representatives vest the control of Parliament House (excluding ministerial suites) in Mr Speaker on behalf of the House, and they also provide that the Clerk of the House and other officers shall be appointed by the Government on the recommendation of Mr Speaker who shall have control of them, but that the salaries, increments, and other payments made to them shall be fixed and determined by the Government. Where the salary exceeds $7,300 it is provided in the annual estimates and appropriated by Parliament.

Law Drafting Office

This office is an "office of Parliament" established by and administered under the Statutes Drafting and Compiliation Act 1920 under the control of the Attorney-General, or while there is no Attorney-General, the Prime Minister. Salaries are determined by the Attorney-General, acting for the Government, unless they exceed $7,300, in which case they are provided in the estimates and appropriated by Parliament.

The Judiciary

The salaries of the Judiciary are laid down in their respective Acts. Full details are as follows:

Industrial Conciliation and Arbitration Act 1954 (sections 19 (1) and 20 (3)), and amendments—Judges of the Arbitration Court.

Judicature Amendment Act 1964 (section 2)—Judges of Court of Appeal and of Supreme Court.

Land Valuation Court Act 1948 (section 6 (1))—Judge of Land Valuation Court.

Maori Affairs Act 1953 (section 21)—Chief Judge and Judges of Maori Land Court.

Workers' Compensation Act 1956 (section 42 (1))—Judge of Compensation Court.

Stipendiary Magistrates

The salaries of Magistrates are laid down in section 6 (1), Magistrates' Courts Act 1947.

Chairman and Members (Full-time) of Boards and Commissions Who Are Paid Out of Money Appropriated by Parliament

Section 3 of the Fees and Travelling Allowances Act 1951 states as follows:

> *"Remuneration of members of statutory Boards*—Where, under any enactment, any member of a statutory Board is entitled to receive any remuneration by way of salary, fees, or otherwise for his services as a member of the Board, the remuneration shall be paid at such rate as the Minister [of Finance] from time to time approves in that behalf".

"Statutory Board" means a body referred to in the First Schedule to the Act, and also includes other bodies that are declared by other enactments to be statutory Bodies within the meaning of the Fees and Travelling Allowances Act.

The Education Service

The salaries of teachers are prescribed by the Director-General of Education in terms of section 164A of the Education Act 1964 (as inserted by section 8, Education Amendment Act 1965), but not exceeding $7,300. The legislation reads:

> "S. 164A. Teachers determinations—(1) The Director-General shall from time to time, in respect of employees of the Education service within the meaning of the Government Service Tribunal Act 1965, make determinations to be known as teachers determinations, prescribing classes or grades of teachers for the purpose of prescribing scales of salaries and allowances, and shall prescribe salary rates and allowances for those classes or grades not exceeding the amount for the time being prescribed by the Minister as the maximum amount that the Director-General may prescribe under this subsection, and may also prescribe the terms and conditions under which those allowances and salaries are payable, but not including any terms and conditions relating to the staffing of schools."

Salaries in excess of $7,300 are provided for in the annual estimates of expenditure and appropriated by Parliament although the existing legislation provides for these to be fixed by regulations.

The Government Service Tribunal

The Tribunal is an appellate body from determinations of the Director-General of Education and may hear and determine any application made to it to vary a teachers determination made in terms of section 164A. The limitation of the jurisdiction of the Tribunal applies to an amount not exceeding any salary for the time being payable to officers of subdivision 7 of Class Special of the Clerical Division of the Public Service ($5,300), or to "any salary or wage rate . . . in respect of any senior person or classes of senior persons referred, at any time within the immediately preceding five years by the Prime Minister to the Advisory Committee on Higher Salaries in the State Services in terms of section 19 of the State Services Act 1962".

Regulations

In addition to the powers already described, being in the case of the Director-General of Education powers which he may exercise

by the issue of teachers determinations, the Education Act provides for the making of regulations affecting the salaries and conditions of employment of teachers. The appropriate section is as follows:

"S. 165. Salaries and conditions of employment of teachers—(1) Subject to the provisions of this Act, the Governor-General may from time to time, by Order in Council, make regulations for all or any of the following purposes [and here follow a number of items, those relating to terms and conditions of employment being as follows]:

(a) Providing for the issue of certificates to teachers:

(b) Providing for the appointment, transfer, and promotion of teachers; the assessment and classification of teachers and teaching positions and the making of personal reports on teachers:

(e) Prescribing rates and conditions of payment of salary, allowances, increments, and fees that may be paid to teachers (including relieving teachers, temporary teachers, and occasional lecturers), probationary assistants, kindergarten teachers, and teachers-college students and kindergarten trainees in so far as those rates and conditions are not determined by any salary order:

(f) Prescribing conditions subject to which leave of absence may be granted to teachers, probationary assistants, kindergarten teachers, and teachers-college students and kindergarten trainees; and authorising, subject to such conditions as may be prescribed, the payment of salaries and allowances in whole or in part during such leave:

(g) Prescribing rates of allowances that may be paid towards the cost of, or incidental to, the removal of teachers on transfer from one school to another:

(h) Authorising the making of advances in assistance of teachers-college students and kindergarten trainees during their period of training and prescribing the conditions as to repayment and any other condition subject to which such advances may be made:

(j) Prescribing such other matters relating to the conditions of employment of teachers as may be necessary to give definition to the administration of this part of this Act.

"(2) Any regulations made under this section may, in so far as they prescribe any rates of salaries or allowances, be made to come into force before or after the date of the making thereof or on that date."

The regulations made in accordance with section 165 include the:

Education (Assessment, Classification, and Appointment) Regulations 1965 (1965/175).

Examination and Certification of Teachers Regulations 1961 (1961/97).

Kindergarten Regulations 1959 (1959/200).

Education (Salaries and Staffing) Regulations 1957 (1957/119).

Teachers' Leave of Absence Regulations 1951 (1951/128).

Teachers Training College Regulations 1959 (1959/131).

Technical Institutes (Staffing, Salaries, and Conditions of Service) Regulations 1964 (1964/8).

Ancillary Staff

The position is somewhat different for ancillary staff. Among the general powers of governing bodies of secondary schools (section 61 of the Education Act 1964) is the power to "from time to time as may be necessary appoint or suspend or dismiss a secretary, teachers, and other necessary officers and servants". The salaries to be paid for ancillary staff under this section are a matter for the governing body, but substantial grants of money appropriated from time to time by Parliament are relied upon for this purpose.

These provisions relating to the governing bodies of secondary schools apply with the necessary modifications to the boards of governors of technical institutes. There are, however, current moves to bring the ancillary staff of the technical institutes within the scope of the Education Board Employment Regulations and the salary fixing procedure described later in this submission.

The Universities

The functions and powers of the University Grants Committee include (section 11 (1), Universities Act 1961) the power:

"(c) To investigate and study the financial needs of university education and research, including the recurring and non-recurring needs of the universities:

"(e) To determine the allocation of grants of money to be recommended by it for appropriation by Parliament to meet the needs of university education and research; and to review the expenditure by the universities of money appropriated by Parliament".

The Government controls the grants made to the universities and approves the salaries which they may pay to their academic staff. The latter are approved on the recommendation of an advisory body known as the University Salaries Committee. For non-academic staff salary limits are fixed by the University Grants Committee.

The Hospital Board Service

Section 52 of the Hospitals Act 1957 provides for the making of regulations prescribing scales and rates of salaries for all hospital board employees whose conditions of employment are not fixed under an award, industrial agreement, or apprenticeship order, and for a system of advisory committees to assist the Minister of Health in this respect. The section states:

"52. Conditions of employment—(1) Without limiting the general power to make regulations conferred by section one hundred and fifty-two of this Act, regulations may from time to time be made under that section for all or any of the following purposes:

(a) Prescribing in respect of persons or classes of persons employed by Hospital Boards, being persons whose conditions of employment are not fixed by any award, industrial agreement, or apprenticeship order, the conditions of employment, including the conditions subject to which leave of absence may be granted, the scales and rates of salaries, wages, other emoluments, and increments payable, and the conditions under which payment is to be made:

Provided that any such regulations shall cease to apply to any persons as soon as the conditions of their employment are fixed by any award, industrial agreement, or apprenticeship order:

(b) Providing for the appointment by the Minister of such committees or other advisory bodies as he considers necessary to advise him on any of the matters referred to in paragraph (a) of this subsection and on any complaints that may arise in connection therewith."

The advisory committee system as envisaged in the legislation has not operated extensively in recent years. It was not considered suitable in 1964 to handle the claims of the nursing and other employee groups and the Government appointed a special committee to carry out this task. More recently a special consultative committee has been set up to deal with claims of particular groups which had earlier sought the establishment of a Tribunal. A Hospital Medical Officers Advisory Committee advises the Government on the salaries of medical officers.

For those employees covered by awards, industrial agreements, etc., the boards pay award rates, or such amounts in excess of these as may be authorised by the Minister under the Hospitals Boards Finance Regulations 1958.

The Education Board Service

Section 22 of the Education Act 1964 provides for the making of regulations prescribing, *inter alia*, scales of salaries in respect of persons employed by any education board whose conditions of employment are not fixed by any award or industrial agreement or apprenticeship order. The precise wording is as follows:

> "22. (2) (a) The Governor-General may from time to time, by Order in Council, make regulations prescribing, in respect of persons employed by any Education Board whose conditions of employment are not fixed by any award or industrial agreement or apprenticeship order, the conditions of employment, the conditions on which leave of absence may be granted, and the scales of salaries, the rates of overtime, and the travelling, meal, and other allowances and expenses payable".

For those employees covered by awards, industrial agreements, etc., the boards themselves fix wage rates subject, in the case of school caretakers and groundsmen, to certain limits imposed by the Minister under the Education Boards and Post Primary Schools Grants Regulations 1959.

Employees of the Crown to Whom Part III of the State Services Act 1962 does not Apply by Reason of Section 22 (2) of That Act

Section 22 (2) reads as follows:

> "Notwithstanding anything to the contrary in subsection (1) of this section, the provisions of Parts III to V of this Act shall not apply to the Controller and Auditor-General, the Deputy Controller and Auditor-General, the Solicitor-General, canvassing agents of the Government Life Insurance Office or of the National Provident Fund or of the State Insurance Office, crews (except officers) of Government ships, members of the armed forces, the Police within the meaning of the Police Act 1958, any person paid only by fees or commission or engaged for a specified period under a contract for services, and any person who by his retainer or commission or agreement or the nature of his employment is not required to work a full working week in the Public Service and is allowed to perform work for other persons outside the Public Service in his private capacity for remuneration".

Controller and Auditor-General

The salary of the Controller and Auditor-General is laid down in section 15 of the Public Revenues Act 1953.

Deputy Controller and Auditor-General

There is no statutory provision relating to the salary of the Deputy Controller and Auditor-General. An amount is provided in the annual estimates and appropriated by Parliament.

Solicitor-General

There are no statutory provisions relating to this office. Salary is provided in the annual estimates and appropriated by Parliament.

Canvassing Agents of the Government Life Insurance Office

Section 10 of the Government Life Insurance Act 1953 allows the Government Insurance Commissioner to employ canvassing agents, and to—

> "Pay to any agent so employed such commission, allowance, or other remuneration as he thinks fit. Provided that no such payments shall exceed the maximum commission, allowance, or other remuneration that may be approved by the Minister of Finance on that behalf. . . ."

Canvassing Agents of the National Provident Fund

Section 14 of the National Provident Fund Act 1950 allows the National Provident Fund Board to employ canvassing agents, on the same conditions as apply to the Government Insurance Commissioner.

Canvassing Agents of the State Insurance Office

Section 10 of the State Insurance Act 1963 allows the General Manager of the State Insurance Office to appoint agents or representatives, and to—

> "Pay to any such person such commission, allowance, or other remuneration as he thinks fit".

Crews (Except Officers) of Government Ships

The Government vessels falling into this category are:

(a) G.m.v. *Wairua*—operated by the Minister of Marine in terms of section 512 of the Shipping and Seamen Act 1952. The wages of the crew are fixed by the Minister in agreement with the New Zealand Seamen's Union.

(b) M.v. *Moana Roa*—operated by the Government through the Minister of Island Territories. The crew are employed under "articles of agreement" pursuant to section 32 of the Shipping and Seamen Act 1952.

Members of the Armed Forces

Similar provisions are contained in the Navy Amendment Act 1962 (section 2), the New Zealand Army Amendment Act 1962 (section 2), and the Royal New Zealand Air Force Amendment Act 1962 (section 3) In respect of the Navy, for example, the section states:

> "2. Pay, allowances, grants, and gratuities of officers and ratings—(1) Subject to any regulations made under section 16 of this Act, the pay, allowances, expenses, grants, bonuses, and gratuities payable to officers and ratings shall be at such rates or of such amounts as are from time to time prescribed by the Minister with the concurrence of the Minister of Finance, and shall be subject to any conditions prescribed by the Minister with the like concurrence.
>
> "(2) Any such rates or amounts or conditions may relate to a period commencing on or before or after the date on which they are prescribed.
>
> "(3) All rates of pay prescribed under this section shall be published in the *Gazette*.
>
> **"(4) All rates (including rates of pay) and amounts prescribed under this section and the conditions subject to which they are payable shall be promulgated in Navy Instructions."**

Salaries in excess of $7,300 are provided in the annual estimates and appropriated by Parliament.

The New Zealand Police

The Police Staff Tribunal has the power in terms of sections 71 and 72 of the Police Act 1958 (as added by section 3 of the Police Amendment Act 1965) to fix salaries or scales of salaries up to a limit equivalent to the remuneration for the rank of superintendent ($5,730). The sections read as follows:

"S. 71 Functions of Tribunal—(1) The Tribunal shall have the following functions in relation to the remuneration and conditions of service of members of the Police, that is to say—

(a) To make principal orders and other orders as hereinafter provided:

(b) To make recommendations to the Minister, upon application made as hereinafter provided, in respect of any matters other than the matters in respect of which Principal Orders may be made.

"(2) No Principal Order shall be made in respect of remuneration payable to any member of the Police in excess of the amount for the time being prescribed by Order in Council as the maximum amount in respect of which principal orders may be made.

"S. 72 Principal Orders as to pay and conditions of service—(1) Subject to the provisions of this part of this Act, the Tribunal may from time to time in respect of members of the Police make principal orders not inconsistent with this Act for all or any of the following purposes:

(a) Prescribing salaries or scales of salaries and overtime rates for ranks of Police and for subdivisions of those ranks as those subdivisions are prescribed by the Tribunal.

(b) Prescribing the terms and conditions on which relieving, travelling, lodging, meal, and other allowances and expenses may be granted and prescribing the rates of any such allowances or expenses as aforesaid.

(c) Prescribing clothing allowances and allowances payable in respect of work warranting the payment thereof."

For the ranks of Chief Superintendent and Assistant Commissioner rates of pay and allowances were previously prescribed in terms of Police Regulations (1959) No. 83, but are now approved by Cabinet or the Cabinet Committee on Government Administration.

The salary of the Commissioner is provided in the annual estimates and appropriated by Parliament.

In addition to the powers vested in the Tribunal, the Police Act 1959 provides for the making of regulations affecting, in some cases, terms and conditions of employment. The relevant section reads as follows:

"S. 64 Regulations—(1) The Governor-General may from time to time, by Order in Council, make all such regulations as may in his opinion be necessary or expedient for giving effect to the provisions of this Act and for the due administration thereof.

"(2) Without limiting the general power hereinbefore conferred, it is hereby declared that regulations may be made under this section for all or any of the following purposes [and here follow a number of items, those relating to terms and conditions of employment being as follows]:

(a) Providing for the government, maintenance, duties, discipline, and control of the Police and for the transfer of members of the Police to any other duty or position whether in the same district or not:

(b) Prescribing the ranks of commissioned officers appointed pursuant to section 7 of this Act and providing for the promotion of any person to any such rank:

(c) Prescribing the ranks of non-commissioned officers, and providing for the promotion of any persons to any such rank:

(d) Regulating generally the promotion of members of the Police, and prescribing the factors to be considered in relation to any promotion:
(f) Prescribing any matter relating to the conditions of service of the Police:
(g) Prescribing such matters to the superannuation of members of the Police as may be considered necessary:
(i) Providing for the determination of the amount of rent to be paid by any member of the Police who is permitted to use for the purpose of residence or granted a tenancy of any premises or any part of any premises belonging to the Government, and for the deduction of the amount payable in respect of that use or tenancy from any money due or at any time becoming due from the Crown whether in salary or otherwise".

The regulations made in accordance with section 64 are the Police Regulations 1959 (1959/9).

Persons Paid Only by Fees or Commissions, Etc.

Section 3 of the Fees and Travelling Allowances Act 1951 (*see* "Chairman and Members (Full-time) of Boards and Commissions Who Are Paid Out of Money Appropriated by Parliament) is the authority for the Minister of Finance to approve remuneration for this category.

Other Branches of the State Services

There are further positions, agencies, etc., that fall within the broad definition of "instruments of the Crown in respect of the Government of New Zealand".

Parliamentary Commissioner (Ombudsman)

The salary of the Commissioner is laid down in section 7 of the Parliamentary Commissioner (Ombudsman) Act 1962. This section was amended in 1967 (Parliamentary Commissioner (Ombudsman) Amendment Act 1967) to read:

"7. Salary and allowances of Commissioner—(1) There shall be paid to the Commissioner out of the Consolidated Revenue Account, without further appropriation than this section, a salary at the following rates:
(a) During the year ending with the thirty-first day of March nineteen hundred and sixty-eight, at the rate of nine thousand and forty dollars a year:
(b) On and after the first day of April, nineteen hundred and sixty-eight, at the rate of nine thousand six hundred dollars a year".

Authority to fix the salaries and the terms and conditions of employment of persons who may be appointed by the Commissioner is contained in section 9 (3) of the Act which reads:

"(3) The salaries of persons appointed under this section, and the terms and conditions of their appointments, shall be such as are approved by the Minister of Finance".

Reserve Bank of New Zealand

The salaries of the Governor and the Deputy Governor of the Reserve Bank of New Zealand (each of whom is appointed by the Governor-General in Council) are fixed by the Governor-General in Council. Section 17 (4) of the Reserve Bank of New Zealand Act 1964 reads:

"(4) The Governor and the Deputy Governor shall be entitled to receive out of the funds of the Bank such salary and allowances as may from time to time be fixed in that behalf by the Governor-General in Council."

State Advances Corporation

Section 9 of the State Advances Corporation Act 1965 provides that the salaries of the Managing Director and Deputy Managing Director and the fees of other directors are to be such as may from time to time be fixed by the Minister of Finance. The section reads:

"9. Remuneration of directors—(1) The Managing Director and the Deputy Managing Director shall each be entitled to receive such salary and allowances as may from time to time be fixed in that behalf by the Minister of Finance.

"(2) The appointed directors (other than the Managing Director and the Deputy Managing Director) and the associate directors shall be entitled to receive such fees and such allowances in respect of their expenses as may from time to time be fixed in that behalf by the Minister of Finance.

"(3) The salaries, fees, and allowances payable under subsection (1) and subsection (2) of this section shall be paid from the Consolidated Revenue Account out of money appropriated by Parliament for the purpose.

"(4) An amount equal to the amount paid in any year under subsection (3) of this section shall in that year be repaid to the Consolidated Revenue Account by the Corporation."

The salaries under subsection (1) are provided in the annual estimates and appropriated by Parliament.

New Zealand Security Service

The remuneration of the Director and his staff are fixed by the Prime Minister.

Registrar, Court of Arbitration

Section 16 (1) of the Industrial Conciliation and Arbitration Act 1954 provides that:

"The Governor-General may from time to time appoint a Registrar of the Court of Arbitration, to hold office during the pleasure of the Governor-General. Nothing in the State Services Act 1962 shall apply to the Registrar of the Court".

There is no statutory provision relating to the salary for this position. Past practice has been to obtain the approval of the Minister of Finance or the Cabinet Committee on Government Administration. Eventually, the position will be brought under the State Services Act.

External Affairs Act 1943

The Act defines an overseas representative as "a diplomatic or consular representative for New Zealand or a representative of the Government of New Zealand in any other country, and includes a High Commissioner for New Zealand in any other country". Section 8 (1) provides that "the Minister may from time to time appoint such officers as may be deemed necessary to assist any overseas representative." Section 9 states:

"The salaries and allowances of all overseas representatives and of all officers appointed under section 8 of this Act shall be paid out of moneys appropriated by Parliament for the purpose."

As Controlling Authority, the Minister of External Affairs approves allowances and conditions of employment.

Appendix 4

STAFF OF HOSPITAL BOARDS

(a) *Under Specific Hospital Employment Regulations:*

Dental officers.
Dietitians.
Engineers.
Laboratory workers.
Male nurses.
Medical officers.
Nurses.
Occupational therapists.
Orthopaedic technicians.
Physiotherapists.
Secretarial and clerical officers.
X-ray workers.

(b) *Under Regulation 9 of Hospital Employment Regulations:*

Architects.
Chiropodists.
Clinical psychologists.
Farm managers.
Fire officers.
Food Supervisors and dietary assistants.
Grounds supervisors.
Home supervisors (non nurses).
Household staff supervisors.
Instructors, rehabilitation units.
Laundry managers.
Masters and Matrons (non nurses).
Medical photographers.
Medical social workers (non nurses).
Orthoptists.
Pharmacy assistants.
Physicists.
Psychiatric nurses.
Psychiatric social workers.
Refractionists.
Speech Therapists.
Technicians and Technical Assistants—
Anaesthetic.
Audiology.
Blood transfusion.
Cardiac.
Central sterile supply.
E.C.G.
E.E.G.
Electronic.
Instrument.
Intravenous solutions.

Physics.
Physiology.
Syringe bank.
Theatre.
X-ray.
Works superintendents.
Miscellaneous.

(c) *Under Awards, Industrial Agreements, and Apprenticeship Orders:*

Ambulance drivers.
Bakers.
Butchers.
Carpenters.
Clerical workers.
Dental technicians and attendants.
Domestic workers including—
Cleaners.
Cooks.
Housemaids.
Nightwatchmen.
Orderlies.
Patrolmen.
Seamstresses.
Wardsmaids and wardsmen.
Waitresses.
Drivers.
Electricians.
Enginedrivers.
Firemen.
Fitters and turners.
Gardeners.
Labourers.
Mechanics.
Painters.
Pharmacists.
Plumbers.
Sheetmetal workers.
Storemen.
Upholsterers.

Source: *Department of Health*

Appendix 5

(a) PEOPLE AND POSITIONS REVIEWED BY THE ADVISORY COMMITTEE ON HIGHER SALARIES IN THE STATE SERVICES IN 1967

Agriculture, Director-General.
Crown Law, Solicitor-General.
Education, Director-General.
Electricity, General Manager.
Health, Director-General.
Industries and Commerce, Secretary.
Post Office, Director-General.
Prime Minister's and External Affairs, Permanent Head (Prime Minister's), Secretary (External Affairs).
Railways, General Manager.
Scientific and Industrial Research, Director-General.
State Services Commission, Chairman.
Treasury, Secretary.
Works, Commissioner.

Audit, Controller and Auditor-General.
Civil Aviation, Secretary.
Customs, Comptroller.
Defence, Secretary.
Forest Service, Director-General.
Inland Revenue, Commissioner.
Justice, Secretary.
Labour, Secretary.
Lands and Survey, Director-General.
Maori Affairs/Island Territories, Secretary.
Mines, Under-Secretary.
Public Trust, Public Trustee.
Social Security, Chairman.
Statistics, Government Statistician.

Government Life Insurance, Commissioner.
Government Printing, Government Printer.
Internal Affairs, Secretary.
Legislative, Counsel for the Law Drafting Office, Law Draftsman.
Marine, Secretary.
State Insurance, General Manager.
Tourist and Publicity, General Manager.
Transport, Commissioner.
Valuation, Valuer-General.

Chief of Defence Staff.
Chiefs of Staff (3).
Commissioner of Police.
Director-General, New Zealand Broadcasting Corporation.
Managing Director, State Advances Corporation.
Commissioner, Waterfront Industry Commission.

General Manager, Auckland Education Board.
Secretary, Auckland Hospital Board.
Heads of Teaching Institutions—
Principal, Technical Institute, Auckland.
Principal, Teachers' College.
Principal, Secondary School Grade VI.
Head Teacher, Intermediate School Scale XII.

(b) PEOPLE AND POSITIONS CONSIDERED BY THE CABINET COMMITTEE ON GOVERNMENT ADMINISTRATION FOLLOWING THE REVIEW

Judiciary.
Magistrates.
Judges, Maori Land Court.
Ombudsman.
Clerk of the House of Representatives.
Governor and Deputy Governor, Reserve Bank.
Director of Security.
Agriculture—
Assistant Directors-General (2).
Director of Agriculture Research.
Director of Laboratory.
Director, Ruakura Animal Research Station.

Civil Aviation—
Director, Meteorological Services.
Director, Operations and Technical Services.
Assistant Director (Operations).
Divisional Controller (Operations).
Controller of Flight Operations.
Divisional Controller of Ground Services.
Assistant Director.

Crown Law—
Crown Counsel (2).

Defence—
Director of Naval Research.
Director of Medical Services (Air).
Director of Medical Services (Navy).

Education—
Assistant Directors-General (2).
Director, Primary Education.
Director, Secondary Education.
Director, Technical Education.
Principal, Technical Correspondence Institute.
Superintendent, Child Welfare Division.
National Librarian.

Electricity—
Assistant General Manager.
Chief Engineer.

External Affairs—
Deputy Secretary.
Heads of Mission (4).

Health—
Assistant Directors-General (2).
Divisional Directors (6).
Deputy Divisional Directors (3).
Medical Superintendents (15).
Principal Medical Officers (2).
Assistant Directors (2).
Principal Psychiatrists (7).

Industries and Commerce—
Assistant Secretaries (2).

Post Office—
Engineer-in-Chief.
Deputy Director-General.
Assistant Directors-General (3).

Railways—
Chief Engineers (2).
Deputy General Manager.
Assistant General Managers (2).

Scientific and Industrial Research—
Assistant Directors-General (3).
Director of Laboratory (12).
Scientists (1).

State Advances Corporation—
Deputy Managing Director.
General Manager.

State Services Commission—
Deputy Chairman.
Members (2).

Treasury—
Deputy Secretary.
Assistant Secretaries (3).
Government Actuary.

Works—
Assistant Commissioners (2).
Chief Civil Engineer.
Director of Roading.
Government Architect.
Chief Engineer (Power).
Director Mechanical Engineering.
Director Water and Soil Division.

Appendix 6

COMPARISON OF TRIBUNALS' CONSTITUTIONS, POWERS, AND FUNCTIONS

	Government Service Tribunal	Government Railways Industrial Tribunal	Police Staff Tribunal	Post Office Staff Tribunal
Constituted by	Government Service Tribunal Act 1965	Government Railways Act 1949	Police Amendment Act 1965	Post Office Act 1959.
Membership	Chairman and two members-assessors also deemed to be members	Chairman and two members	Chairman and two members	Chairman and two members.
Qualifications of Chairman ..	Judge or an additional Judge or a temporary Judge of Arbitration Court or a Stipendiary Magistrate	None stated	As for Government Service Tribunal	Not to be an officer of Post Office or Post Office Association.
Members	One as Government member, one on nomination of service organisation; if two or more service organisations, on joint nomination or after consultation. Voting system allowed for service organisations	One as Minister's nominee, one on joint nomination of service organisations, or in default of joint nomination, by Minister after consultation	As for Government Service Tribunal but no voting system provided for	One as representative of Postmaster-General, one on nomination of Post Office Association.
Method of Appointment ..	By Governor-General in Council on recommendation of Prime Minister	By Governor-General in Council on recommendation of Minister of Railways	By Governor-General in Council on recommendation of Minister in Charge of Police	By Governor-General in Council on recommendation of Postmaster-General.
Tenure of Office	Not exceeding three years, or for residue of term of predecessor if filling a vacancy through death, resignation, etc.	As for Government Service Tribunal	As for Government Service Tribunal	As for Government Service Tribunal.
Provision for Deputies	Appointed in manner laid down for office for which deputising	As for Government Service Tribunal	As for Government Service Tribunal, with addition that proceedings cannot be questioned on grounds that occasion for appointment not present	As for Government Service Tribunal.
Quorum	Chairman and at least one member	As for Government Service Tribunal	As for Government Service Tribunal	Not stated.

Appendix 6—continued

COMPARISON OF TRIBUNALS' CONSTITUTIONS, POWERS, AND FUNCTIONS—*continued*

	Government Service Tribunal	Government Railways Industrial Tribunal	Police Staff Tribunal	Post Office Staff Tribunal
Assessors	Two—one from each side	One from each side, or where two service organisations joint applicants or respondents, two may be appointed from each side	One from each service organisation, with equivalent number for Commissioner of Police	Two—one from each side.
Qualifications of Assessors ..	Employed in or retired from Government service, or officer or employee, or retired officer or retired employee of service organisation	Member of Department or General Secretary or an assistant general secretary of a service organisation	Not stated	Permanent officer of Post Office or officer of Post Office Association.
Assessors' Role	Deemed to be members	May be present at hearing and determination of application as though members, but unable to vote or be parties to decision. Members other than assessors, may deliberate in private	As for Government Railways Industrial Tribunal	As for Government Railways Industrial Tribunal.
Tribunal deemed a Commission of Inquiry	Yes	Yes	Yes	Yes.
Provision for Secretarial Services	Department of Labour	Not stipulated	Not stipulated	Not stipulated.
Functions	To prescribe salaries and salary, scales, wage rates, allowances and conditions of employment	To prescribe salaries and salary scales, allowances, and conditions of employment. May also make recommendations to Minister	As for Government Railways Industrial Tribunal	To inquire into and report to Postmaster-General upon such matters as may be referred.
Limit of Jurisdiction	Fixed by Order in Council at $5,300 (1/4/68 scales). Positions referred to Advisory Committee on Higher Salaries excluded	Fixed by Order in Council at $5,300 (1/4/68 scales)	May determine salaries up to rank of Superintendent $5,730 (1/4/68 scales)	Not stated.
Decision of Tribunal	By majority of members present. If members equally divided, decision of Chairman applies	As for Government Service Tribunal	As for Government Service Tribunal	Not stated.
Nature of Powers	Appellate body with mandatory powers	Body of originating jurisdiction with mandatory power. Also recommendatory for certain matters	As for Government Railways Industrial Tribunal	Recommendatory body only.

Source: *State Services Commission.*

Appendix 7

ANALYSIS OF SUBMISSIONS ABOUT TRIBUNALS

—	Composition				Powers						Additional Remarks
	Chairman, (Judge, or S.M.)	Two Members, (Employer, Employee)	Assessors (Employer, Employee)	Assessors Voting	Appellate	Decisions Mandatory	Original Jurisdiction	Advisory	Limit of Jurisdiction	Common Chairman for all Tribunals	
FOR NO CHANGE IN EXISTING TRIBUNAL STRUCTURE											
									$		
Post Office	X	X	X					X		X	
Police	X	X	X				X		5,730	X	
Railways	X	X	X		X	X			5,300		First choice. Second choice—single tribunal.
Police Association	X	X	X				X		5,730		
Mr A. C. Maddock	–	–	–	–	–	–	–		–	–	Present Tribunals to remain and be extended to hospitals and universities.
Teachers in Technical Institutes	X	X	X	X	X	X			5,300		Members to be varied according to matter before the Tribunal.
FOR A SINGLE TRIBUNAL FOR THE STATE SERVICES											
State Services Commission	X	X	X	X	X	X			5,300	X	If the single Tribunal is NOT accepted then a common chairman.
Treasury	X	X	X		X	X					No definite figure suggested but felt that the level of jurisdiction should be raised.
Employers' Federation	X	X	X		X	X					
Registered Male Nurses	X	X	X				X				Employee member changing according to the case.
Institution of Engineers	X	X									
Veterinary Association	X	X									Different members for different occupational classes.
Social Workers Association	–	–	–	–	–	–	–	–	–	–	
Mr Atkinson, Director, Fruit Research	–	–	–	–	–	–	–	–	–	–	
Education Department	X	X	X	X	X	X			5,300		
D.S.I.R.		X	X								
Government Statistician	–	–	–	–	–	–	–	–	–	–	

X indicates a suggestion on composition or powers.
– indicates no specific suggestions.

Appendix 7—continued

ANALYSIS OF SUBMISSIONS ABOUT TRIBUNALS—*continued*

—	Composition				Powers				Limit of Jurisdiction	Common Chairman for all Tribunals	Additional Remarks
	Chairman, (Judge, or S.M.)	Two Members, (Employer, Employee)	Assessors (Employer, Employee)	Assessors Voting	Appellate	Decisions Mandatory	Original Jurisdiction	Advisory			
FOR ADDITIONAL TRIBUNALS FOR PARTICULAR SERVICES											
Hospital—									$		
Health Department	X	X	X	X	X	X				X	
Hospital Officers' Association	X	X					X				
Dietetic Association							X				
Physiotherapists Society	X	X	X				X				
Registered Nurses' Association	X	X	X				X				
Hospital Boards' Association	X	X					X			X	
Hospital Physicists' Association	X	X					X				
Institute of Laboratory Technology	X	X					X				
Teachers—											
N.Z.E.I.	X	X	X	X	X	X			Full range of Teachers Salaries		
P.P.T.A.	X	X	X	X	X	X					
Library Association	–	–	–	–	–	–	–	–	–	–	
N.Z. Teachers' Colleges Association	–	–	–	–	–	–	–	–	–	–	Recognition as a representative employee organisation is sought.
Association of University Teachers	–	–	–	–	–	–	–	–	–	–	Mandatory authority sought for academics, employee representative non-voting; might deal with all graduates.
WANTING ACCESS TO A TRIBUNAL											
Education Officers' Association	X	X	X	X	X	X			5,300		Prefer Government Service Tribunal.
NOT WANTING A TRIBUNAL											
Defence Department											
Society of Radiographers											
Medical Association of N.Z.											
Judiciary											
Magistrates											
Hospital Boards' Dental Surgeons' Association											Access to Hospital Medical Officers' Advisory Committee sought.

X indicates a suggestion on composition or powers.
– indicates no specific suggestions.

Appendix 8

HALF-YEARLY SURVEY AVERAGES COMPARED WITH (A) RULING RATES AVERAGES AND (B) GOVERNMENT SERVICE PAY-RATES 1957–1968

Date	**Half-Yearly Surveys:** All Surveyed Industries PRIVATE Sector Average ORDINARY Time Hourly Pay-rates	**Ruling Rates Surveys:** Average Hourly Rates of Pay ("Ruling Rates" Weighting) (f)		**Government Services Rates** for Tradesmen and Skilled Labourers (including increases under (i) General Orders and (ii) Tribunal Decisions)		Increases per Hour					Remarks
						Half-Yearly Surveys: 6 Monthly Change as in Col. (1)	**Ruling Rates Increases** between Surveys		**Government Service Increases** (including G.O.s and Tribunal Decisions)		
		Combined Trades	Combined Labourers	Tradesmen	Skilled Labourers		Combined Trades Col. (2)	Combined Labourers Col. (3)	Tradesmen Col. (4)	Skilled Labourers Col. (5)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
	$	$	$	$	$	cents	cents	cents	cents	cents	
19/11/56	..	..	..	0.6833	0.5958	..	..	..	..	..	General Order.
15/4/57	0.653	..	..	..	..	..	..	..	..	..	
15/10/57	0.658	..	..	..	..	0.5	..	..	..	..	
15/4/58	0.664	..	..	..	..	0.6	..	..	..	..	
1/10/58	..	0.69133	0.61494	0.7042	0.6167	..	..	..	2.09	2.09	February 1958 Ruling Rates Survey.
15/10/58	0.673	..	..	..	..	0.9	..	..	..	..	
15/4/59	0.681	..	..	..	..	0.8	..	..	..	..	
12/10/59	..	..	..	0.7396	0.6479	..	..	..	3.54	3.12	General Order.
15/10/59	0.693	..	..	..	..	1.2	..	..	..	..	
1/4/60	..	0.75946	0.66798	0.7688	0.6646	..	6.813	5.304	2.92	1.67	July 1960 Ruling Rates Survey.
15/4/60	0.716	..	..	..	..	2.3	..	..	..	..	
15/10/60	0.725	..	..	..	..	0.9	..	..	..	..	
15/4/61	0.749	..	..	..	..	2.4	..	..	..	..	
1/10/61	..	0.80514	0.69636	0.7979	0.6938	..	4.568	2.838	2.91	2.92	September 1961 Ruling Rates Survey.
15/10/61	0.759	..	..	..	..	1.0	..	..	..	..	
15/4/62	0.769	..	..	..	..	1.0	..	..	..	..	
1/7/62	..	..	..	0.8188/0.7979	..	..	..	..	2.09/NIL	..	Government Railways Industrial Tribunal decision (a).
26/7/62	..	..	..	0.8396/0.8188	0.7125	..	..	..	2.08/2.09	1.87	General Order.
1/8/62	..	0.83476	0.71180	0.8396/0.8271	0.7125	..	2.962	1.544	NIL/0.83	NIL	February 1963 Ruling Rates Survey (b).

15/10/62	0.783	..	..	..	..	1.4	..	..	..	..	
15/4/63	0.794	..	..	..	..	1.1	..	..	..	..	
1/8/63	..	0.86099	0.73280	0.8667/0.8542	0.7292	..	2.623	2.100	2.71/2.71	1.67	February 1964 Ruling Rates Survey.
15/10/63	0.803	..	..	..	..	0.9	..	..	..	..	
15/4/64	0.815	..	..	..	..	1.2	..	..	..	..	
26/8/64	..	0.92238	0.78765	0.9313/0.9188	0.7833	..	6.139	5.485	6.46/6.46	5.41	February 1965 Ruling Rates Survey (c).
15/10/64	0.857	..	..	..	..	4.2	..	..	..	..	
15/4/65	0.878	..	..	..	..	2.1	..	..	..	..	
1/8/65	..	0.96972	0.81843	0.9792/0.9667	0.8125	..	4.734	3.078	4.79/4.79	2.92	February 1966 Ruling Rates Survey.
15/10/65	0.895	..	..	..	..	1.7	..	..	..	..	
15/4/66	0.911	..	..	..	..	1.6	..	..	..	..	
14/9/66	..	1.02819	0.87419	1.0375/1.0250	0.8708	..	5.847	5.576	5.83/5.83	5.83	February 1967 Ruling Rates Survey (d).
11/10/66	..	..	..	1.0875/1.0375/1.0250	..	..	..	..	5.00/NIL/NIL	..	Government Railways Industrial Tribunal decision (e).
15/10/66	0.933	..	..	..	..	2.2	..	..	..	..	
15/4/67	0.970	..	..	..	..	3.7	..	..	..	..	
1/8/67	..	1.04017	0.87989	1.1009/1.0509/1.0384	0.8758	..	1.198	0.570	1.34/1.34/1.34	0.50	February 1968 Ruling Rates Survey.
15/10/67	0.979	..	..	..	..	0.9	..	..	..	..	
				Increases:							
				Amount (cents)		32.6	34.884	26.495	41.76/36.76/35.51	28.00	
				Percentage		49.9%	50.5%	43.1%	61.1/53.8/52.0%	47.0%	

NOTES—(a) Granting 2½d (2.083 cents) an hour to indentured tradesmen. Subsequently extended throughout the State Services by administrative action to tradesmen with "recognised" trade skills and experience. (b) Reducing 2½d as above to 1¼d (1.25 cents) an hour. (c) Includes effect of 1964 General Order as well as of annual Ruling Rates Survey of February 1965. (d) Includes effect of 1966 General Order as well as of annual Ruling Rates Survey of February 1967. (e) Granting indentured tradesmen a skill margin of 27.32% above the rate for a labourer. (f) Dates shown are those of application, not of the actual survey. N.B. This table covers only the period 1957 to 1968 since the Half-yearly Survey data on ordinary time hourly rates were first collected in April 1957.

Source: *Department of Labour*

Appendix 9

GOVERNMENT SERVICE RATES OF PAY

Date	Tradesmen	Skilled Labourers	Labourers	Class VI Maximum
	$ an Hour	$ an Hour	$ an Hour	$ a Year
19/11/56	0.6834	0.5959	0.5792	1,530
1/10/58	0.7042	0.6167	0.6000	1,570
12/10/59	0.7396	0.6480	0.6313	1,650
1/4/60	0.7688	0.6646	0.6480	1,700
1/10/61	0.7980	0.6938	0.6771	1,760
26/7/62	0.8188	0.7125	0.6959	1,800
1/8/62	0.8271	..	..	1,820
1/8/63	0.8542	0.7292	0.7125	1,880
26/8/64	0.9188	0.7834	0.7667	2,010
1/8/65	0.9667	0.8125	0.7959	2,110
14/9/66	1.0250	0.8709	0.8542	2,230
Increase 1956–1966 $	0.3416	0.2750	0.2750	700
" " " %	50.0	46.1	47.5	45.8

NOTES—1. Special increases for tradesmen of 2½d. per hour at 1 July 1962, subsequently 1½d. per hour as at 1 August 1962, and 5 cents an hour from 11 October 1966, have been ignored (see appendix 8). 2. The dates shown are the *effective* dates of new salary rates.

Source: State Services Commission

Appendix 10

HALF-YEARLY SURVEY INCREASES COMPARED WITH RULING RATES INCREASES 1958–1967

HALF-YEARLY SURVEYS: ALL INDUSTRIES (Excluding Seasonal)		RULING RATES SURVEYS: $ INCREASES APPLIED				
Period Ended	Increase $	Tradesmen (per Hour)	Skilled Labourers (per Hour)	Labourers (per Hour)	Class VI Max. (per Annum)	Period Ended
April 1958	0.012	0.0208	0.0208	0.0208	40	February 1958
October 1959	0.031	0.0354	0.0313	0.0313	80	October 1959
October 1960	0.032	0.0292	0.0166	0.0166	50	July 1960
October 1961	0.034	0.0292	0.0292	0.0292	60	September 1961
October 1962	0.024	0.0208	0.0187	0.0187	40	July 1962
April 1963	0.007	0.0083	..	..	20	February 1963
April 1964	0.020	0.0271	0.0167	0.0167	60	February 1964
April 1965	0.065	0.0646	0.0542	0.0542	130	February 1965
April 1966	0.031	0.0479	0.0291	0.0291	100	February 1966
April 1967	0.058	0.0583	0.0584	0.0584	120	February 1967
Total for 10 years	0.3140	0.3416	0.2750	0.2750	700	

Period Ended	Percentage Increase	Percentage Increases				Period Ended
April 1958	1.9	3	3.5	3.6	2.6	February 1958
October 1959	4.7	5	5.1	5.2	5.1	October 1959
October 1960	4.7	4	2.6	2.6	3	July 1960
October 1961	4.7	3.8	4.4	4.5	3.5	September 1961
October 1962	3.2	2.6	2.7	2.8	2.3	July 1962
April 1963	0.9	1	..	..	1.1	February 1963
April 1964	2.5	3.3	2.3	2.4	3.3	February 1964
April 1965	8.1	7.6	7.4	7.6	6.9	February 1965
April 1966	3.6	5.2	3.7	3.8	5	February 1966
April 1967	6.4	6	7.2	7.3	5.7	February 1967
Total for 10 years	48.7	50.0	46.1	47.5	45.8	

Source: *State Services Commission*

Appendix 11

SPECIFIC OCCUPATIONAL REVIEWS AND THE APPLICATION OF INTERIM ADJUSTMENTS

Paragraph 89 of chapter 6 refers. In all three examples below, the occupation is selected in August 1969 for review at 15 October and the salary (including April 1969 interim adjustment) is $2,300.

OCCUPATION A

Pay research is completed and available, and Tribunal Order is made, fixing new rate at	*February 1970* *July 1970*	$2,400
Interim adjustment October 1969 (1%) is applied, salary now		$2,325
Interim adjustment April 1970 (1½%) is deferred pending completion of negotiations. Salary stays at		$2,325
Tribunal Order is applied *retrospective* from 15 October 1969		$2,400
Interim adjustment April 1970 is applied restrospective from 15 January 1970		$2,435

OCCUPATION B

Pay research is completed and available, and determination is made, fixing new rate at	*November 1969* *February 1970*	$2,500
Interim adjustment October 1969 (1%) is applied, salary now		$2,325
Determination is applied *retrospective* from 15 October 1969, salary		$2,500
Interim adjustment April 1970 (1½%) is applied from 15 January 1970, salary		$2,540

OCCUPATION C

Pay research is completed and available, and Tribunal Order is made, fixing new rate at	*February 1970* *July 1970*	$2,250
Interim adjustment October 1969 (1%) is applied, salary now		$2,325
Interim adjustment April 1970 (1½%) is deferred pending completion of negotiations. Salary stays at		$2,325
Determination fixes notional salary $2,250 from 15 October 1969, but salary stays at		$2,325
Interim adjustment April 1970 (1½%) raises notional salary to $2,285, but salary stays at		$2,325
Interim adjustment October 1970 (2%) raises notional salary to $2,330 which then becomes actual salary from 15 July 1970		$2,330

NOTE—The dates of application of interim adjustments would be later if suggestions for minimising back-dating are adopted.

Appendix 12

Phase II

Group 1 – Industry Boards

Name	Legislation	Membership	Finance	Staffing
Fishing Industry Board ..	Fishing Industry Board Act 1963	7 members appointed by Governor-General on recommendation of Minister	Levy on fish sold or exported	Board may appoint a secretary, treasurer, and such other officers as it deems necessary, and may pay such salaries, etc., as it thinks fit.
New Zealand Apple and Pear Marketing Board	Apple and Pear Marketing Act 1948	6 members appointed by Governor-General on recommendation of Minister	Purchase and sale of apples and pears	Board may appoint as it deems necessary.
New Zealand Meat Producers Board	Meat Export Control Act 1921–22	2 members appointed by Governor-General on recommendation of Minister 6 members appointed by Governor-General as representatives of Meat Producers	Levy on meat exports ..	Board may appoint as it deems necessary.
New Zealand Milk Board	Milk Act 1967	10 members appointed by Governor-General on recommendation of Minister	Levy on milk sold ..	Board may appoint as it deems necessary.
New Zealand Poultry Board	Poultry Runs Registration Act 1933	7 members appointed by Governor-General on recommendation of Minister	Registration fees, etc. ..	Board may appoint as it deems necessary.
New Zealand Wheat Board	New Zealand Wheat Board Act 1965	The Minister as chairman, an officer of Department of Industries and Commerce appointed by the Minister An officer of the Treasury appointed by the Minister 7 members appointed by Governor-General on recommendation of Minister	Purchase and sale of wheat and flour	Board may appoint as it deems necessary, and pay such salaries and allowances (within scales fixed by Board with approval of Minister of Finance) as it may from time to time determine.
New Zealand Wool Board	Wool Industry Act 1944 ..	2 members appointed by Governor-General on recommendation of Minister 6 members appointed by Governor-General as representatives of Wool Growers 1 associate member – Director-General of Agriculture	Levy on growers ..	Board may appoint as it deems necessary.
New Zealand Wool Commission	Wool Commission Act 1951	7 members appointed by Governor-General on recommendation of Minister	Charge on wool sold ..	Commission may appoint general manager and officers as it deems necessary.
Potato Board	Potato Growing Industry Act 1950	7 members appointed by Governor-General on recommendation of Minister	Levy on growers ..	Board may appoint as it deems necessary.
Workers' Compensation Board	Workers' Compensation Act 1956	6 members appointed by Governor-General on recommendation of Minister	Levy on insurers ..	Board may appoint such officers and servants as it deems necessary.

GROUP 2 – CORPORATIONS

Name	Legislation	Membership	Finance	Staffing
Air New Zealand Ltd. ..	Companies Act	6 directors appointed by Minister of Finance	Government share capital and airways operation	Not specified.
Bank of New Zealand ..	Bank of New Zealand Act 1945	5–7 directors appointed by Minister of Finance	Private bankers	Not specified.
Linen Flax Corporation ..	Linen Flax Corporation Act 1945	5 directors appointed by Governor-General on recommendation of Minister	Government advances and production and marketing of linen flax products	Corporation may appoint such officers and servants as it deems necessary.
National Airways Corporation	New Zealand National Airways Act 1945	5 directors appointed by the Governor-General	Government advances and airways operation	Corporation may appoint a general manager and such other officers as it thinks necessary; subject to such terms and conditions of employment as it may determine.
Natural Gas Corporation..	Natural Gas Corporation Act 1967	1 member – Secretary to the Treasury 4–6 members appointed by Governor-General on recommendation of Minister. (Not less than 2 nor more than 4 to be Permanent Heads of Government Departments)	Government advances and sale of natural gas	Corporation may appoint a general manager and such other officers and employees as it thinks necessary; and pay such salaries and allowances as may be determined after consultation with the State Services Commission.
New Zealand Broadcasting Corporation	Broadcasting Corporation Act 1961	Not less than 3 nor more than 7 members appointed by Governor-General	Government advances and fees, etc., from broadcasting	Director-General appointed by Governor-General on recommendation of the Corporation. Corporation may appoint such officers and employees as it thinks necessary, and pay such salaries and allowances (within scales fixed in agreement with the State Services Commission) as it may determine. Nothing in the Industrial Conciliation and Arbitration Act shall apply.
Reserve Bank of New Zealand	Reserve Bank of New Zealand Act 1964	1 Governor 1 Deputy-Governor appointed by Governor-General in Council, Secretary to the Treasury 7 appointed directors, appointed by Governor-General in Council	Central banking business ..	Not specified.
Tourist Hotel Corporation	Tourist Hotel Corporation Act 1955	1 director – The General Manager of Department of Tourist and Publicity 6 directors appointed by Governor-General on recommendation of Minister	Government advances and conduct of hotels, etc.	Corporation shall appoint general manager and such other officers and employees as it thinks necessary; and may pay such salaries and allowances as it thinks fit.

GROUP 3 – BOARDS, COUNCILS, ETC.

Name	Legislation	Membership	Finance	Staffing
Consumer Council ..	Consumer Council Act 1966	12 members appointed by an Appointments Committee constituted under the Act. Secretary of Industries and Commerce. Director-General of DSIR. Director-General of Health	Government grants, and donations, gifts, fees, etc.	Council may appoint such employees as it thinks necessary; and pay such salaries and allowances, within scales fixed in agreement with the State Services Commission as it may determine.
Industrial Design Council	Industrial Design Act 1966	6 members appointed by Governor-General on recommendation of Minister. Secretary of Industries and Commerce. Director-General of Education. Director-General of DSIR	Moneys appropriated by Parliament, grants, subsidies, gifts, etc.	Council may appoint such employees as it thinks necessary, and pay such salaries and allowances (within scales fixed in agreement with the State Services Commission) as it may determine; and determine terms and conditions of employment in agreement with the State Services Commission.
Medical Research Council of New Zealand	Medical Research Council Act 1950	Director-General of Health. Director-General of DSIR. Dean of Faculty of Medicine, University of Otago. Dean of Faculty of Medicine, University of Auckland. Dean of Faculty of Dentistry, University of Otago 8 members appointed by Governor-General on recommendation of Minister	Moneys appropriated by Parliament, grants, etc.	Council may appoint officers and other servants and pay them such remuneration as may be appropriate.
Monetary and Economic Council	Monetary and Economic Council Act 1961	3 members appointed by Governor-General on recommendation of Minister	Appropriated by Parliament	Council may appoint such officers and employees as it deems necessary; salaries and terms and conditions of employment as are approved by Minister of Finance.
New Zealand Foundation for the Blind	New Zealand Foundation for the Blind Act 1963	4 trustees appointed by the Governor-General 2 trustees appointed by the Minister 7 trustees elected by various advisory committees established under Act. Director-General of Education	Moneys appropriated by Parliament, trust funds, etc.	Board may appoint director and other officers as it thinks necessary; and pay such salaries, wages, and allowances (within scales fixed in agreement with the State Services Commission) as it may determine; and fix terms and conditions of employment in agreement with the State Services Commission.
New Zealand Inventions Development Authority	Inventions Development Authority Act 1966	5–10 "Appointed" members, appointed by Governor-General on recommendation of Minister. Secretary of Industries and Commerce. Director-General of Agriculture. Secretary for Justice. Director-General of DSIR	Moneys appropriated by Parliament, grants, donations, gifts, etc.	Authority may appoint a managing director and such other officers and employees as it thinks necessary; and pay such salaries and allowances (within scales fixed in agreement with the State Services Commission) as it may determine.

GROUP 3 – BOARDS, COUNCILS, ETC.—*continued*

Name	Legislation	Membership	Finance	Staffing
New Zealand Trades Certification Board	Trades Certification Act 1966	Commissioner of Apprenticeships. 13 or more members appointed by the Minister	Moneys appropriated by Parliament, fees, etc.	Board may appoint a secretary and such other officers and employees as it thinks necessary; and pay such salaries and allowances (within scales fixed after consultation with the State Services Commission) as it may determine; and on terms and conditions of employment determined after consultation with the Commission.
Ombudsman	Parliamentary Commissioner (Ombudsman) Act 1962	1 Commissioner appointed by Governor-General on recommendation of House of Representatives	Appropriation by Parliament	Commissioner may appoint such officers and employees as may be necessary; number to be determined by Prime Minister; and salaries and terms and conditions of employment to be approved by Minister of Finance.
Queen Elizabeth II Arts Council of New Zealand	Queen Elizabeth II Arts Council of New Zealand Act 1963	9 members appointed by Governor-General on recommendation of Minister. Secretary for Internal Affairs. Director-General of Education. Director-General of Broadcasting	Government Grants, grants under Gaming Amendment Act and contributions, etc.	Council may appoint such officers and servants as are considered necessary; and pay such salaries and allowances, within scales approved by Minister of Finance, as it thinks fit.
Standards Council ..	Standards Act 1965 ..	35 members appointed by Minister. Secretary of Industries and Commerce. Secretary to the Treasury. Commissioner of Works. General Manager of Railways. Director-General of the Post Office. General Manager of the New Zealand Electricity Department. Director-General of DSIR. Government Statistician. Up to 3 persons appointed by the Council itself	Moneys appropriated by Parliament, grants, donations, subsidies, fees, etc.	Council may appoint such officers and employees as it thinks necessary; and pay such salaries and allowances, within scales fixed in agreement with the State Services Commission, as it may determine.
University Grants Committee	Universities Act 1961 ..	Chairman appointed by Governor-General after consultation between Minister and Chancellors and Vice-Chancellors, etc. 7 members appointed by Governor-General from a panel submitted to the Minister by a conference of Chancellors and Vice-Chancellors, etc.	Fees, endowments, etc. ..	Committee may appoint and remove such officers and servants as may be necessary; and pay such salaries and allowances as it thinks fit.
Waterfront Industry Commission	Waterfront Industry Act 1953	1 Commissioner appointed by Governor-General on recommendation of Minister	Annual Government grant plus levy on employers of waterside labour	Minister may appoint a General Manager and such other officers and servants as he thinks necessary; and fees, salary, wages, etc., to be fixed by Minister or, where payments are made from a grant from consolidated revenue account, by Minister of Finance.

Source: *State Services Commission*

INDEX

References are to page and paragraph, with important topics in capitals and main references in bold type. *f* = "and also in the next paragraph; *ff* = "and in the following paragraphs". Recommendations are not indexed: they follow their relevant chapters and are all listed on page 172 ff. Appendices and tables are listed in the table of contents, but are not indexed.

BY AUTHORITY:
A. R. SHEARER, GOVERNMENT PRINTER, WELLINGTON, NEW ZEALAND—1968
50115—68 G