



## AIDE MEMOIRE

### FPA system costs: further information

<b>Date:</b>	12 April 2021	<b>Priority:</b>	Medium
<b>Security classification:</b>	Budget - Sensitive	<b>Tracking number:</b>	2021-3222

#### Information for Minister(s)

Hon Michael Wood  
**Minister for Workplace Relations and Safety**

#### Contact for telephone discussion (if required)

Name	Position	Telephone		1st contact
Tracy Mears	Manager, Employment Relations Policy	04 901 8438	██████████	✓
Natalie Nesbitt	Senior Policy Advisor, Employment Relations Policy	04 830 7390		

#### The following departments/agencies have been consulted

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**Minister's office to complete:**

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

#### Comments



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### Purpose

1. To provide you with a comparison of year on year costs and Full Time Equivalent (FTE) count for four, six, and eight Fair Pay Agreements (FPAs) per year, and advice on what would happen if demand for FPA processing exceeds resourcing provided through Budget 21. You requested this information at your meeting with officials on 1 April 2021, to support your discussions with Ministers.

*Tracy Mears*

Tracy Mears  
**Manager, Employment Relations Policy**  
Labour, Science and Enterprise, MBIE

12 / 04 / 2021

### Cost comparison across four, six, and eight FPAs per year

2. As you are aware, Budget Ministers have agreed that Budget 21 should provide resourcing for the FPA system for up to four FPAs per year.
3. Table 1 provides a comparison of the operating costs for four, six, and eight FPAs per year. A comparison of FTE numbers is provided at Annex One.

Table 1: Operating costs comparison across four, six, and eight FPAs per year

	\$m - increase/(decrease)					
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears	Total
4 FPAs						
6 FPAs						
8 FPAs						


4. We estimate the base cost of the FPA system to be approximately [redacted] over four years and the additional cost per FPA to be in the range of Confidential advice to Government [redacted]. The high base cost is attributable to the following:

- a. There are significant fixed costs (e.g. Confidential advice to Government ) and for some roles there is a critical minimal mass that we need to meet (e.g. to cover leave).
  - b. If there is an effective constraint on access to the full support mechanisms available in the FPA system (e.g. bargaining support person, bargaining support payment), we expect unions to react to this by initiating large FPAs with wide coverage. If this was to occur, it is likely any disputes would be complex in nature. Therefore, the demand on dispute resolution and enforcement is likely to be similar to that created by more but smaller FPAs.
  - c. Dispute resolution and enforcement needs will increase over time as the number of FPAs in force will be cumulative.
5. The additional cost per FPA reflects an increase in resources for the Labour Inspectorate, dispute resolution, verification function, legal support, and information and education.

### **What happens if more than four FPAs need to be processed per year?**

6. If more than four FPAs need to be processed per year, service capacity may not be sufficient. This means there could be queuing for dispute resolution services and verification, and bargaining support funding will need to be rationed (further advice to come on options for how to ration). Labour Inspectorate resources will be spread across more FPAs which lowers the likelihood of action being taken for any given FPA.
7. There are three main options for processing additional FPAs (i.e. more than four per year), each of which carries risks and/or drawbacks:

Confidential advice to Government



## **Annex**

Annex One: FTE count for four, six, and eight FPAs per annum.

## Annex One: FTE count for four, six, and eight FPAs per annum

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Role	4 FPAs p/a	6 FPAs p/a	8 FPAs p/a
Confidential advice to Government			
<b>Total FTE</b>			