

## **'Fair pay agreements' unfair for workers and employers**

This week was the last chance for the public to have their say on a [proposal](#) for 'fair pay agreements', a system the Government wants to set up in workplaces next year.

For the record, I think fair pay is incredibly important, but I don't think this system will be fair.

The words being used are quite misleading, because the system will actually bring *unfair* pay.

If you're a high-performing worker - better than everyone else at your workplace - you won't get the pay you deserve. You'll get the same pay as the poor performers.

If you create a lot of value for your workplace – perhaps as a top salesperson – you'll get the same pay as the worst-performing salespeople.

That's the ugly truth behind "fair pay agreements".

The system will mean everyone's pay being set across a whole industry. All salespeople paid the same. All managers paid the same. All IT workers paid the same, and so on.

A productive employee with a great work ethic will get the same pay as someone who doesn't care and barely contributes.

The proposed 'fair pay agreement' system will basically be a huge collective agreement covering everyone in an industry.

It won't be able to recognise people's individual skills, experience and strengths, but will impose 'one size fits all' pay rates on everyone.

Under fair pay agreements, you will no longer be able to negotiate your pay rate directly with your employer.

The agreement will have to be negotiated between union and business representatives – who may be in a completely different town or city, and who may or may not have any idea of how well you work.

The system will therefore remove much of the ability of workers to get their performance appropriately rewarded.

It will also take away much of the ability of employers to negotiate freely according to the needs of their business.

Regardless of what employers might want, a fair pay agreement will be set up in an industry if a union requests one, and if supported by 10 percent of the workers in that industry.

Even if 90 percent of the workforce don't want it, the 10 percent will prevail.

In essence, a union will be able to instigate pay negotiations on behalf of an industry, and employer reps will then have to bargain on behalf of all businesses and contractors in the industry (even if most of them don't want it).

If agreement can't be reached between the union and business representatives, the Courts will simply impose a pay settlement.

And once a fair pay agreement is in place, no-one will be able to opt out of it.

For many employees, the main problem with fair pay agreements is that they won't be able to get the pay they deserve.

Meanwhile, for many employers, the main problem will be having to pay rates of pay that they can't afford.

A small business in a small centre – a corner store in Gore, for example – will have to pay its staff the same pay as staff in a large supermarket in Auckland.

With no ability to recoup the extra wage costs, the corner store is most likely to lay off staff.

The likely result of fair pay agreements will therefore be job losses - mostly among lower-skilled, lower-paid workers - while unemployed people with lower skills will find it harder to get a job.

This has been the result in places overseas that are moving away from this type of system as they realise it doesn't produce value for employers or employees and marginalises those who are already vulnerable.

These are the outcomes from treating everyone in an industry exactly the same.

Being treated the same isn't the same thing as being treated fairly – far from it.

That's why 'fair pay agreements' should be sent back to the drawing board.

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