



**ROAD TRANSPORT FORUM NEW ZEALAND INC
SUBMISSION
ON
DESIGNING A FAIR PAY AGREEMENTS SYSTEM
DISCUSSION PAPER**

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1.0 Introduction

1.1 Road Transport Forum New Zealand (RTF) is a national organisation representing the road transport industry. RTF provides services to, and public policy advocacy for, its affiliated members who comprise owner-drivers, fleet operators and international corporates engaged in freight and logistics.

1.2 The Forum's Constituent Associations include:

- National Road Carriers (Inc)
- Road Transport Associations NZ (Inc)
- NZ Trucking Association

1.3 RTF's member associations have in excess of 3,000 members and associate members who operate approximately 17,000 trucks over 3,500 kg.

1.4 The RTF is the authoritative voice of New Zealand's road transport industry which employs 22,600 people (3.0% of the workforce), has a gross annual turnover of \$6 billion and carts over 70% of New Zealand's land-based freight on a tonnes/kilometre basis.

2.0 Submission

2.1 RTF has viewed and supports Business New Zealand's substantive and robust submission on the Designing a Fair Pay Agreements System Discussion Paper. One of the RTF's principal goals is to improve working conditions in the road freight transport industry. We endeavour to translate that directly into increased remuneration and more flexible work-life balance. Our lack of support for the main themes in the discussion document are not driven by a desire to hold wages down, or reduce productivity.

- 2.2 The trucking industry is not heavily unionised, with good reason. Drivers want choices about how and when they work. Trucking varies tremendously between different companies, regions, freight types and vehicles used. National, or even regional awards, are not going to be flexible enough to allow for that variation, or to meet driver needs. With driver shortages, good drivers have flexibility and are well paid.
- 2.3 The RTF genuinely believes the Fair Pay Agreement (FPA) proposals will distort the market and create a number of undesirable outcomes. The RTF recognises and supports the need for road freight businesses to have flexibility on labour costs in a changing marketplace and with changing technologies. We are strongly opposed to any form of centralised wage fixing, such as Fair Pay Agreements, or any other forms of labour market regulation that pre-sets the remuneration and work conditions of professional drivers.
- 2.4 FPAs will be complex and slow to negotiate. Every company and every type of trucking will need a representative at the table. Settling the pay relativities between different types of trucks and different skill levels will be a very long process. Once set, lots of pay disputes will be triggered by trying to keep those relativities in place. This would set our industry back decades.
- 2.5 FPAs will impose high administration and cost burdens on small firms to ensure their interests are represented in fair pay bargaining rounds. The need for employers to be represented, and then approve negotiated agreements, will have to be met by the growth of employer associations and independent bargaining agents, which the RTF opposes.
- 2.6 Our greatest concern is that if enacted, the proposals will return the road freight transport industry to pre-1991 bargaining conditions. The key features of the proposed FPA system ostensibly copy the main aspects of the national occupational award system, in existence until 1991. Heavy vehicle drivers were covered by nearly 200 different industrial awards. That held wage and working conditions in the road freight transport industry in

a constant undesirable holding pattern. The world has changed and no employer wants to turn the clock back more than 30 years.

- 2.7 National pay structures give advantages to nation-wide companies and can lead to small firms being squeezed out of competing against larger companies. As 70% of the road freight transport industry is made up of businesses that employ 10 people or less, this threatens their existence.
- 2.8 Nationally or regionally-negotiated awards will slow the rate of productivity growth as changing work practices becomes more difficult and introduction of new technologies is delayed. It will be impossible to negotiate and then maintain the pay relativities between different driving tasks.
- 2.9 The purpose of the fair pay discussion is to ensure working conditions, and remuneration are set at acceptable levels. Working conditions include the length of time workers are at work, in balance with their non-work life. The RTF believes that in the road freight transport industry, where there is an estimated shortage of 4,000 drivers, employers and drivers are best placed to establish the work-life balance they want, without the interference of unions or the state.
- 2.10 Industry has created a number of initiatives to address driver shortages. We will soon be launching a cadetship to encourage prospective employees to consider trucking as a viable career pathway.
- 2.11 That is being developed in partnership with the Ministry of Business, Innovation and Employment (MBIE) via the Sector Workforce Engagement Programme (SWEP).
- 2.12 Government "anti-truck" sentiment and resulting policy is making it increasingly difficult to entice people to the road freight transport industry. Reducing speeds across the major road networks is an example of a policy that translates to more time in the cab for truck drivers, less flexibility, and less ability to achieve work-life balance. Unless customers in New Zealand and in the country's valuable export markets are prepared to absorb

considerable cost to the delivery of their goods, there is no place for the transport operator to attribute the extra cost these time delays will incur.

- 2.13 Recent changes to immigration policy also conspire against improving conditions in the workplace. Making it almost impossible to hire migrant drivers to pick up some of the workload will only increase the workload for New Zealand drivers. There is enough work to go around, with the road freight task increasing.
- 2.14 Unionising the workforce will not alleviate a worker shortage. Quite the opposite will occur; it will make the road freight industry less attractive to people who want flexibility, including women who are enjoying working in the forestry industry because they can start early and get home in time for the after-school run for their children. Support for our industry from government, rather than the demonising we are seeing with statements such as "getting dangerous trucks off the road", would be more useful in solving both the road freight industry's worker shortages and getting people out of work into rewarding careers.
- 2.15 The road freight transport industry is soon to negotiate multi-employer collective agreement (MECA) discussions. There are very few of these in place in New Zealand and the majority apply to state sector roles, such as, teachers, doctors and nurses. There is no interest in the wider road freight transport sector for MECA agreements.
- 2.16 Treasury has highlighted the lack of supporting evidence for MECA negotiations to proceed.
- 2.17 We do not support extension bargaining and believe Business NZ has set very good reasons for not advancing that in their statement¹: *"the recommendations, if enacted, constitute a clear breach of the Right to Organise and Collective Bargaining Convention 1949 (C98), to which New Zealand is bound, and which requires bargaining systems to be consistent*

¹ Paragraph 11 of the Business NZ submission.

with the principle of free and voluntary negotiation. The process recommended by the FPAWG is neither free nor voluntary. The compulsory arbitration mechanisms proposed by the FPAWG report also breach C98."

- 2.18 *"Extension bargaining is the model practiced in France and Belgium, both of whom are making strenuous efforts to move away from the approach due to its productivity stifling results. Indeed, the EU countries that were forced to introduce the most severe "austerity measures" were mostly those with industrial regimes built on extension bargaining. Italy, Greece and Spain are notable examples. They like France are currently grappling with the need to open up labour market regulation, and for the same reasons."*
- 2.19 The FPA document remains noticeably silent on tools such as minimum wage and improved detection and enforcement of exploitative and non-compliant practices.
- 2.20 That New Zealand is one of the most generous nations in terms of increasing minimum wage is not acknowledged. That enviable condition is resultant of (for example) New Zealand's strong minimum employment code.
- 2.21 The discussion document focuses extensively on justifying the adoption of FPA's as the primary mechanism for managing employment issues. New Zealand's long and extensive historic record of experience with centralised bargaining is unfortunately, and quite possibly purposely, ignored in favour of less reliable and undesirable mechanisms.
- 2.22 Business NZ maintains, and the RTF agrees, that increased productivity in economic terms requires an increase in the value of the productive economy, not simply more output. Themes within the FPA document are precursors for economic decline. Most particularly in terms of the average worker and employer.
- 2.23 Unions have been pushing for shorter working weeks for decades. All things being equal, productivity/output cannot be maintained or increased if people work less. We are passionate advocates and proponents of the "work

smarter not harder” adage. In our sector, businesses have picked the low hanging fruit and are struggling to find further efficiency improvements.

- 2.24 The employer members of the FPAWG suggested an alternative to the FPAWG report’s approach. The view is that a voluntary approach would be more balanced than the discussion document proposals. That would enable industries that need to, to develop policy on a reasonable approach to terms and conditions of employment in that environment.
- 2.25 Specific industries could develop a code of practice setting out an agreed view of a reasonable approach to terms and conditions of employment in that environment. The code could be signed up to by (and would become binding on) willing employers, but also used as non-binding guidance by those who choose not to sign on.
- 2.26 Over time, that would generate labour market pressure on wages and conditions on employers, whether they were signatories or not. That should dampen, if not disincentivise, the “race to the bottom” effect commented on by the FPAWG. Non “problematic” industries or occupations would be unaffected.
- 2.27 For the road freight transport sector, the consumer has direct control over wage rates. Until they are willing or able to pay more for freight services, the rates they set will drive road freight transport sector remuneration levels.

3.0 CONCLUSION

- 3.1 The road freight transport industry does not support the Fair Pay Agreement (FPA) concept.
- 3.2 FPAs will distort the market and create a number of undesirable outcomes.

- 3.3 Unionising the workforce will not alleviate a worker shortage or improve working conditions. Quite the opposite will occur; it will make the road freight industry less attractive to people who want flexibility, including women who are enjoying working in trucking because they can start early and get home in time for the after-school run for their children. Support for our industry from government, rather than the demonising we are seeing with statements such as “getting dangerous trucks off the road”, would be more useful in solving both the road freight industry’s worker shortages and getting people out of work into rewarding careers.
- 3.4 There is no interest in the wider road freight transport sector for Multi-Employer Collective Agreements.
- 3.5 The proposals in the discussion document risk returning the road freight transport industry to pre-1991 bargaining conditions, which we do not support. We want to move forwards, not back 30 years.
- 3.6 More should be done to foster improvements through other means.
- 3.7 A voluntary approach represents a more balanced approach than the discussion proposals. Specific industries should be supported in developing codes of practice.
- 3.8 We welcome the opportunity to discuss our submission further.