

**REPORT**

**and**

**DETERMINATION**

**under the**

**STATUTORY AND OTHER OFFICES**  
**REMUNERATION ACT, 1975**

**CHIEF EXECUTIVE AND SENIOR EXECUTIVE SERVICES**

29 AUGUST 1997

## **CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE<sup>1</sup>**

### **Background:**

1. The Public Sector Management (Executives) Amendment Act 1989, established the Chief Executive Service and Senior Executive Service. Provision was made in the Statutory and Other Offices Remuneration Act 1975 (the Act), at section 24C, for the Statutory and Other Offices Remuneration Tribunal, not later than 31 August in each year, to make a determination of the remuneration packages for executive office holders on and from 1 October in that year. Section 24H requires the Tribunal to make a report to the Minister regarding this determination.
2. In making its initial determination in 1989 on the remuneration levels for the SES, the Tribunal was informed of the detailed design of the SES, including the contractual nature of appointments and individual performance agreements detailing the responsibilities of the officer and the criteria upon which that officer will be assessed at annual performance reviews. The Government decided that it would adopt remuneration packages expressed as total cost of employment and competitive with the private sector executive market. A relativity with that market was established with the median being regarded as the benchmark. Rates were fixed in the initial determination for both the general management and the following specialty markets; legal, financial, engineering and data processing. Medical specialist market rates were added in 1990. Those offices covered by the new scheme were listed in the Schedules 3A and 3B of the Public Sector Management Act 1989.
3. At the time the SES was established, some officers in the Public Office Holders Group elected, pursuant to section 11A of the Act to receive remuneration packages under similar arrangements applicable to the SES. In the past the remuneration increases for these officers was included within the SES structure however, following a recommendation from the Government, the Tribunal, for reasons outlined in its Report of 31 August 1995 determined the specific remuneration for each office holder.
4. Government submissions to the Tribunal have, since 1989, contained details of private market remuneration for jobs of equivalent work value which have been obtained from remuneration consultants. In 1995 the Tribunal questioned the relevance of continued private market comparisons given the Government continuously noted the increasing disparity in remuneration between the SES and the private market but at the same time had not recommended increases to restore the 1989 position.

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<sup>1</sup> Unless otherwise stated, the Chief Executive Service and Senior Executive Service shall be referred to collectively in this Report and Determinations as SES.

5. For the 1995 review the Government changed the structure of the SES by abolishing the specialist market rates (excluding the medical specialist markets) and reducing the general management rates to four Bands. The Government subsequently divided each of the four Bands into upper level and a lower level by inserting within each Band a median rate beyond which progression was possible subject to work value.
6. As part of the 1996 review the Tribunal introduced a recruitment and retention allowance to address the difficulties the Government was experiencing in recruiting and retaining SES officers with specialist skills following the abolition of the specialist market rates.
7. The Tribunal's 1996 review resulted in an increase in the SES remuneration Bands of 3 percent from 1 October 1996.
8. As part of the 1996 review the Tribunal also examined more closely the issue of performance pay. The Tribunal noted that SES numbers had been reduced by one third and that changes affecting the SES had resulted in some of their conditions of employment being eroded. The Tribunal concluded that a greater burden had been placed on the remaining SES officers to implement the Government's policies as well as the management of Government business. Because of these circumstances the Tribunal determined an additional increase of 3 percent at the top of each range from 1 January 1997 to provide Ministers (in the case of CEOs) and CEOs (in the case of SES officers) with additional flexibility to reward performance.
9. The remuneration rates for section 11A office holders was also increased by 3 percent from 1 October 1996 and for reasons outlined in the 1996 Report (paragraphs 57-58) they received a 1.5 percent increase from 1 January 1997.

### **Submissions**

10. For the current review the Tribunal received submissions from the Government, the Auditor-General, the Chairman, Independent Pricing and Regulatory Tribunal (IPRT) and an officer of the SES.

***Government submission***

11. The Government has recommended that the Tribunal

determine a 6 percent increase to the maximum of the remuneration ranges, inclusive of medical stream.

of the Recruitment and Retention Allowance to encompass all SES levels and increase those allowances up to \$30,000 per annum;

endorse the Government's proposal to re-title the executive remuneration system of 'Bands' to the former 'eight level' structure;

determine an increase of 4 percent for Section 11A office holders to reflect "*...movement in market and economic relativity and the Consumer Price Index.*"

12. The Government has informed the Tribunal that throughout the year agencies sought clarification on a number of administrative issues associated with the implementation of performance pay. To overcome any further confusion the Government has advised that it;

*"...favours incorporating the notion of performance pay into the existing framework of the SES performance management cycle. This would see a return to the Tribunal determining one range of remuneration effective on and from 1 October."*

13. The Government has also requested that the Tribunal consider expanding and increasing the Recruitment and Retention Allowance to ensure agencies, particularly those competing with the private sector in infrastructure projects can attract and retain suitably skilled and qualified officers. The Government favours a common amount of up to \$30,000 being available to all levels of the SES.

14. Treasury's forecasts, provided with the Submission have again highlighted the Government's concern that any increase beyond the Budget provisions of 3 percent per annum would lead to a deterioration of the Government's budgetary position unless offset by productivity improvements.

15. The Government has also raised federal issues which impact on SES remuneration ie the introduction of sales tax on government owned motor vehicles leased by the SES. The fall in the resale price of these motor vehicles, coupled with the sales tax imposition has resulted in a significant cost increase for SES officers who lease these vehicles.
16. The Government submission has again raised issues of salary compression resulting from increases gained by non SES officers through awards and enterprise agreements, skill shortage and project management allowances and the introduction of the Senior Officer classification.
17. The Government has also submitted to the Tribunal that as the SES reforms of 1995 have been fully implemented it favours a move back to the former 8 level structure.

***Auditor General's Submission***

18. The Auditor General, has written to the Tribunal highlighting problems with the changes to the SES structure and the perceived rundown of the SES. Mr Harris considers that there is a "strong case for a substantial increase" in SES remuneration when compared to remuneration increases in the private and public sectors, State Owned Corporations, the deterioration in SES conditions salary compression and general economic conditions.

***Chairman Independent Pricing and Regulatory Tribunal (IPRT)***

19. The Chairman IPRT has written to the Tribunal requesting that the remuneration of the full time member be increased because of the change in the role and responsibilities of the position. The Chairman considers that the Tribunal might have regard to the remuneration packages received by Commissioners of the Australian Consumer and Competition Commission (ACCC) because of their work, skills and responsibilities are closely related.
20. The Tribunal has also received a submission from an SES officer requesting that the Tribunal consider recent increases in the cost of Government owned private plated motor vehicles when making its determination.

## 1997 Review

### *Performance Pay*

21. The Tribunal noted that the SES remuneration arrangements in place, since its introduction in 1989 were underpinned by the notion of reward performance, albeit in a rudimentary form. The Tribunal's 1996 determination provided the opportunity for Ministers and CEOs to specifically reward performance as a separate feature of SES remuneration.
22. The Tribunal's Report of 1996 examined more critically the issue of performance based pay for the SES. The Tribunal noted the government had put in place legislation and policies to give effect to its commitment for the reform of the SES. The Tribunal noted that;

*“The reforms have led to a situation where some of the conditions of employment for the SES have been eroded. The SES numbers have been significantly reduced which has placed a greater burden on those remaining to implement the Government's policies as well as the general management of the business of Government. In recognition of this, the Tribunal intends, as part of this review to determine a general increase in the SES rates and, in addition, to provide, from 1 January 1997, an enhanced opportunity for CEOs to reward SES officers for performance.”*

23. This situation coupled with the Tribunal's observation that the SES had lost some ground both with the private sector and the federal public service determined an additional increase of 3 percent for the maximums in the bands effective from 1 January 1997. Ministers and CEOs were given the opportunity to focus more closely on an SES officers performance and provide specific rewards or sanctions to the officer based on such performance.
24. To ensure the new arrangements for rewarding performance operated as they were intended, the Tribunal expressed the view that

*“...movement to the maximum of the ranges would be limited to no more than 10 percent of SES officers.”*

25. This view was adopted by the Government and became a requirement of the performance pay proposals outlined by the Premier's Department to Ministers and CEOs.

26. For the current review the Government, at the Tribunal's request, has provided statistics on performance pay since 1 January 1997.
27. Agencies representing 76 percent of all SES officers (732) had implemented the performance pay arrangements. Nearly 50 percent of these SES officers received an increase in remuneration based on performance. Only 5 percent moved to the maximum of the ranges as a result of performance based increases.
28. The figures also reveal that of the 67 CEOs surveyed, 31 received no performance based increase and only 14 received the maximum. Given the essential role played by CEOs in implementing the Government's reforms and their overall responsibility for the management of government agencies the Tribunal expected that Ministers would have determined some performance reward for a higher number of CEOs than the abovementioned figures reveal.
29. The Government has advised the Tribunal of problems with the implementation of performance pay arrangements. These problems included:
  - the impact of performance pay for defined benefit superannuation schemes;*
  - the percentage increase comprising the performance pay component;*
  - the flexibility of rewarding more than the performance pay component of 3 percent;*
  - the impact of the 10 percent ceiling for small agencies;*
  - the application of performance pay within the annual performance review cycle;*
  - the problem of determinations taking effect on different dates.*
30. The Government has recommended that on this occasion the Tribunal's determinations take effect on and from 1 October 1997.
31. The Tribunal has considered these problems and has attempted to overcome them in this review. The Tribunal is always available to assist with implementation of its determinations and welcomes the opportunity to provide such assistance.

32. The Government's recommendation favours a determination which fixes the minimum and maximum ranges and not the identification of the performance element. In light of the above, and the manner in which performance pay was implemented, the Tribunal is prepared to adopt the Government approach on this occasion.
33. The Tribunal, however, strongly urges the Government not to forfeit the gains of the 1996 determination but consider a more formal performance pay arrangement as was the original intention when the SES was established. To achieve this goal the Tribunal proposes that the Government move to embrace a clearer performance pay scheme for its SES as outlined hereunder.

### **Performance Pay - A new model.**

#### *Existing arrangements*

34. All SES positions are sized using job evaluation and depending on the job size remunerated within a remuneration level. Under existing legislative arrangements SOORT determines these remuneration levels. Within the minimum and maximum range of each remuneration level the CEO determines the actual remuneration package amount an SES officer is to receive.
35. There is a statutory requirement for SES officers' performance to be reviewed annually and under existing policy, an officer's remuneration package amount moved either up or down or remains unchanged based on the officer's performance. That amount then becomes the starting point for subsequent performance reviews and remuneration movements.
36. While the CEO can move an officer's remuneration upward along the remuneration range (to the maximum of the range) this will only occur if the officer's performance warrants such movement.
37. Another way of interpreting the current arrangements is that each SES officer has a base remuneration rate and that remuneration range beyond that rate up to and including the maximum for that level is the 'at risk' component of the package.



### **Proposed Performance Pay Scheme**

38. The Tribunal proposes that this arrangement be developed further with a view to making performance pay a central feature of SES remuneration arrangements. This can be achieved by adopting as a starting point for performance based increases the minimum rate of the officer's remuneration level. Subject to the officer's performance the CEO would move the officer's remuneration for the year to any point along the remuneration range. When the next performance review takes place the starting point would revert to the minimum of the officer's remuneration level again.
39. This approach, if adopted provides some significant benefits for the Government.
- ◆ Annual performance reward will accurately reflect an officer's performance during the preceding review period as that level of reward will not count for subsequent reviews. This will overcome a feature of the present system of performance reward for one year being carried forward to subsequent years. Officers whose performance is considered to be superior or excellent would have that reflected in the amount of performance pay received.
  - ◆ CEOs can assess similarly graded SES officers' performance from an equal starting point rather than from different remuneration points.
  - ◆ Because the remuneration range effectively becomes the annual at risk component of the remuneration package the Tribunal will have greater flexibility in determining increases to the maximums of the ranges.
  - ◆ There would be minimal budgetary impact because all increases granted are on an annual basis and would be funded from agency efficiencies derived largely from productivity savings.
  - ◆ This performance pay model fits in with agencies' performance management cycle.

### **Implementation of the Proposed Scheme**

40. The Tribunal's proposal, if adopted, places performance pay on a more formal level.

41. The Tribunal is aware that existing SES office holders may have come to consider the remuneration package rate contained in their contracts of employment as being the base rate upon which they have made financial decisions and would expect that, subject to satisfactory performance, this base rate remuneration would increase over time. Such officers could feel disadvantaged by these proposals.
42. It is not the Tribunal's intention to disadvantage any SES officer with this proposal. For this reason the Tribunal suggests that if the performance pay scheme is implemented, it apply to new applicants and as contracts are renewed.
43. When the SES was first established it was always the intention that an SES officer's performance would be an integral part of remuneration reward. The Tribunal considers that the proposal outlined above realises that intention much more emphatically and transparently than is currently the case and would strongly urge the Government to consider its adoption.

#### **Recruitment and Retention Allowance**

44. For reasons outlined in the 1996 Report (paragraphs 39-46) the Tribunal introduced a recruitment and retention allowance to replace the former specialist market rates. As this was a new initiative the Tribunal sought details of its application from Premier's Department.
45. Advice received from Premier's Department has shown that the allowance has been well received and, as a result of its inception no SES officer in receipt of the former specialist loading has been disadvantaged financially by the decision to abolish the specialist market rates.
46. The Tribunal was informed that the Director General, Premier's Department received 19 requests for payment of the allowance at all levels and that the main reasons for these requests was to retain "...highly skilled specialists and as a result of recruitment difficulties." The Tribunal is aware that as a result of the introduction of this allowance the Government was able to retain the services of SES officers who would otherwise have resigned to take up positions in the private sector.
47. For this review the Government has informed the Tribunal that those agencies;

*"...which are now moving into competition with the private sector in tendering for jobs (eg Roads and Traffic Authority, Public Works and Services, Rail Services Authority) and those agencies undertaking highly specialised jobs (ie Olympics) have expressed concern with the current level of the allowance."*

48. To ensure competitiveness the Government has proposed that the allowance be increased

*“...up to \$30,000 for all SES levels (ie up Band 4 (Upper Range) which will provide Chief Executives with increased flexibility to recruit for those skills and experiences essential to the agency and to retain existing officers for all SES levels.”*

49. The Tribunal, having introduced the Allowance in 1996 had in mind to review it annually to ensure its continued relevance.
50. In this regard the Tribunal considers that while the rates should be reviewed annually it rejects the Government’s proposal that one rate should be available to all SES office holders irrespective of the level of the position. This approach could create a situation where an SES Level 1 officer could receive an additional \$30,000 because of that officer’s particular skills.
51. The Tribunal considers that a position which would require an additional 30 percent remuneration (as would be the case with SES Level 1 positions) to attract a skilled person may not have been graded properly in the first instance.
52. From what has been provided in the Government’s submission the Tribunal is not convinced that the Recruitment and Retention Allowance should be expanded in the way proposed.
53. As part of this review the Tribunal considers that the application of the Allowance should be available to all SES Levels. The Tribunal has retained the one allowance amount for each two SES Levels. The minimum rates have been removed and anomalies in the maximum rates corrected by setting them at approximately 10 percent of the maximum of the corresponding remuneration level.
54. As these rates will not affect existing recipients of the allowance no officer will be disadvantaged. The Tribunal will continue to require information from Premier’s Department on the application of this Allowance to ensure it retains its relevance.

## Treasury forecasts

55. The Treasury has advised the national economic forecast for 1997/98 is growth of approximately 3.75% with NSW growth expected to be slightly lower than this for the same period. Inflation is expected to remain steady and over the current financial year and Average Weekly Earnings are expected to grow to 3.75 percent for the same period.
56. The Treasury has again stressed its concern that wage growth does not increase beyond that provided in the Budget ie 3 percent per annum in the budget sector “...on the assumption that any increases granted in excess of this amount will be met by equivalent productivity improvements.” Treasury has again stressed that for every 1 percent granted above the budget forecast increase would cost \$100 million in round figures.

In the 1996 review the Tribunal pointed out that:

*“It is important to note that the SES comprise less than 1,000 of the State’s 227,000 employees ie a very small proportion..”*

57. This point remains valid therefore the Tribunal would suggest that for the 1998 review Premier’s Department provide figures with a more direct relevance to the SES.
58. The Tribunal is aware that the most recent national economic indicators reveal that the underlying inflation rate for the 12 months ended June 1997 was 1.75 percent and that the Average Weekly Earnings for the 12 months ended May 1997 increased by 3.8 percent.
59. The Tribunal has also noted that federal enterprise agreements formalised in the June quarter (1,011 agreements covering some 150,000 employees) provide for average wage increases of between 4.8 percent and 5 percent
60. The Government has provided details from private sector remuneration consultants who predict executive remuneration will increase between 5 percent and 7 percent in the ensuing 12 months.

## Salary Compression

61. The Government has again raised the issue of salary compression and has highlighted the introduction of the Senior Officer Classification, the graded officers recent pay award (Crown Employees (Public Sector - Salaries June 1997) Award), enterprise agreements,

and skill shortage and project management allowances as matters for consideration in this regard.

### **Senior Officer Classification**

62. The Tribunal has been informed that the Senior Officer Classification was introduced in December 1996 in effort to provide additional capacity for agencies to recognise work value of non SES positions.
63. The Senior Officer structure is salary based and provides for three grades. Each grade has the equivalent work value of the lowest three levels of the SES. What is significant from the Tribunal's viewpoint is that these officers will be eligible to receive increases totalling up to 16 percent over three years in line with the recent Crown Employees (Public Sector - Salaries June 1997) Award.

### **Award Increases**

64. In New South Wales the Tribunal notes that the Crown Employees (Public Sector - Salaries June 1997) Award was negotiated between the NSW Government and the Public Service Association and Professional Officers Association. This award provides increases totalling 16 percent over 3 years commencing 1 January 1997 of which 7 percent is subject to productivity savings.
65. The Tribunal is aware that other main public sector occupational groups (teachers, fire fighters and nurses) have negotiated similar salary increases over similar time frames.
66. In respect of enterprise agreements the Tribunal notes that while they do offer the opportunity for non SES officers covered by the Agreement to receive further increases in their rates of pay these are only available through productivity gains and/or tradeoffs.
67. Data provided by the Premier's Department shows that of 100 agencies surveyed only 8 had enterprise agreements which provided for salaries beyond grade 12 clerk. The Tribunal has noted that in most cases these rates are applicable to particular occupational groups other than clerks.

68. In its 1996 Report (para 18-19) the Tribunal examined the issue of skill shortage allowance and found that;

*“...only a small proportion (approximately 13 percent) of Clerk grade 12 (or equivalent professional officers) were in receipt of the allowance. The Tribunal also notes that compression has not increased over recent years. In 1994 for example the salary and employer on costs of a Clerk grade 12 in receipt of skill shortage allowance represented 87 percent of the remuneration received by an SES Level 1 (now Band 1 Lower Range) officer. As at June 30 1996 the difference had reduced to 85.5 percent.”*

69. The Tribunal has been informed of the introduction of a new Project Management Allowance valued at up to \$30,000 per annum. The Allowance is available to non SES construction/engineering project managers and is payable for a maximum period of three years at an agreed rate. One officer is currently in receipt of this Allowance.
70. Given the specialist nature of this Allowance, the low number of prospective recipients and its short term duration the Tribunal does not consider this to be a significant issue for salary compression this time. If the allowance becomes more widespread however the Tribunal is prepared to re-examine its impact.

### **State Owned Corporations (SOCS)**

71. In its submission to the 1996 review the Government alerted the Tribunal to potential problems budget sector agencies would face in recruiting and retaining high calibre executives when SOCS will be able to offer remuneration packages beyond the levels determined by this Tribunal. The Tribunal advised that it;

*“... has not been provided with details of the remuneration ranges being offered to SOCS executives and hence cannot make any comments at this time. It would be useful for the next review to have such information made available and, if possible, any movement of executives from budget sector agencies to SOCS.”*

72. The Government’s survey has revealed that of the 16 State Owned Corporations, 27 percent utilise the Tribunal’s remuneration ranges. The remaining organisations’ remuneration structures reflect a commercial focus that dominates the level of remuneration paid. The Government submission reveals that movement of officers between the SES and SOCs is *“...insufficient to draw any conclusions.”*

73. The introduction of the senior officer classification coupled with the 16 percent Award increase have the potential to compress remuneration levels between SES and non SES officers.
74. It must be clearly noted that the introduction of the Senior Officer classification does not in itself constitute an issue of salary compression for the SES. The Tribunal understands that the Senior Officer salary rates were developed from the equivalent SES remuneration rates but discounted for tenure and employer contribution for superannuation.
75. Where the potential for salary compression arises is through the 16 percent Award which provides for increases over three years for the graded officers including Senior Officers partly funded from the Budget and partly funded from productivity savings.
76. As the SES represents senior management in the public sector, identification and achievement of the required productivity savings must be driven by the SES at agency level therefore SES should share in the productivity based increases. The Tribunal will take this into consideration as part of this review.

### **Other matters considered by the Tribunal**

#### **Commonwealth Issues**

77. The Government has provided details of the impact of the federal Government's decision to impose sales tax on Government motor vehicles if those vehicles have a private use component. The Government has decided that the full impact of the increase would be passed on to SES officers with vehicles which attract sales tax.
78. The imposition of sales tax coupled with a deterioration in the market for used vehicles has seen the lease costs of vehicles to SES officers increase significantly since December 1996. The Premier's Department has advised that the monthly base lease rental of a Holden Commodore has risen from \$161 per month (December 95) to \$340 per month (December 1996). Treasury figures provided by the Government suggest that the total cost of operating a vehicle has increased by \$3,000 since 1 December 1995.
79. The Government has also informed the Tribunal that increases granted to the federal SES have generally been greater than those determined in NSW over the last few years.
80. In respect of increased costs for motor vehicles the Tribunal acknowledges that the costs of leasing a Government owned motor vehicle which now attracts federal sales tax is

significantly higher than was the case previously. However the Tribunal has informed itself of comparable costs of leasing motor vehicles in the private sector and found that such costs are significantly higher than the current public sector rates.

81. This Tribunal has given careful consideration to these matters but does not favour special compensation for matters which have resulted from higher taxes introduced through legislation by the Commonwealth Government and which apply equally to all sections of the community.
82. Comparing increases received in other jurisdictions is at best a risky undertaking as different conditions of employment, economic circumstances but particularly timing differences can produce different results. For example, the Government submission has provided salary movements for the principal federal and NSW public sector groups for the period December 1987 to June 1997.
83. Given that the SES was not established until October 1989 any figures before that date are irrelevant for salary comparisons purposes. The Tribunal will therefore expect more relevant figures from the Government for the next annual review.
84. Selecting different starting dates for salary comparisons can produce significant differences in results. This is particularly the case comparing state and federal salary increases as the following example based on figures provided by the Government show:
- |                 | <b>NSW SES</b> | <b>Federal Public Service</b> |
|-----------------|----------------|-------------------------------|
| Oct 94 - Oct 96 | 10 %           | 15%                           |
| Mar 94- Jan 97  | 19%            | 16%                           |
| Oct 95 - Jan 97 | 9%             | 3.6%                          |
85. The Tribunal will continue to monitor and have regard to remuneration movements in other jurisdictions but cautions against simple comparisons.
86. In 1995 the Government, in line with its reform agenda advised the Tribunal that its preferred remuneration structure for the SES be condensed and simplified. This resulted in a four Band remuneration scale with upper and lower levels for each Band.



87. The Government has now advised that it now favours an 8 level structure along the following lines;

<b>Current Scale</b>	<b>Proposed Scale</b>
Band 1 Lower	Level 1
Band 1 Upper	Level 2
Band 2 Lower	Level 3
Band 2 Upper	Level 4
Band 3 Lower	Level 5
Band 3 Upper	Level 6
Band 4 Lower	Level 7
Band 4 Upper	Level 8

88. The Tribunal notes that it is the Government's prerogative as to how it structures the SES and, as such, the Tribunal will determine remuneration in accordance with the Government's new structure.

### **Other Submissions Received**

#### **Auditor General**

89. The Auditor General has raised a number of issues regarding the SES similar to those raised in the Government submission eg salary compression, competition from SOCs, erosion of the value of SES remuneration through increased or new taxes and consideration of salary movements in the private and public sectors.
90. The Auditor General is critical of the remuneration increases in recent determinations and concludes that there is a strong case for substantial increases in the SES Levels. He is concerned that if salaries are not competitive his Office will lose its valuable staff to the private sector without being able to recruit satisfactory replacements. He even claims that the introduction of the Recruitment and Retention Allowance has worsened the situation. He also claims that the effects of salary compression will be more severe once the new senior officer positions are established.

91. The Auditor-General's submission is strong on assertions but provides no evidence concerning the ability to recruit and retain staff for his Office. The Tribunal would be pleased to receive and examine such evidence but in its absence these assertions cannot be accepted.

### **Chairman Independent Pricing and Regulatory Tribunal**

92. The Tribunal has given careful consideration to the submission of the Chairman IPRT in respect of a remuneration increase for the full time member IPRT.
93. The Tribunal has been informed of the significant change to the role and responsibilities of this office. In particular the office holder now has increased responsibilities in the regulation of pricing of both private and public utilities as well as additional responsibilities associated with service competition issues such as third party access to essential infrastructure. The Tribunal has also been informed that IPRT will be involved in resolving disputes concerning competitive neutrality between government and privately owned enterprises.
94. Having regard to the above the Tribunal considers that the role and responsibilities of the office of full time Member IPRT have been significantly enhanced. On this basis the Tribunal considers that an increase in the remuneration of the full time Member IPRT is warranted.

### **Section 11A Office Holders**

95. At the time the Senior Executive Service (SES) was established, some officers in the Public Office Holders Group elected, pursuant to section 11A of the Act to receive remuneration packages under similar arrangements applicable to the SES. In the past the remuneration increases for these officers was included within the SES structure however, following a recommendation from the Government, the Tribunal, for reasons outlined in its Report of 31 August 1995 determined the specific remuneration for each office holder. In that Report the Tribunal noted that while these officers received SES type remuneration packages their conditions of employment linked them more closely with the Public Office Holder Group.

96. Section 11A Office Holders are statutory appointees who exercise independent statutory functions and some of whom also have CEO type responsibilities. These office holders were nominated by the Premier, pursuant to Section 11A of the Act to have access to remuneration packaging identical to the SES. Unlike the SES however, they are not subject to contract employment or formal performance appraisal.
97. While the Tribunal notes that performance reward is not a feature of this Group of officer holders' remuneration, and as figures (provided by the Government) suggest that very few SES officers actually received the 1996 maximum performance based increase, an increase of the magnitude determined for the SES as part of this review is not considered appropriate.
98. Elsewhere in this Report (paragraphs 64-65) the Tribunal has noted the Award increases negotiated for other Public Sector Groups and in particular the 16 percent increase negotiated between the Government and the unions through the three year Crown Employees (Public Sector Salaries 1997) Award. In this regard the Tribunal notes that this Award requires productivity improvements to ensure salary increases, beyond the budgeted 3 percent per annum, over its duration are available to public servants.
99. The Tribunal considers that Section 11A office holders will, just like SES officers, either directly or indirectly, contribute to the productivity increases therefore an increase on this occasion beyond the Government's recommendation of 4 percent is appropriate.

## **Conclusion**

100. For this review the Tribunal will not be making a separate performance related determination although it is expected that any increases determined here will be subject to officers meeting specified performance requirements. For the 1998 Review the Tribunal will again be seeking details of the application of increases to the CES/SES determined here.
101. The Tribunal has in this Report outlined a scheme whereby the SES can become truly performance based with significant monetary rewards available for those officers who demonstrate superior or excellent performance. The Tribunal urges the Government to give serious consideration to introducing the scheme as outlined. The Tribunal would be available to assist its implementation.
102. The Tribunal for this review has had regard to the material on economic and budgetary outlook, increases which have been awarded in New South Wales public service and elsewhere, including expected movements in executive remuneration in the private sector, and the key economic indicators for the last 12 months as well as the changes that have taken place in the SES.
103. Significant in the Tribunal's deliberations has been the recent 16 percent Award increase for public servants. The Tribunal notes that 7 percent of this increase is productivity based.
104. The Tribunal considers that the SES must play a significant role in the delivery of the productivity increases for public servants under the Award hence they should share in these benefits. This is particularly important if salary compression is to be avoided. For this reason the Tribunal does not agree with the Government that only the maximums should be increased but has also increased the minimums of each level as well.
105. After considering the above, as well as the views of the Assessors, the Tribunal has determined that the minimum rates for each Level should be increased by 2 percent and the maximum increased by 6 percent on and from 1 October 1997 as set out in Annexure A hereunder. The remuneration package levels for the Medical Specialist markets have similarly been increased.

106. The Tribunal has also, as part of this review considered it appropriate to expand and adjust the Recruitment and Retention Allowance on and from 1 October 1997. The Tribunal has expanded the availability of the Allowance to Levels 7 and 8, removed anomalies in the amounts available for the SES Levels by adjusting them to approximately 10 percent of the maximum remuneration rate for the particular SES Level.
107. In respect of the full time Member IPRT the Tribunal has determined an increase in remuneration based on the changed role and responsibilities of the position.
108. For public office holders who have elected to be provided with employment benefits, similar to the Senior Executive Service, pursuant to section 11A of the Act, the Tribunal determines that each office holder's remuneration shall be increased by 5 percent as indicated in Annexure B, on and from 1 October 1997.
109. For the next annual review the Tribunal will be carefully examining whether the productivity savings envisaged in the Crown Employees (Public Sector - Salaries June 1997) Award have been achieved.

**The Statutory and Other Offices  
Remuneration Tribunal**

**Gerald Gleeson**

Dated: 29 August 1997

**ANNEXURE A**

**DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF  
EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE**

**Determination No 1.**

The Tribunal determines remuneration package ranges per annum for executive office holders on and from **1 October 1997** shall be:

		<b><u>Per annum</u></b>
Remuneration Level 8	\$236,080 range	\$291,270
Remuneration Level 7	\$200,040	" \$252,670
Remuneration Level 6	\$166,500	" \$200,860
Remuneration Level 5	\$145,345	" \$178,220
Remuneration Level 4	\$133,000	" \$155,030
Remuneration Level 3	\$121,160	" \$142,360
Remuneration Level 2	\$108,595	" \$125,495
Remuneration Level 1	\$ 99,945	" \$116,240

**Determination No 2 - Recruitment and Retention Allowance**

To the remuneration package amounts determined above there shall be added a Recruitment and Retention Allowance up to the maximum for each Level as set out hereunder. The Allowance will apply for those new SES offices where it has been certified that a specific skill is necessary for recruitment purposes and the performance of the duties of the position.

Current SES officers in receipt of this Allowance will continue to receive it at their existing rate. The Allowance is only re-negotiable at the time of entering into a new contract of employment.

	<b>Maximum Allowance</b>
Levels 7 and 8	\$30,000
Levels 5 and 6	\$20,000
Levels 3 and 4	\$15,500
Levels 1 and 2	\$12,500

**ANNEXURE A (Cont'd)**

**DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE**

**Determination No 3.**

The Tribunal determines remuneration package ranges per annum for offices identified as requiring medical specialist skills on and from **1 October 1997** shall be:

	<b><u>Per annum</u></b>		
Remuneration Level 6	\$184,245	range	\$225,685
Remuneration Level 5	\$183,440	"	\$217,480
Remuneration Level 4	\$180,325	"	\$209,275
Remuneration Level 3	\$172,070	"	\$199,695
Remuneration Level 2	\$161,470	"	\$187,390
Remuneration Level 1	\$148,945	"	\$170,980

**Determination No 4.**

The Tribunal determines remuneration package ranges per annum for offices identified as requiring general medical skills on and from **1 October 1997** shall be:

	<b><u>Per annum</u></b>		
Remuneration Level 2	\$129,650	range	\$150,455
Remuneration Level 1	\$119,155	"	\$136,780

**The Statutory and Other Offices**  
**Remuneration Tribunal**

**Gerald Gleeson**

Dated: 29 August 1997

**ANNEXURE B**

**DETERMINATION OF REMUNERATION OF PUBLIC OFFICE HOLDERS  
WHO HAVE ELECTED TO BE PROVIDED WITH EMPLOYMENT  
BENEFITS PURSUANT TO SECTION 11A OF THE ACT**

**Determination No 5.**

The Tribunal determines remuneration package ranges per annum for Public office holders who have elected to be provided with employment benefits pursuant to section 11A of the Act on and from **1 October 1997** shall be:

Auditor General	\$239,205
Chairperson, NSW Crime Commission	\$192,105
Public Trustee	\$178,565
Electoral Commissioner	\$168,200
Valuer General	\$168,200
Full Time Member, Independent Pricing and Regulatory Tribunal	\$168,200
Solicitor for Public Prosecutions	\$143,885
President, Anti Discrimination Board	\$140,165

**The Statutory and Other Offices  
Remuneration Tribunal**

**Gerald Gleeson**

Dated: 29 August 1997