

**REPORT**

**and**

**DETERMINATION**

**under the**

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

**CHIEF EXECUTIVE AND SENIOR EXECUTIVE SERVICES**

**31 AUGUST 2000**

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

### **Section 1 Background**

1. Section 24C of the Statutory and Other Offices Remuneration Act 1975 provides for the Tribunal to determine annual remuneration packages by 31 August each year. The key features of the SES include;
  - conditions of employment being fixed by contract
  - individual performance agreements
  - provision for performance pay based on performance assessment
  - remuneration packages expressed as total cost of employment.
2. In addition to the SES 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.
3. The Tribunal's annual Reports provide details of the various changes that have occurred each year. These include the introduction of a Recruitment and Retention Allowance in 1996 to assist in attracting and retaining officers with specific skills and the introduction of the concept of performance pay as a separate component of remuneration.
4. The 1999 Determination increased each of the eight SES levels by 1 percent. The Tribunal determined a 2 percent increase for Section 11A Office Holders.

### **Section 2 2000 Submissions**

#### *Government submission*

4. The Government has recommended to the Tribunal that:

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**1 Unless otherwise stated, the Chief Executive Service and Senior Executive Service shall be referred collectively in this Report and Determination as SES.**

- The restriction on Ministers and CEOs discretion to alter SES remuneration within the range during the term of an appointment should be lifted. Ministers and CEOs should be able to alter SES remuneration within the range in circumstances including;
    - As the officer's competence grows with the job over time;
    - As the demands on the officer increase as the job expands.
  - The Premier's Department will prepare guidelines to assist in the implementation.
  - Recruitment and Retention Allowances should be separated and renamed to clarify their roles in attracting (Recruitment Allowance) and retaining (Retention Allowance) SES officers. Both allowances to be approved by the Director-General of the Premier's Department. Both Allowances should be superable.
  - The Senior Officer (SO) classification and SES Level 1-3 will be retained.
  - A 2 percent increase in the minimum and maximum of each SES Level.
5. The Government has also provided a detailed report on salary compression between the SO classification and the lower level SES.
6. The Government has advised that the issue of salary compression is very real and will be exacerbated as Award increases automatically flow into SO salaries. It maintains, however, that a comparison of total on costs for both SES and SO indicates that the SO classification currently remains a more cost effective means of employing officers to perform work at a senior level. The Government has added that;
- “The current arrangement that provides for an SES and a parallel senior officer classification is a “sound approach” to provide flexibility in agencies’ structures. The dual systems enable CEOs to structure their senior management to suit work and budgetary allocations. It also enables CEOs to consider establishing different types of positions to suit the labour market.”*
7. The Government advises that it will continue to monitor closely the impact of salary compression that both classifications will be retained.

## Treasury Forecasts

8. The Government has also provided a detailed analysis from the NSW Treasury on the NSW budget strategy for the next 12 months. This strategy continues to place a strong emphasis on restraining current outlays. Treasury also provided advice on the national economic forecast which shows that economic activity is expected to be 'robust' during 2000/2001 with a temporary rise in inflation due to the introduction of the GST. NSW Treasury anticipates that the Consumer Price Index for Sydney will be 3 percent but will reach 6 percent because of the impact of the GST. Wages are forecast to move by 4 percent over the next 12 months.
9. The Treasury has drawn the Tribunal's attention to the Crown Employees (Public Sector Salaries January, 2000). This Award provides for a total increase of 16 percent over the life of the Award (1 Jan 2000 – 30 June 2004) of which 10 percent is funded through the budget and the remaining 6 percent to be achieved through productivity savings.
10. The Treasury has advised that the funding in the 2000/2001 Budget for increases in remuneration for the SES and CES is commensurate with the budget funded wage increases outlined above.
11. The Treasury supports the use of the Recruitment and Retention Allowance as a means of overcoming likely recruitment problems and the SES sharing in any achieved productivity savings which result from the above Award. The Treasury considers that consistent with the Tribunal's previous approach no increase should be provided as a result of the introduction of new community based taxes.
12. The Treasury concludes that excessive increases for the SES at this time would increase the pressure to fund all increases under the new awards from the Budget;

*"...undermining in advance the requirement for productivity savings to be achieved from 2001/2002 onwards."*

## **Section 3 2000 Review**

### *Performance Pay*

13. In 1998 the Tribunal introduced the policy of remuneration being made up of two components, the base amount paid to all officers and a variable amount depending upon performance. The performance amount applied only to those whose performance was assessed as better than satisfactory. Thus the performance bonus was not paid to those whose performance was only assessed as satisfactory.
14. At the same time the increases to the base amount have been less than those granted to Crown employees and senior officers. For example in 1999 the latter group had increases of 5 per cent while the SES and CES was limited to 1 per cent.
15. Performance reward is a feature of executive remuneration both in the public sector and the private sector. This has been recognised by the federal government with its introduction of performance bonus system for its Senior Executive Service and more recently for Secretaries of Departments. The Victorian Public Sector has also had a performance reward scheme in place for a number of years for its Senior Executive Service as well.
16. Recently there has been a considerable amount of uninformed comment in the media about performance pay. Much of this comment has been politically motivated to cause embarrassment to the Government.
17. The Tribunal has been advised that the Cabinet has decided that performance pay will not be available to the SES. The Premier, pursuant to section 24E of the Act has asked that the Tribunal take this decision into consideration when making its determinations as part of this review.
18. Having regard to the policy decision of the Government the Tribunal will exclude performance pay from its determinations.

19. The Government has sought flexibility to move the remuneration of an SES officer along his or her SES Level. This was the method by which SES officers were rewarded for performance prior to the introduction of performance pay in 1998. With the removal of performance pay the Tribunal does not now oppose the movement of SES officers along the remuneration range.
20. The Government is has advised that movement will now be based on an officer's increased competence and effectiveness in a given position. The Premier's Department will be preparing guidelines on the implementation of this scheme. The Tribunal does not oppose this approach.

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

21. In 1999 the Tribunal, following representations from the Government agreed to the introduction of a mid-term Recruitment and Retention Allowance but circumscribed its use in several ways. The Tribunal determined that

*“...it should be restricted to those specialist markets for which the Director-General of the Premier's Department considers there are difficulties in attracting and retaining staff. Secondly, if it is to be a genuine attempt to retain the person for the remainder of his contract then the payment should be by way of a lump sum bonus at the conclusion of the contract.”*

22. The Government has now recommended that the restrictions on the mid term retention allowance be lifted. The Government has advised that;

*“Feedback from fifty six responding agencies indicates that 57% felt the **inability to pay** the mid term Recruitment and Retention Allowance immediately does not serve to retain highly sought after people because of the following reasons.*

- *The retention value is weakened by not being able to pay during contract. SES officers will see an immediate increase in remuneration in a new job more advantageous than waiting for a deferred payment in their current job.*

- *The deferral of payment means that the agency cannot make a competitive counter offer when compared to a private sector firm that is likely to have more scope to increase remuneration during the life of the contract.*
  - *There are significant detrimental superannuation implications attached to the new type of allowance when compared to the traditional 'commencement' allowance."*
23. The Tribunal is concerned that very little substantial information has been provided by the Government to support its assertions. While 57% "*felt the inability to pay*" the allowance mid term did not serve to retain officers the Premier's Department has advised that it received no applications for this allowance and, further, it has provided no information on how many officers have left the public sector because of the perceived shortcomings of the retention allowance.
24. On the information provided to the Tribunal there is insufficient justification to change the existing arrangements at this time. The Tribunal is prepared, however, to re examine this matter at the time of the next annual review provided more quantifiable data is submitted in support of the Government's position.

### ***Wage and Salary movements***

25. The Tribunal has noted those matters set out in the submission concerning the 2000/2001 budget strategy as provided by the NSW Treasury.
26. In accepting the above economic considerations submitted by the Treasury the Tribunal nevertheless finds it difficult to accept that there should be a two percent increase. The Tribunal has come to this view on the basis of the following considerations:
27. The recent Public Sector Salary Award which also covers the Senior Officer classification provides for a total increase of 16 percent for the period January 2000 to July 2003. Ten percent will be funded through the budget and the remaining 6 percent will be subject to efficiency improvements. This award has already provided 2 percent from 1 January 2000 and will provide for a further 2 percent in January 2001. Details of the pay increases proposed under this Award are set out hereunder;

<b>Effective Date</b>	<b>Budget Funded</b>	<b>Productivity Funded</b>	<b>Total</b>
1 January 2000	2%	0%	2%
1 January 2001	2%	0%	2%
1 January 2002	2%	1%	3%
1 January 2003	2%	2%	4%
1 July 2003	2%	3%	5%

28. The Tribunal has noted the comments made by the Government in respect of salary compression between the Senior Officer classification and the SES. While the Tribunal accepts the benefits of having the two groups existing side by side, it is concerned that if salary increases vary significantly then recruitment problems of people of the desired calibre may emerge. For instance, the Tribunal notes that for the period January 1999 to January 2000 Senior Officers have received increases in salary totalling 7 percent while the SES has received 1 percent. Moreover Senior Officer will receive a further 2 percent in January 2001.
29. The Tribunal will continue to have regard to increases granted to Senior Offices as part of its annual review process.
30. The Tribunal has also noted that the Average Weekly Ordinary Time Earnings (AWOTE) for the year ended May 2000 was 4.6 percent and the Consumer Price Index for the year ended June 2000 was 3.2 percent. Both economic indicators are expected to increase for the current financial year.
31. The Tribunal cannot ignore the weight of evidence which suggests that an increase of more than 2 percent is warranted on this occasion.



### *Section 11A Office Holders*

32. 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, their employment status is governed by legislation and they are not subject to formal performance appraisal. Indeed the Tribunal recognises that it would be inappropriate for these office holders to receive any form of performance pay and this has been a fundamental reason for making separate and distinct Determinations for this Group.

### *Commissioner for Police*

33. The Commissioners remuneration was not increased at the annual review in August 1999 but was deferred until February 2000.
34. In February 2000 it was decided that any review should be deferred until this annual review. Thus, as part of the current review the Tribunal has provided increases for the Commissioner similar to those provided for the general SES.

### *Co-ordinator General of Rail*

35. On 26 June 2000 the Tribunal determined the remuneration of the newly created position of Co-ordinator General of Rail. For reasons outlined in that Report the Tribunal determined a remuneration package of \$380,000pa.
36. Given the recent determination on the remuneration of this office, the Tribunal does not believe that it should be increased at this time. Should the Government decide to extend the appointment the Tribunal will consider the remuneration for the office at that time.

### ***SES Structure***

37. In its 1999 Report the Tribunal suggested that consideration should be given to reviewing the current remuneration system in place for the SES.
38. The Government has advised that this review is currently under way, and is part of a broader review of classifications and grading structures required under the Memorandum of Understanding signed by the Government with the public sector unions.
39. Some preliminary recommendations include the retention of the 8 Level SES structure and in circumstances where the current structure is not likely to provide an appropriate level of remuneration the matter be referred to the Tribunal for consideration.
40. The form of the remuneration structure is a matter for the Government and the Tribunal will await the final outcome of the review before commenting further. As to the second recommendation the Tribunal fully endorses this approach as it provides an efficient means of determining remuneration for positions beyond the SES levels.

### **Section 4 Conclusion**

41. As a result of the 2000 review SES officers will now have the opportunity to progress along the remuneration range within each level. CEOs, subject to the approval of the Director General of the Premier's Department will also be able to pay a Retention Allowance to those officers whose skills are deemed essential for the continued efficient operation of the public sector.
42. With the abolition of performance pay SES remuneration will now be dependent upon the base amounts set by the Tribunal. Since January 1999 senior officers (Crown employees) have received an increase of 7 per cent with a further 2 per cent from January 2001.

43. The SES in October 1999 received 1 per cent increase to the base pay and this 2000 determination will have to apply through to October 2001. In addition, regard must be had to average weekly ordinary time earning (AWOTE) for the year ended May 2000 was 4.6 per cent.
44. In the above circumstances the Tribunal cannot agree with the views of the Government as expressed through the Treasury submission that an increase of 2 per cent is just and reasonable. An increase of 2 per cent would further compress remuneration between SES and Senior Officers and this is not considered to be in the interests of promoting an efficient and effective public service.
45. Foremost in the Tribunal's consideration is that public servants including Senior Officers will within 3 months after this determination takes effect will have received their second 2 percent.
46. Having regard to the above and after taking into consideration the views of the Assessors the Tribunal determines that the minimum and maximum of each SES level should be increased by 2 per cent to take effect on and from 1<sup>st</sup> October and a further increase of 2 per cent to take effect on and from 1<sup>st</sup> April 2001. Both increases are subject to satisfactory performance. The rates for medical specialists will be similarly increased.
47. A Retention Allowance will be available only for those skills for which, in the view of the Director General of the Premier's Department, there are clear difficulties in retaining staff.
48. Section 11A officers (Public Office Holders) remuneration will be increased by 2 percent from 1 October 2000 and a further 2 percent from 1 April 2001 as indicated in Annexure B.

**The Statutory and Other Offices  
Remuneration Tribunal**

**Gerry Gleeson**

Dated: 31 August 2000

## ANNEXURE A

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

**Determination No 1.**

The Tribunal determines that the remuneration package ranges per annum for executive office holders on and from **1 October 2000** shall be:

<u>CES/SES</u>		<u>Per annum range</u>		
Remuneration Level 8	\$252,940	to	\$312,075	
Remuneration Level 7	\$214,330	to	\$270,720	
Remuneration Level 6	\$178,390	to	\$215,205	
Remuneration Level 5	\$155,725	to	\$190,950	
Remuneration Level 4	\$142,500	to	\$166,100	
Remuneration Level 3	\$129,815	to	\$152,525	
Remuneration Level 2	\$116,350	to	\$134,455	
Remuneration Level 1	\$107,085	to	\$124,540	

**Determination No 2**

The Tribunal further determines that the remuneration package ranges per annum for executive office holders on and from **1 April 2001** shall be:

<u>CES/SES</u>		<u>Per annum range</u>		
Remuneration Level 8	\$258,000	to	\$318,315	
Remuneration Level 7	\$218,615	to	\$276,135	
Remuneration Level 6	\$181,960	to	\$219,510	
Remuneration Level 5	\$158,840	to	\$194,770	
Remuneration Level 4	\$145,350	to	\$169,420	
Remuneration Level 3	\$132,410	to	\$155,575	
Remuneration Level 2	\$118,675	to	\$137,145	
Remuneration Level 1	\$109,225	to	\$127,130	

**ANNEXURE A Cont.)****DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF  
EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE****Determination No 3.**

The Tribunal determines that the remuneration package for the Commissioner for Police on and from **1 October 2000** shall be \$433,500 per annum.

**Determination No 4**

The Tribunal further determines that the remuneration package for the Commissioner for Police on and from **1 April 2001** shall be \$442,170 per annum.

**Determination No 5.**

The Tribunal determines that the remuneration package for the Co-ordinator General of Rail on and from **1 October 2000** shall be \$380,000 per annum.

**Determination No 6**

The Tribunal further determines that the remuneration package for the Co-ordinator General of Rail on and from **1 April 2001** shall be \$380,000 per annum.

**Determination No 7- Recruitment Allowance**

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

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

Current SES officers in receipt of former specialist market rates will continue to receive them at their existing rate.

<b><u>CES/SES</u></b>		<b><u>Maximum Allowance</u></b>
Levels 7 and 8	up to	\$30,000
Levels 5 and 6	up to	\$26,000
Levels 3 and 4	up to	\$15,500
Levels 1 and 2	up to	\$12,500

**Determination No 8 - Retention Allowance**

SES Officers shall be eligible for a Retention Allowance up to the maximum for each level as set out hereunder. The Allowance will apply on and from the date of approval by the Director General of the Premier's Department and will accrue on an annual basis or part thereof and the total amount will be payable upon completion of the contract.

Officers in receipt of a Recruitment Allowance are not eligible for payment of a Retention Allowance.

<b><u>CES/SES</u></b>		<b><u>Maximum Allowance</u></b>
Levels 7 and 8	up to	\$30,000
Levels 5 and 6	up to	\$26,000
Levels 3 and 4	up to	\$15,500
Levels 1 and 2	up to	\$12,500

**Determination No 9.**

The Tribunal determines that the remuneration package ranges per annum for offices identified as requiring medical specialist skills on and from **1 October 2000** shall be:

<b><u>Specialist Medical Skills</u></b>	<b><u>Per Annum range</u></b>		
Remuneration Level 6	\$197,400	to	\$241,800
Remuneration Level 5	\$196,545	to	\$233,010
Remuneration Level 4	\$193,205	to	\$224,220
Remuneration Level 3	\$184,360	to	\$213,955
Remuneration Level 2	\$173,000	to	\$200,775
Remuneration Level 1	\$159,585	to	\$183,190

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

**Determination No 10.**

The Tribunal determines that the remuneration package ranges per annum for offices identified as requiring general medical skills on and from **1 October 2000** shall be:

<b><u>General Medical Skills</u></b>	<b><u>Per annum range</u></b>		
Remuneration Level 2	\$138,915	to	\$161,200
Remuneration Level 1	\$127,670	to	\$146,555

**Determination No 11.**

The Tribunal further determines that the remuneration package ranges per annum for offices identified as requiring medical specialist skills on and from **1 April 2001** shall be:

<b><u>Specialist Medical Skills</u></b>	<b><u>Per Annum range</u></b>		
Remuneration Level 6	\$201,350	to	\$246,635
Remuneration Level 5	\$200,475	to	\$237,670
Remuneration Level 4	\$197,070	to	\$228,705
Remuneration Level 3	\$188,045	to	\$218,235
Remuneration Level 2	\$176,460	to	\$204,790
Remuneration Level 1	\$162,775	to	\$186,855

**Determination No 12.**

The Tribunal further determines that the remuneration package ranges per annum for offices identified as requiring general medical skills on and from **1 April 2001** shall be:

<b><u>General Medical Skills</u></b>	<b><u>Per annum range</u></b>		
Remuneration Level 2	\$141,695	to	\$164,425
Remuneration Level 1	\$130,225	to	\$149,485

**The Statutory and Other Offices  
Remuneration Tribunal**

**Gerry Gleeson**  
Dated: 31 August 2000

**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 13.**

The Tribunal determines that the remuneration packages 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 2000** shall be:

<b><u>Public Office Holder</u></b>	<b><u>Remuneration</u></b>
Auditor General	\$263,805
Chairperson, NSW Crime Commission	\$263,805
Public Trustee	\$196,925
Electoral Commissioner	\$185,495
Valuer General	\$185,495
Full Time Member, Independent Pricing and Regulatory Tribunal	\$185,495
Solicitor for Public Prosecutions	\$158,680
President, Anti Discrimination Board	\$154,575



## ANNEXURE B (Cont'd)

**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 14.**

The Tribunal determines that the remuneration packages 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 April 2001** shall be:

<b><u>Public Office Holder</u></b>	<b><u>Remuneration</u></b>
Auditor General	\$269,080
Chairperson, NSW Crime Commission	\$269,080
Public Trustee	\$200,865
Electoral Commissioner	\$189,205
Valuer General	\$189,205
Full Time Member, Independent Pricing and Regulatory Tribunal	\$189,205
Solicitor for Public Prosecutions	\$161,855
President, Anti Discrimination Board	\$157,665

**The Statutory and Other Offices  
Remuneration Tribunal**

**Gerry Gleeson**

Dated: 31 August 2000