

REPORT

and

DETERMINATION

under

SECTION 24C

of the

STATUTORY AND OTHER OFFICES

REMUNERATION ACT, 1975

CHIEF EXECUTIVE AND SENIOR EXECUTIVE SERVICES

6 September 2002

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CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE¹

Section 1 Background

1. Section 24C of the Statutory and Other Offices Remuneration Act 1975 (the Act) provided for the Tribunal to determine annual remuneration packages for the SES by 31 August to take effect on and from 1 October in that year.
2. In 2001 the Parliament passed the Statutory and Other Offices Remuneration Amendment Act 2001. This Act amended Section 24C by removing the requirement for the Tribunal to make its annual determinations by 31 August. Section 24C now provides;

“The Tribunal is requires to make, in each year, a determination of the remuneration packages for executive office holders as on and from 1 October in that year.”

3. The SES was introduced in the NSW public sector in 1989. The key features of the SES are;
 - classified into eight remuneration levels
 - minimum and maximum of each remuneration level determined by the Tribunal
 - remuneration packages expressed as total cost of employment
 - conditions of employment contained in the contract of employment
 - each officer is required to enter into an individual performance agreement with the Minister (in the case of the CEO) or the CEO (in the case of an SES officer)
 - provision for annual increase in remuneration based on performance assessment.
4. 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.

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

Section 2 2002 Review

Government submission

5. The Government's submission for the current review has raised the issue of salary compression between SES Levels 1-3 and Senior Officer Grades 1-3. The submission notes that since the abolition of Performance Pay for the SES, base salary scales are "*...a crucial factor in determining SES salary competitiveness.*" The Government has provided details to the Tribunal which show that the compression between the Senior Officer classification and the SES has increased. This has been attributed to greater increases received by Senior Officers through Awards and, more recently, the increase in the Superannuation Guarantee Levy to 9 percent which is deducted from SES remuneration packages but not Senior Officer salaries.
6. The current Memorandum of Understanding (MOU) between the Government and the Public Sector Unions provides for a 16 percent increase over 4 years, 6 percent of which is funded from productivity savings. The Government has advised the Tribunal that under this MOU, non SES public servants, including Senior Officers, will receive a 4 percent increase from 1 January 2003 and a further 5 percent from 1 July 2003.
7. The Government has recommended to the Tribunal that it consider an increase of 4.3 percent to the minimum and maximum rates for each SES remuneration level. This, the Government advises, will retain the current salary relativities between Senior Officer Grades 1-3 and SES Levels 1-3 until a review of the role, relativities and overlap of the SES/Senior Officer categories is completed.
8. In respect of the Recruitment and Retention Allowance, the Government has advised the Tribunal that;

"...a greater focus has been placed on the use of the Allowances for recruiting and attracting qualified staff to the Executive Service, particularly in the lower SES levels."

9. The Government considers that the separation of the Recruitment and Retention Allowances has brought greater clarity to the different roles in attracting and retaining suitably qualified SES officers. The Government supports the continued separation of the Allowances.

Treasury Forecasts

10. The Government has also provided a detailed analysis from the NSW Treasury on the NSW budget strategy for the next 12 months. This strategy places a strong emphasis on constraining expenditure while supporting spending priorities. NSW Treasury anticipates that the Consumer Price Index for Sydney in 2002/2003 will be 2½ percent, slightly lower than the estimated 3.0 percent for 2001/2002. Wages growth as measured by the Wage Cost Index is expected to move by 3.75 percent in the next 12 months.
11. The Tribunal also received a submission from the Auditor General seeking a new remuneration structure for Audit Office SES and a review of his own remuneration on the basis of increased role and responsibilities.

Section 3 2002 Tribunal Review

12. The Tribunal and Assessors met to consider the various issues associated with the 2002 review. The Assessors have assisted the Tribunal in making its determinations.

Wage and Salary movements

13. The Tribunal has noted those matters set out in the submission concerning the 2002/2003 budget strategy as provided by the NSW Treasury.
14. The Tribunal has noted the comments made by the Government in respect of salary compression between the Senior Officer classification and the SES Levels 1-3. The Tribunal will continue to have regard to increases granted to Senior Offices as part of its annual review process.

15. The Tribunal has noted the latest key national economic indicators. These show that the Wage Cost Index for Australia and for NSW has, for the year ended 30 June 2002, increased by 3.1 percent. The Consumer Price Index for the same period has increased by 2.8 percent nationally and 2.8 percent for Sydney. As noted above Treasury expects the CPI to decrease slightly in the next twelve months and the WCI to increase to a forecast 3.75 percent.
16. Having regard to the above and after considering the views of the Assessors the Tribunal considers that a general increase of 4.3 percent is appropriate on this occasion and so determines. This increase will be subject to a satisfactory performance assessment. Progression within the remuneration level will be subject to specific guidelines to be issued by the Director General of the Premier's Department.
17. The Tribunal has given due regard to the submission of the Auditor General and the problems he is having in attracting and retaining suitable officers. Similar concerns were raised in 1997 and 1998 by the former Auditor General.
18. The Tribunal understands the problems raised by the Auditor General but the solution proposed by him ie to create a new remuneration scale, as is the case for medical specialists is not supported.
19. The Tribunal does not agree that it should introduce a new remuneration structure for the Audit Office. The Tribunal considers that a better approach would be for the Auditor General to raise the particular problems of the Audit Office with the Director General of the Premier's Department with a view to developing a more flexible grading structure for the Office. In this regard the Tribunal notes the Auditor General's comment that:

“...the job evaluation process system used to determine SES levels, seems to seriously undervalue external audit skills relative to the market.”

Remuneration Ranges

20. When the SES structure was introduced in 1989 there was no overlap of rates between the maximum of a level and the minimum of the next highest level. Resulting from varying determinations in recent years, including the introduction and subsequent abolition of performance pay, the maxima of the range from Level 1 to Level 7 overlaps into the remuneration range of the SES Level immediately higher.
21. This overlap has the effect of diminishing the value of the SES remuneration ranges for SES Levels 2-7 by the extent of the overlap. In addition, the practice on occasion, of determining lower increases for the minimum of each SES Remuneration Level has contributed to the compression problem with the Senior Officer classification.
22. The Tribunal considers that this determination should eliminate the overlap between the Levels. This will require an upward adjustment of more than 4.3 percent to the minimum of each affected SES Level. This approach will partially address the compression problem with Senior Officers raised in the Government submission.
23. The Tribunal's investigations reveal that with the exception of one agency, there are few SES Officers on the minimum rate for each Level. Nevertheless, the Tribunal's determination ensures that the movement to the new minimums for existing SES Officers is not automatic. Special conditions on the determination ensure that no affected SES officer receives a windfall benefit as a result of this arrangement.
24. This adjustment will not be made to the SES medical rates. The Government submission advises that there are relatively few officers in this classification and that the adequacy of the existing arrangements is currently under consideration. The submission foreshadows that a special reference may be provided to the Tribunal on this matter. The Tribunal would prefer to examine the overlap issue as part of any broader review of this Group.

Recruitment Allowance and Retention Allowance

25. The recruitment allowance assists in being able to attract and recruit to positions persons with special qualifications and experience for which the standard remuneration package may be not adequate. The retention allowance assists in retaining persons during their contract period who may otherwise be attracted to take a position either elsewhere in the public sector or outside the public sector.
26. The Tribunal is pleased to note that based on a schedule provided by the Premier's Department these allowances are serving the purpose for which they were established. The Tribunal has therefore retained the recruitment and retention allowances under identical arrangements to those provided in previous determinations.

Section 11A Office Holders

27. 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 specific to each office holder and they are not subject to annual performance appraisal. For the current review the Tribunal has determined a general increase of 4.3 percent for this Group.
28. The Auditor General has sought an increase in remuneration to the Maximum of SES Level 7 as well as a Retention Allowance of \$30,000. The Auditor General notes that since 1991 the function of the Auditor General has expanded through the requirement to conduct performance audits and reviews of protected disclosure allegations. The Auditor General also notes that increasingly Audit Reports to the Parliament are broader in scope covering issues such as performance probity and waste.
29. The Tribunal does not believe that a Recruitment or Retention Allowance is appropriate for a statutory office such as that of the Auditor General. The Tribunal, however, having examined the submission of the Auditor General is of the view that the role and responsibilities have resulted in a net addition to the work requirements for this office to warrant an increase in remuneration over and above the general increase.

30. As the remuneration of the new Police Commissioner falls within the existing SES Remuneration Levels no further separate determination for this office is required.

**The Statutory and Other Offices
Remuneration Tribunal**

Gerry Gleeson
Dated: 6 September 2002

ANNEXURE A

DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND FROM 1 OCTOBER 2002.

Determination No 1.

The Tribunal determines that the remuneration package ranges for executive office holders shall be:

<u>CES/SES</u>	<u>Per annum range</u>		
Remuneration Level 8	\$296,000	to	\$342,000
Remuneration Level 7	\$236,000	to	\$296,000
Remuneration Level 6	\$210,000	to	\$236,000
Remuneration Level 5	\$182,000	to	\$210,000
Remuneration Level 4	\$167,000	to	\$182,000
Remuneration Level 3	\$147,000	to	\$167,000
Remuneration Level 2	\$137,000	to	\$147,000
Remuneration Level 1	\$117,000	to	\$137,000

Officers whose current remuneration package falls below the minimum for their SES Level will not be adjusted automatically to the new minimum rate. Their remuneration should, subject to satisfactory performance, be increased by 4.3 percent. Where a CEO considers that such an SES officer's performance merits a higher increase than 4.3 percent, the approval of the Director General of the Premier's Department will need to be obtained.

Determination No 2 - Recruitment Allowance

To the remuneration package amounts determined above there may be added a Recruitment Allowance up to the maximum for each level as set out hereunder, subject to the approval of the Director General of the Premier's Department. 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.

<u>CES/SES</u>		<u>Maximum Allowance</u>
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

ANNEXURE A
(Cont.)

**DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF
EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND
FROM 1 OCTOBER 2002**

Determination No 3 - 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.

<u>CES/SES</u>		<u>Maximum Allowance</u>
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 4.

The Tribunal determines that the remuneration package ranges for offices identified as requiring medical specialist skills shall be:

<u>Specialist Medical Skills</u>	<u>Per Annum range</u>		
Remuneration Level 6	\$216,310	to	\$264,960
Remuneration Level 5	\$215,370	to	\$255,325
Remuneration Level 4	\$211,710	to	\$245,695
Remuneration Level 3	\$202,015	to	\$234,445
Remuneration Level 2	\$189,570	to	\$220,005
Remuneration Level 1	\$174,870	to	\$200,735

Determination No 5.

The Tribunal further determines that the remuneration package ranges for offices identified as requiring general medical skills shall be:

<u>General Medical Skills</u>	<u>Per annum range</u>		
Remuneration Level 2	\$152,220	to	\$176,640
Remuneration Level 1	\$139,900	to	\$160,590

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 EFFECTIVE ON AND FROM 1 OCTOBER 2002.**

Determination No 6.

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 shall be:

<u>Public Office Holder</u>	<u>Remuneration</u>
Commissioner, NSW Crime Commission	\$312,900
Auditor General	\$312,900
Full Time Member, Independent Pricing and Regulatory Tribunal	\$221,010
Public Trustee	\$217,250
Electoral Commissioner	\$204,640
Valuer General	\$204,640
President, Anti Discrimination Board	\$198,170 (Note 1)
Solicitor for Public Prosecutions	\$175,060

Note 1

This rate is to apply while the office holder concurrently holds the office of Privacy Commissioner.

**The Statutory and Other Offices
Remuneration Tribunal**

Gerry Gleeson
Dated: 6 September 2002