

REPORT

And

DETERMINATION

Under

SECTION 24C

of the

STATUTORY AND OTHER OFFICES

REMUNERATION ACT, 1975

CHIEF EXECUTIVE AND SENIOR EXECUTIVE SERVICES

8 September 2003

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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) provides for the Tribunal to determine annual remuneration packages for the SES to take effect on and from 1 October in that year.
2. 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.
3. 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.
4. The Senior Officer (SO) classification was introduced in December 1996. The work value of SO Levels (1-3) mirrors that of SES Levels (1 – 3) with lower rates of remuneration for SOs intended to be a trade off for both tenured employment and superannuation payments to the SOs by the Government.

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: 2003 Review

Government submission

5. The Government has provided a submission to the Tribunal. It has provided details of key national economic indicators and movements in public sector remuneration for SES and non SES across Australia. These details include the increases for Senior Officers of 4 percent and 5 percent implemented on 1 January and 1 June 2003. No further increases to occur before 1 July 2004.
6. The submission refers also to the ongoing salary compression issue between SOs and the SES. It points out that since their establishment in 1996 SOs have increased by 31.73 percent (as at 1 July 2003) while SES increases over the same period have been 24.45 percent (as at October 2002).
7. The Government has concluded that:

“...The economic, salary and superannuation data outline a strong case for remuneration movements in the minimum and maximum of each SES level in NSW.

The increases provided to non-SES staff under the Memorandum of Understanding present a particular challenge to ensure that the Senior Executive Service continues to attract talented and skilled staff now and into the future.

General economic indicators and remuneration changes across Australia point to changes in the range of 3–4.5%. An environment of fiscal restraint combined with the particular circumstances of salary compression in NSW would appear to support an increase of 3% to maintain a competitive Senior Executive Service in NSW.”

8. In respect of the Recruitment and Retention Allowance, the Government has requested that;

“...The Tribunal consider reviewing the current level of the allowances taking into consideration changes in SES remuneration and market conditions since the last increase in the allowances;”
9. The Government supports the continuation of specifying separately these two allowances.

Treasury Forecasts

10. The Government has provided a detailed analysis from the NSW Treasury on the NSW budget strategy for the next 12 months. As in previous years, this strategy places a strong emphasis on constraining expenditure while supporting spending priorities. NSW Treasury anticipates that the Consumer Price Index (CPI) for Sydney in 2003/2004 will be 2.25 percent, slightly lower than the 2.7 percent for 2002/2003. Wages growth as measured by the Wage Cost Index (WCI) is expected to be 3.75 percent in the next 12 months.
11. In respect of Wages Policy the Government has advised that it would be adopting a common approach in the new round of wage negotiations with public sector unions.

“The Government will adopt the same policy for all new wage agreements, beginning with teachers from January 2004. In each case, the Government will seek to maintain the real value of wages. This implies wage rises of around 3 percent a year.

The Government’s wages policy will maintain the value of the substantial real wage increases provided to public sector employees since 1996, which are in the range of 15-20 percent, or an average of about 17 percent over that period.

The Government will not tie these wage increases to any improvements in productivity or efficiency. Public sector reforms will be pursued outside wage agreements. The Government’s wages policy reflects what the public sector can afford at a time when the budget projects large increases in spending on health, education, community services and other government services, and only modest increases in revenue.”

Section 3: 2003 Tribunal Review

Wage and Salary movements

12. The Tribunal has noted those matters set out in the submission concerning the 2003/2004 budget strategy as provided by the NSW Treasury.
13. The Tribunal has also noted the Government’s wages strategy in the current economic environment. While such negotiations are a matter for the Government and the unions this Tribunal has the responsibility of determining the remuneration of its most senior public servants and ensuring that such remuneration is sufficient to maintain a competitive SES which is the stated objective of the Government.

14. The Tribunal has noted the latest key national economic indicators. These show that the Wage Cost Index for NSW was 3.9% for the year ended 30 June 2003, and 4.2% for the public sector across Australia. The CPI for the same period was 2.7% nationally and 2.4% for Sydney. As noted above Treasury expects the CPI and the WCI to decrease slightly in the next twelve months.
15. The Tribunal notes that Secretaries of Commonwealth Departments have received increases of 4% percent and that Australian Workplace Agreements have delivered increases totalling between 3.5 percent and 4.5 percent. Federal and NSW Members of Parliament have received increases totalling 4 percent. Federal Judges also received a 4 percent economic adjustment increase from 1 July 2003.
16. The Tribunal has examined the increases received by the main public sector groups in NSW since the Tribunal's 2002 determination of 4.3 percent from 1 October 2002. These increases are set out below:

Group	% Increase	Effective date	Next Increase
Teachers	5	January 2003	1/1/04.
Public Servants	9	4% January 03 + 5% July 03	1/7/04.
Nurses	15	10% January 03 + 5% July 03	1/7/04.
Health Workers	9	4% January 03 + 5% July 03	1/7/04.
Senior Officers	9	4% January 03 + 5% July 03	1/7/04.

17. When making the 1 October 2002 determination of 4.3 percent the Tribunal had regard to the MOU between the Government and the Labor Council to grant the above increases. To match the increases (9 percent) awarded to SOs since October 2002, remembering that SO 1-3 and SES 1-3 carry out work of equal value, would require an increase of at least 4.7 percent.
18. The Government submission states that it is committed to maintaining a world class and skilled executive service and that it is anxious to reduce the incidence of SES separations. Following its re-election in March 2003 the Government is driving a further reform agenda which requires an efficient and effective SES to drive and carry through reforms. Hence the task for the Tribunal is to determine remuneration levels that enable high quality persons to be attracted to and retained in SES positions. The rates set must be seen to be just and reasonable in all the prevailing circumstances.

19. The Government concluded that general economic indicators and remuneration changes across Australia point to changes in the range of 3 – 4.5 percent. It further concluded that in an environment of fiscal restraint an increase of 3 percent should maintain a competitive SES in NSW.
20. The NSW Treasury submission states that public sector wage policy aims for stability in real rates of pay in new agreements and that the Government will adopt this policy for all new wage agreements beginning with teachers from January 2004. Further that the adoption of this policy to maintain the real value of wages implies wage rises of around 3 percent a year.
21. The Tribunal accepts that general economic indicators confirm that there should be a wage rise of at least 3 percent. However in the case of the SES it can be validly argued that the significant increases to Senior Officers of 4 percent in January 2003 and a further increase of 5 percent in July 2003 justify consideration of a ‘catch up’ increase to SES to operate from 1 October 2003.
22. In order to maintain the relativity between SES and Senior Officers at 1 October 2002 an increase of 4.7 percent is justified. The Tribunal considers it is proper to maintain at least that relativity and hence in addition to the economic adjustment of 3 percent a further ‘catch up’ increase of 1.7 percent should be determined.

Minimum remuneration levels

23. In 2002 the Tribunal reviewed the remuneration ranges and determined that the existing overlap within each level should be eliminated. This required an upward adjustment to the minimum rates for SES levels 2-7. To ensure there was not windfall gain the Tribunal indicated that special provisions would apply viz:

“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.”

24. The Tribunal has been advised that SES Level 2 and Level 3 officers in one Agency remain outside their respective remuneration Level. This agency is now indicating that when it recruits new officers into these SES Levels it means that the new appointees are remunerated at higher levels than satisfactorily performing incumbents.
25. The purpose of remuneration ranges is twofold. It allows the CEO to appoint an officer to a particular rate along the remuneration range depending on the officer's qualifications and experience. It also provides the CEO with the ability to move the officer along this range annually in recognition of the officer's performance or the general skill and expertise acquired in performing the duties over time. This means that over the term of the contract an officer will generally have moved along the remuneration range.
26. Although the above approach is common throughout the public sector it is not uniformly adopted. Some CEOs have adopted an arrangement whereby the officer is appointed to a particular point along the remuneration range and only receives the SOORT determined general increases without any further progression along the remuneration range.
27. The Tribunal acknowledges that the movement along the remuneration range is a matter for each CEO and not the Tribunal. It is therefore not a matter for the Tribunal to amend its determination to fit a particular policy for a particular agency. This matter can only be resolved by those CEOs and the Director General of the Premiers' Department.
28. The Government submission notes that because some maximum rates were rounded down in the 2002 Determination, some SES officers received less than the 4.3 percent general increase determined by the Tribunal.
29. The Tribunal has reviewed this matter and notes that figures are rounded either up or down. As the amounts either gained or foregone are usually insignificant the Tribunal will be taking no further action.

Recruitment Allowance and Retention Allowance

30. 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.
31. The Tribunal last reviewed these rates in 1997 and considers that they need to be adjusted to maintain their continued relevance and effectiveness. The Tribunal has retained the Recruitment and Retention Allowances under identical arrangements to those provided in previous determinations.

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, 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.

Full Time Member of the Independent Pricing and Regulatory Tribunal (IPART)

33. The Tribunal received a submission seeking an increase in the remuneration paid to the Full Time Member of IPART. The increase is sought on the basis of additional responsibilities associated with the move to full retail competition in the NSW electricity and gas market from 1 January 2002, additional responsibilities associated with being assigned "Metrology Coordinator" since 1 January 2002 and the responsibilities for ensuring compliance with the Greenhouse Gas Abatement Scheme.
34. The Tribunal has reviewed the matter and considers that these new responsibilities warrant an increase in the remuneration of the Full Time Member of IPART over and above the general increase determined for this Group.

35. The resignation of the former President of the Anti Discrimination Board has left this position vacant and it, therefore, has been removed from the 11A Office Holder Group. Should the Government require a new determination for this Office when filling the position the Tribunal would be prepared to undertake such a review.

**The Statutory and Other Offices
Remuneration Tribunal**

Gerry Gleeson
Dated: 8 September 2003

DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND FROM 1 OCTOBER 2003.

Determination No 1.

The remuneration package ranges for executive office holders shall be:

<u>CES/SES</u>	<u>Per annum range</u>	
Remuneration Level 8	\$309,901	to \$358,050
Remuneration Level 7	\$247,101	to \$309,900
Remuneration Level 6	\$219,851	to \$247,100
Remuneration Level 5	\$190,551	to \$219,850
Remuneration Level 4	\$174,851	to \$190,550
Remuneration Level 3	\$153,901	to \$174,850
Remuneration Level 2	\$143,451	to \$153,900
Remuneration Level 1	\$122,500	to \$143,450

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 4.7 percent. Where a CEO considers that such an SES officer's performance merits a higher increase than 4.7 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.

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 \$35,000
Levels 5 and 6	up to \$27,000
Levels 3 and 4	up to \$19,000
Levels 1 and 2	up to \$15,000

ANNEXURE A (Cont.)**DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND FROM 1 OCTOBER 2003****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 the completion of the contract.

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

<u>CES/SES</u>		<u>Maximum Allowance</u>
Levels 7 and 8	up to	\$35,000
Levels 5 and 6	up to	\$27,000
Levels 3 and 4	up to	\$19,000
Levels 1 and 2	up to	\$15,000

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	\$226,475	to	\$277,415
Remuneration Level 5	\$225,490	to	\$267,325
Remuneration Level 4	\$221,660	to	\$257,245
Remuneration Level 3	\$211,510	to	\$245,465
Remuneration Level 2	\$198,480	to	\$230,345
Remuneration Level 1	\$183,090	to	\$210,170

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	\$159,375	to	\$184,940
Remuneration Level 1	\$146,475	to	\$168,140

**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 2003**

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	\$327,605
Auditor General	\$327,605
Full Time Member, Independent Pricing and Regulatory Tribunal	\$247,100
Valuer General	\$241,480
Public Trustee	\$227,460
Electoral Commissioner	\$214,260
Solicitor for Public Prosecutions	\$183,290

**The Statutory and Other Offices
Remuneration Tribunal**

Gerry Gleeson

Dated: 8 September 2003