

REPORT

And

DETERMINATION

Under

SECTION 24C

of the

STATUTORY AND OTHER OFFICES

REMUNERATION ACT, 1975

CHIEF EXECUTIVE AND SENIOR EXECUTIVE SERVICES

17 September 2004

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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: 2004 Review

Government submission

5. The Government has provided a submission to the Tribunal. It states that a key challenge for the Government is to ensure that the Senior Executive Service continues to attract talented and skilled staff now and into the future.
6. It has provided details of key national economic indicators, details of salary movements across the NSW public Sector and public sector remuneration for SES and non SES across Australia.
7. The Government submission finds 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.

...General economic indicators and remuneration changes across Australia point to remuneration increases in the range of 3-3.9%. An environment of fiscal restraint would appear to support an increase of 3% to maintain a competitive Senior Executive Service in NSW. The figure of 3% lies between projected Sydney CPI and wage cost index figures provided by Treasury for 2004-5, being 2.5% and 2.75%, and is in line with the Government’s wages policy.”

8. In respect of the Recruitment and Retention Allowance, the Government has requested that the current rates be maintained. The Government supports the continuation of specifying separately these two allowances.

Treasury Forecasts

9. The Government has provided a detailed analysis from the NSW Treasury on the NSW budget strategy for the next 12 months. NSW Treasury anticipates that the Consumer Price Index (CPI) for Sydney in 2004/2005 will be 2.5 percent, a slight increase on the 2.25 percent estimate for 2003/2004. Wages growth as measured by the Wage Cost Index (WCI) is expected to be 3.75 percent in the next 12 months.

10. In respect of Wages Policy NSW Treasury has advised that the Government would be adopting a common approach in the new round of wage negotiations with public sector unions. More specifically:

“...The Government’s wages policy seeks to maintain the value of the real wage increases provided to public sector employees since 1996, which are in the range of 13-20%. This policy implies nominal wage rises of up to 3% a year.

Using the Wage Cost Index (from its start in September 1997 to March 2004), NSW public sector wages have increased by 1.5% per annum in real terms relative to a 0.7% increase for NSW private sector employees.

The Government will adopt the same policy for all new wage agreements in 2004-2005. Major awards due for renewal include nurses, police, general public service and health employees.

The wages policy implies nominal pay rises of about 3% per year through negotiated settlements. Recent increases granted by the NSW Industrial Relations Commission, however, have been well in excess of the Government’s policy.

Section 3: 2004 Tribunal Review

Wage and Salary movements

11. In 2003, the Tribunal determined, in addition to a general increase of 3 percent for the SES and additional 1.7 percent “catch-up”. This “catch-up” was to ensure that SES remuneration increases did not fall significantly behind Award based salary increases received by key public sector groups, particularly Senior Officers, earlier in 2003.
12. The Tribunal considers that by providing the additional 1.7 percent “catch-up” the SES has not been disadvantaged viz a viz the other public sector groups in terms of remuneration increases and forms an appropriate benchmark from which to commence the 2004 review.
13. The Tribunal has noted those matters set out in the submission concerning the 2004/2005 budget strategy as provided by the NSW Treasury.

14. The Tribunal has also noted the latest key national economic indicators. These show that the Wage Cost Index for the public sector in NSW was 4.8% for the year ended 30 June 2004, and 3.9% for the public sector across Australia. The CPI for the same period was 2.5% nationally and 2.3% for Sydney. As noted above Treasury expects the CPI and the WCI to remain steady over the next twelve months.
15. The Tribunal notes that Secretaries of Commonwealth Departments have received increases of 3.9 percent and that Australian Workplace Agreements have delivered adjusted increases totalling between 4.6 percent and 5.3 percent. Federal and NSW Members of Parliament have received increases of 3.9 percent. Federal Judges also received a 3.9 percent economic adjustment increase from 1 July 2004.
16. The Tribunal has examined the increases received by the main public sector groups in NSW since the Tribunal's last determination. The following public sector groups have received salary increases since October 2003.

Public Sector Increases	% increase	Total adjustment since Oct 2003
Teachers	5.5% Jan 04 + 3.0% Jul 04 + 3.5% Jan 05	12%
Nurses	3.5% January 04	3.5%
Fire Brigade	4.0% January 04	4.0%
Police (Non Commissioned and Commissioned Officers)	4.0% January 04 + 5.0% July 04	9%

17. Public Servants (including Senior Officers) last award increase was in July 2003. The Government has advised that its offer of 3 percent was rejected by the Unions and, as a result, the matter is currently before the Industrial Relations Commission. The matter is scheduled to be heard in March 2005.
18. The Tribunal has considered carefully the recommendation of the Government that the increase should be limited to 3 percent. The Tribunal notes, however, that increases determined by the Industrial Relations Commission for Teachers and Nurses have been greater than 3 percent and that increases provided to Federal Members of Parliament and Federal Judges, which flow to NSW Members of Parliament and NSW Judges were closer to 4 percent than 3 percent. Key economic indicators also suggest that an increase greater than 3 percent is warranted on this occasion.

19. Having regard to the above and that this determination will apply until 1 October 2005, the Tribunal considers that a general increase of 4 percent is appropriate and so determines. This increase will be subject to a satisfactory performance assessment by each SES officer. Progression within the remuneration levels is subject to specific guidelines issued by the Director General of the Premier's Department.

Minimum remuneration levels

20. 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. As a result some officers required an increase greater than the Tribunal's determined general increase for 2002, to maintain the minimum remuneration for their level. To ensure that no affected SES officer received a windfall gain, the Tribunal required that any increase in excess of general increase determined by the Tribunal be approved by the Director General of the Premier's Department. This requirement was maintained for the 2003 Determination.

21. The Government has advised that the situation has now been addressed with most agencies that had officers below the minimum having sought the Director-General, Premier's Departments approval to move them to the new minimum. The Director General's approval is to continue to be sought for any request to increase above the annual determination for any SES officers who continues to be remunerated below the minimum of their level.

Recruitment Allowance and Retention Allowance

22. 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.

23. In 2003 the Tribunal undertook a review of these rates and considered that they needed to be adjusted to maintain their continued relevance and effectiveness. The Tribunal provided such an adjustment to each of the rates.
24. For the 2004 determination the Tribunal retains the Recruitment and Retention Allowances at the current levels and under identical arrangements to those provided in previous determinations.

Section 11A Office Holders

25. 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.

Solicitor for Public Prosecutions

26. The new Solicitor for Public Prosecutions has written to the Tribunal advising that, unlike his predecessor, he will not be electing to receive remuneration packaging pursuant to section 11A of the Act. As a result, the Solicitor for Public Prosecutions is removed from the list of those officers who have elected to be provided with employment benefits pursuant to section 11A of the Act. For remuneration purposes, the office will in future be listed with the Judges, Magistrates and Related Group.

The Statutory and Other Offices Remuneration Tribunal

Gerry Gleeson
Dated: 17 September 2004

DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND FROM 1 OCTOBER 2004.

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	\$322,301	to \$372,350
Remuneration Level 7	\$257,001	to \$322,300
Remuneration Level 6	\$228,651	to \$257,000
Remuneration Level 5	\$198,151	to \$228,650
Remuneration Level 4	\$181,851	to \$198,150
Remuneration Level 3	\$160,051	to \$181,850
Remuneration Level 2	\$149,201	to \$160,050
Remuneration Level 1	\$127,400	to \$149,200

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 4.0 percent. Where a CEO considers that such an SES officer's performance merits a higher increase than 4.0 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 2004****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	\$235,535	to	\$288,510
Remuneration Level 5	\$234,510	to	\$278,020
Remuneration Level 4	\$230,525	to	\$267,535
Remuneration Level 3	\$219,970	to	\$255,285
Remuneration Level 2	\$206,420	to	\$239,560
Remuneration Level 1	\$190,415	to	\$218,575

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	\$165,750	to	\$192,340
Remuneration Level 1	\$152,335	to	\$174,865

**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 2004**

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	\$340,710
Auditor General	\$340,710
Electoral Commissioner	\$270,400
Full Time Member, Independent Pricing and Regulatory Tribunal	\$256,985
Valuer General	\$251,140
Public Trustee	\$236,560

**The Statutory and Other Offices
Remuneration Tribunal**

Gerry Gleeson

Dated: 17 September 2004