

**REPORT**

**And**

**DETERMINATION**

**Under**

**SECTION 24C**

**of the**

**STATUTORY AND OTHER OFFICES**

**REMUNERATION ACT, 1975**

**CHIEF EXECUTIVE AND SENIOR EXECUTIVE SERVICES**

**6 October 2006**

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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* (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 arrangements similar to those 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 on behalf of the SOs by the Government.

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<sup>1</sup> Unless otherwise stated, the Chief Executive Service and Senior Executive Service are referred collectively in this Report and Determination as SES.

## **Section 2: 2006 Review**

### **Government submission**

5. The Government has made its submission to the Tribunal. 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.
6. In the NSW public sector, these include, since the Tribunal's 2005 annual determination, increases of 4 percent to the major public sector occupational groups including senior officers.
7. The Government has also submitted details of its future wages policy. It notes that the Government has delivered significant wage increases to the public sector since 1996 and that its future wages policy is to maintain those real wage improvements. The Government's objective is to provide wage increases in line with inflation when the current round of wage Award/Agreements expire in two years.
8. The Government notes that the increases are not in conflict with the Government's wages policy at the time of settlement. That wages policy provided for increases of 3 percent per year and an additional 1 percent to extinguish prior work value claims and productivity claims lodged in the NSW Industrial Relations Commission.
9. The Government submission concludes 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.*

*A key challenge for the Government is to continue to ensure that the Senior Executive Service attracts and retains talented and skilled staff now and into the future.*

*General economic indicators and remuneration changes across Australia point to remuneration increases in the range of 3% – 4.5%. The ABS forecast Wage Price Index (WPI) for 2006-2007 is 4%, in line with remuneration movements for non-SES staff in the NSW public service. The Government supports a salary increase for SES officers in line with budget policy of maintaining real wages. This would indicate an increase of 3%.”*

### **Treasury Forecasts**

10. 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 2006/2007 will be 2.75 percent which is equivalent to the revised estimate for 2005/2006. Wages growth as measured by the Wage Price Index (WPI) is expected to be 4.0 percent in the next 12 months, again equivalent to the estimate for 2005/2006.

11. In respect of Wages Policy NSW Treasury has advised that:

*“The large occupational groups (e.g. teachers, nurses, and police) are covered by wage agreements that are set to expire from February 2008. Under these agreements, wage increases during the Budget year will average 4 per cent per annum. Following their expiry the Government’s policy is that wage increases should keep the level of real wages constant. This implies nominal pay rises of up to 2.5 per cent per year.*

12. Treasury also points out that employee related costs are the largest component of total budget expense. In 2006-07 employee related costs are budgeted at 48.5% of total general government expenses, up from 45.9 percent in 1996-97. Treasury notes that:

*“Wage outcomes can have a permanent or structural impact on budget expenses. Public-sector pay rises in excess of the Government’s wages policy therefore may require a structural response such as reduced levels of employment, lower spending elsewhere or higher taxation.”*

## **Recruitment and Retention Allowance**

13. The Government supports the continued separation of the Recruitment Allowances and Retention Allowances. However, to ensure the Retention Allowance remains relevant, the Government has recommended that the restriction on the payment of the Retention Allowance as a lump sum at the end of an SES officer's contract term be removed.
14. The Government notes that unlike the Recruitment Allowance which is paid as part of an SES officer's remuneration package, the Retention Allowance accumulates and is paid only at the end of the contract term (as a lump sum).
15. The Government submission points out that the current Retention Allowance arrangement has detrimental financial and superannuation implications for SES officers in receipt of the Retention Allowance vis a vis those SES officers in receipt of the Recruitment Allowance. This arises from the ability for those in receipt of the Recruitment Allowance to receive the Allowance as part of their normal fortnightly pay and allows them the ability to salary sacrifice for superannuation or other employer benefits, whereas those in receipt of the Retention Allowance only see the benefit at the end of the contract term which in some circumstances would not occur until after 4 years had elapsed.
16. The Government considers that the current restrictions on the Retention Allowance acts as a disincentive in retaining staff and has provided details which show that of the 130 SES officers currently in receipt of Recruitment Allowance or Retention Allowance only 19 are in receipt of the latter entitlement.

### **Section 3: 2006 Tribunal Review**

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

17. In 2005, the Tribunal determined an increase of 4 percent for the SES. This 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.
18. The Tribunal has noted those matters set out in the submission concerning the 2006/2007 budget strategy as provided by the NSW Treasury and has considered carefully the recommendation of the Government that the increase should be limited to 3 percent.
19. The Tribunal has also noted the latest key national economic indicators. These show that the Wage Price Index for the public sector in NSW was 4 percent for the year ended June 2006, and 4.4 for the public sector across Australia. The CPI for the same period was 4.0 percent nationally and 3.8 percent for Sydney.
20. The NSW Government's preferred approach to wage outcomes is through negotiated wage settlements agreed to by both parties and ratified through the NSW Industrial Relations Commission. Since 1995 this approach has delivered significant wage increases to teachers, nurses, police and the general public service in return for productivity improvements. Most of the current Awards and Agreements for these public sector employment groups commenced in 2004 and are due to expire in 2008. Salary increases to be provided over the remaining life of the Awards and Agreements are set out below.

<b>Group</b>	<b>% Increase</b>	<b>Effective Date</b>	<b>Next Increase</b>
Crown Employees	4%	1 July 2006	4% 1 July 2007
Health Service Union	4%	1 July 2006	4% 1 July 2007
Teacher's Federation	4%	1 January 2006	4% 1 January 2007
Police Association	2%	1 July 2006	2% 1 July 2007
Fire Brigades	4%	1 February 2006	4% 1 February 2007
Members of Parliament	7%	1 July 2006	1 July 2007
Federal Judges	4.4%	1 July 2006	1 July 2007

21. The Tribunal also notes that Secretaries of Commonwealth Departments (the equivalent of the Chief Executive Service) have received increases of 4.4 per cent effective from 1 July 2006 and the most recent data on the Federal SES shows that this group has received increases between 3.9 percent and 6.6 percent.
22. In other jurisdictions public sector executive remuneration has increased between 3 percent and 4.5 percent.
23. Finally the Tribunal notes that Federal Members of Parliament and NSW Members of Parliament have received increased of 7 per cent effective from 1 July 2006.
24. The Tribunal has given careful consideration to the Government's recommendation for a 3 percent increase on this occasion and the reasons underpinning it. The Tribunal, however, also notes the Government's concluded view that

*"...A key challenge for the Government is to continue to ensure that the Senior Executive Service attracts and retains talented and skilled staff now and into the future."*

25. The Government is moving towards achieving this with enhanced conditions of employment for its Senior Executives. These include the introduction of parental leave, and enhanced maternity and adoption leave, as well as greater flexibility in leave access and use of leave entitlements. These enhancements mirror to a large extent entitlements available in the public sector generally.
26. A key factor in attracting the talented to the SES is remuneration. The level of remuneration available must be at a sufficiently high level to attract and retain the best possible people in the highest levels of the bureaucracy. To achieve this remuneration increases must, at the very least, keep pace with those provided in the general community and certainly within the public sector. At this point it is also pertinent to note that the Tribunal's annual determinations increasing the minimum and maximum SES remuneration levels do not automatically flow to SES officers. In order to receive an increase in remuneration each SES officer is required to undergo a performance assessment and based on that assessment a decision is made as to the quantum of the increase to be paid to the SES officer.

27. The Tribunal notes that the next 12 months will be significant for the NSW public sector. The State Plan will set the directions and priorities for the public sector for the next decade. Any changes will need to be driven by the CES and SES in the first instance. It is therefore critical in the Tribunal's view that CES and SES remuneration levels remain competitive.
28. Having regard to the above, and after considering the views of the Assessors, the Tribunal cannot support the Government's recommendation of 3 percent on this occasion but considers that in all the circumstances an increase of 4 percent is appropriate and so determines. This increase will be subject to a satisfactory performance assessment of each SES officer. Progression within the remuneration levels is subject to specific guidelines issued by the Director General of the Premier's Department.

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

29. The Recruitment and Retention Allowances were introduced in 1996 to address the difficulties the Government was experiencing in recruiting and retaining SES offices with specialist skills, following the abolition of the specialist market rates the previous year. Under the 2000 determination the Recruitment and Retention Allowance was separated into two separate allowances, i.e. a Recruitment Allowance and a 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. As its name suggests the Recruitment Allowance is available only at the time of recruitment of the officer and is treated as part of the officer's normal remuneration package ie the officer receives the Allowance as part of fortnightly pay.
31. The Retention Allowance on the other hand 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. As it is made available with the

intention of retaining the person for the remainder of their contract term, payment of the allowance is made at the end of the term.

32. The Tribunal has previously reviewed the operation of the Recruitment and Retention Allowance. In its 1999 Report the Tribunal stated, in regard to the Retention Allowance that:

*“...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.”*

33. On the information provided to date the Tribunal can find no reason for varying the manner in which Retention Allowance is presently paid. The Tribunal is, however, aware that other methods of payment are used in some sectors and would be happy to have further regard to this issue at the time of the next review should the Government consider it necessary.

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

34. 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, 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 4.0 percent for this Group.

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

**Helen Wright**

Dated: 6 October 2006

**DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND FROM 1 OCTOBER 2006.**

**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	\$348,601	to	\$402,750
Remuneration Level 7	\$278,001	to	\$348,600
Remuneration Level 6	\$247,301	to	\$278,000
Remuneration Level 5	\$214,351	to	\$247,300
Remuneration Level 4	\$196,651	to	\$214,350
Remuneration Level 3	\$173,101	to	\$196,650
Remuneration Level 2	\$161,351	to	\$173,100
Remuneration Level 1	\$137,800	to	\$161,350

**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 2006****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 specialist medical skills shall be:

<u>Specialist Medical Skills</u>	<u>Per Annum range</u>		
Remuneration Level 6	\$254,755	to	\$312,050
Remuneration Level 5	\$253,645	to	\$300,705
Remuneration Level 4	\$249,335	to	\$289,365
Remuneration Level 3	\$237,920	to	\$276,115
Remuneration Level 2	\$223,260	to	\$259,105
Remuneration Level 1	\$205,950	to	\$236,415

**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	\$179,275	to	\$208,035
Remuneration Level 1	\$164,765	to	\$189,135

**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 2006**

**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:

<b><u>Public Office Holder</u></b>	<b><u>Remuneration</u></b>
Commissioner, NSW Crime Commission	\$368,515
Auditor General	\$368,515
Full Time Member and CEO, Independent Pricing and Regulatory Tribunal	\$332,800
Electoral Commissioner	\$292,465
Valuer General	\$271,630
Public Trustee	\$255,860

**The Statutory and Other Offices  
Remuneration Tribunal**

**Helen Wright**

Dated: 6 October 2006