

REPORT

And

DETERMINATION

Under

SECTION 24C

of the

STATUTORY AND OTHER OFFICES

REMUNERATION ACT, 1975

CHIEF EXECUTIVE AND SENIOR EXECUTIVE SERVICES

28 September 2007

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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 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 recognise differences from SES contracts, namely tenured employment, superannuation and leave loading payments made by the Government on behalf of the SOs.

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

Section 2: 2007 Review

Government submission

5. The Government has provided its 2007 submission to the Tribunal. The submission contains 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. In the NSW public sector, these include, since the Tribunal's 2006 annual determination, increases of 4 percent to the major public sector occupational groups. The Submission notes that these increases were the result of closed agreements which are due to expire in mid 2008.
6. The Submission has re-stated details of the Government's wages policy as articulated in the *Economic and Financial Statement* of February 2006. With the conclusion of the Agreements entered into prior to the release of the Statement new negotiations will be based on the Government's Wages Policy. In essence this policy is to maintain the real wage improvements achieved under the former Agreements by limiting increases to a net cost of 2.5 percent (representing the average CPI inflation rate over the previous decade). Increases beyond 2.5 percent will be subject to negotiated productivity trade offs.
7. The Government submission recommends that:

“... increases in executive remuneration must be consistent with the Government's wages policy.

The wages policy provides for increases of 2.5% and enables additional increases tied to negotiated productivity savings. From the expiry of current agreements, the new wages policy will be applied to all occupational groups.”

Treasury Forecasts

8. The Government has again 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 2007/2008 will be 2.5 percent which is lower than the 2.75 percent revised estimated for 2006/2007. 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 2006/2007.

9. Treasury has also provided details of the forward NSW budget estimates which are predicated upon on average expense increases not exceeding average receipt increases over the forward years.
10. In respect of Wages Policy the NSW Treasury submission has stressed how wages growth in the NSW public sector has doubled the rate of inflation. Such increases, the Treasury submission argues, were necessary to attract and retain high quality staff in key front line areas. Treasury considers that the balance has been redressed and that it is now necessary to maintain those wage improvements.
11. Treasury also points out that employee related costs are the largest component of total budget expense and the impact such expenses have on the State's budget position. Treasury notes that:

“...The single most important influence on the level and future growth of total expenses, and therefore the budget result, is employee-related expenses. They account for almost half of government expenses, and each one per cent increase in employee expenses – from increases in rates of pay, numbers of staff, or from progression of staff to higher pay scales and upward reclassification of positions – costs over \$224 million per annum.”

Recruitment and Retention Allowance

12. The Government submission supports an increase in the levels of Recruitment Allowances and Retention Allowances. The submission notes that the Recruitment Allowance and the Retention Allowance provide the Government with the necessary flexibility to attract and retain staff with particular skills in a tight labour market.

Auditor General

13. The Auditor General has sought an increase in remuneration arising from changes to the responsibilities of his office resulting from more robust accounting reporting arrangements.

Section 3: 2007 Tribunal Review

Director General Department of Premier and Cabinet

14. On 1 May 2007 the Tribunal, following receipt of a special reference from the Premier, the Hon Morris Iemma MP made a special determination on the remuneration of the new position of Director General, Department of Premier and Cabinet.

15. In reviewing this matter the Tribunal noted that The Cabinet Office and the Premier's Department were both previously headed by positions at SES 8 Level. As a result of the amalgamation of The Cabinet Office and the Premier's Department into one agency, the Tribunal considered that remuneration for Director General should be set beyond the SES 8 Level. Accordingly, the Tribunal determined a rate of \$472,750pa. The Tribunal will make a separate annual determination in respect of this office.

Implementation of Agency Amalgamations

16. The remuneration determined for the Director General, Department of Premier of Premier and Cabinet demonstrates one of the problems in the current SES structure. The current 8 level Remuneration structure cannot adequately deal with the remuneration of CEOs appointed to head amalgamated agencies, except by way of special reference from the Tribunal. The Tribunal considers that the SES Remuneration structure should provide sufficient flexibility and

scope to accommodate CEO appointments to head such agencies. Another problem concerns the ongoing issue of salary compression between SES Levels 1-3 and Senior Officers Grade 1-3.

17. The Tribunal notes that the SES structure has been in place since 1989 and in the subsequent 18 years very little has changed. While the remuneration structure may have been appropriate for the SES in 1989 it is now time for a review to ensure its current relevance particularly as the trend towards the amalgamation of agencies continues. The Tribunal, therefore, strongly urges the Government to commence such a review. The Tribunal would be pleased to assist or, if the Government considered it appropriate to do, the Tribunal would be prepared to undertake this review and provide recommendations to the Government.

Auditor General

18. The Tribunal has considered the Auditor General's submissions and considers that there has been a change in the responsibilities which requires an adjustment to the remuneration of this office.

Wage and Salary movements

19. In 2006, 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.

20. For the current review the Tribunal has had regard to the 2007 award increases of Senior Officers which amounted to 4 percent effective from 1 July 2007. The Tribunal has also noted the importance placed by the Government on its wages policy in the upcoming wage negotiations and on its commitment to providing general increases not greater than 2.5 percent. The Tribunal is prepared to support this objective.

21. The Tribunal is mindful, however, that if it provides an increase of 2.5 percent there will be some compression between the respective levels of the SES and Senior Officers and it would not wish to see any further compression occur. The Tribunal continues to support the principle that remuneration for the SES should be set at sufficiently attractive levels to ensure Government Agencies can recruit SES officers of high calibre and recognises that any significant salary compression would be inimical to this approach. The Tribunal's determination takes effect from 1 October 2007 and is in effect until 30 September 2008. During this period the Government may reach agreement with public sector groups regarding future wage increases. The Tribunal notes that any further award increase beyond 2.5 percent would, in accordance with the Government's Wages Policy, only be achieved through negotiated productivity savings. The Tribunal has long maintained that the SES has a lead role in achieving productivity savings. The Tribunal will, therefore, monitor closely the results of any concluded award agreements and, should they provide for increases beyond 2.5 percent per annum the Tribunal will, pursuant to Section 24D of the Act, write to the Premier and seek a special reference to review remuneration levels for the SES.

22. Having regard to the above, and after considering the views of the Assessors, the Tribunal considers that in all the circumstances an increase of 2.5 percent is appropriate and so determines. 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

23. The Recruitment and Retention Allowances were introduced in 1996 to address the difficulties the Government was experiencing in recruiting and retaining SES officers with specialist skills, following the abolition of the specialist market rates the previous year. The Allowances were last varied in 2003 and have been adjusted to maintain their continued relevance for the purpose for which they were introduced.

Section 11A Office Holders

24. The Tribunal has examined the changes to the responsibilities of the Auditor General since the last review in 2002 and considers that, on balance, an increase in remuneration for this office is warranted on this occasion.
25. Section 11A Office Holders are statutory appointees who exercise independent statutory functions. Some 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 2.5 percent for this Group.

The Statutory and Other Offices Remuneration Tribunal

Helen Wright

Dated: 28 September 2007

DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND FROM 1 OCTOBER 2007.

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	\$357,301	to	\$412,820
Remuneration Level 7	\$284,951	to	\$357,300
Remuneration Level 6	\$253,501	to	\$284,950
Remuneration Level 5	\$219,701	to	\$253,500
Remuneration Level 4	\$201,551	to	\$219,700
Remuneration Level 3	\$177,451	to	\$201,550
Remuneration Level 2	\$165,401	to	\$177,450
Remuneration Level 1	\$141,250	to	\$165,400

Determination No 2 – Director General Department of Premier and Cabinet

The Tribunal determines that the remuneration package for the Director General Department of Premier and Cabinet shall be \$484,600pa effective on and from 1 October 2007.

Determination No 3 - 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	\$41,200
Levels 5 and 6	up to	\$28,500
Levels 3 and 4	up to	\$21,900
Levels 1 and 2	up to	\$17,500

ANNEXURE A (Cont.)**DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND FROM 1 OCTOBER 2007****Determination No 4 - 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	\$41,200
Levels 5 and 6	up to	\$28,500
Levels 3 and 4	up to	\$21,900
Levels 1 and 2	up to	\$17,500

Determination No 5.

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	\$261,125	to	\$319,850
Remuneration Level 5	\$259,985	to	\$308,225
Remuneration Level 4	\$255,570	to	\$296,600
Remuneration Level 3	\$243,870	to	\$283,020
Remuneration Level 2	\$228,840	to	\$265,585
Remuneration Level 1	\$211,100	to	\$242,325

Determination No 6.

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	\$183,755	to	\$213,235
Remuneration Level 1	\$168,885	to	\$193,865

**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 2007**

Determination No 7.

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>
Auditor General	\$385,000
Commissioner, NSW Crime Commission	\$377,730
Full Time Member and CEO, Independent Pricing and Regulatory Tribunal	\$341,120
Electoral Commissioner	\$299,775
Valuer General	\$278,420
Public Trustee	\$262,255

**The Statutory and Other Offices
Remuneration Tribunal**

Helen Wright

Dated: 28 September 2007