

REPORT

And

DETERMINATION

Under

SECTION 24C

of the

STATUTORY AND OTHER OFFICES

REMUNERATION ACT, 1975

CHIEF EXECUTIVE AND SENIOR EXECUTIVE SERVICES

15 September 2008

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CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE*

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 tenured employment, superannuation and leave loading payments on behalf of the SOs by the Government.

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

Section 2: 2008 Review

Government submission

5. The Government has provided its Submission for 2008 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.

6. The Submission reinforces the Government's commitment to its wages policy as articulated in the Economic and Financial Statement of February 2006. In essence this policy is to maintain the real wage improvements previously achieved 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 are to be subject to negotiated productivity trade offs. The Government informed the Tribunal that negotiations with the major wage groups would be based on the Government's wages policy.

7. Since the Tribunal's 2007 annual Determination the Government has negotiated wage Agreements consistently with its wages policy. The Government Submission notes that in these Agreements the funding cap of 2.5 percent has been maintained and that increases beyond this amount are being funded through savings measures within the employing agency. Such increases have averaged 4 percent. Examples include State Transit Workers, NSW Nurses and Railcorp workers. In each case the Government Submission confirms that increases beyond 2.5 percent have been achieved through agency productivity improvements. The Government has adopted a similar position with the other major wage groups (Teachers, Public Servants, Fire Fighters) which are currently either under negotiation or arbitration before the Industrial Relations Commission.

8. The Submission has also provided interstate comparisons of SES remuneration increases over the previous 12 months. These comparisons show that on average there has been a increase in remuneration of 3.9 percent.
9. The Government has recommended to the Tribunal that increases for the SES and Section 11A Office Holders be limited to 2.5 percent. This recommendation is consistent with the position adopted for other major wages groups.

“...The Government’s wages policy is to maintain the real value of significant wage increases over time and the Government will fund wage increases and associated costs at 2.5 percent a year, the Reserve Bank of Australia’s 2-3 percent target inflation range.”

Treasury Forecasts

10. 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 2008/2009 will be 3 percent and wages growth as measured by the Wage Price Index (WPI) is expected to be 4 percent in the next 12 months.
11. Treasury has also provided details of the forward NSW budget estimates which are predicated upon average expense increases not exceeding average receipt increases over the forward years. Treasury forecasts that expenses and receipts are both expected to grow by around 4.5 percent a year in the four years to 2011/2012.
12. In respect of Wages Policy the NSW Treasury submission has again stressed how wages growth in the NSW public sector has exceeded increases in both the inflation rate and those of employees in the NSW private sector and the public sector in the rest of Australia. The Wages Policy is intended to maintain the gains achieved without putting undue pressure on the State Budget.

Recruitment Allowance and Retention Allowance

13. 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.

Commissioner, NSW Electoral Commission

14. The Commissioner has written to the Tribunal asking for a review of the remuneration of his position. The Commissioner is seeking an increase in remuneration for his office on the basis of the June 2008 amendments to the Election Funding and Disclosures Act 1981.

Section 3: 2008 Tribunal Review

15. In 2007, the Tribunal determined an increase of 2.5 percent for the SES. This was lower than the award increases previously achieved by other public sector employees, particularly Senior Officers. The Tribunal noted at the time:

“...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.

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 remuneration for the SES being 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."

16. Since the 2007 Determination the Tribunal has noted that increases achieved by the Transport Workers, Nurses and Health Workers have been in the order of 3.9 percent. The Tribunal has also noted that the increase in the Labour Price Index for the year ending 30 June 2008 was 3.9 percent and that other key economic indicators are of the same order.
17. While the Tribunal is mindful of the Government's recommendation it is also aware of the important role played by the SES in driving the Government's reform agenda and in achieving the productivity improvements envisaged by the Government's wages policy. The Tribunal has stated this view on previous occasions and continues to support this view. The Government needs to be able to recruit the best possible candidates to the Senior Executive Service to lead and direct the public sector.
18. The challenges of attracting the best people to the SES should not be underestimated. The SES is not immune from the challenges posed by an ageing workforce and skill shortages on the one hand and, on the other, an increasingly mobile workforce which recognises no State or national or international boundaries. The challenges for the public sector to recruit the "best and the brightest" from within its own ranks and from the private sector to the SES are formidable. The Tribunal has anecdotal evidence that recruitment to the SES is becoming more difficult. Any further compression of remuneration, particularly with the Senior Officers, would only exacerbate this problem. The Government has been addressing some of the issues by making the conditions of public employment more attractive. This will only go so far. Coupled with this approach is the need to

ensure that remuneration levels are set at a competitive level to meet the challenges ahead.

19. The Tribunal will therefore make a determination that goes beyond the Government's recommendation of limiting increases to 2.5 percent.
20. The Tribunal, after considering the views of the Assessors will determine an increase of 3.9 percent effective on and from 1 October 2008. The Tribunal considers that 2.5 percent should be passed on to each and every SES officer subject to satisfactory performance. In undertaking performance reviews CEOs should approve up to a further 1.4 percent increase in circumstances where there have been, in the view of the CEO, productivity improvements within the Agency sufficient to warrant the additional increase.
21. In its 2007 Report the Tribunal suggested a review of the SES structure. The Tribunal is aware that such a review is being undertaken by the Public Sector Workforce Office of the Department of Premier and Cabinet and is expected to be completed shortly. Given the issues raised by the Tribunal above, it is hoped that this review will address the remuneration issues alluded to above and in particular the on going issue of compression with the Senior Officers. The Tribunal is of the view that the establishment of the Senior Officer classification has created a competitive market for recruitment to the SES ranks. Conditions of employment and award increases provide far more certainty for Senior Officers than for the equivalent SES. As noted above, the Government through the Public Sector Workforce Office is addressing some of the issues surrounding employment conditions for the SES. However, an appropriate level of remuneration which recognises the differences in employment arrangements between the two groups would also assist to make entry to SES more attractive. While not a matter for the Tribunal, it is understood that the review will examine whether the current remuneration structure is meeting the needs of the public sector and, if not, whether greater flexibility is needed. The Tribunal, as always remains ready to provide assistance if required.

Recruitment Allowance and Retention Allowance

22. 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 2007 and are reviewed annually to maintain their continued relevance for the purpose for which they were introduced.

Section 11A Office Holders

Commissioner Electoral Commission

23. The Tribunal has considered the submission from the Electoral Commissioner carefully. The Tribunal notes that the remuneration for this office was significantly increased in 2004. The recent amendments to the Electoral Funding and Disclosure Act 1981 may provide for some additional compliance and audit responsibilities for the Election Funding Authority of NSW of which the Commissioner is Chairperson but, given that the new arrangements have only just commenced it may be prudent consider this matter at the time of the 2009 review when their impact may be more appropriately assessed.

24. Section 11A Office Holders are statutory appointees who exercise independent statutory functions and some of whom also have responsibilities similar to those of CEOs. These office holders, pursuant to Section 11A of the Act, have access to remuneration packaging identical to the SES. However, unlike the SES, 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 3.9 percent for this Group.

The Statutory and Other Offices Remuneration Tribunal

Helen Wright
Dated: 15 September 2008

ANNEXURE A

DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND FROM 1 OCTOBER 2008.

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	\$371,251	to	\$428,900
Remuneration Level 7	\$296,051	to	\$371,250
Remuneration Level 6	\$263,401	to	\$296,050
Remuneration Level 5	\$228,301	to	\$263,400
Remuneration Level 4	\$209,401	to	\$228,300
Remuneration Level 3	\$184,351	to	\$209,400
Remuneration Level 2	\$171,851	to	\$184,350
Remuneration Level 1	\$146,750	to	\$171,850

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 Department of Premier and Cabinet. The Allowance will apply for new SES offices and appointment renewals, where it has been established 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	\$43,000
Levels 5 and 6	up to	\$30,000
Levels 3 and 4	up to	\$23,000
Levels 1 and 2	up to	\$19,000

ANNEXURE A (Cont.)

DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND FROM 1 OCTOBER 2008

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 Department of Premier and Cabinet and will accrue on an annual basis or part thereof and the total amount will be payable upon the completion of the term of appointment.

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	\$43,000
Levels 5 and 6	up to	\$30,000
Levels 3 and 4	up to	\$23,000
Levels 1 and 2	up to	\$19,000

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	\$271,300	to	\$332,300
Remuneration Level 5	\$270,050	to	\$320,250
Remuneration Level 4	\$265,550	to	\$308,150
Remuneration Level 3	\$253,400	to	\$294,050
Remuneration Level 2	\$237,750	to	\$275,950
Remuneration Level 1	\$219,350	to	\$252,000

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	\$190,900	to	\$221,550
Remuneration Level 1	\$175,450	to	\$201,450

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 2008

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>
Auditor General	\$400,000
Commissioner, NSW Crime Commission	\$392,450
Full Time Member and CEO, Independent Pricing and Regulatory Tribunal	\$354,420
Electoral Commissioner	\$311,450
Valuer General	\$289,300
Public Trustee	\$272,500
Executive Manager Parliamentary Services	\$228,250

The Statutory and Other Offices Remuneration Tribunal

Helen Wright

Dated: 15 September 2008