

REPORT

And

DETERMINATION

Under

SECTION 24C

of the

STATUTORY AND OTHER OFFICES

REMUNERATION ACT, 1975

CHIEF EXECUTIVE AND SENIOR EXECUTIVE SERVICES

28 September 2005

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CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE¹

Section 1: Background

After nearly 10 years as the Tribunal, Mr Gerry Gleeson AC resigned on 12 December 2004. Effective from 13 December 2004 the Governor, pursuant to section 6(2) of the Act, appointed Ms Helen Wright as the new Tribunal for a term of three years.

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.

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

Section 2: 2005 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 3-4.5%. The current economic environment would appear to support an increase of 3% to maintain a competitive Senior Executive Service in NSW. The figure of 3% reflects Treasury’s forecast Consumer Price Index (CPI) for 2005-6, 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 2005/2006 will be 3.0 percent, a slight increase on the 2.50 percent estimate for 2004/2005. Wages growth as measured by the Wage Price Index (WPI) is expected to be 3.75 percent in the next 12 months up from the 3.5 percent estimated for 2004/5.
10. In respect of Wages Policy NSW Treasury has advised that the Government would continue to adopt a common approach in wage negotiations with public sector unions. More specifically:

“...The Government’s wages policy seeks to maintain the value of the substantial real wage increases provided to public sector employees since 1996. The wages policy implies nominal pay rises of up to 3% per annum through negotiated settlements.

Using the Wage Price Index (from March 2004 to March 2005), NSW public sector (state/local) wages have increased by 2.5% per annum in real terms relative to a 1.2% increase for NSW private sector employees.”

11. Treasury has pointed out that negotiated agreements with some public sector unions provide for increases of 4 percent annually over the next four years together with enhanced non wage conditions of employment. Treasury notes that these agreements;

“...are not in conflict with the wages policy; the settlements correspond to 3% per year in accordance with the policy, and an additional 1% per year for 4 years to extinguish prior work value claims lodged in the NSW Industrial Relations Commission.”

12. The Tribunal has also received submissions from the Chairman of the Independent Pricing and Regulatory Tribunal (IPART) seeking an increase in the remuneration of the Full Time Member of IPART because of the additional duties and responsibilities he now has. The Full Time Member also made a submission on this matter and met with the Tribunal to discuss his submission.

Section 3: 2005 Tribunal Review

Wage and Salary movements

13. In 2004, 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. In making its determination the Tribunal noted 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 were closer to 4 percent than 3 percent.
14. Since then negotiated settlements have delivered increases of 4 percent per annum over the next 4 years to public sector unions.

15. The Tribunal has noted those matters set out in the submission concerning the 2005/2006 budget strategy as provided by the NSW Treasury.
16. The Tribunal has considered carefully the recommendation of the Government that the increase should be limited to 3 percent.
17. Public Servants (including Senior Officers) latest Award increase was in July 2005 providing an increase of 3 percent plus 1 percent. This increase forms part of a four year wages agreement for public servants. This increase represents 3 percent Government wage policy plus an additional 1 percent to compensate for past work value change.
18. The Tribunal considers that any recognition of work value change for the general public sector must also recognise the role of the SES in achieving such improved work value change. As the most senior public servants the SES would need to drive the changes necessary to achieve greater efficiencies and increase work value of public sector employees. For this reason the Tribunal considers that an increase beyond 3 percent is warranted for the SES.
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 4.8% for the year ended 30 June 2005, and 4.5% for the public sector across Australia. The CPI for the same period was 2.5% nationally and 2.4% for Sydney. As noted above Treasury expects the CPI and the WPI to increase slightly over the next twelve months.
20. The Tribunal notes that Australian Workplace Agreements have delivered adjusted increases totalling between 5.9 percent and 9.3 percent for federal SES officers. Federal and NSW Members of Parliament have received increases of 4.1 percent. Federal Judges also received a 4.1 percent economic adjustment increase from 1 July 2005.
21. Having regard to the above, and after considering the views of the Assessors, 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 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

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. For the 2005 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

24. 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.

Full Time Member Independent Pricing and Regulatory Tribunal

25. 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 his assuming the CEO role of IPART.
26. The Tribunal has reviewed the matter and notes that the former Chairperson worked 9 days per fortnight and performed the CEO responsibilities for the Tribunal. The new Chairperson works 3 days per week and has devolved the CEO responsibilities to the Full Time Member.
27. The Tribunal 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.

28. The rate determined will apply while ever the Full Time Member also performs the role of Chief Executive Officer of IPART concurrently and is in lieu of any other determinations currently in place for this office holder.

**The Statutory and Other Offices
Remuneration Tribunal**

Helen Wright

Dated: 28 September 2005

DETERMINATIONS OF THE REMUNERATION PACKAGES OF THE CHIEF EXECUTIVE SERVICE AND SENIOR EXECUTIVE SERVICE EFFECTIVE ON AND FROM 1 OCTOBER 2005.

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 | \$335,201 | to | \$387,250 |
| Remuneration Level 7 | \$267,301 | to | \$335,200 |
| Remuneration Level 6 | \$237,801 | to | \$267,300 |
| Remuneration Level 5 | \$206,101 | to | \$237,800 |
| Remuneration Level 4 | \$189,101 | to | \$206,100 |
| Remuneration Level 3 | \$166,451 | to | \$189,100 |
| Remuneration Level 2 | \$155,151 | to | \$166,450 |
| Remuneration Level 1 | \$132,500 | to | \$155,150 |

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 2005****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 | \$244,955 | to | \$300,050 |
| Remuneration Level 5 | \$243,890 | to | \$289,140 |
| Remuneration Level 4 | \$239,745 | to | \$278,235 |
| Remuneration Level 3 | \$228,770 | to | \$265,495 |
| Remuneration Level 2 | \$214,675 | to | \$249,140 |
| Remuneration Level 1 | \$198,030 | to | \$227,320 |

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 | \$172,380 | to | \$200,035 |
| Remuneration Level 1 | \$158,430 | to | \$181,860 |

**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 2005**

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 | \$354,340 |
| Auditor General | \$354,340 |
| Full Time Member and CEO, Independent Pricing and Regulatory Tribunal | \$320,000 |
| Electoral Commissioner | \$281,215 |
| Valuer General | \$261,185 |
| Public Trustee | \$246,020 |

**The Statutory and Other Offices
Remuneration Tribunal**

Helen Wright

Dated: 28 September 2005