



## Remuneration Tribunal

### 2015 Review of Remuneration for Holders of Public Office Second Statement

#### Decision

The Tribunal has decided to increase remuneration by 2 per cent for public offices in its jurisdiction, with effect from 1 January 2016.

The Tribunal has also decided to implement the final step in the remuneration transition path for the office of Secretary, Specified Statutory Offices (SSOs) and a small number of other senior offices. The final step was deferred in 2014 and will now be implemented effective from 1 January 2016.

#### Overview

The Tribunal has not determined any general increase to the remuneration of office holders in its jurisdiction, including parliamentarians and the federal judiciary, since 1 July 2013.

The Tribunal issued a statement on 31 March 2015 announcing its decision to defer any consideration of a remuneration increase in 2015 until the second half of the calendar year.

The decision to defer its consideration of an adjustment followed from the Tribunal's 2014 annual review decision, announced on 12 May 2014, to determine no general adjustment during 2014. The 2014 decision took into account the environment of economic constraint at that time and wage restraint arising from the Government's Public Sector Workplace Bargaining Policy. The Tribunal also deferred the final step in the transition path of adjustments for Secretaries of Departments and certain other senior statutory offices that arose from its comprehensive reviews of those offices in 2011 and 2012.

Another factor in the Tribunal deferring its 2015 decision was that its deliberations were able to include the outcome of the 2014-15 Annual Wage Review of the Fair Work Commission, which was released on 2 June 2015. The Tribunal has also been able to consider the Federal Government's Budget outlook and economic conditions more generally; the progress of the bargaining in the APS and in non-APS government agencies; and more recent data on movements in both private and public sector remuneration.

While remuneration data generally reflects a period of very moderate wage growth across the economy, the Tribunal's decision today provides an increase that is below both public sector and private sector trends.

## Background

The Tribunal's obligation, under sub-sections 7(1), (2), (3) and 8(1) of the *Remuneration Tribunal Act 1973* (the Act), is to make determinations in respect of remuneration for various offices within its jurisdiction at periods of not more than one year. To meet that obligation, the Tribunal issued determinations in May 2015 and at that time made no general adjustments to remuneration.

In conducting its annual review of remuneration, the Tribunal takes account of economic conditions in Australia, past and projected movements in remuneration in the private and public sectors (including the APS), as well as the outcomes of reviews of public offices completed by the Tribunal. In order to inform its conclusions the Tribunal draws upon authoritative external sources such as the published material available from the Government, the Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS) as well as trends in public and private sector remuneration. It is obliged by its legislation also to consider the Annual Wage Reviews of the Fair Work Commission.

Adjustments arising from the Tribunal's annual review generally apply to the broad spectrum of offices in the Tribunal's determinative jurisdiction including the most senior offices in the public service and statutory agencies, certain government-owned businesses, Secretaries, numerous part-time offices and the federal judiciary, as well as parliamentarians. Ordinary annual adjustments in remuneration of this kind recognise the achievement of ongoing objectives and the steady evolution in responsibility that is characteristic of public administration.

The Tribunal considers it important that remuneration for offices in its jurisdiction is maintained at appropriate levels over the longer term to attract and retain people of the calibre required for these important high level offices. The Tribunal is generally conservative in its approach to annual increases and in this case is conscious of the Government's continuing policy of wage restraint for the APS and non-APS government agencies. Ideally, the Tribunal is concerned to avoid, in the future, any need for significant one-off increases to restore proper relativities and to recognise fully ongoing changes in work requirements.

## Economic factors

Analysis shows that the domestic economy is continuing to grow, but at a slower rate than historic trends. Gross Domestic Product figures indicate the economy's output rose by 0.9 per cent in the September quarter, putting the annual pace of growth at 2.5 per cent on a seasonally adjusted basis. The Consumer Price Index rose 1.5 per cent through the year to September 2015 and unemployment is expected to be around 6 per cent for some time to come, despite clear signs of jobs growth. These factors are associated with continuing moderation of wages growth.

In the Commonwealth public sector, a period of significant financial constraint has been accompanied by minimal wages growth as agencies continue to negotiate new Enterprise Agreements.

The Government recently announced reforms to the enterprise bargaining framework for the Australian Public Service to facilitate new agreements being made quickly and efficiently.

Under the revised framework, agency heads were provided with more flexibility to conclude bargaining and are able to offer wage increases up to 2 per cent per annum, with costs being met within existing budgets.

The Wage Price Index and the Trends in Federal Enterprise Bargaining Report show that broader public sector and private sector increases have been trending down. After an extended period of annual increases of around 4 per cent, increases in the Australian public sector over the last two years have been at or below 3 per cent and are continuing to fall, with the Index showing increases for the year to September 2015 averaging 2.3 per cent.

Over the same period the Fair Work Commission has awarded increases to the national minimum wage and modern award minimum wages of 2.6 per cent effective 1 July 2013, 3 per cent effective from 1 July 2014 and 2.5 per cent effective from 1 July 2015. While the Tribunal is required under its legislation to have regard to these decisions it considers a wider range of factors in its annual review.

### Reasons for Decision

The Tribunal sets remuneration for a range of offices that sit at the forefront of the private/public sector 'divide'. Heads of agencies, members of boards and technical/professional specialists often straddle roles between both sectors. Many of these office holders do not expect or require that monetary compensation be set at private sector levels.

Rather in the true sense of the phrase 'public service', office holders serve for the public good. This means that in setting remuneration the Tribunal has traditionally set rates below those of the private sector.

As well as achieving an appropriate balance in the assessment of both private and public sector wage movements, the Tribunal must also make its assessment of wages and other economic considerations based not just on past experience but also on predictions of future movements.

Past wage movements across both public and private sectors, including the Fair Work Commission's minimum wage decisions as outlined, would support a higher increase than the 2 per cent it has decided.

This is especially the case when set against a background of no general increase having been determined by the Tribunal since 1 July 2013.

However, the Tribunal has moderated its assessment because of the latest economic and wages data, projections and trends combined with the downside risks for the Australian economy (identified by the RBA and Government). The Tribunal has also noted the, albeit slowed, upward movement in the various measures of cost of living expenses since the Tribunal's 1 July 2013 annual review adjustment. The Government policy of significant wage restraint applying to APS and non-APS agencies, has also weighed on the Tribunal's consideration.

Ultimately the Tribunal has decided to restrict its general increase to 2 per cent.

As a consequence of reviews undertaken since 2011 of the office Secretary, SSOs and a small number of full-time offices the Tribunal determined substantial, but still conservative, increases to rebase remuneration for these offices. In the case of Secretaries and SSOs increases were planned over six steps (the transitional path) during the period 15 March 2012 to 1 July 2014. In the case of a small number of full-time offices the increases were planned over four steps during the period 1 January 2013 to 1 July 2014.

While the Tribunal has previously deferred the final remuneration increase in the transition paths, due on 1 July 2014, it noted this was a temporary pause in the implementation of the conclusions reached in the earlier reviews. The Tribunal is concerned that remuneration for these offices does not once again decline relative to other public and private sector office holders and has therefore determined the final step in the transition paths.

### Implementation

Determinations reflecting the decision to increase remuneration from 1 January 2016 will be available on the Tribunal's website after they are registered on the Federal Register of Legislative Instruments.

In applying the increase it will also preserve existing remuneration relationships between the Chair and members of part-time bodies, consistent with the outcomes of the Tribunal's 2013 Review of Part-time Offices.

The Tribunal will also continue the phased reductions in percentage superannuation salaries that commenced with the 2012 Review of Full-time Offices.

## **Remuneration Tribunal**

9 December 2015

### **Enquiries**

Enquiries may be directed to the Tribunal's Media Adviser on (02) 6162 0021 or through [enquiry@remtribunal.gov.au](mailto:enquiry@remtribunal.gov.au).