



Remuneration Tribunal

2012 Review of Remuneration for Holders of Public Office

Statement

Overview

The Tribunal has determined an annual adjustment of 3% with effect from 1 July 2012. In arriving at this conclusion, the Tribunal has taken account of economic conditions in Australia, movements in remuneration in the private and public sectors and in the Australian Public Service, as well as the outcomes of reviews of public offices completed by the Tribunal. Ordinary annual adjustments in remuneration of this kind also recognise the achievement of ongoing objectives and the steady evolution in responsibility that is characteristic of public administration.

Background

The Tribunal determined an adjustment with effect from 1 July 2011 of 3% in the remuneration of public offices in its jurisdiction. This followed general adjustments of 4.1%, with effect from 1 August 2010, and 3% with effect from 1 October 2009.

In the Statement published on 22 June 2011 announcing its decision on the 2011 annual adjustment, the Tribunal referred to the guidance that it derived about general economic circumstances from material published by a range of sources including the Reserve Bank of Australia and the Australian Bureau of Statistics.

In order to inform its conclusions on this occasion, the Tribunal has again drawn upon these and other authoritative external sources.

The Economic Situation

Budget Paper No. 1, setting out the Budget Strategy and Outlook 2012-2013, included 'Statement 2: Economic Outlook' which incorporated the following observations:

- *the fundamentals of the Australian economy remain strong and the outlook is favourable, with solid growth, low unemployment and well-contained inflation;*
- *the level of output is well above pre-global financial crisis levels and the economy is expected to grow around its trend rate over the next two years. GDP growth is forecast to be 3¼ per cent in 2012-13 and 3 per cent in 2013-14.....;*
- *although the outlook for the Australian economy is positive, substantial downside risks remain;*

- *wages growth is expected to remain around trend over the forecast period, in line with expected subdued labour market conditions and the moderate inflation outlook; and*
- *the Wage Price Index is expected to grow 3¾ per cent through the year to the June quarters of both 2013 and 2014.*

Reserve Bank of Australia – Statement on Monetary Policy – May 2012

Section 5 of the Reserve Bank of Australia's (RBA) May 2012 Statement on Monetary Policy addresses price and wage developments; it includes the following observations:

- *wages growth stabilised in 2011, with private sector wages growing at a faster rate than public sector wages throughout 2011;*
- *wages growth is currently below trend, and is expected to remain modest over the next two years in line with the slight rise in the unemployment rate and contained inflation;*
- *the Wage Price Index is expected to grow 3½ per cent through the year to the June quarter of 2012 and by 3¾ per cent through the year to the June quarter of both 2013 and 2014.*

In its May 2011 Statement on Monetary Policy, the RBA had noted that public-sector wage growth moderated slightly over 2010. Subsequent RBA Statements on Monetary Policy indicated that the moderation to which it had referred, then, had continued. In its February 2012 Statement, the RBA referred to public sector wage growth having been "*unusually soft in the September quarter*" and foreshadowed the possibility of there being some catch-up. As can be inferred from the RBA's May 2012 Statement, while that possibility continues, it does not seem yet to have eventuated. The RBA observed that:

"Public sector wage growth was relatively subdued over 2011. Although delays in the finalisation of new public sector enterprise agreements have likely overstated the extent of the slowdown in public sector wage growth, there is some genuine downward pressure on wage growth in the sector." [emphasis added]"

The following table - which shows movements in the Wage Price Index published by the Australian Bureau of Statistics - gives another perspective on the RBA's observations. The figures for the public sector suggest that, after an extended period of annual increases of more than 4.0%, increases in the public sector are now settling below that level.

Wage Price Index			
[Trend change from corresp. qtr of previous year]			
Year	Quarter	Australia	Public Sector
2012	Mar	3.8	3.0
2011	Dec	3.7	3.2
	Sep	3.7	3.6
	Jun	3.8	3.7
	Mar	4.0	3.7
2010	Dec	3.8	3.9
	Sep	3.6	4.0

	Jun	3.0	4.0
	Mar	2.9	4.2
2009	Dec	3.0	4.2
	Sep	3.4	4.5
	Jun	3.9	4.5
	Mar	4.2	4.4
2008	Dec	4.2	4.1

More particularly, advice from the Australian Public Service Commission (APSC) indicates that bargaining outcomes appear to be, generally, consistent with the Australia Public Service (APS) Bargaining Framework.

The current APS Bargaining Framework was introduced on 31 January 2011. In its Supporting Guidance, issued in January 2011, the APSC recommended that *"salary increases in APS workplace arrangements not exceed 3 per cent on a NED to NED basis."*

The Tribunal understands that the outcomes registered under the operation of the APS-wide bargaining framework have been, by and large, consistent with the APSC recommendation on salary increases.

Further, although increases in SES Band 1, 2 and 3 base salaries appeared to exceed the recommended level, changes at the Total Remuneration Package level (which takes account of base salary as well as benefits including agency superannuation contribution, motor vehicle cost, executive vehicle scheme, cash in lieu of motor vehicle, motor vehicle parking and any other benefit - and is the measure most akin to the Tribunal's total remuneration approach) - at least to the end of 2011 - appeared to be broadly in keeping with it.

Quarterly Average Annualised Wage Increase (AAWI) data for the Australian Public Service is unavailable. However, the most recent 'Trends in Federal Enterprise Bargaining' publication, for the September quarter 2011 (published in March 2012), indicates that, with respect to collective agreements approved in the quarter, AAWI for public sector agreements declined from 3.9% (in the June quarter 2011) to 3.5% (in the September Quarter 2011). Bearing in mind the different periods and samples, the available data suggest that increases in remuneration in the public sector (including the federal public sector) are trending downwards towards 3+%.

Developments in the Tribunal's Determinative Jurisdiction

The *Remuneration and Other Legislation Amendment Act 2011* (ROLA 2011), proclaimed early in August 2011, amended the *Remuneration Tribunal Act 1973* to give the Tribunal responsibility for determining:

- base salary for parliamentarians; and
- remuneration for Departmental Secretaries and other offices established under the *Public Service Act 1999* (the Public Service Act).

On 15 December 2011, the Tribunal published two reports consequent upon the amendments made by ROLA 2011, namely:

- Part II of its Report of its Review of Remuneration for the Office of Secretary; and
- the Initial Report of its Review of the Remuneration of Members of Parliament.

The Tribunal also published, that day, its report of its review of the Specified Statutory Offices, together with a Statement in respect of these reports.

The Reports and the Statement are available on the Tribunal's website¹. In August 2011, the Tribunal had published its conclusions of its review of the public offices of APRA, ASIC and the ACCC; this Statement, too, is available on the Tribunal's website.

On 12 March 2012, the Tribunal made determinations relevant to the remuneration of Secretaries of Departments, the Specified Statutory Offices and an adjustment in parliamentary base salary. As a consequence of the expression of additional salaries in respect of parliamentary offices as percentages of parliamentary base salary, additional salaries were also adjusted with the same date of effect.

The Tribunal's Conclusion

As has been indicated previously, in determining an annual adjustment in the remuneration of public offices in its jurisdiction, the Tribunal, besides taking account, in particular, of trends in remuneration in the public sector, also aims to recognise the achievement of ongoing objectives and the steady evolution in responsibility that is characteristic of all aspects of public administration.

On this occasion, the Tribunal considers that it would be consistent with these considerations to determine an increase in the remuneration of public offices in its jurisdiction (including base salary for parliamentarians) of 3% on and from 1 July 2012, subject to certain caveats.

The caveats arise from Determinations already made by the Tribunal in respect of Secretaries of Departments; the five Specified Statutory Offices; the principal public offices of the Economic Regulatory Agencies (Australian Prudential Regulation Authority – APRA; the Australian Securities and Investments Commission – ASIC; and the Australian Competition and Consumer Commission - ACCC), and certain other offices.

As indicated in the Statements issued in conjunction with the Determinations made in respect of these offices, the Tribunal decided that there would be no further adjustment (additional to those set out in the Determinations) in the remuneration of the public offices concerned before 1 July 2013.

The Tribunal's Forward Program

In July 2009, the Tribunal made a submission to the Productivity Commission's Inquiry into Executive Remuneration in Australia². The Tribunal's submission included the following observation:

"We have anomalies and inconsistencies in both full-time and part-time offices within our responsibilities where, clearly, men and women of capacity accept appointment without appropriate financial reward. They accept the appointment because of a genuine desire to serve and a preparedness to balance honour and prestige with simple financial gain. We have commented on these matters in recent Annual Reports and we will continue with our reviews so that, in the medium term, attention is drawn to such difficulties, and, as circumstances permit, they are corrected."

¹ <http://www.remtribunal.gov.au/statementsreports/default.asp?menu=Sec8&switch=on>

² Remuneration Tribunal – 21 July 2009 - Submission to Productivity Commission's Inquiry into Executive Remuneration - <http://www.remtribunal.gov.au/statementsreports/default.asp?menu=Sec8&switch=on>

The Tribunal has mentioned, subsequently, its program of reviews of offices in its jurisdiction; see, for example, recent Tribunal Annual Reports³.

The Statement published by the Tribunal on 22 June 2011 about the outcome of its 2011 Annual Review, made particular mention of its work in this regard:

"The Tribunal has commented previously on the scale and complexity of the responsibilities of senior public offices. The Tribunal regards it as important that their remuneration should be commensurate with their responsibilities. Increasingly, however, it is not. Much of the Tribunal's recent work has been directed towards addressing this."

and:

"The Tribunal's expectation is that its current reviews will address long-standing inequities and inconsistencies in the remuneration of public offices; assist in ensuring a closer alignment between remuneration and responsibilities; and lead to simplified remuneration arrangements in Tribunal determinations."

The Tribunal published the outcomes of several of its reviews in December 2011 with its reports on Members of Parliament; Secretaries of Departments; and Specified Statutory Offices⁴. These reports followed the conclusion of the Tribunal's review of the public offices of the Economic Regulatory Agencies (Australian Prudential Regulation Authority; Australian Securities and Investments Commission; and Australian Competition and Consumer Commission); the Tribunal's Statement on the outcome of this review, published on 10 August 2011, is also available on the Tribunal's website⁵. It is relevant to observe that, in reviewing Members of Parliament and Secretaries of Departments, the Tribunal was addressing extensions in its jurisdiction.

In addition to the reviews of the foregoing offices, the Tribunal's work on the full- and part-time offices in its jurisdiction has continued.

Part-Time Public Offices

Tribunal Determination 2011/09 [*Remuneration and Allowances for Holders of Part-Time Public Office*] lists the many part-time public offices in the Tribunal's determinative jurisdiction.

The Tribunal has referred, previously, to their significant and diverse roles; in 2011, the Tribunal observed that:

"...the effective performance of significant parts of federal public administration depends largely on the work of part-time office holders."

In its 2011 Statement, the Tribunal noted that its work, to that point, had indicated that:

".... the remuneration of part-time offices - particularly those at the lower levels of the Tribunal's determinations - is significantly less than it should be. Remuneration needs to be at least of a level to allow the Commonwealth to attract people of capacity and standing - people who

³ Remuneration Tribunal Annual Reports - <http://www.remtribunal.gov.au/publications/default.asp>

⁴ Remuneration Tribunal Statements - 15 December 2011 - <http://www.remtribunal.gov.au/statementsreports/3...%20Remuneration%20Tribunal%20Statement%2015.12.2011.pdf>

⁵ Remuneration Tribunal Statements - 10 August 2011 - <http://www.remtribunal.gov.au/statementsreports/ERA%20Statement%2010-Aug-2011.pdf>

must undertake their responsibilities with the high levels of professionalism and commitment that the Commonwealth expects but which, to an increasing extent, is taken for granted.

"Accordingly, the Tribunal is giving careful consideration to means by which the remuneration of part-time offices might be restructured so that it better reflects the levels of responsibility of the offices concerned. The Tribunal also considers that there is considerable scope to rationalise the present diverse and cumbersome remuneration structure (so as to establish fewer and more distinct levels)."

Since then, the Tribunal has been reviewing information about the demands upon individual part-time public offices; the associated levels of remuneration of office holders; and the consequences of the Tribunal's present specification of remuneration for such offices.

Although the Tribunal has not yet completed this work, its aim is to strike a more effective balance than at present between officeholder responsibilities and the associated demands, remuneration arrangements and reward, and administrative overheads. To these ends, the Tribunal is giving consideration to the wider application of arrangements along the following lines:

- an annual 'base amount' (to be paid in regular portions across a financial year) plus a 'daily fee', as an alternative to the present flat annual fee or daily fee arrangements;
- the new 'daily fee' would be paid only in respect of 'full day' formal meetings of the entity concerned (the Chair would need to certify the nature, reasonableness and duration of official business undertaken prior to any payment of a daily fee to a Member, as well as attendance);
- there would be no payment for part-day formal meetings; fees for shorter formal meetings would be encompassed by the annual 'base amount';
- payment for participation in meetings of any subsidiary entity of the principal entity would be covered by the annual 'base amount';
- payment for any 'out-of-session' work would be covered by the annual 'base amount' (that is, the present scope for aggregation of hours on non-meeting days would be discontinued); and
- aggregate fees in any given financial year would be capped.

The Tribunal recognises that annual fees and daily fees, as presently prescribed, may still have a defensible place in the overall suite of remuneration arrangements for some part-time offices. For example, annual fees may continue to be the most appropriate means for remunerating the most complex and demanding of such offices. Daily fees may continue to be appropriate in circumstances in which the demands upon officeholders are modest and infrequent or irregular. Overall, however, the Tribunal is aiming to simplify current provisions.

Full-Time Public Offices

The Tribunal noted, in its 2011 Statement, that:

"The full-time offices for which the Tribunal determines remuneration are, between them, responsible for many, if not most, of the functions vested in the federal public administration."

The scope of the functions of the full-time public offices in the Tribunal's determinative jurisdiction is evident from the list of these offices in Determination 2012/12 [*Remuneration and Allowances for Holders of Full-Time Public Office*].

The Tribunal has been conscious, for some time, that the remuneration of many of these offices is pitched at a level lower than is justified by their responsibilities. The reviews, mentioned above, of Secretaries of Departments, the Specified Statutory Offices and of the public offices of the Economic Regulatory Agencies have addressed this, in part. The Tribunal's task, now, is to bring like considerations to bear on the many other full-time public offices in its jurisdiction.

Even a cursory scan of Determination 2012/12 shows that, apart from the total remuneration of those that have been reviewed, the amounts determined reflect the accretion, over time, of unrealistically fine degrees of differentiation. In the Tribunal's judgement, this matter, of itself, needs to be corrected.

In undertaking its review of the Economic Regulatory Agencies, the Tribunal had the opportunity to consider the public offices within each agency, and to establish, in effect, ranges of remuneration appropriate to the relativities among them.

Although the Tribunal has not completed its consideration of these matters, it has developed preliminary conclusions about a remuneration structure - and the placement of full-time public offices within it - that address some of the concerns mentioned above.

The accompanying proposed remuneration framework and the indicative allocation of offices within it reflect the Tribunal's preliminary views. The Tribunal does not regard either the rates shown or the allocation of offices as in any way final. Further, the Tribunal would anticipate that any new framework may be accompanied by transitional arrangements similar to those determined by the Tribunal for Secretaries of Departments and Specified Statutory Offices.

The Tribunal seeks and will give consideration to any submissions that it may receive. However, the Tribunal reiterates its previous remarks about the inadequacies of the present determination of remuneration for full-time public offices and its intention to address the matters of concern to it.

Remuneration Tribunal

22 June 2012

Enquiries

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

Proposed Remuneration Framework	
Ultimate Total Remuneration (after transitional arrangements where appropriate)	Indicative Office Allocation
\$600,000	AFP Commissioner
\$550,000	Director General, ASIO
\$500,000	Vice-Chief of Defence Force Chief of Navy Chief of Army Chief of Air Force Director of Public Prosecutions Australian Electoral Commissioner
\$450,000	Director, Office of National Assessments CEO, Australian Crime Commission Director, Bureau of Meteorology CEO, Austrac Chief Scientist Director General, AusAID
\$400,000	Information Commissioner Commonwealth Ombudsman Chief Commissioner, Australian Transport Safety Bureau CEO, Murray Darling Basin Authority
\$375,000	CEO, Health Workforce Australia CEO, Comsuper CEO, Safe Work Australia CEO, Australian Fisheries Management Authority

<p>\$350,000</p>	<p>CEO, Climate Change Authority Director, Australian Institute of Criminology CEO, Insolvency and Trustee Service CEO, Australian Radiation Protection & Nuclear Safety Agency CEO, Australian Pesticides & Veterinary Medicines Authority FOI Commissioner Privacy Commissioner Director-General, National Archives of Australia CEO, Crimtrac Agency</p>
<p>\$325,000</p>	<p>CEO, National Transport Commission CEO, Australian National Preventive Health Agency Infrastructure Coordinator</p>
<p>\$300,000</p>	<p>Aged Care Commissioner Age Discrimination Commissioner Sex Discrimination Commissioner Race Discrimination Commissioner Human Rights Commissioner Disability Discrimination Commissioner Aboriginal & Torres Strait Islander Social Justice Commissioner</p>
<p>\$275,000</p>	<p>Gene Technology Regulator General Manager, Aboriginal Hostels Director-General, Australian Safeguards and Non-Proliferation Office Private Health Insurance Ombudsman Director Classification Board</p>
<p>\$250,000</p>	<p>Executive Director of Township Leasing</p>