



REMUNERATION TRIBUNAL

2020 Review of Remuneration for Holders of Public Office Statement

Decision

The Tribunal has decided to determine no adjustment to remuneration for public offices in its jurisdiction from 1 July 2020.

Overview

The Tribunal completed its last review of remuneration for public offices in its jurisdiction in June 2019 and determined an adjustment of 2 per cent from 1 July 2019. The Tribunal made the same adjustment following its review in 2018. The following table sets out the Tribunal's general adjustment decisions since 1 July 2014.

Effective Date	Remuneration Tribunal Increase
1 July 2014	0.0%
1 July 2015	0.0%
1 January 2016	2.0%
1 July 2016	0.0%
1 July 2017	2.0%
1 July 2018	2.0%
1 July 2019	2.0%
1 July 2020	0.0%

In its deliberations, the Tribunal is obliged to consider the outcome of the Annual Wage Reviews of the Fair Work Commission. However, the Fair Work Commission's decision regarding its 2020 Annual Wage Review has not been announced.

The Tribunal would usually consider the Federal Government's Budget outlook as part of its deliberations, but notes the Government has deferred until 6 October 2020 the 2020-21 Budget. The Tribunal also considers economic conditions more generally and published data on movements in both private and public sector remuneration.

The Tribunal has had regard to the Government's current Public Sector Workplace Bargaining Policy, released in February 2018, which continues key aspects of the previous bargaining framework and includes new flexibilities for agencies to support business outcomes. The policy enables agencies to offer wage increases averaging up to 2 per cent per annum, with costs to be met from within existing budgets. Relevantly, the Tribunal has also had regard to a wage freeze for Commonwealth public servants, which defers wage increases due to commence between 14 April 2020 and 13 April 2021 by six months, noting the exceptional economic circumstances being faced by Australia as a result of the COVID-19 pandemic.

Remuneration data in general reflects a continuing period of low wage growth across the economy. The Australian Bureau of Statistics (ABS) seasonally adjusted March 2020 wage price index rose 2.4 per cent for the public sector and 2.1 per cent for the private sector. This represents an easing of private sector wages growth since the same period in 2019, when private sector wages grew 2.4 per cent. In the public sector, wages have remained unchanged from 2019.

Background

The Tribunal's obligations, under sub-sections 7(3) and 8(1)(b) of the *Remuneration Tribunal Act 1973* (the Act) and sections 14 and 45 of the *Parliamentary Business Resources Act 2017*, are to make determinations in respect of remuneration for various offices within its jurisdiction at periods of not more than one year. The Tribunal last issued determinations in June 2019 which provided a general adjustment of 2 per cent to remuneration for all offices in its jurisdiction.

In conducting its 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 ABS as well as trends in public and private sector remuneration.

Adjustments arising from the Tribunal's review 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. Adjustments in remuneration of this kind recognise the achievement of ongoing objectives and note the steady evolution in responsibility that is characteristic of public administration.

The Tribunal, in conducting significant reviews of its various jurisdictions since 2010, has established internal relativities that recognise comparative work value for a broad range of offices. At the same time the Tribunal is cognisant of movements in remuneration for like roles in State/Territory public sectors and more generally in relevant segments of the private sector.

Economic factors

The economy has been impacted significantly by restrictions enacted to prevent the spread of COVID-19.

Gross Domestic Product figures show the economy had negative quarterly growth for the first time in 29 years, dropping to -0.3 per cent on a seasonally adjusted basis in March 2020. The year to the end of the March quarter 2020 result was 1.4 per cent.

With the pandemic restrictions impacting all of the June quarter 2020 a second quarter of negative growth is expected, with economic growth predicted to contract to -8.0%, according to the RBA.

The Consumer Price Index rose 2.2 per cent through the year to March 2020, however is expected to drop to -1.0 per cent in June 2020.

While employment had seen strong growth, with over 260,900 additional jobs created in 2019, the pandemic restrictions have had a negative impact. Unemployment has risen to 6.2 per cent, however this figure is not reflective of the nearly 600,000 people who lost work in April, some of whom left the labour market and are not looking for work. The Treasury expects unemployment to peak in the September quarter.

The impact of the pandemic restrictions can be seen in the underemployment rate which has risen 4.9 points to 13.7 per cent and monthly hours worked which dropped by 8.0 per cent in April 2020. Workforce participation is currently 63.5 per cent.

Over two meetings in March 2020 the Reserve Bank Board decided to lower the cash rate by 50 basis points to 0.25 per cent.

In the Commonwealth most agencies have workplace agreements in place that provide average wage increases of 2 per cent per year over 3 years. However, as noted above, the Government has deferred wage increases due to commence between 14 April 2020 and 13 April 2021 by six months, noting the exceptional economic circumstances being faced by Australia as a result of the pandemic.

In Federal Enterprise Bargaining, the trends over 1,100 new agreements struck in the December quarter of 2019 show average increases of 2.7 per cent, down 0.1 points on the December quarter 2018. In the public sector more broadly, agreements have been struck at slightly higher rates than the Commonwealth, with public sector increases averaging 2.5 per cent (down 0.1 point). Private sector increases are slightly higher, averaging 2.7 per cent (down 0.3 points).

The Fair Work Commission has awarded increases in recent years to the national minimum wage and modern award minimum wages of 3.5 per cent from 1 July 2018 and 3.0 per cent from 1 July 2019. The 2020 decision was not available at the time the Tribunal concluded its deliberations. While the Tribunal is required under its legislation to have regard to these decisions it considers a wider range of factors in its review.

Reasons for Decision

As regularly acknowledged in determining remuneration for the broad spectrum of public offices within its jurisdiction, the Tribunal's primary focus is to provide competitive and equitable remuneration that is appropriate to the responsibilities and experience required of the roles, and that is sufficient to attract and retain people of calibre.

However, this does not happen in a vacuum. The context of the broader jobs market and the economy are also considered. The Tribunal has had regard to a range of economic considerations, historical and projected. The Tribunal notes the Australian economy is facing challenges as a result of COVID-19 and will likely record a second quarter of negative growth once the June quarter results are known. With high levels of unemployment, wage growth is expected to slow.

The Tribunal has also had regard to the wages policies in State/Territory public sectors, which like the Commonwealth have shown restraint, with general increases ranging from 2.0 per cent to 2.5 per cent. The most recent decision to defer wage increases of Commonwealth public servants is significant.

At its meeting on 18th March, the Tribunal's preliminary conclusion was that it would determine no increase for offices in its jurisdiction from 1 July 2020.

Matters considered by the Tribunal since, including the receipt by the Tribunal of a joint request from the Minister for Finance, Senator the Hon Mathias Cormann and the Minister Assisting the Prime Minister for the Public Service and Cabinet, the Hon Greg Hunt MP, to institute a stay on increases to remuneration, entitlements and allowances for all office holders in the Tribunal's jurisdiction, have served only to firm the Tribunal's preliminary conclusion.

Consequently, the Tribunal has decided to provide from 1 July 2020 no adjustment to remuneration for public offices in its determinative jurisdiction.

The Tribunal will continue to monitor economic conditions and wages growth.

Implementation

Determinations reflecting the Tribunal's decisions will be available on the Tribunal's website after they are registered on the Federal Register of Legislation.

Remuneration Tribunal

11 June 2020

Enquiries

Enquiries may be directed to the Tribunal through enquiry@remtribunal.gov.au