[redacted]

President

Remuneration Tribunal

Dear Ms Kramer

I would like to respond to the Tribunal's request for comments on your welcome consultation paper on the remuneration of departmental Secretaries.

Background

My interest stems in part from the fact that before the Tribunal was created I was involved, as a middle ranking officer in the former Public Service Board, in preparing advice for the Prime Minister on the remuneration of those categories now within the Tribunal's jurisdiction. It was a most unsatisfactory arrangement which, of course, was mercifully displaced in 1973 by the Remuneration Tribunal Act.

In the late 1980s and early 1990s, as a SES Principal Adviser in the then Department of Industrial Relations, I had responsibilities for advising our Minister on government submissions to the Tribunal, appointments to it and other related matters.

After retiring from the public service in 2000, I became the member of the boards of two companies that now have a market value in excess of $30 billion. I was a member of the personnel committees of these boards which made recommendations about the remuneration of senior executives in the companies. I would like to think this experience gave me a degree of understanding of private sector remuneration and how it differed from the public sector.

Comments on several particular matters in the Tribunal's discussion paper

In my view, the list of factors under the heading "Determining remuneration" in the discussion paper does not provide a satisfactory basis for its decisions. For example:

- The "status, profile, influence and professional standing conferred by Secretary roles" are not especially relevant to the remuneration of these offices, and, even if they were, it would be near impossible to properly take these factors into account in ways that could meaningfully be calculated and explained.
- The heads of APRA, ASIC and the ACCC are not "Secretary-like offices" but statutory positions independent of Ministers and governments which, most importantly, are often filled from the private sector, unlike Secretary positions which are almost exclusively staffed from within the Public Service. That is to say, remuneration for the likes of the heads of APRA, ASIC and the ACCC can properly be related to private sector executive remuneration; that would not be appropriate for departmental Secretary positions. Moreover, as the Bible on

public sector pay policy, the UK Priestley Royal Commission report says, when outside markets require a change in public sector remuneration “internal horizontal relativities should not be allowed to exercise an inhibiting influence.” That is to say, a need to increase remuneration for APRA, ASIC and the ACCC should not have implications for Secretaries and vice versa. Indeed, it is not logical in principle for the Tribunal to treat “the principal regulators as important benchmarks in assessing Secretary remuneration”, as the discussion paper says. Thus, the paper’s emphasis on “fairness, equity and internal coherence” in the salary structures for which it is responsible is misplaced, or at the least over-emphasised. Categories within the Tribunal’s jurisdiction should be treated predominantly on their individual merits and not on the basis of perceived sets of ideal horizontal relativities.

- The list of factors the Tribunal says it takes into account does not include, so far as Secretaries are concerned, vertical relativities with subordinate SES Band 3 remuneration although on the page following this list it is said that this matter has been relevant and influential.
- In its statement of reasons for decision in its 2025 review of remuneration for public office holders the Tribunal said it took into account things like movements in the CPI, unemployment and participation rates, interest rates, the Wage Price Index, the government budget outlook, Reserve Bank statements and more. Yet none of these factors is included in the discussion paper’s list of things it generally considers. To be clear, virtually all of the factors the Tribunal said it took into account in its 2025 review should be irrelevant to its decisions.

The Tribunal’s caution in other parts of the discussion paper against using State and Territory departmental head remuneration as “comparators” is misplaced. These are the most alike external benchmarks and there is some limited recruitment of Secretaries from State government administrations. The suggestion that Secretaries in the Commonwealth are weightier because they “may have broader national responsibilities” is not credible as many State heads of departments, including in health, education and public works, have significant policy and management responsibilities that are at least the equal of many Commonwealth Secretaries.

While the discussion paper’s observation that “The Tribunal does not use private sector positions as comparators for Secretary roles” may be technically true, the Tribunal has taken the private sector market into account. Thus, for example, in its 2011 report it said that while the Tribunal “does not contend that there should be some kind of alignment between the private and public sectors….public sector remuneration at the most senior levels cannot lose touch, entirely, with the fixed component of private sector remuneration, at least.” That is, private sector remuneration has influenced the Tribunal’s decisions.

The primary benchmark for Secretary remuneration

The primary benchmark for Secretary remuneration should be the level of total reward for the subordinate positions of SES Band 3 in the public service.

An obvious problem, however, is that the structures of remuneration in the SES are a shambles in which, as at 2024 for example, the maximum total remuneration of an SES Band 3 was $1,222,037 and the minimum was $397,068 while the maximum of an SES1 exceeded the minimum of an SES3 by more than $100,000. In short, departmental Secretaries and the Public Service Commission have made remuneration in the SES a scandalous mockery of sensible classification. In doing so they have undermined the efficiency, effectiveness and fairness of promotion and staff transfer in the SES. No one in authority in the Public Service seems to care about this travesty or have the resolution to do anything that would ease the quandary the Tribunal is in as a consequence.

Therefore, it is awkward to select an appropriate remuneration benchmark in an SES Band 3 range that stretches (as at 2024) from a minimum of $397,068 to $1,222,037.

However, a figure around the average-median rate would be a reasonable starting point for the Tribunal's reconsideration of Secretary remuneration, that is, an amount of around $500,000.

This would be about 60% of the total remuneration of the lowest level for Secretaries as against the 65% the discussion paper suggests as being desirable if Secretaries are to "remain distinct in remuneration terms".

There are sound reasons, however, for thinking that the 65% "gap", which of course is much greater at the higher levels of Secretary remuneration, is excessive. It is certainly not repeated at other levels in the vertically integrated APS salary structure in which it is equally important for the different levels to remain distinct in remuneration, except of course in the SES where presently this sensible objective is wholly neglected.

In the Department of the Prime Minister and Cabinet for example, the maximum of an APS 6 is about 90% of the minimum of the next highest classification level, an EL 2. This kind of interval is probably typical of all of the APS under the SES.

In that context, the present gap between the lowest level of Secretary remuneration and the median-average of the SES Band 3 level is unwarranted. Put another way, keeping Secretary positions "distinct in remuneration terms" should take much less than having, as now, a gap of around $330,000 between with the median-average SES Band 3 and the lowest level of Secretary.

It is suggested therefore that the Tribunal should reconsider Secretary remuneration so that the interval between them and the average-median of SES Band 3 rates is brought more into line with practice in the APS below the SES.

If the Tribunal were to adopt an 80% notional "gap", in rough terms that would imply a 20% reduction in the bottom level of Secretary total remuneration. If the remuneration of the top level of Secretary remuneration were to be reduced by 20%, the notional "gap" with the average-median total remuneration for SES3 would be of the order of 62%. Intervals of this order are more than sufficient to keep Secretary remuneration "distinct".

While the present levels of Secretary remuneration are due in part to an increase provided in the 1990s in compensation for the unfortunate removal of tenure (a matter that no government has or is likely to correct), that fact gets nowhere near to justifying the present levels of Secretary remuneration which received a far greater boost by the Tribunal's decisions around 15 years ago.

Secondary considerations affecting Secretary remuneration

Apart from considering the benchmark SES Band 3 rate in fixing Secretary remuneration, the Tribunal should consider levels remuneration in heads of State and Territory public service departments, and recruitment and retention.

In the Victorian public service, rates for departmental heads appear to be below those in the Commonwealth. If that is reflected in other States, then that would be consonant with a reduction in Commonwealth Secretary remuneration.

Further, it is hard to imagine a 20% reduction of total remuneration for APS department Secretaries would cause recruitment and retention problems. Based on the rough calculations above, there would still be a large gap between the minimum Secretary rate and the median-average for the SES Band 3 which now contains a Secretary "feeder" group of around 180 staff. Retention of Secretaries has never been a problem and is unlikely to become one if current pay levels were modestly trimmed.

Remuneration points for Secretaries

The Tribunal should consider reducing the number of remuneration points for Secretaries from six to three.

Some of the differences are too fine to justify and they are inconsistent with the Tribunal's wish to make remuneration at each level "distinct".

Thus, the Tribunal could consider putting the Secretaries of Prime Minister and Cabinet and the Treasury on the same point by reducing the rate of the former to that of the latter. The remaining offices could then be arranged within two levels.

Consequential effects of adjusting Secretary remuneration

Other offices mentioned in the Remuneration Tribunal's discussion paper – notably, the Chief of the Defence Force, the Public Service Commissioner, the Commissioner of Taxation, the Auditor-General, the Australian Statistician and the Commissioner of the Federal Police should continue to follow changes in Secretary remuneration in the broad. However, given their different position in relation to the private sector market, any changes to Secretary remuneration should not automatically be applied to the chairs of the APRA, the ASIC or the ACCC.

Matters the Tribunal should not take into account

The private sector executive market should be relevant to organisations like APRA, ASIC, the ACCC and other positions usually filled from the private sector market but that market is not relevant for Secretaries and other positions that are essentially filled from within the Commonwealth.

In general, the Tribunal should not be influenced by:

- Movements in various wage indexes – levels of remuneration are the relevant comparison trend increases or otherwise in them.
- Non-financial rewards such as status and the like of Secretary positions as these are largely irrelevant and unquantifiable.
- Movements in price indexes – these are not a logical basis for adjusting remuneration for any occupational category nor is it economic good sense to do so. In some instances it will be sensible to reduce remuneration in real terms and in others to increase it. Price index movements are a performance indicator not a basis for adjustment.
- Unemployment and participation rates and interest rates are completely irrelevant to the Tribunal's deliberations.

While the Tribunal cannot avoid the present legal requirement to take into account decisions by the Fair Work Commission on minimum wages, it is difficult to see how those decisions are relevant to the Tribunal's responsibilities as factors justifying increases in the minimum wage have nothing to do with adjustments for departmental Secretaries, or most other occupational categories. Indeed, making these kinds of linkages is a reversion to the labour market inflexibilities of the 1950s where wage increases for one occupational category, such as those covered by the Metal Trades Award, were flowed on to all others.

In summary, there is scope for the Tribunal to adjust its approach so that its decisions can be more clearly and rationally justified in ways that promote public confidence and acceptance while contributing to the effective staffing of the most senior positions in the Commonwealth administration.

Sincerely

Patrick Gourley

10 June 2026