



REMUNERATION TRIBUNAL

2018 Review of Remuneration for Holders of Public Office Statement

Decision

The Tribunal has decided to increase remuneration by 2 per cent for public offices in its jurisdiction, with effect from 1 July 2018.

Overview

The Tribunal reduced both the quantum and frequency of its adjustments over the 2013-2017 period, taking into account the environment of economic restraint, lower wage growth more broadly and the Government's Public Sector Workplace Bargaining Policy. Those factors continue to weigh on the Tribunal's deliberations. The following table sets out the Tribunal's general increase decisions since 1 July 2013.

Effective Date	Remuneration Tribunal Increase
1 July 2013	2.4%
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%

A factor that the Tribunal is obliged to consider in its annual review deliberations is the outcome of the Annual Wage Reviews of the Fair Work Commission.

The Tribunal has also considered the Federal Government's Budget outlook and published data on movements in both private and public sector remuneration. The Tribunal has had regard to the Government's new 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. Consistent with the 2015 Bargaining Policy, agencies are able to offer wage increases averaging up to 2 per cent per annum, with costs to be met within existing budgets. The Tribunal notes that the majority of Commonwealth agencies negotiated increases for their employees within this range under the 2015 Policy.

Across the Australian workforce more generally, low wage growth has continued now for several years, and has been the subject of significant commentary. The Australian Bureau of Statistics (ABS) seasonally adjusted March 2018 wage price index figure was 2.1 per cent; seasonally adjusted private sector wages rose 1.9 per cent and public sector wages grew 2.3 per cent.

The Tribunal has noted the view of the Governor of the Reserve Bank of Australia (RBA), Mr Philip Lowe, that there is evidence of continuing spare capacity in the Australian labour market that has the potential to constrain wage growth for some time, although Australia's economic data shows both jobs growth and a gradual decline in unemployment.

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. To meet these obligations, the Tribunal issued determinations in June 2017 and at that time included a general adjustment of 2 per cent to remuneration for all offices in its jurisdiction (noting that from 1 January 2018 remuneration for parliamentarians is determined under separate legislation).

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 RBA and the ABS as well as trends in public and private sector remuneration.

Adjustments arising from the Tribunal's annual 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. 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, 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. The Tribunal remains concerned to avoid, in the future, significant one-off increases to restore proper relativities.

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 3.1 per cent on a seasonally adjusted basis to the end of the March quarter 2018. The Consumer Price Index rose 1.9 per cent through the year to March 2018 while employment has seen strong growth. Unemployment has been below 6 per cent since February 2016 and was 5.6 per cent in April 2018, with a participation rate of 65.6 per cent (seasonally adjusted), and underemployment remains around 8.3 per cent. These factors are associated with the slow pace of wages growth.

Most Commonwealth agencies have now finalised new workplace arrangements, providing average wage increases of 2 per cent per year in a 3 to 4 year agreement. In the government sector more broadly, agreements have been struck at slightly higher rates. In Federal Enterprise Bargaining, the trends over 782 new agreements struck in the December quarter of 2017 show average increases of 2.5 per cent, up 0.3 points on the previous quarter, with private sector increases averaging 2.6 per cent (up 0.2 points) and public sector increases averaging 2.3 per cent (up 0.3 points).

The Fair Work Commission has awarded increases to the national minimum wage and modern award minimum wages of 3 per cent effective from 1 July 2014, 2.5 per cent effective from 1 July 2015, 2.4 per cent from 1 July 2016, 3.3 per cent from 1 July 2017, and 3.5 per cent from 1 July 2018. 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

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.

The Tribunal recognises, in addition to the level of remuneration for office-holders, the notion of 'public good', delivery of services to citizens and the capacity to influence at a system level a range of economic and social justice initiatives are important attractions of most senior offices in the Tribunal's determinative jurisdiction. Accordingly, the level of remuneration reflects this and is lower than the private sector.

In considering the level of increase from 1 July 2018, the Tribunal has had regard to a range of economic considerations, historical and projected. The Tribunal notes that various indicators predict that wage growth is expected to increase gradually, lagging behind economic growth.

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 1.5 per cent to 2.5 per cent.

The Tribunal has decided to set its general increase at 2 per cent, with an effective date of 1 July 2018.

Implementation

Determinations reflecting the decision to increase remuneration from 1 July 2018 will be available on the Tribunal's website after they are registered on the Federal Register of Legislation.

When implementing this decision the Tribunal has reviewed, restructured and reformatted its principal determinations to reflect standard Commonwealth drafting practice and to improve clarity and readability. The changes will have no impact on the conditions applying to most offices in its jurisdiction. The exception is that the new determination covering Judicial and Related Offices will include a range of minor amendments resulting from the Tribunal's 2016 Review of Judicial and Related Offices and more recent consultation with authorities.

Remuneration Tribunal

13 June 2018

Enquiries

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