



Remuneration Tribunal

2017 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 2017. This represents an increase of 1.6 per cent per annum over the 18 months since the last general increase decided by the Tribunal, effective from 1 January 2016.

Overview

Prior to today's announcement, the Tribunal has granted only one general increase since July 2013, of 2 per cent from 1 January 2016. In deferring increases in 2014 and 2015 the Tribunal took into account the environment of economic restraint at that time, lower wage growth more broadly and the impact on Commonwealth agencies of the Government's Public Sector Workplace Bargaining Policy. 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%

As it is required to do under its legislation the Tribunal has considered the outcome of the Annual Wage Reviews of the Fair Work Commission in its deliberations. The Commission's 2017 decision, which was released on 6 June 2017, provided an increase of 3.3 per cent. The Tribunal has also considered the Federal Government's Budget outlook and economic conditions more generally; the progress of bargaining in the APS and in non-APS government agencies; and published data on movements in both private and public sector remuneration.

A large number of Commonwealth agencies has negotiated increases of up to 2 per cent each year for their employees since the Bargaining Policy has been in place. Several agencies have agreements in place that are approaching a total of 6 per cent in wage adjustments over the period since 2013.

Remuneration data generally reflects a period of low wage growth across the economy. The seasonally adjusted March 2017 wage price index figure was 1.9 per cent, and the public sector index was 2.4 per cent.

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 December 2016 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 be 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 conservative in its approach to annual increases and in this case is conscious of the Government's 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 1.7 per cent over the year to March 2017, on a seasonally adjusted basis. The Consumer Price Index rose 2.1 per cent through the year to March 2017 while unemployment has been below 6 per cent since February 2016 and dropped to 5.5 per cent in May 2017. These factors are associated with continuing moderation of wages growth.

Following reforms to the Government's workplace bargaining framework in 2015, a large number of Commonwealth agencies has 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 higher rates of increase. The public sector wage index (trend figure), which covers State and University sectors as well as the Commonwealth, is at 2.3 per cent, higher than the 1.7 per cent for the private sector.

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, and 3.3 per cent from 1 July 2017. 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.

Nonetheless over the past year there has been a notable increase in submissions to the Tribunal seeking higher remuneration for offices and individual office holders based at least in part on private sector remuneration.

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

The Tribunal is also conscious of the Government's policy of wage restraint applying to APS and non-APS agencies.

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

Implementation

Determinations reflecting the decision to increase remuneration from 1 July 2017 will be available on the Tribunal's website after they are registered on the Federal Register of Legislation.

The Tribunal, in issuing new principal determinations to implement this decision, will revise the way it represents superannuation for members of defined benefits funds. In determinations relating to holders of full-time public office, the column detailing 'Base Salary' will be removed and the treatment of superannuation salary will be described in the body of the relevant determination. These changes have no impact on any individual office holder's remuneration or superannuation entitlements.

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

Remuneration Tribunal

22 June 2017

Enquiries

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