



## REMUNERATION TRIBUNAL

### **2019 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 2019.

#### Overview

The Tribunal reduced both the quantum and frequency of its adjustments over the 2014-2017 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 adjustment decisions since 1 July 2014.

<b>Effective Date</b>	<b>Remuneration Tribunal Increase</b>
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%

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. On 30 May 2019 the Commission announced an increase of 3 per cent for all employees subject to the national minimum wage, and for employees reliant on minimum wages set in modern awards. The Tribunal has noted that the Commission, in making its decision, sought to improve the relative living standards of the low paid. The Tribunal has also considered the Federal Government's Budget outlook and 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.

Remuneration data in general reflects a continuing period of low wage growth across the economy, although most measures have improved over the past year. Private sector wage growth picked up in line with the strengthening economy over 2018. The Australian Bureau of Statistics (ABS) seasonally adjusted March 2019 wage price index rose 2.4 per cent for both public and private sectors.

This represents increasing wages growth since the same period in 2018, when private sector wages grew only 1.9 per cent and public sector wages grew 2.3 per cent.

## 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 2018 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 has been 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 Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (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.

## Economic factors

Analysis shows that the domestic economy is continuing to grow, but at a slower rate than historic trends and has slowed further over the latter part of 2018. Gross Domestic Product figures indicate the economy's output rose by 1.8 per cent on a seasonally adjusted basis for the year to the end of the March quarter 2019. The Consumer Price Index rose 1.3 per cent through the year to March 2019 while employment has seen strong growth, with over 310,000 additional employed persons over the year to April 2019.

Unemployment has risen in recent months and is currently at 5.2 per cent, but has been below 5.5 per cent for a year despite record workforce participation levels (currently 65.8 per cent). On 4 June 2019 the Reserve Bank Board decided to lower the cash rate by 25 basis points to 1.25 per cent. The Governor's statement on this decision indicates that the Board took that decision to support employment growth and provide greater confidence that inflation will be consistent with the medium-term target. On wages growth the Governor commented that strong employment growth over the past year or so has led to a pick-up in wages growth in the private sector, although overall wages growth remains low.

In the Commonwealth most agencies have workplace agreements in place that provide average wage increases of 2 per cent per year over 3 or 4 years. In the government sector more broadly, agreements have been struck at slightly higher rates. In Federal Enterprise Bargaining, the trends over 740 new agreements struck in the December quarter of 2018 show average increases of 2.8 per cent, up 0.3 points on the December 2017, with private sector increases averaging 3.0 per cent (up 0.4 points) and public sector increases averaging 2.7 per cent (up 0.4 points).

The Fair Work Commission has awarded increases in recent years to the national minimum wage and modern award minimum wages of 3.3 per cent from 1 July 2017, 3.5 per cent from 1 July 2018 and 3.0 per cent from 1 July 2019. 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

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.

The Tribunal notes policy changes have provided greater scrutiny of private sector executive remuneration. While the construct of remuneration packages in the private sector generally includes 'at risk' components, that are not available to other than a small group of offices in the Tribunal's jurisdiction, commentary suggests that modest base salary increases continued while incentives are being challenged regularly by shareholders.

The Tribunal recognises that, in addition to the level of remuneration for public office-holders, there are other benefits in working in roles that are at the leading edge of delivering policy outcomes and services on a range of matters that directly benefit the public.

In considering the level of increase from 1 July 2019, 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 economic growth. Wage growth has increased modestly over the past year, with reliable measures indicating private sector wage growth is now equalling or outpacing the public sector.

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 2019.

### Implementation

Determinations reflecting the decision to increase remuneration from 1 July 2019 will be available on the Tribunal's website after they are registered on the Federal Register of Legislation.

The Tribunal has taken the opportunity to make minor changes to its determination in relation to Part-time Offices to ensure its policy intent is clear that Chairs and Deputy Chairs of governing boards are not eligible for additional fees for participation as members of board sub-committees.

## **Remuneration Tribunal**

6 June 2019

### **Enquiries**

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