



## **Remuneration Tribunal**

### **Review of the Office of Secretary Publication of Part I of the Tribunal's Report**

#### **STATEMENT**

The Tribunal has today published Part I of the Report of its review of the office of Secretary. A copy of the Tribunal's conclusions is appended to this Statement.

The Tribunal's work has confirmed the singularity of the office of Secretary. Each is at the very apex of federal public sector offices in terms of its dimensions, complexity, scope and challenge. The Tribunal considers it crucial to the continuing effectiveness of the administration that governments be able to appoint people of the highest calibre to these offices.

Part I describes the attributes of these offices and draws out the distinctions between them and between other federal public offices. Work commissioned by the Tribunal, as part of the review, also considers the responsibilities of Secretaries relative to senior positions in the private sector.

The Tribunal has given careful consideration to the present two-level classification structure. Having regard, in particular, for the advice of its external consultant, the Tribunal has concluded that, subject to one particular variation, the present classification structure best suits the circumstances of the office, particularly the need for governments to be able to change the central administrative structure rapidly. The variation concerns the offices of Secretary of the Department of the Prime Minister and Cabinet, and Secretary of the Department of the Treasury. The Tribunal has concluded that these offices are distinguished from all other Secretaries.

Part II of the Tribunal's Report will deal with remuneration. In Part I, the Tribunal has noted that its recommendations on remuneration may be expected to address:

- an initial reasonable adjustment of remuneration for existing office holders;
- a longer-term remuneration structure entailing levels of remuneration which may be expected to be substantially above the current level; and
- a transition path to the proposed remuneration structure contingent upon certain criteria being met, designed to ensure that there are no windfall gains (including in respect of superannuation) for current office holders.

The Tribunal expects to publish Part II of its Report before the end of this year.

**Remuneration Tribunal**

29 March 2010

## Summary of the Tribunal's Conclusions

1. Secretaries are at the very apex of the Australian Public Service. Prime Ministers and Ministers rely on them for the provision of public services and turn to them for strategic advice about the whole spectrum of domestic and foreign activities which define our nation, our security, our stability and our quality of life.
2. Australia has been well served over many decades by men and women of outstanding capacity as Secretaries - or Permanent Heads as they used to be. The Tribunal sees it as imperative so to structure the framework for remuneration of Secretaries that these offices continue to attract and retain outstanding people.
3. There are, presently, nineteen offices of Secretary in the Australian Public Service. They are all singular appointments.
4. No other public sector offices have the continuing, direct and intense exposure to the processes of government and the associated proximity to Ministers and their offices.
5. Each Secretary is subject to ongoing, detailed scrutiny and is more exposed to the vicissitudes of the Government of the day than any other federal public sector office.
6. A distinguishing feature of these offices is their flexibility. Governments can create and dissolve departments speedily; the jobs of Secretaries follow. The responsibilities of any one of them can be changed, rapidly and dramatically, through variation of the Administrative Arrangements Order. This feature, in our view, distinguishes the office of Secretary from every other federal public sector office.
7. An important part of the Review was the commissioning of Mr John Egan - an external adviser with extensive experience in reviewing senior executive roles in both the public and private sectors - to prepare a report on the work of Secretaries and to draw comparisons with senior private sector positions.
8. Overall, the advice from Egan Associates, reinforced by the Tribunal's own experience and judgement, leads to the conclusion that, although significant distinctions exist between public and private sector offices at senior levels, their core features - the demands, expectations, complexities and uncertainties - are of a similar order.
9. Egan Associates, having considered the various attributes of the office of Secretary, generally, and their weightings between the existing offices, settled on maintaining the existing two-level structure and set out a general statement of the "classification" for the office of Secretary.
10. Egan Associates' analysis identifies particular features of the offices of Secretary of the Department of the Prime Minister and Cabinet, and Secretary of the Department of the Treasury that, in its view, distinguish them from other offices of Secretary.
11. The Remuneration Tribunal agrees with Egan Associates' judgement that:

*"...these two key Secretary roles represent the pinnacle of Government policy advice, straddling 'Whole of Government' issues in virtually every facet of their endeavour."*

**CLASSIFICATION for the office of SECRETARY**

*The position of Secretary has carriage of the significant policy and operational areas of Government. A Secretary has stewardship of a Department of Government and in that context, as its Chief Executive, has primary accountability for adapting policies and programs in accordance with the vision of the Government of the day. As the principal agent of Government in this respect the Secretary has a key leadership role, including a requirement to motivate others to change and adapt to the way in which the Government of the day seeks to develop and formulate its programs and ultimately implement those programs.*

*Positions of Secretary, while reflecting in part a 'Whole of Government' involvement, have been allocated to two distinct classification levels. It is acknowledged that all Secretaries undertake work requiring a high level of policy formulation reflecting a continuous global scanning of relevant issues for the Government of the day, often on a time horizon of three to seven years, though in some instances extending up to twenty years and beyond.*

*The position of Secretary at each classification level has a significant planning (visualisation) and stakeholder wide communication task that demands high level cognitive skills and strong emotional intelligence.*

*Executive positions at this level represent the most significant leadership roles in Government and the public sector generally in terms of policy diversity, level of investment, expenditure overview or revenue collection and/or operational demands embracing the most complex strategic, policy, administration and service delivery areas of the Australian Government's activities, both domestic and international.*

12. Based on the assessment of individual offices of Secretary, the Tribunal proposes that the following Secretary offices be reclassified to join the incumbent offices of Secretary of the Departments of the Prime Minister and Cabinet, the Treasury and Defence, in Level 1:

- Secretary of the Department of Education, Employment and Workplace Relations
- Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs
- Secretary of the Department of Finance and Deregulation
- Secretary of the Department of Foreign Affairs and Trade
- Secretary of the Department of Health and Ageing

13. The allocation of offices between the two classification levels would be as follows:

<b>Level 1</b>
Prime Minister and Cabinet; Treasury; Defence; Education, Employment and Workplace Relations; Families, Housing, Community Services and Indigenous Affairs; Finance and Deregulation; Foreign Affairs and Trade; Health and Ageing
<b>Level 2</b>
Agriculture, Fisheries and Forestry; Attorney-General; Broadband Communications and the Digital Economy; Climate Change; Environment, Water, Heritage and the Arts; Human Services; Immigration and Citizenship; Infrastructure, Transport, Regional Development and Local Government; Innovation, Industry, Science and Research; Resources, Energy and Tourism; Veterans' Affairs

14. This classification may be the subject of discussion on the basis of some Secretaries' views of the significance of their Minister's role, where their Departments are heading or of future responsibilities, but the Tribunal, fortified by the work of Egan Associates,

recommends the allocation based on the extensive analysis undertaken in this present review.

15. The Tribunal will provide further details about the classification structure in the second part of the report arising from its review. However, it can be indicated, at this stage, that the proposed two-level classification structure will have the following features:

- the Remuneration Tribunal determining the initial allocation of Secretary offices between Levels, as well as subsequent shifts between Levels arising, for example, from changes in the Administrative Arrangements Order;
- the remuneration of offices of Secretary of the Department of the Prime Minister and Cabinet and Secretary of the Department of the Treasury being determined directly by the Remuneration Tribunal;
- the Secretary of the Department of the Prime Minister and Cabinet determining the placement of individual offices within each Level, in consultation with the President of the Remuneration Tribunal;
- adequate recognition of the range of roles and responsibilities within each Level (the Tribunal envisages proposing several pay points within each Level); and
- means of recognizing, in remuneration, the attributes of individual office holders as well as the attributes of their respective Departments.

16. The Tribunal has expressed its firm view about the inadequacy of current remuneration levels for Secretaries previously.

17. Although the Tribunal's recommendations on remuneration have not yet been settled, they may be expected to address:

- an initial reasonable adjustment of remuneration for existing office-holders;
- a longer term remuneration structure entailing levels of remuneration which may be expected to be substantially above the current levels; and
- a transition path to the proposed remuneration structure contingent upon certain criteria being met, designed to ensure that there are no windfall gains (including in respect of superannuation) for current office-holders.

18. The Tribunal considers it evident that the responsibilities of the most significant of the offices of Secretary (the Secretary of the Department of the Prime Minister and Cabinet and the Secretary of the Department of the Treasury) extend beyond those of the principal offices of the economic regulatory agencies for which the Tribunal determines remuneration. The office of Governor of the Reserve Bank of Australia is a highly relevant comparator. The Tribunal considers that the responsibilities of the Governor are not greater than those of either the Secretary of the Department of the Prime Minister and Cabinet or the Secretary of the Department of the Treasury. In the Tribunal's judgement, each of these offices is more singular and demanding than any of the full-time public offices in the Tribunal's jurisdiction, and other senior federal public offices.

#### Other Conditions

19. The Tribunal considers that current provisions relating to official travel, leave, removal and relocation assistance, and assistance for training and development, while capable of refinement, are generally appropriate and satisfactory. The Tribunal will, however, revisit these provisions once its role in determining remuneration and other conditions of appointment for Secretaries has been settled.

#### Termination and Redeployment

20. Setting aside dismissal for misconduct, the termination of an appointment as Secretary can be effected extremely quickly. As cause need neither be given, nor demonstrated,

termination can be more expeditious, in fact, than in the private sector. In the Tribunal's assessment, under the present arrangements for appointment and termination, too much of the risk lies with the Secretary.

21. The Tribunal's disposition is to recommend improving the present termination benefit provisions. However, the Tribunal considers that changes in these provisions go "hand in hand" with clarification of the basis upon which alternative employment arrangements are to be offered to a Secretary subject to the 'loss of office' provisions.

#### Remuneration of the Principal Offices of APRA, ASIC and ACCC

22. The Tribunal has acknowledged, previously, the importance of these agencies. Their responsibilities and those of the Reserve Bank are complementary and highly significant.

23. The Tribunal has no doubt that the responsibilities of the principal public offices of APRA, ASIC and ACCC are demonstrably greater than those of the Deputy Governor of the Reserve Bank of Australia. It need only be observed that, unlike the Deputy Governor, the holder of each of these offices is an agency head. The proper point of comparison, therefore, is the Governor.

24. The Tribunal will revisit the remuneration of the Principal Offices of APRA, ASIC and the ACCC once it has presented its final report on this review.