

27 May 2011

Senate Finance and Public Administration Committees
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Dear Senator Polley

CPSU Submission to the Inquiry into the Remuneration and Other Legislation Amendment Bill 2011

The Community and Public Sector Union (CPSU) welcomes the opportunity to make a submission to the Senate Finance and Public Administration Committee inquiry into the *Remuneration and Other Legislation Amendment Bill 2011*.

The PSU Group of the CPSU represents workers in the Australian Public Service, the ACT and Northern Territory Public Services, the telecommunications sector, call centres, employment services and broadcasting. We are a national union with members in every state and territory. Our members work in the areas of administration, sales, engineering, communications, information technology, legal, technical, scientific research, broadcasting and many other fields.

According to the information provided, among other things, the Bill proposes to amend the *Remuneration Tribunal Act 1973* to:

- determine a classification structure for Departmental Secretaries;
- enable the Remuneration Tribunal to determine the remuneration of the secretaries of the Department of the Prime Minister and Cabinet and the Treasury;
- enable these secretaries, in consultation with the President of the tribunal and the Public Service Commissioner, to determine the level of remuneration for all other Departmental Secretaries; and
- enable the Remuneration Tribunal to determine the remuneration and recreation leave entitlements of the Public Service Commissioner, Merit Protection Commissioner and heads of executive agencies.

While the Bill proposes a clearer and more accountable method of determining wage increases for Departmental Secretaries, the CPSU seeks that the Committee scrutinise and amend the Bill to ensure that there is:

1. Consistency in the determination of the quantum wage increases and clear reasons provided if the average annual wage increase (AAWI) determined by the Remuneration Tribunal varies from Government policy; and
2. Consistent methodology used in the calculation and reporting of the AAWI.

Determination of the quantum wage increases

The CPSU notes that in 2009, the Remuneration Tribunal awarded an average annual wage increase of 3 per cent to those federal public office holders covered by the *Remuneration Tribunal Act 1973*. This reflected the increase provided to other public servants under the terms of the Australian Government Employees Bargaining Framework.

In 2010, the Remuneration Tribunal awarded an increase in excess of 4.1 per cent, concluding that *an annual adjustment of at least 4 per cent in the remuneration of public offices would be justified*.

Clearly, in 2010, the Remuneration Tribunal felt that the 3 per cent increase granted to other public servants was not sufficient. One of the reasons quoted by the Tribunal for its decision was that remuneration for federal public offices needed to be sufficient to ensure that Australian government agencies attract and retain highly skilled and committed people.

The CPSU notes the Moran Review highlighted that attraction and retention is an issue across the APS. With an ageing population and forecast tighter labour market, these pressures are likely to increase. Competitive pay and conditions will be required for all employees in public sector agencies, not only federal public offices and Departmental Secretaries.

Given the Government's current focus on fiscal restraint and the strict interpretation of the Australian Public Service Bargaining Framework's (APSBF) recommended wage policy of 3 per cent, there is no reason why public offices and Departmental Secretaries should be exempt from any Cabinet determined salary policy.

The Bill should be amended to require the Remuneration Tribunal to consider Government wages policy (as currently set out in the APSBF) and provide clear reasons why, if at all, the Remuneration Tribunal decides to award an AAWI that is different to that prescribed under government policy.

Calculation of the AAWI

The Remuneration Tribunal uses a different formula for calculating AAWI to the calculation method used by DEEWR. Further, the APSC is currently using its own method of calculating AAWI for the 2011 bargaining round for those employees covered by the APSBF.

The Remuneration Tribunal AAWI formula is based on total remuneration. Total remuneration includes salary (including base salary), allowances or lump sum payments and benefits. It does not include relocation costs, travel allowances, and cashing out of annual leave.

In contrast, the 2011 APSC calculations of AAWI are based on 'total pay'. APSC defines this as including: 'in addition to the 'across the board' annual salary increase, all increases to real wages which are ongoing in nature. This may include increases that are incorporated into base salary including (but not limited to) pay structure or pay point adjustments and alignments, roll-in of performance pay (if more than average bonus currently paid), any allowances paid to all employees as part of their salary, one off bonuses such as annual bonus'; performance bonus'; sign on bonus'; and retention or commencement bonus".

The calculation method used by DEEWR for *Trends in Federal Enterprise Bargaining* (data used by the Remuneration Tribunal to justify its 2010 increase) is a long-standing definition used by the Government for these purposes.

The *Trends* publication identifies a number of wage increases that are not included for the purpose of measuring the Average Annualised Wage Increase in Federal Wage Agreements. These include:

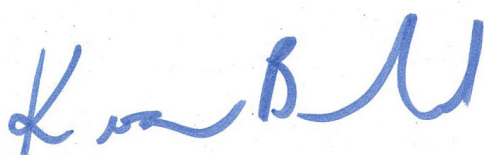
- A new classification structure involving variable percentage wage increases.
- Implementation of an annualised salary associated with the rolling in of overtime and/or allowances.
- Where other payments were separate items in a previous agreement such as performance bonuses or allowances.
- Where the percentage wage increases vary between classifications.
- Where wage increases are conditional (if identified productivities are achieved).
- Where wage rates will be adjusted in line with CPI increases recorded in a future period.

There is no clear reason why different criteria should apply to the calculation of wage increases for public office holders and Departmental Secretaries, and the rest of the public service.

The CPSU recommends that the Bill includes adopting the widely reported DEEWR formula for the calculation of AAWI. This would ensure greater transparency and consistency in both the calculation and reporting of wage increases in the public service.

Should you wish to discuss this submission any further the contact person is Osmond Chiu, osmond.chiu@cpsu.org.au, on (02) 6220 9655.

Yours sincerely



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