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# 2008 Broader Market Comparison - APS SES and Non-SES Remuneration Department of Education, Employment and Workplace Relations Data as at 31 December 2008

## MERCER



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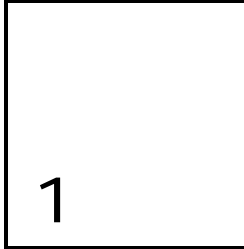
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## Executive Summary

### Survey Purpose and Objectives

The Department of Education, Employment and Workplace Relations (DEEWR) commissioned Mercer to conduct the 2008 Australian Public Service (APS) Remuneration Survey. The Survey of Senior Executive Service (SES) and non-SES remuneration plus the Broader Market Comparison provides a comprehensive overview of remuneration trends and outcomes across the APS, State and Territory public services, and the wider market. It should be noted that the Survey does not take into account non-monetary benefits beyond those which are incorporated in Total Remuneration Package (TRP) values.

More specifically, the 2008 APS Remuneration Survey seeks to provide:

- comparisons with previous APS Remuneration Surveys
- detailed information about individual remuneration components and the value of each remuneration package by classification and agency
- remuneration ranges for the classification in each agency and the APS as a whole
- capacity for an agency to compare its remuneration with comparable positions in the private sector, and State and Territory public services
- individual agency reports which allow each participating agency to compare its current data with APS-wide data.

The 2008 Survey is based on a sample of remuneration data as at 31 December 2008 and payments/entitlements for the 2008 calendar year. The Survey findings are presented in three reports: an SES Report; a Non-SES Report; and a Broader Market Comparison Report. Participating agencies are also provided with an Individual Agency Report.

### Survey Participants and Methodology

All APS agencies were invited by DEEWR to participate in the 2008 APS Remuneration Survey. A total of 56 agencies participated in the 2008 Survey. Of these, 40 agencies participated in 2007, with 16 new agencies participating in 2008. Two survey briefings were held in December 2008, with 34 of the participating agencies attending. Further instructions were provided to all agencies after these briefings.

The 2008 sample size for the SES group increased by 5.0 per cent, but the sample size decreased by 0.6 per cent for the non-SES sample group.

Of the total 140,303 employee records submitted (out of an approximate total of 164,400 APS employees), 2,300 records were from SES employees, of which 2,223 records were included in the APS-wide SES survey remuneration database<sup>1</sup>.

Of the remaining 138,003 non-SES records, 29,194 were included in the non-SES survey remuneration database, using a sampling framework developed by DEEWR, the Australian Bureau of Statistics and Mercer. When preparing agency reports, all data submitted by each agency was used. For further information in relation to survey participants and sample sizes, please refer to Appendix A.

To ensure the accuracy of the data collected, Mercer performed several integrity checks internally. Where the data was not within expected values, Mercer returned the data to the relevant agency for confirmation and only included the data once it had been confirmed. Nearly 2,000 calculations (such as the costing of individual packages and the main remuneration statistics quoted throughout this report) were then submitted to the statistics department of the University of New South Wales for review and verification. Once the calculations were confirmed, Mercer finalised the dataset and commenced data analysis and reporting.

Prior to releasing the final report, Mercer and DEEWR agreed on all items to be included in the analyses. Mercer presented a summary of initial findings and draft reports to DEEWR for review. However, Mercer retains full responsibility for the accuracy and integrity of all data presented in this report.

The remuneration information in the 2008 survey has been compared to the 2007 information in many cases. This analysis is presented throughout the report as the 2007 to 2008 movement, represented as a percentage. This refers to the change in the sample on sample data from the 2007 calendar year to the 2008 calendar year in all instances.

The methodology used to determine the Combined Public Service (CPS) data is identical to the 2007 report. The CPS analysis uses a remuneration range spanning the minimum to the maximum of the reported remuneration ranges across all State and Territory public services (excluding Tasmania<sup>2</sup>).

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<sup>1</sup> Some SES and non-SES records provided by agencies such as the Australian Electoral Commission and the Ministerial and Parliamentary Services Division of the Department of Finance and Deregulation (for employees employed under the MoPS Act) were excluded from the APS-wide remuneration databases, but were included in these agencies' Individual Agency Report.

<sup>2</sup> Unlike other State and Territory jurisdictions, Tasmania does not use a work value methodology to underpin the classification of non-SES equivalent positions; hence relativities to the APS cannot be determined with sufficient precision.

## *Calculation of Statistics and Missing Data*

The following approach has been used to represent missing, suppressed or 'zero' returns:

- where fewer than three agencies provide a component (i.e. data is suppressed to ensure confidentiality) the symbol '--' is used
- where no data is provided, a '-' is used
- where a zero value is returned, the number zero ('0') is shown.

To ensure confidentiality of information for small sample sizes, statistics have not been published unless the following criteria for both case numbers and agency numbers were met or exceeded:

- average and standard deviation – at least three records from three or more agencies
- Q1, median, Q3 – at least four records from four or more agencies
- maximum and minimum – more than 10 records from four or more agencies.

Definitions and explanations of remuneration items and statistical terms which are used throughout this report are provided in Appendix A.

## **Aim of this Report**

The 2008 Broader Market Comparison Report provides a detailed analysis of APS SES and non-SES remuneration against equivalent positions within State and Territory public services (combined public service) as well as the private sector. This approach involves comparing the actual remuneration levels for APS SES and non-SES employees against the published remuneration ranges of each State and Territory public service (excluding Tasmania and Western Australia).

Comparative remuneration analyses against State and Territory public services and the private sector are based on a comparison of work value levels and associated remuneration information applicable to comparable positions. Work value is a numerical measure of job size, determined by assessing the responsibilities and accountabilities of a role. This enables fair and accurate comparisons to be drawn between the APS, other public services and the private sector, even though classification and remuneration structures are different. Shown in Appendix A are the Mercer work value points ranges used for the APS classification structure.

This report should be read in conjunction with the APS SES and non-SES Remuneration Survey Reports.

## **Change in Public Service Sample**

In preparing this report, Mercer researched and analysed published remuneration levels in each jurisdiction, and has also drawn from its extensive remuneration databases and consultant knowledge of SES and non-SES equivalent positions within both the public service and the private sector.

In examining the published remuneration data for 2008, Mercer had certain queries regarding the Western Australian data. Although classification arrangements in Western Australia are determined on the basis of work value, non-SES positions are assessed using BiPERS work value methodology. Transition to Mercer CED point value equivalents can be achieved on, at best, an indicative basis. To ensure the integrity and validity of the 2008 survey data, Mercer has excluded Western Australian non-SES and SES remuneration data from this survey. South Australian SES data, which was excluded from the 2007 survey, has been included in this year's analysis.

The CPS analysis uses the minimum and maximum reported remuneration ranges across the relevant State and Territory jurisdictions. The CPS midpoint is derived by averaging the minimum and maximum across the public services.

Mercer notes that the exclusion of the Western Australian non-SES data has distorted the 2007-2008 CPS non-SES midpoint movement. This is because the non-SES remuneration ranges for Western Australia in previous surveys were positioned at the minimum of other public services and therefore influenced the midpoint. Caution should therefore be exercised when interpreting the CPS non-SES movement, as it is more a reflection in the change in the CPS sample rather than actual 2007-2008 CPS remuneration movements. Separate analysis has examined year to year movement at midpoint for a common sample, excluding Western Australian data for the 2007 database and South Australian data for the 2008 analysis. The identified levels of movement are 3.6 per cent to 4.0 per cent across non-SES classification.

However, the exclusion of Western Australian SES data has not affected the 2007-2008 CPS SES midpoint movement, as its remuneration ranges in previous surveys were not the minimum or maximum values in the CPS. Similarly, the inclusion of South Australian SES data in this year's analysis also does not affect the CPS midpoint, as its remuneration ranges were not the minimum or maximum values in the CPS.

## Main Remuneration Findings

The detailed analysis of APS SES and non-SES Base Salary, TRP and Total Reward (TR) against CPS and private sector data is contained in Sections 2 and 3 respectively. A summary of the main findings is outlined below.

### **Combined Public Service – Base Salary**

The relative competitive positioning of Base Salary for all non-SES classifications in comparison to the CPS has generally decreased by between 3 per cent and 9 per cent, as shown in Table 1.1. As Mercer has noted earlier, this is mainly due to the exclusion of the Western Australian non-SES data in the analysis, which has increased the corresponding CPS Base Salary midpoints across all classifications.

Although the CPS has improved competitiveness against the APS from APS 3 to EL 2, median APS Base Salary is still higher than the CPS midpoint across most classifications.

Overall, the average median 2008 APS Base Salary movement across all non-SES classifications (excluding Graduates) was 4.7 per cent, compared to 3.5 per cent in 2007. Due to the exclusion of Western Australian non-SES data, the overall CPS 2008 Base Salary midpoint movement was 10.6 per cent for non-SES equivalent positions in other jurisdictions. As noted earlier, the real 'common sample' movement was generally 3.6 per cent – below the equivalent APS movements for the same period.

Table 1.1 – APS Median Base Salary Comparisons with the CPS Midpoint (non-SES classifications)

Classification	APS Median 2008	CPS Midpoint 2008	Difference	Comparatio <sup>1</sup>	
				2008	2007
APS 1	\$37,371	\$34,024	\$3,347	0.91	0.91
APS 2	\$43,682	\$42,902	\$780	0.98	0.99
APS 3	\$49,000	\$49,072	-\$72	1.00	0.97
APS 4	\$55,343	\$55,242	\$101	1.00	0.95
APS 5	\$61,000	\$61,926	-\$926	1.02	0.94
APS 6	\$70,580	\$69,639	\$941	0.99	0.90
EL 1	\$88,270	\$77,351	\$10,919	0.88	0.79
EL 2	\$110,400	\$88,771	\$21,629	0.80	0.73

<sup>1</sup> Comparatio reflects APS set at 1.00.

APS SES Base Salary has not been compared because most State jurisdictions manage SES remuneration on a TRP basis. Graduates have also not been included, as State public services classify graduates within their existing structures for professional or administrative roles.

### **Combined Public Service – Total Remuneration Package (TRP)**

In terms of TRP, classification APS 3 to EL 2 all decreased their relative competitive positioning by between 2 per cent and 9 per cent against the CPS, as detailed in Table 1.2. Mercer again notes that this is due to the exclusion of the Western Australian non-SES data in the analysis.

Overall, the average median 2008 APS TRP movement across all non-SES classifications (excluding Graduates) was 4.9 per cent, compared to 3.6 per cent in 2007. While the overall CPS 2008 TRP midpoint movement for non-SES equivalent positions in other jurisdictions was 10.6 per cent, the ‘common sample’ movement was the same as that for Base Salary (3.6 per cent).

APS SES TRP has increased its competitive positioning slightly by between 1 per cent and 3 per cent. APS median TRP values across all SES classifications are higher than their State/Territory public service counterparts. Overall, the median 2008 TRP movement across SES 1 to SES 3 was 6.6 per cent; however, the overall CPS 2008 TRP midpoint movement was 4.2 per cent for SES equivalent positions. Please refer to Appendix B for further details of non-SES and SES comparisons against State public services for each classification.

Table 1.2 – APS Median TRP Comparisons with the CPS Midpoint

Classification	APS Median 2008	CPS Midpoint 2008	Difference	Comparatio <sup>1</sup>	
				2008	2007
APS 1	\$43,366	\$37,544	\$5,822	0.87	0.87
APS 2	\$50,759	\$47,341	\$3,418	0.93	0.95
APS 3	\$56,729	\$54,150	\$2,579	0.95	0.93
APS 4	\$63,863	\$60,958	\$2,905	0.95	0.91
APS 5	\$70,188	\$68,334	\$1,854	0.97	0.90
APS 6	\$81,295	\$76,844	\$4,451	0.95	0.86
EL 1	\$102,614	\$85,354	\$17,260	0.83	0.76
EL 2	\$129,329	\$97,955	\$31,374	0.76	0.68
SES 1	\$196,880	\$170,465	\$26,415	0.87	0.88
SES 2	\$248,133	\$213,991	\$34,142	0.86	0.88
SES 3	\$315,007	\$279,600	\$35,407	0.89	0.92

<sup>1</sup> Comparatio reflects APS set at 1.00.

### **Combined Public Sector – Total Reward (TR)**

This section provides summary information on APS SES employees only, as no State/Territory public service provides bonuses to non-SES equivalent positions. A detailed comparison at the TR aggregate has therefore not been undertaken. Table 1.3 shows that - from a TR perspective – APS SES competitiveness over the CPS increased slightly for SES 1 (by 1 per cent) and SES 3 (by 2 per cent), but decreased by 1 per cent for SES 2.

Overall, median APS TR movement across SES 1 to SES 3 from 2007 to 2008 was 5.8 per cent. This compares to the overall CPS TR midpoint movement of 5.6 per cent for equivalent SES bands. As can be seen in Table 1.3, median APS TR values for each SES band are around \$25,000 to \$37,000 higher than their combined State/Territory public service counterparts.

Table 1.3 – APS Median TR Comparisons with the CPS Midpoint (SES classifications)

Classification	APS Median 2008	CPS Midpoint 2008	Difference	Comparatio <sup>1</sup>	
				2008	2007
SES 1	\$202,110	\$179,245	\$22,865	0.89	0.89
SES 2	\$257,512	\$225,603	\$31,909	0.88	0.86
SES 3	\$330,337	\$294,844	\$35,493	0.89	0.91

<sup>1</sup> Comparatio reflects APS set at 1.00.

## Private Sector – Base Salary

Tables 1.4 and 1.5 compare non-SES Base Salary medians with private sector Q1 and median figures. Overall, the median 2008 APS Base Salary movement across all non-SES classifications (excluding Graduates) was 4.7 per cent, which is slightly lower than the private sector 2008 Base Salary movements of 4.9 per cent at Q1 and the median for non-SES equivalent positions.

The relative competitive positioning of Base Salary for non-SES classifications in comparison to the private sector has generally been maintained in 2008.

Table 1.4 – APS Median Base Salary Comparisons with Private Sector Q1 (non-SES classifications)

Classification	APS Median 2008	Private Sector Q1	Difference	Comparatio <sup>1</sup>	
				2008	2007
APS 1	\$37,371	\$27,394	\$9,977	0.73	0.72
APS 2	\$43,682	\$40,082	\$3,600	0.92	0.94
APS 3	\$49,000	\$49,598	-\$598	1.01	1.02
APS 4	\$55,343	\$59,113	-\$3,770	1.07	1.07
APS 5	\$61,000	\$67,204	-\$6,204	1.10	1.09
APS 6	\$70,580	\$76,540	-\$5,960	1.08	1.07
EL 1	\$88,270	\$85,875	\$2,395	0.97	0.96
EL 2	\$110,400	\$99,692	\$10,708	0.90	0.90

<sup>1</sup> Comparatio reflects APS set at 1.00.

As can be seen from Table 1.4, median Base Salary values for APS 1, APS 2, EL 1 and EL 2 classifications are higher than the Q1 Base Salary for equivalent positions in the private sector.

Table 1.5 – APS Median Base Salary Comparisons with Private Sector Median (non-SES classifications)

Classification	APS Median 2008	Private Sector Median	Difference	Comparatio <sup>1</sup>	
				2008	2007
APS 1	\$37,371	\$29,618	\$7,753	0.79	0.78
APS 2	\$43,682	\$43,967	-\$285	1.01	1.03
APS 3	\$49,000	\$54,729	-\$5,729	1.12	1.12
APS 4	\$55,343	\$65,491	-\$10,148	1.18	1.18
APS 5	\$61,000	\$75,392	-\$14,392	1.24	1.22
APS 6	\$70,580	\$86,816	-\$16,236	1.23	1.22
EL 1	\$88,270	\$98,240	-\$9,970	1.11	1.10
EL 2	\$110,400	\$115,148	-\$4,748	1.04	1.04

<sup>1</sup> Comparatio reflects APS set at 1.00.

Private sector median Base Salary values in Table 1.5 are higher than the corresponding APS median for all classifications except APS 1.

## Graduates

In 2007, the median range of graduate Base Salaries in the private sector ranged from \$44,000 to \$52,000 across different job families, compared to the APS median of \$49,753. In the private sector, Engineering, Computer Science and Science graduates typically started at higher Base Salaries than graduates from other disciplines. On average, APS graduate Base Salaries (\$50,844) are 8.4 per cent above those in the private sector (\$46,915), significantly improving from 2.9 per cent below in 2007.

## Private Sector – Total Remuneration Package (TRP)

The relative competitive positioning of APS TRP in comparison to the private sector has improved slightly for some classifications (APS 2, APS 3, SES 1, SES 2 and SES 3) and has decreased slightly for other classifications (APS 5, APS 6 and EL 1), as shown in Tables 1.6 and 1.7.

Competitiveness against the private sector decreases at the higher non-SES classifications when considered at the TRP aggregate, due to additional benefits (such as vehicles) being more frequently offered in the private sector at these work value levels. Overall, the median 2008 TRP movement across all non-SES classifications (excluding Graduates) was 4.9 per cent. Private sector TRP also increased by 4.9 per cent at Q1 and the median for non-SES equivalent positions.

SES TRP competitiveness has increased slightly against the private sector. Overall, the median 2008 SES TRP movement in the APS was 6.6 per cent. This is higher than the overall comparative private sector 2008 TRP movements of 4.7 per cent at Q1 and the median for SES equivalent positions.

Table 1.6 – APS Median TRP Comparisons with Private Sector Q1

Classification	APS Median 2008	Private Sector Q1	Difference	Comparatio <sup>1</sup>	
				2008	2007
APS 1	\$43,366	\$29,841	\$13,525	0.69	0.69
APS 2	\$50,759	\$43,854	\$6,905	0.86	0.89
APS 3	\$56,729	\$54,546	\$2,183	0.96	0.97
APS 4	\$63,863	\$65,238	-\$1,375	1.02	1.02
APS 5	\$70,188	\$76,325	-\$6,137	1.09	1.08
APS 6	\$81,295	\$92,617	-\$11,322	1.14	1.13
EL 1	\$102,614	\$111,418	-\$8,804	1.09	1.08
EL 2	\$129,329	\$135,263	-\$5,934	1.05	1.05
SES 1	\$196,880	\$177,500	\$19,380	0.90	0.91
SES 2	\$248,133	\$251,868	-\$3,735	1.02	1.03
SES 3	\$315,007	\$379,908	-\$64,901	1.21	1.24

<sup>1</sup> Comparatio reflects APS set at 1.00.

Apart from APS 1 to APS 3 and SES 1, the APS TRP medians are lower than Q1 in the private sector.

Table 1.7 – APS Median TRP Comparisons with Private Sector Median

Classification	APS Median 2008	Private Sector Median	Difference	Comparatio <sup>1</sup>	
				2008	2007
APS 1	\$43,366	\$32,257	\$11,109	0.74	0.74
APS 2	\$50,759	\$48,134	\$2,625	0.95	0.97
APS 3	\$56,729	\$60,258	-\$3,529	1.06	1.07
APS 4	\$63,863	\$72,383	-\$8,520	1.13	1.13
APS 5	\$70,188	\$85,582	-\$15,394	1.22	1.21
APS 6	\$81,295	\$104,971	-\$23,676	1.29	1.28
EL 1	\$102,614	\$127,372	-\$24,758	1.24	1.24
EL 2	\$129,329	\$156,593	-\$27,264	1.21	1.21
SES 1	\$196,880	\$210,722	-\$13,842	1.07	1.08
SES 2	\$248,133	\$307,628	-\$59,495	1.24	1.26
SES 3	\$315,007	\$469,987	-\$154,980	1.49	1.53

<sup>1</sup> Comparatio reflects APS set at 1.00.

Apart from APS 1 and APS 2, the APS TRP medians are lower than the medians in the private sector.

### **Private Sector – Total Reward (TR)**

From a TR perspective, the competitive position of SES remuneration against the private sector Q1 has increased by 1 per cent for SES 1 and 4 per cent for SES 3, and remained the same for SES 2. Overall, the median 2008 TR movement across SES 1 to SES 3 was 5.8 per cent, compared with the overall private sector 2008 TR movements of 4.7 per cent at both Q1 and the median for SES equivalent positions.

Table 1.8 – APS Median TR Comparisons with Private Sector Q1 (SES classifications)

Classification	APS Median 2008	Private Sector Q1	Difference	Comparatio <sup>1</sup>	
				2008	2007
SES 1	\$202,110	\$188,648	\$13,462	0.93	0.93
SES 2	\$257,512	\$270,849	-\$13,337	1.05	1.05
SES 3	\$330,337	\$425,677	-\$95,340	1.29	1.32

<sup>1</sup> Comparatio reflects APS set at 1.00.

Table 1.9 – APS Median TR Comparisons with Private Sector Median (SES classifications)

Classification	APS Median 2008	Private Sector Median	Difference	Comparatio <sup>1</sup>	
				2008	2007
SES 1	\$202,110	\$232,249	-\$30,139	1.15	1.14
SES 2	\$257,512	\$345,609	-\$88,097	1.34	1.34
SES 3	\$330,337	\$560,212	-\$229,875	1.70	1.73

<sup>1</sup> Comparatio reflects APS set at 1.00.

Tables 1.8 and 1.9 indicate that - from a TR perspective - SES remuneration is well below the private sector, with the exception of SES 1 against the private sector Q1. The differential is due to actual bonuses paid to private sector executives being substantially higher than actual bonuses paid to APS SES employees.

### ***Benefits and Bonuses – Private Sector***

#### ***SES 1 to SES 3***

SES 1 and SES 2 median motor vehicle values (\$23,625 and \$24,500 respectively) are competitive against private sector median vehicle values (although it should be noted that an increasing number of Mercer's private sector clients do not separately itemise the vehicle cost, as they manage remuneration on a TRP basis, and offer employees the option to use novated leases for vehicles). The SES 3 median motor vehicle value of \$25,000 is significantly less than that provided to SES 3 equivalent roles in the private sector (~\$34,600) and is even below the private sector Q1 (~\$26,000).

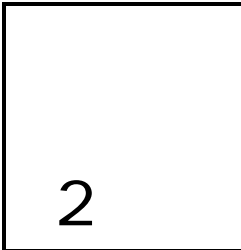
SES median employer superannuation contributions (16 per cent to 25.2 per cent of Base Salary depending on SES band) are competitive in comparison to private sector employer superannuation contributions.

As a proportion of TRP, SES average actual bonus payments of 4.4 per cent to 5.1 per cent are significantly lower than the private sector average payments of 13 per cent to 31 per cent. SES average bonus payments as a proportion of TRP are approximately one-third to one-fifth of those paid in the private sector.

#### ***APS 1 to EL 2***

Non-SES median employer superannuation contributions (15.4 per cent of Base Salary) are very competitively positioned in comparison to the private sector employer superannuation contributions, which are generally 9 per cent of Base Salary.

One per cent of EL 1 and 1 per cent of EL 2 employees received a vehicle benefit in 2008. This is quite different to the trend in the private sector, as vehicles start to be provided in the salary packages of EL 1 and EL 2 equivalent positions. This is the main reason why TRP competitiveness is significantly less than Base Salary competitiveness against the private sector for EL 1 and EL 2 employees.



## Relative Position of APS SES and Non-SES TRP with the Combined State/Territory Public Service

This section compares APS SES and non-SES TRP against the CPS. The CPS analysis utilises a remuneration range spanning the minimum to the maximum of the reported remuneration ranges across all State and Territory public services (excluding Tasmania and Western Australia).

The CPS midpoint is derived by averaging the minimum and maximum of the ranges across the various public services. Mercer's analysis compares the APS median to the CPS midpoint. Results from 2007 have also been included in many of the tables for comparative purposes, enabling the assessment of year on year movements and competitive positioning.

APS SES Base Salary and TR values have not been compared to the CPS because most State jurisdictions manage SES remuneration on a TRP basis. Similarly, as bonuses are not a significant feature of reward for APS non-SES classifications or non-SES equivalent positions in State public services, Mercer has undertaken a detailed comparative analysis against the CPS on the basis of TRP, but not on TR.

APS Graduate analysis has also been excluded as part of the CPS analysis, as new graduates in most jurisdictions are classified and remunerated within their respective salary structures, even though they may be part of a graduate program.

The data used in the CPS analysis is based on work value and a regression analysis of the reported ranges for each jurisdiction. Similar to previous years, Mercer has adjusted the reported motor vehicle values of each jurisdiction to reflect a fair market value of the vehicle, ensuring the true TRP values are appropriately calculated and a fair comparison to APS TRP values provided.

In undertaking the comparative analysis of SES bands and CPS equivalent positions, fixed term contract remuneration rates were used for CPS equivalent positions within the Australian Capital Territory, New South Wales, the Northern Territory, Queensland, South Australia and Victoria.

For detailed analysis on APS SES and non-SES TRP against individual public service jurisdictions, please refer to Appendix B.

## CPS Sample Change

Classification arrangements in Western Australia for non-SES positions are determined on the basis of BiPERS work value methodology. Transition to Mercer CED point value equivalents can be achieved on, at best, an indicative basis. To ensure the integrity and validity of the 2008 survey data, Mercer has excluded Western Australian non-SES and SES remuneration data from this survey. On the other hand, South Australian SES data, which was excluded from the 2007 survey, has been included in this year's analysis.

Mercer notes the exclusion of Western Australian non-SES data from this year's analysis has significantly influenced the CPS midpoint, as the non-SES remuneration ranges for Western Australia were previously positioned at the minimum of other public services, impacting the reported minimum CPS values. This has resulted in what appear to be 'unrealistic' increases in the CPS midpoints across all comparative grades.

## Underlying CPS Remuneration Movements

To assess the true impact of the removal of Western Australia from the CPS sample, Mercer has revisited the 2007 data and removed Western Australia from that set to recalculate the 2007/2008 movements on a 'common sample' basis. Table 2.1 lists those actual Base Salary movements for each of the CPS non-SES classifications.

Table 2.1 – 2007/2008 CPS Median Base Salary Common Sample Comparison (non-SES classifications)

Classification	CPS Midpoint 2007	CPS Midpoint 2008	Increase (%)
APS 1	\$32,715	\$34,024	4.0%
APS 2	\$41,420	\$42,902	3.6%
APS 3	\$47,378	\$49,072	3.6%
APS 4	\$53,336	\$55,242	3.6%
APS 5	\$59,790	\$61,926	3.6%
APS 6	\$67,237	\$69,639	3.6%
EL 1	\$74,684	\$77,351	3.6%
EL 2	\$85,711	\$88,771	3.6%

Table 2.2 – 2007/2008 CPS Total Remuneration Package Common Sample Comparison (non-SES classifications)

Classification	CPS Midpoint 2007	CPS Midpoint 2008	Increase (%)
APS 1	\$36,101	\$37,544	4.0%
APS 2	\$45,706	\$47,341	3.6%
APS 3	\$52,280	\$54,150	3.6%
APS 4	\$58,854	\$60,958	3.6%
APS 5	\$65,976	\$68,334	3.6%
APS 6	\$74,194	\$76,844	3.6%
EL 1	\$82,411	\$85,354	3.6%
EL 2	\$94,579	\$97,955	3.6%

As can be seen from the data in the Tables above, the 'real' movement in CPS non-SES remuneration is between 3.6 per cent and 4.0 per cent.

- The exclusion of Western Australian SES data from this year's analysis does not affect the CPS midpoint, as the remuneration ranges for Western Australia in previous surveys were not the minimum or maximum values in the CPS, which therefore did not impact the reported minimum or maximum CPS values
- The inclusion of South Australian SES equivalents in this year's survey does not affect the CPS midpoint, as the remuneration ranges are positioned around the middle compared to other public services and therefore has not influenced the reported minimum or maximum CPS values.

## SES Remuneration Analysis

### **Total Remuneration Package (TRP) Analysis – SES 1 to SES 3**

Table 2.1 – APS Median SES TRP Comparisons with CPS Midpoint

	SES 1	CPS	CR <sup>1</sup>	SES 2	CPS	CR	SES 3	CPS	CR
2008	\$196,880	\$170,465	0.87	\$248,133	\$213,991	0.86	\$315,007	\$279,600	0.89
2007	\$185,606	\$163,445	0.88	\$233,566	\$205,341	0.88	\$293,404	\$268,493	0.92

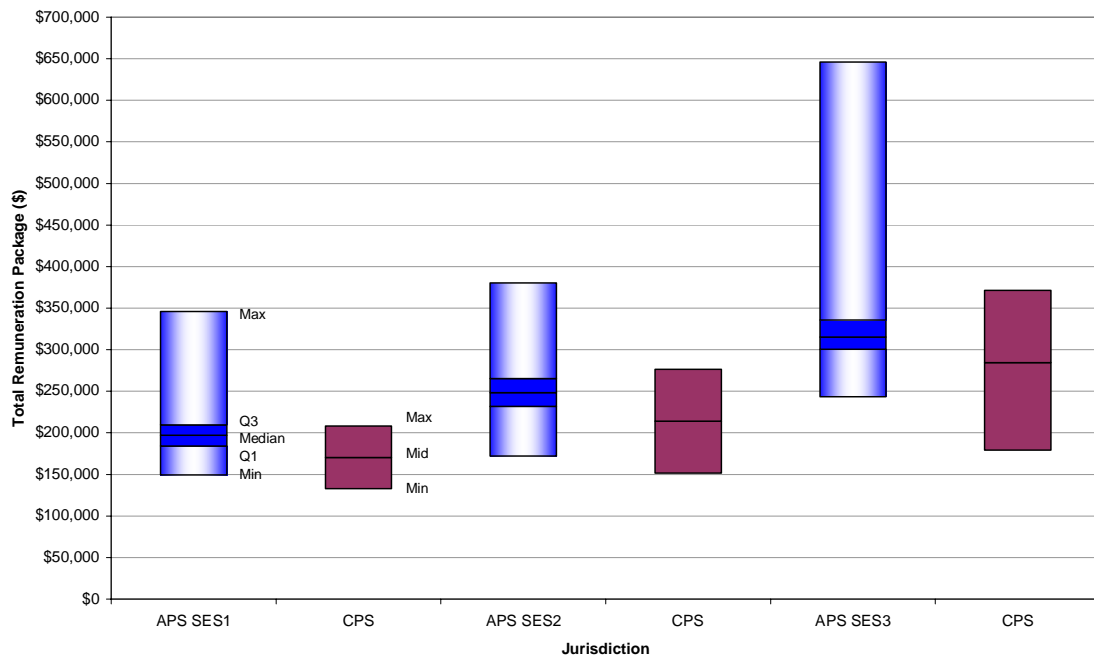
<sup>1</sup> CR = comparatio. Comparatio reflects APS set at 1.00

Table 2.2 – APS Median SES TRP Movement Comparisons with CPS Midpoint

	SES 1	CPS	SES 2	CPS	SES 3	CPS
	m	m	m	m	m	m
2008	6.1%	4.3%	6.2%	4.2%	7.4%	4.1%
2007	4.4%	4.4%	5.8%	4.4%	6.1%	4.4%

m = movement

Chart 2.1 – TRP Comparison in 2008 for SES 1 to SES 3



Tables 2.1 and 2.2, and Chart 2.1, show that:

- overall SES competitive positioning has increased slightly compared to the CPS, with SES TRP medians positioned 13 per cent, 14 per cent and 11 per cent respectively above the CPS midpoint (compared to 12 per cent, 12 per cent and 8 per cent above in 2007)
- SES employees whose TRP is above Q1 are very competitively positioned against the CPS midpoint and are being rewarded within the upper half of the CPS range
- SES employees below Q1 are well positioned against the lower half of the CPS range, with minimum APS TRP above corresponding CPS minimum
- across all SES bands the majority of APS employees above Q3 are remunerated above the maximum of the corresponding CPS classification
- SES TRP median movements were above midpoint movements for the corresponding CPS classification.

## Non-SES Remuneration Analysis

### Total Remuneration Package (TRP) Analysis – APS 1 to APS 3

Table 2.3 – Median APS 1 to APS 3 TRP Comparisons with CPS Midpoint

	APS 1	CPS	CR <sup>1</sup>	APS 2	CPS	CR	APS 3	CPS	CR
2008	\$43,366	\$37,544	0.87	\$50,759	\$47,341	0.93	\$56,729	\$54,150	0.95
2007	\$41,507	\$36,101	0.87	\$47,128	\$44,676	0.95	\$53,679	\$50,002	0.93

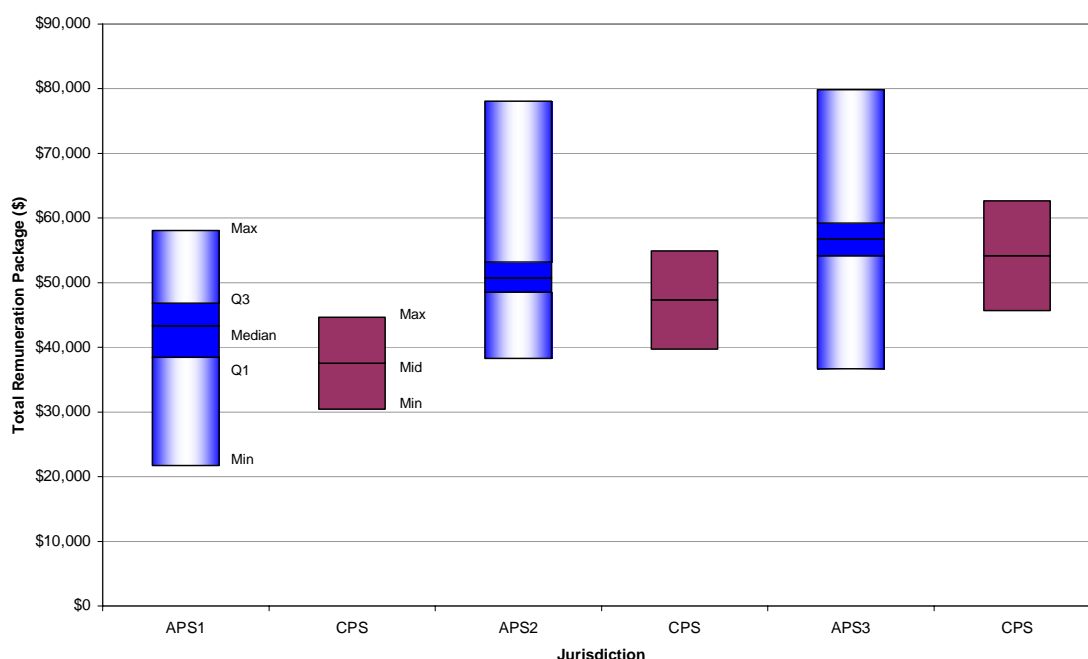
<sup>1</sup> CR = comparatio. Comparatios reflect APS set at 1.00

Table 2.4 – Median APS 1 to APS 3 TRP Movement Comparisons with CPS Midpoint

	APS 1	CPS	APS 2	CPS	APS 3	CPS
	m	m	m	m	m	m
2008	4.5%	4.0%	7.7%	6.0%	5.7%	8.3%
2007	2.3%	4.0%	2.1%	4.0%	2.5%	3.8%

m = movement

Chart 2.2 – TRP Comparison in 2008 for APS 1 to APS 3



Tables 2.3 and 2.4, and Chart 2.2, show that:

- APS 1 to APS 3 TRP medians remain competitive against the CPS midpoints, with APS 1 competitiveness remaining the same, APS 2 competitiveness increasing by 2 per cent and APS 3 competitiveness decreasing by 2 per cent
- APS 1 to APS 3 employees whose TRP is above Q1 are being rewarded within the upper half of the CPS range
- employees below Q1 are generally remunerated in line with the lower half of corresponding CPS classifications
- the majority of APS 1 to APS 3 employees above Q3 are remunerated above the maximum of the corresponding CPS classifications.

### Total Remuneration Package (TRP) Analysis – APS 4 to APS 6

Table 2.5 – Median APS 4 to APS 6 TRP Comparisons with the CPS Midpoint

	APS 4	CPS	CR <sup>1</sup>	APS 5	CPS	CR	APS 6	CPS	CR
2008	\$63,863	\$60,958	0.95	\$70,188	\$68,334	0.97	\$81,295	\$76,844	0.95
2007	\$60,806	\$55,328	0.91	\$67,717	\$61,098	0.90	\$78,411	\$67,756	0.86

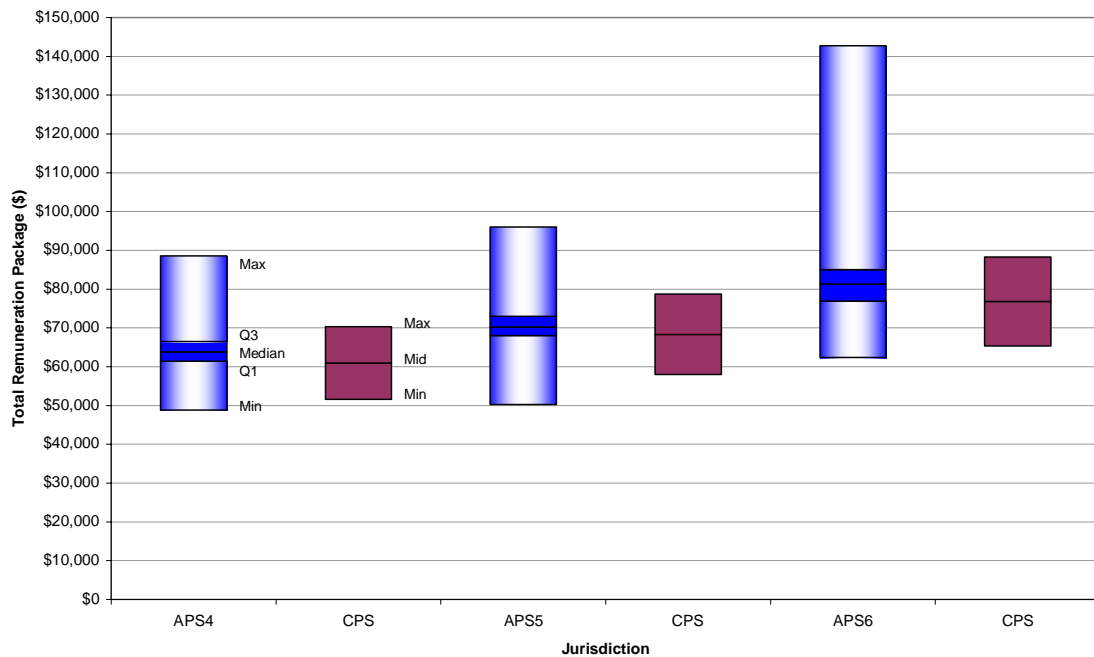
<sup>1</sup> CR = comparatio. Comparatios reflect APS set at 1.00

Table 2.6 – Median APS 4 to APS 6 TRP Movement Comparisons with the CPS Midpoint

	APS 4	CPS	APS 5	CPS	APS 6	CPS
	m	m	m	m	m	m
2008	5.0%	10.2%	3.6%	11.8%	3.7%	13.4%
2007	4.1%	3.7%	4.6%	3.6%	3.8%	3.6%

m = movement

Chart 2.3 – TRP Comparison in 2008 for APS 4 to APS 6



Tables 2.5 and 2.6, and Chart 2.3, show that:

- APS 4 to APS 6 TRP medians are positioned 5 per cent, 3 per cent and 5 per cent respectively above the CPS midpoints. Competitive positioning has decreased by between 4 per cent and 9 per cent since 2007. These decreases are partially due to the exclusion of the Western Australian public service from this year’s non-SES analysis.
- APS 4 to APS 6 employees whose TRP is above Q1 are very competitively positioned in the upper half of the CPS range
- APS 4 to APS 6 employees below Q1 are generally remunerated in line with the lower half of corresponding CPS classifications
- the majority of employees above Q3 are remunerated above the maximum of the corresponding CPS classification.

### Total Remuneration Package (TRP) Analysis – EL 1 and EL 2

Table 2.7 – Median EL 1 and EL 2 TRP Comparisons with the CPS Midpoint

	EL 1	CPS	CR	EL 2	CPS	CR
2008	\$102,614	\$85,354	0.83	\$129,329	\$97,955	0.76
2007	\$98,234	\$74,414	0.76	\$123,277	\$84,272	0.68

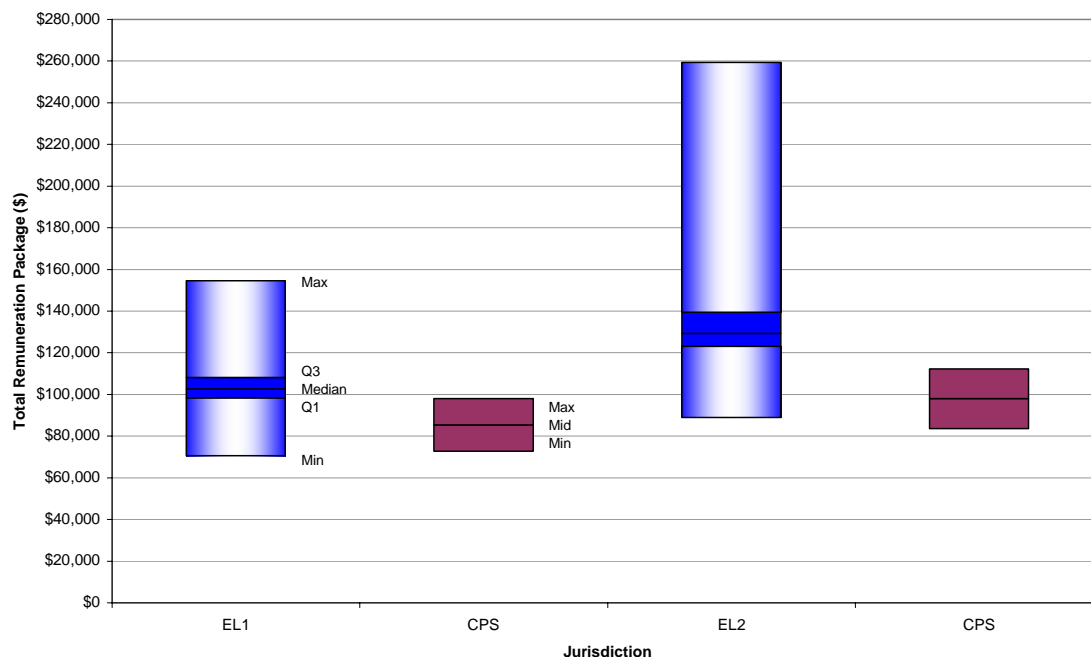
CR = comparatio. Comparatios reflect APS set at 1.00

Table 2.8 – Median EL 1 and EL 2 TRP Movement Comparisons with the CPS Midpoint

	EL 1	CPS	EL 2	CPS
	m	m	m	m
2008	4.5%	14.7%	4.9%	16.2%
2007	4.7%	3.5%	4.6%	3.4%

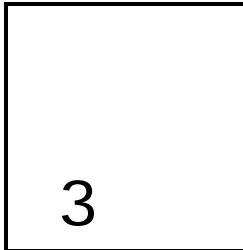
m = movement

Chart 2.4 – TRP Comparison in 2007 for EL 1 and EL 2



Tables 2.7 and 2.8, and Chart 2.4, show that:

- EL 1 and EL 2 TRP medians are positioned 17 per cent and 24 per cent respectively above the corresponding CPS midpoints, which are 7 per cent and 8 per cent decrease from 2007. These decrease are partially due to the exclusion of the Western Australian public service in the 2008 analysis
- EL 1 and EL 2 employees are very competitively positioned against the CPS
- EL 1 and EL 2 employees above Q1 exceed the maximum TRP of the corresponding CPS classifications.



## Relative Position of SES and Non-SES Classifications with the Private Sector

This section compares SES and non-SES TRP against the private sector's general market. The general market is a national database, and represents Mercer's broadest and most comprehensive database covering a diverse range of agencies across all industries and job families (excluding public services).

SES Base Salary has not been compared because a high proportion of agencies in the private sector manage senior executive remuneration on a TRP basis. Similarly, as bonuses are not a significant feature for non-SES remuneration, Mercer has not undertaken a comparative analysis on the basis of TR for non-SES classifications.

Remuneration data has been drawn from the private sector's various quartiles (i.e. Q1, the median and Q3), utilising work value and the general market trendline. This enables a direct comparison against the APS TRP. Results from 2007 have been included in many of the tables for comparative purposes, enabling the assessment of year on year movements and changes in competitive positioning.

Appendix C provides an overview of remuneration practices in the private sector.

## SES Remuneration Analysis

### **Total Remuneration Package (TRP) Analysis – SES 1 to SES 3**

Table 3.1 – Median SES TRP Comparisons with the Private Sector

	APS Median	Private Sector			
	SES 1	Q1	CR	Median	CR
2008	\$196,880	\$177,500	0.90	\$210,722	1.07
2007	\$185,606	\$169,370	0.91	\$201,071	1.08
	SES 2	Q1	CR	Median	CR
2008	\$248,133	\$251,868	1.02	\$307,628	1.24
2007	\$233,566	\$240,430	1.03	\$293,659	1.26
	SES 3	Q1	CR	Median	CR
2008	\$315,007	\$379,908	1.21	\$469,987	1.49
2007	\$293,404	\$363,215	1.24	\$449,336	1.53

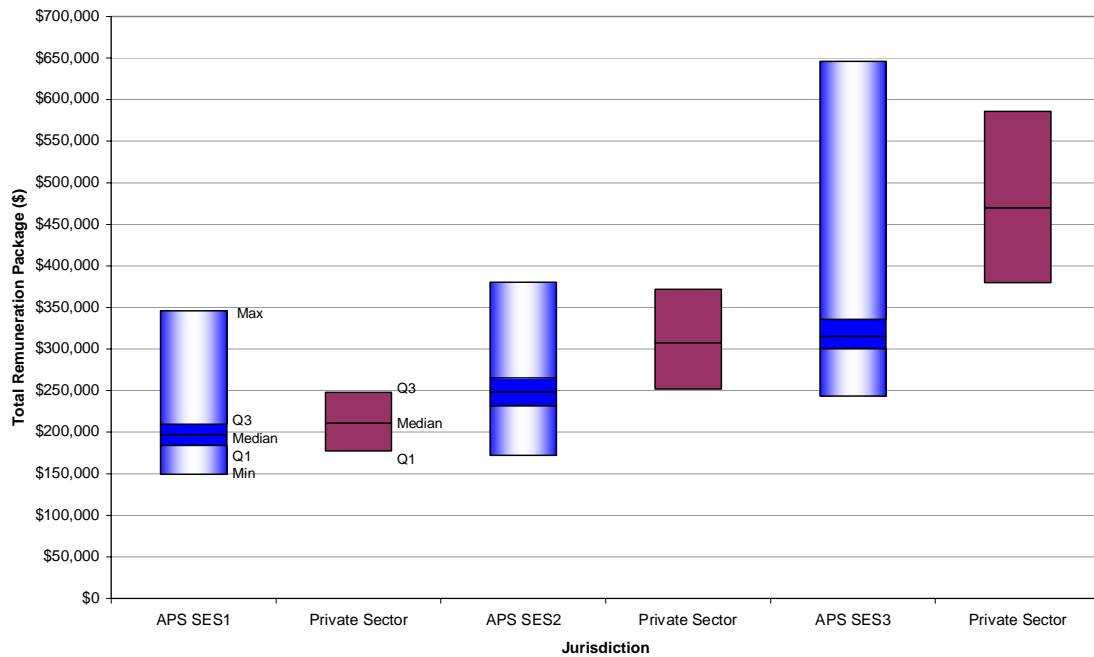
CR = comparatio. Comparatios reflect APS set at 1.00

Table 3.2 – Median SES TRP Movement Comparisons with the Private Sector

	SES 1	Private Sector		SES 2	Private Sector		SES 3	Private Sector	
	Median	Q1	Median	Median	Q1	Median	Median	Q1	Median
	m	m	m	m	m	m	m	m	m
2008	6.1%	4.8%	4.8%	6.2%	4.8%	4.8%	7.4%	4.6%	4.6%
2007	4.4%	4.5%	4.5%	5.8%	4.4%	4.4%	6.1%	4.2%	4.2%

m = movement

Chart 3.1 – TRP Comparison in 2008 for SES 1 to SES 3



Tables 3.1 and 3.2, and Chart 3.1, show that:

- the SES 1 TRP median is 10 per cent above the private sector Q1 but 7 per cent below the private sector median. SES 1 employees above Q1 are competitively positioned against the private sector, at levels between the lower quartile and median of this market. SES 1 TRP movements at 6.1 per cent were higher than private sector movements of 4.8 per cent at Q1 and the median
- the SES 2 TRP median is 2 per cent below the private sector Q1 and 24 per cent below the median. This represents improved competitiveness compared to 2007 of 1 per cent (at Q1) and 2 per cent (at Median). SES 2 TRP movements in 2007 were 6.2 per cent, higher than private sector movements of 4.8 per cent. Only SES 2 employees above Q3 could be described as ‘market competitive’
- the SES 3 TRP median is 21 per cent below the private sector Q1 and 49 per cent below the median. This is a 3 per cent and 4 per cent improvement respectively in competitiveness from 2007. This improvement is a reflection of the higher movements seen in the APS (7.4 per cent compared to 4.6 per cent in the private sector). Despite this improvement more than 75 per cent of SES 3 employees have a TRP below the private sector Q1 benchmark.

## Non-SES Remuneration Analysis

### **Total Remuneration Package (TRP) Analysis – APS 1 to APS 3**

Table 3.3 – Median APS 1 to APS 3 TRP Comparisons with the Private Sector

	APS Median		Private Sector		
	APS 1	Q1	CR	Median	CR
2008	\$43,366	\$29,841	0.69	\$32,257	0.74
2007	\$41,507	\$28,436	0.69	\$30,737	0.74
	APS 2	Q1	CR	Median	CR
2008	\$50,759	\$43,854	0.86	\$48,134	0.95
2007	\$47,128	\$41,785	0.89	\$45,863	0.97
	APS 3	Q1	CR	Median	CR
2008	\$56,729	\$54,546	0.96	\$60,258	1.06
2007	\$53,679	\$51,972	0.97	\$57,415	1.07

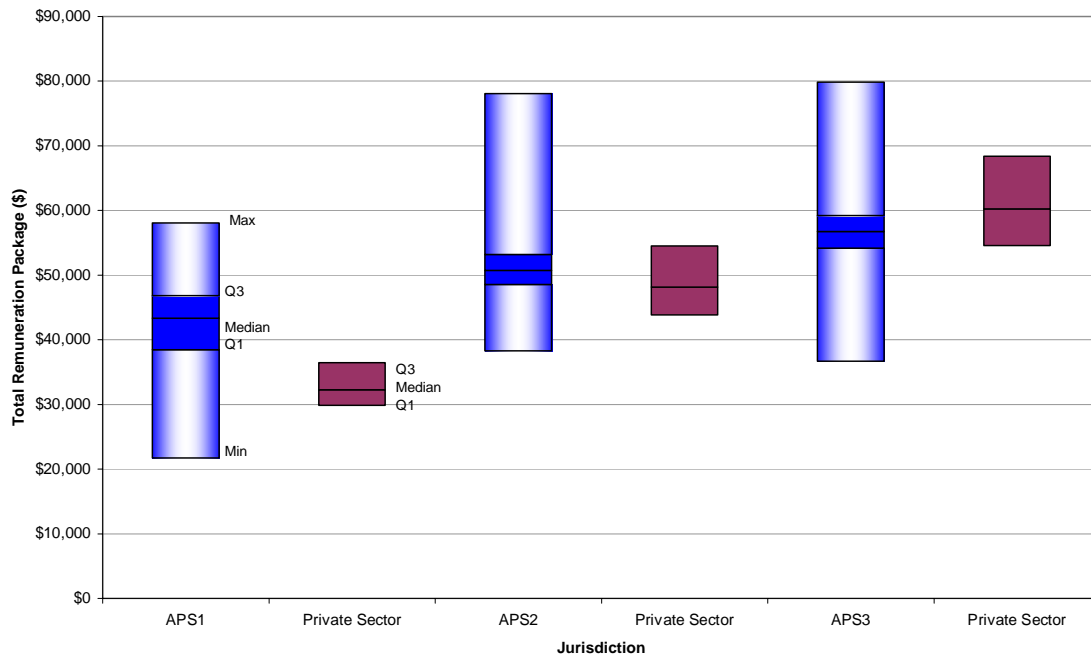
CR = comparatio. Comparatios reflect APS set at 1.00

Table 3.4 – Median APS 1 to APS 3 TRP Movement Comparisons with the Private Sector

	APS 1		Private Sector		APS 2		Private Sector		APS 3		Private Sector	
	Median	Q1	Median	Median	Q1	Median	Median	Q1	Median	Q1	Median	
	m	m	m	m	m	m	m	m	m	m	m	
2008	4.5%	4.9%	4.9%	7.7%	5.0%	5.0%	5.7%	5.0%	5.0%	5.0%	5.0%	
2007	2.3%	4.7%	4.7%	2.1%	4.7%	4.7%	2.5%	4.7%	4.7%	4.7%	4.7%	

m = movement

Chart 3.2 – TRP Comparison in 2008 for APS 1 to APS 3



Tables 3.3 and 3.4, and Chart 3.2, show that:

- APS 1 TRP is very competitively positioned against the private sector. APS 1 employees above Q1 are remunerated well above the private sector Q3. Median remuneration is 31 per cent above the private sector Q1 and 26 per cent above the median. This competitiveness is associated with high Base Salary levels and high employer superannuation contributions. Relative competitiveness has remained the same since 2007. APS 1 TRP movements of 4.5 per cent were less than general market movements of 4.9 per cent
- APS 2 employees between Q1 and Q3 are remunerated in line with upper quartile remuneration in the private sector. Competitiveness has increased by between 2 per cent and 3 per cent at the APS 2 level since 2007. APS 2 TRP movements of 7.7 per cent were higher than general market movements of 5.0 per cent
- APS 3 employees between Q1 and Q3 are remunerated in line with lower quartile remuneration in the private sector. The APS 3 TRP median is 4 per cent above the private sector Q1 and 6 per cent below the median, which is a slightly higher level of competitiveness compared to 2007. APS 3 TRP movements of 5.7 per cent were higher than general market movements of 5.0 per cent
- all three classifications remain competitively positioned against equivalent positions in the private sector.

## Total Remuneration Package (TRP) Analysis – APS 4 to APS 6

Table 3.5 – Median APS 4 - APS 6 TRP Comparisons with the Private Sector

	APS Median		Private Sector			
	APS 4	Q1	CR	Median	CR	
2008	\$63,863	\$65,238	1.02	\$72,383	1.13	
2007	\$60,806	\$62,160	1.02	\$68,968	1.13	
	APS 5	Q1	CR	Median	CR	
2008	\$70,188	\$76,325	1.09	\$85,582	1.22	
2007	\$67,717	\$72,811	1.08	\$81,641	1.21	
	APS 6	Q1	CR	Median	CR	
2008	\$81,295	\$92,617	1.14	\$104,971	1.29	
2007	\$78,411	\$88,332	1.13	\$100,115	1.28	

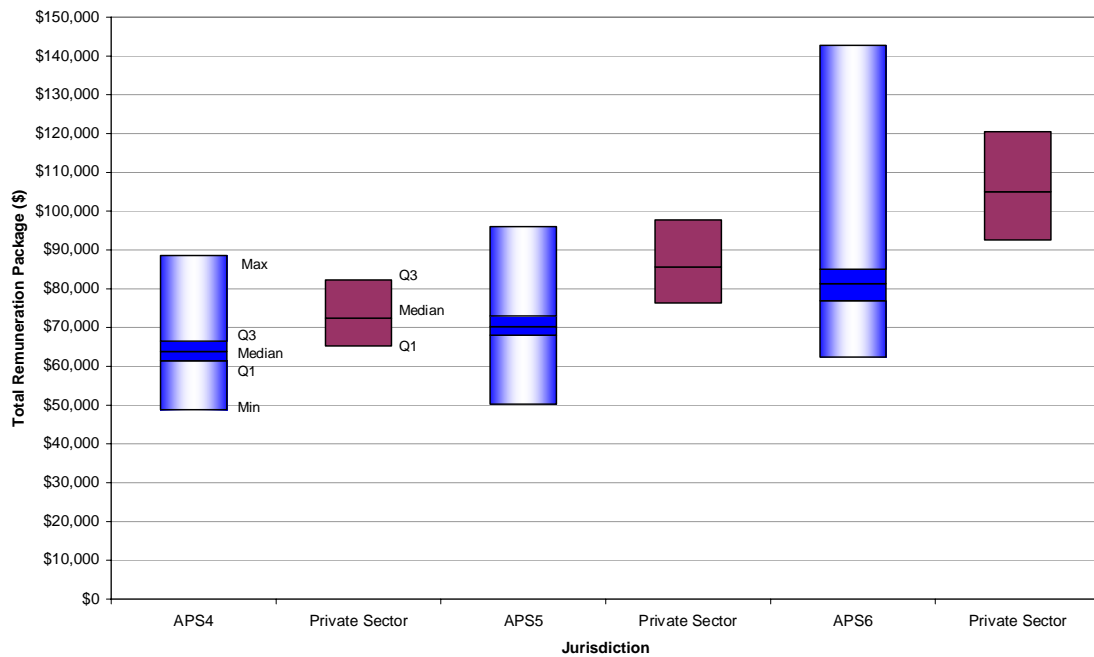
CR = comparatio. Comparatios reflect APS set at 1.00

Table 3.6 – Median APS 4 to APS 6 TRP Movement Comparisons with the Private Sector

	APS	Private Sector		APS	Private Sector		APS	Private Sector	
	APS 4	Q1	Median	APS 5	Q1	Median	APS 6	Q1	Median
	m	m	m	m	m	m	m	m	m
2008	5.0%	5.0%	5.0%	3.6%	4.8%	4.8%	3.7%	4.9%	4.9%
2007	4.1%	4.7%	4.7%	4.6%	4.5%	4.5%	3.8%	4.5%	4.5%

m = movement

Chart 3.3 – TRP Comparison in 2008 for APS 4 to APS 6



Tables 3.5 and 3.6, and Chart 3.3, show that:

- APS 4 employees above Q3 are aligned with the private sector’s Q1 to Q3 range. As in 2007, the APS 4 TRP median is 2 per cent below the private sector Q1 and 13 per cent below the private sector median. Relative competitiveness has remained the same. Both APS 4 and the general market had TRP movements of 5.0 per cent
- Only APS 5 employees above Q3 are competitive with equivalent private sector employees. The APS 5 TRP median is 9 per cent below the private sector Q1 and 22 per cent below the private sector median. Relative competitiveness has decreased by 1 per cent since 2007. APS 5 TRP increased by 3.6 per cent, lower than the general market movement of 4.8 per cent
- Only APS 6 employees above Q3 are competitively positioned against the private sector. The APS 6 TRP median is 14 per cent and 29 per cent below the private sector Q1 and median respectively. The competitiveness with the private sector has decreased by 1 per cent. The APS 6 TRP movement of 3.7 per cent is lower than general market movement of 4.8 per cent.

## Total Remuneration Package (TRP) Analysis – EL 1 and EL 2

Table 3.7 – Median EL 1 and EL 2 TRP Comparisons with the Private Sector

	APS Median	Private Sector			
	EL 1	Q1	CR	Median	CR
2008	\$102,614	\$111,418	1.09	\$127,372	1.24
2007	\$98,234	\$106,264	1.08	\$121,479	1.24
	EL 2	Q1	CR	Median	CR
2008	\$129,329	\$135,263	1.05	\$156,593	1.21
2007	\$123,277	\$129,068	1.05	\$149,421	1.21

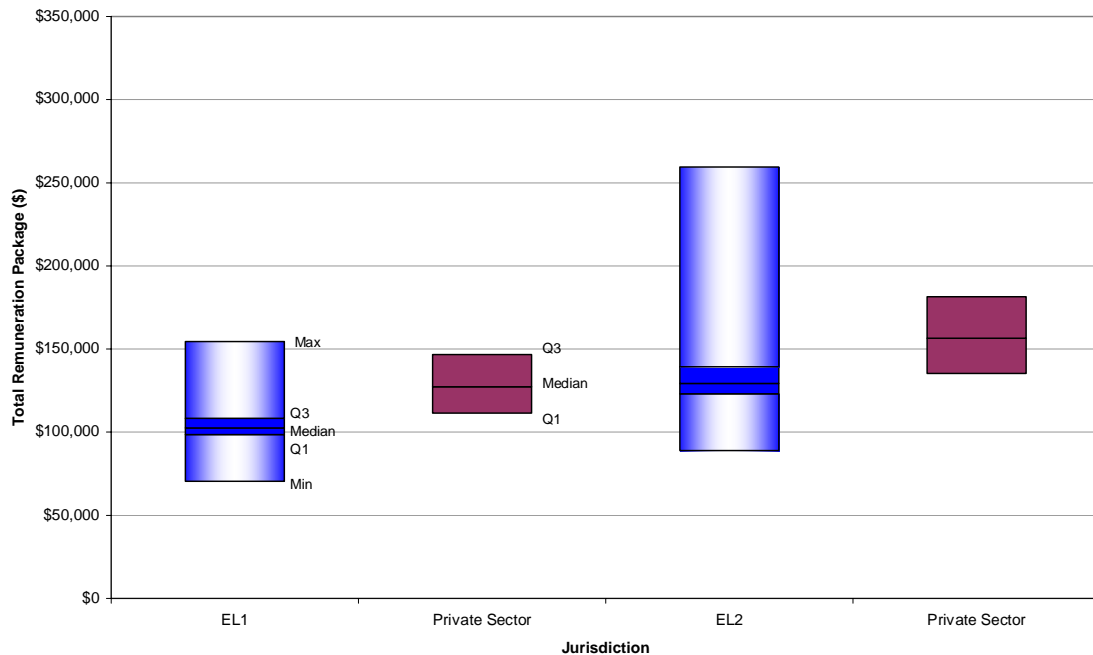
CR = comparatio. Comparatios reflect APS set at 1.00

Table 3.8 – Median EL 1 and EL 2 TRP Movement Comparisons with the Private Sector

	APS	Private Sector		APS	Private Sector	
	EL 1	Q1	Median	EL 2	Q1	Median
	m	m	m	m	m	m
2008	4.5%	4.9%	4.9%	4.9%	4.8%	4.8%
2007	4.7%	4.5%	4.5%	4.6%	4.5%	4.5%

m = movement

Chart 3.4 – TRP Comparison in 2008 for EL 1 and EL 2



Tables 3.7 and 3.8, and Chart 3.4, show that:

- the EL 1 TRP median is 9 per cent and 24 per cent below the Q1 and median of the private sector respectively, which is similar to 2007. EL 1 employees above Q3 are competitively positioned against the private sector's Q1 to Q3 range. However, the 75 per cent of EL 1 employees below Q3 have a TRP below the private sector Q1. EL 1 TRP increased by 4.5 per cent, lower than the general market movement of 4.9 per cent
- the EL 2 TRP median is 5 per cent and 21 per cent below the Q1 and median of the private sector respectively, which is the same as in 2007. As is the case for EL 1 employees, only EL 2 employees above Q3 are competitively positioned against the private sector. Employees below Q3 are positioned below the private sector minimum. The EL 2 TRP increase of 4.9 per cent is slightly higher than the general market movement of 4.8 per cent
- at EL 1 and EL 2 classifications, the level of reward competitiveness against the private sector has stayed relatively stable over the past few years
- EL 1 and EL 2 competitiveness against the private sector decreases from a TRP perspective (compared with other APS classifications), due to benefits such as motor vehicles being increasingly prevalent in the private sector for classifications positions.

## Base Salary Analysis – Graduate

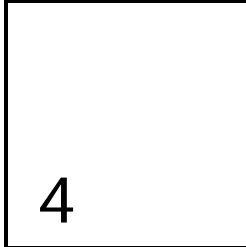
Table 3.9 – Private Sector Graduate Base Salary in 2007 and 2008 compared to the APS\*

	Median		Average	
	2007	2008	2007	2008
APS Graduate Salaries	\$45,902	\$49,753	\$46,611	\$50,844
Accounting	\$45,750	\$46,849	\$47,621	\$47,396
Economics	\$45,000	\$45,750	\$47,017	\$46,461
Computer Science	\$46,000	\$48,617	\$48,157	\$47,512
Engineering	\$52,000	\$52,000	\$51,594	\$51,569
Human Resources/Industrial Relations	\$48,000	\$45,000	\$47,674	\$46,324
Marketing	\$45,000	\$47,000	\$46,667	\$45,956
Science	\$47,500	\$48,617	\$47,840	\$47,354
Business/Commerce	\$45,000	\$45,000	\$47,167	\$45,295
Social Sciences/Art	\$44,495	\$45,000	\$47,674	\$45,893
Master of Business Administration (MBA)	\$47,250	n/a	\$48,603	n/a
Law	n/a	\$44,000		\$45,390

\* 2008 figures sourced from Mercer's *Australian Benefits Review 2008* publication

Table 3.9 (or calculations based on this data) shows that:

- depending on the job family, in 2008 median graduate salaries in the private sector ranged from \$44,000 to \$52,000, which is similar to the 2007 median Base Salary range of \$44,495 to \$52,000
- Engineering, Computer Science and Science graduates started at higher salaries than graduates from other disciplines in 2008
- the APS average graduate Base Salary of \$50,844 is 8.4 per cent above the average of \$46,915 across all job families in the private sector, an improvement from 2.9 per cent below the private sector average in 2007
- the APS average graduate Base Salary is also above the average of each job family group, except for engineering. This was unlike the trend in 2007, where the APS average graduate Base Salary was below the average of each job family.



## Summary of Key Findings

This section provides a summary of key findings of APS SES and non-SES TRP comparisons against the combined public service and the private sector's general market.

### ***Combined Public Service (CPS) Comparisons***

#### ***SES 1 to SES 3***

TRP comparisons for SES 1 to SES 3 employees with the CPS show that:

- APS SES employees are competitively positioned when compared to the CPS
- the overall competitive positioning has improved since 2007
- across all SES bands the majority of employees above Q3 are remunerated above the maximum of the corresponding CPS classification
- SES employees below Q1 are generally remunerated above the minimum of the corresponding CPS classifications.
- SES TRP median movements were above midpoint movements for the corresponding CPS classifications.

#### ***APS 1 to APS 3***

TRP comparisons for APS 1 to APS 3 employees with the CPS show that:

- the majority of APS employees are competitively remunerated when compared to the CPS
- compared to 2007, APS 1 competitiveness has remained the same, APS 2 competitiveness has increased by 2 per cent and APS 3 competitiveness has decreased by 2 per cent
- the majority of employees above Q3 are remunerated above the maximum of the corresponding CPS classifications.
- employees below Q1 are generally remunerated in line with the lower half of corresponding CPS classifications.

### ***APS 4 to APS 6***

TRP comparisons for APS 4 to APS 6 employees with the CPS show that:

- the majority of APS employees in these classifications are competitively remunerated when compared to the CPS
- the competitive positioning for APS 4 to APS 6 employees has decreased by between 4 per cent and 9 per cent since 2007, partially due to the exclusion of the Western Australian public service in 2008. Adjusted data supports that the actual underlying change is 3.6 per cent
- the majority of employees above Q3 are remunerated above the maximum of the corresponding CPS equivalent classification
- employees below Q1 are generally remunerated in line with the lower half of corresponding CPS classifications.

### ***EL 1 and EL 2***

- from a TRP perspective, the majority of APS EL 1 and EL 2 employees are very competitively remunerated when compared to the CPS
- competitive positioning has decreased by between 7 per cent and 8 per cent, partially due to the exclusion of the Western Australian public service in the 2008 analysis. Adjusted data supports that the actual underlying change is 3.6 per cent
- EL 1 and EL 2 employees above Q1 are remunerated above the maximum TRP remuneration of corresponding CPS classifications.

## ***Private Sector Comparisons***

### ***SES 1 to SES 3***

TRP comparisons for SES 1 to SES 3 employees with the private sector show that:

- SES 1 employees above Q1 are remunerated in line with the lower half of corresponding remuneration in the private sector
- SES 2 employees above Q3 are comparable to the private sector Q1 to Q3 range
- more than 75 per cent of SES 3 employees have a TRP below the private sector Q1 benchmark
- the overall competitive positioning has improved slightly at all SES classifications since 2007.

### ***APS 1 to APS 3***

TRP comparisons for APS 1 to APS 3 employees with the private sector show that:

- APS 1 employees above Q1 are remunerated well above the private sector Q3
- APS 2 employees between Q1 and Q3 are remunerated in line with upper quartile remuneration in the private sector
- APS 3 employees between Q1 and Q3 are remunerated in line with lower quartile remuneration in the private sector
- the overall competitive positioning has been maintained for APS 1, and has improved for APS 2 and APS 3.

### *APS 4 to APS 6*

TRP comparisons for APS 4 to APS 6 employees with the private sector show that:

- from a TRP perspective, APS 4 to APS 6 employees above Q3 are competitively positioned against the private sector's Q1 to Q3 range
- APS 4 to APS 6 employees with a TRP below Q3 are positioned at or below Q1 of the private sector
- the overall competitive positioning is unchanged for APS 4, and has decreased by 1 per cent for APS 5 and APS 6 classifications.

### *EL 1 and EL 2*

TRP comparisons for EL 1 and EL 2 employees with the private sector show that:

- EL 1 and EL 2 employees above Q3 are competitively positioned against the private sector's Q1 to Q3 range
- EL 1 and EL 2 employees with a TRP below Q3 are positioned at or below Q1 of the private sector
- the overall competitive positioning of APS TRP remuneration has generally been maintained at the EL 1 and EL 2 classifications since 2007.

### *Graduates*

TRP comparisons for Graduate employees with the private sector show that:

- in 2008, the median range of graduate Base Salaries in the private sector ranged from \$44,000 to \$52,000 across different job families, compared to the APS median of \$49,753
- Engineering, Computer Science and Science graduates typically started at higher Base Salaries than graduates from other disciplines
- the average APS graduate Base Salaries (\$50,844) is 8.4 per cent above the private sector (\$46,915), significantly improving from 2.9 per cent below in 2007.

## ***Provision of Benefits and Bonuses – Private Sector***

### *SES 1 to SES 3*

SES 1 and SES 2 median motor vehicle values (\$23,625 and \$24,500 respectively) are competitive against private sector median vehicle values (although it should be noted that an increasing number of Mercer's private sector clients do not separately itemise the vehicle cost, as they manage remuneration on a TRP basis, and use novated leases for vehicles). The SES 3 median motor vehicle value of \$25,000 is significantly less than SES 3 equivalent roles in the private sector of ~\$34,600.

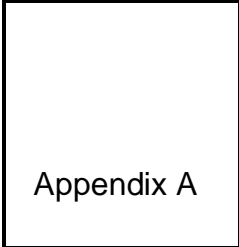
SES median employer superannuation contributions (between 16 per cent and 25.2 per cent of Base Salary, depending on SES band) are competitive in comparison to private sector employer superannuation contributions.

As a proportion of TRP, SES average actual bonus payments of 4.4 per cent to 5.1 per cent are significantly lower than the private sector average payments of 13 per cent to 31 per cent. SES 1 to SES 3 average bonus payments as a proportion of TRP are approximately one-third to one-fifth of those paid in the private sector.

### *APS 1 to EL 2*

Non-SES median employer superannuation contributions (15.4 per cent of Base Salary) are very competitively positioned in comparison to the private sector employer superannuation contributions, which are generally 9 per cent of Base Salary.

Only 1 per cent of EL 1 and 1 per cent of EL 2 employees received a vehicle benefit in 2008. This is quite different to the trend in the private sector, as vehicles are typically provided in the salary packages of many EL 1 and EL 2 equivalent positions. This is the main reason why TRP competitiveness is significantly less than Base Salary competitiveness against the private sector for EL 1 and EL 2 employees.



Appendix A

## Definition of Terms

### ***Remuneration Items***

#### ***Base Salary***

Base Salary represents full time equivalent annualised PAYG salary. It includes pre-tax employee superannuation contributions made by salary sacrifice and any additional salary sacrifice amounts for other benefits. It excludes all other cash components such as bonuses and allowances.

#### ***Bonuses***

At a practical level, the terms 'bonus' and 'incentive' are often used interchangeably. For the purposes of consistency throughout the 2008 APS Remuneration Survey, performance-based payments have been referred to as 'bonuses' even though in the APS they are often related to achievement of key performance indicators and hence meet the defining criteria of incentives. Performance-based bonuses in the private sector would more likely be referred to as incentives.

#### ***Total Remuneration Package (TRP)***

TRP is defined as Base Salary plus the value of any benefits such as superannuation and motor vehicles, plus FBT on all benefit items. It does not include any bonus payments.

#### ***Total Reward (TR)***

TR is TRP plus bonus payments.

## ***Statistical Terms***

### ***Average***

The average is the arithmetic mean, calculated by summing all values and dividing by the number of values.

### ***Comparatios***

Comparatios (*CR*) are a representation of market relativity, and are commonly defined as the ratio between an actual remuneration rate and a comparable remuneration market/benchmark rate, and are expressed as an integer with two decimal places. APS data is defined as 1.00, with other jurisdictions' competitive positioning being assessed against the APS. For example, a jurisdiction's outcome of 0.92 would indicate that it is 8 per cent below the APS (1.00).

### ***First Quartile / Q1***

The first quartile or 25<sup>th</sup> percentile (*Q1*) is the midpoint of the lower half of the sample. That is, the first quartile is the point where 25 per cent of the cases fall below and where 75 per cent of the cases fall above.

### ***Median***

The median is the midpoint of a range of figures. It is calculated by sorting all the values into ascending order then locating the value where 50 per cent of the cases fall below and where 50 per cent of the cases fall above. The midpoint is calculated by summing the minimum and maximum values of a range of figures and dividing this value by two.

### ***Third Quartile / Q3***

The third quartile or 75<sup>th</sup> percentile (*Q3*) is the midpoint of the upper half of the sample. That is, the third quartile is the point where 75 per cent of the cases fall below and where 25 per cent of the cases fall above.

### ***Midpoint***

The midpoint is calculated by summing the minimum and maximum values of a range of figures and dividing this value by two.

### ***Standard Deviation (SD)***

SD is used to measure the spread of data from the average. The SD is sensitive to outliers, so where significant outliers are present this can significantly increase the SD. The greater the spread of data, the higher the SD value.

### ***Trendlines***

Trendlines, as referred to in this report, are regression lines derived from work value points and the corresponding published rates of pay.

## APS Work Value Ranges

The work values used in this report have been determined using the Mercer job evaluation system. Indicative work value ranges for APS SES and non-SES classifications are presented in Table A.1. The APS SES and non-SES work value ranges are indicative only and are not based on a whole of APS calibration.

Table A.1 – SES and Non-SES Indicative Work Value Points Ranges<sup>1</sup>

Band/Level	Minimum	Midpoint	Maximum
APS 1	-	50	99
APS 2	100	130	159
APS 3	160	190	219
APS 4	220	250	279
APS 5	280	315	349
APS 6	350	390	429
EL 1	430	465	500
EL 2	501	576	650
SES 1	685	817	949
SES 2	950	1225	1499
SES 3	1500	1840	2179

<sup>1</sup>Work value ranges are indicative, based on the findings of a range of studies with individual agencies

The Mercer job evaluation system has been widely adopted to underpin classification and remuneration management systems in all public services across Australia. Agencies are attracted to job evaluation systems for many reasons, often related to a desire to establish more robust, transparent or systematic processes.

The high level of acceptance of this specific methodology in a public sector context may have a number of explanations, but three are relevant for the purposes of this survey:

- the universal nature of work value factors examined, supporting applicability to all job types
- the fact that the methodology was initially developed with the needs of both private and public sector agencies in mind, and has evolved within the changing public service context
- the incorporation of specific public service descriptors, definitions and standards which address work that is unique to the public service (e.g. policy roles, machinery of government requirements, statutory accountability).

Work value benchmarks across the various public services enable the reasonable comparison of remuneration across jurisdictions for the purposes of this broader market analysis.



Appendix B

## Relative Position of APS SES and Non-SES Classifications with Individual Public Service Jurisdictions

This section compares APS SES and non-SES TRP against individual public service jurisdictions. Table data compares the APS median to the individual public service jurisdiction's midpoint. The 2007 results have been included for comparative purposes. In addition to the comparative (*CR*) analysis, Mercer has also ranked (*r*) the positioning of the APS against the individual public service jurisdictions.

APS SES Base Salary and TR have not been compared because most jurisdictions manage SES remuneration on a TRP basis. Similarly, as bonuses are not a significant feature of reward for non-SES classifications or corresponding non-SES equivalent classifications in individual public services, Mercer has only undertaken the comparative analysis on the basis of TRP for non-SES classifications.

The data used in the individual public service jurisdiction analysis is based on work value and a regression analysis of the reported ranges for each jurisdiction. The individual public service jurisdiction analysis utilises each jurisdiction's reported remuneration range. Mercer has adjusted the reported motor vehicle values of each jurisdiction to ensure the true TRP values of jurisdictions are appropriately aligned to the APS TRP values.

Tasmanian public service remuneration data has not been included in the current report and previous surveys, because they do not use a work value methodology to underpin the classification of non-SES equivalent positions. Relativities to APS classification and remuneration structures are therefore not able to be determined with sufficient precision. Western Australian non-SES and SES remuneration data, while included in previous surveys, is not included in the current report as Mercer had some concerns with the data and will need to undertake a benchmarking exercise for the Western Australian public service in the future. South Australian SES data, while included in previous surveys, was excluded from last year's analysis and Mercer was unable to obtain the data. However, South Australian SES data has been included in the 2008 survey.

## SES Remuneration Analysis

### Total Remuneration Package (TRP) Analysis – SES 1

Table B.1 – Median SES 1 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	R	cr	r	cr	r	cr	r	cr	r
2008	1.00	1	0.98	2	0.98	3	0.95	4	0.72	7	0.93	5	0.82	6	n/a	n/a
2007	1.00	2	0.99	3	1.00	1	0.96	4	0.73	7	n/a	n/a	0.84	6	0.84	5

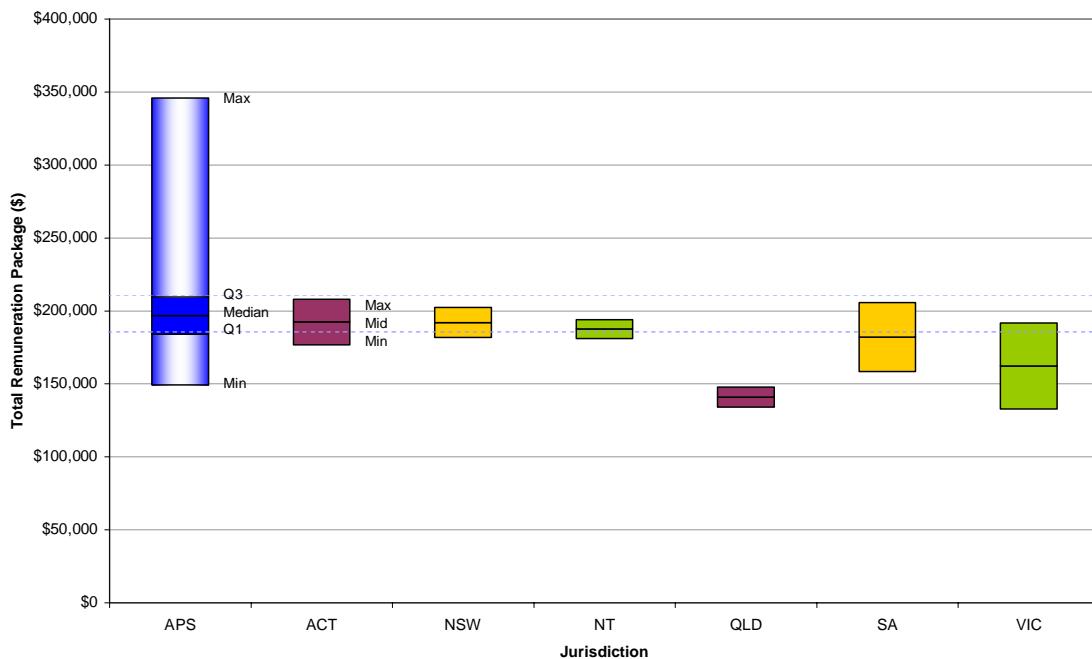
r = ranking cr = comparatio. \*Comparatios reflect APS set at 1.00.

Table B.2 – Median SES 1 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	R	m	r	m	r	m	r	m	r
2008	6.1%	1	4.5%	3	3.6%	6	4.8%	2	4.5%	4	n/a	n/a	3.9%	5	n/a	n/a
2007	4.4%	2	3.4%	6	2.4%	7	3.6%	5	3.7%	4	n/a	n/a	6.0%	1	3.9%	3

r = ranking m = movement.

Chart B.1 – TRP Comparison in 2008 – SES 1



Tables B.1 and B.2, and Chart B.1, show that:

- The APS had the highest SES 1 median TRP across all public services
- SES 1 employees between Q1 and Q3 are competitively positioned against all individual public service jurisdictions
- The APS SES 1 TRP median movement of 6.1 per cent was the highest in comparison to other public service jurisdictions.

## Total Remuneration Package (TRP) Analysis – SES 2

Table B.3 – Median SES 2 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r
2008	1.00	2	1.01	1	0.94	3	0.88	5	0.74	7	0.93	4	0.75	6	n/a	n/a
2007	1.00	2	1.02	1	0.96	3	0.9	4	0.75	7	n/a	n/a	0.76	6	0.88	5

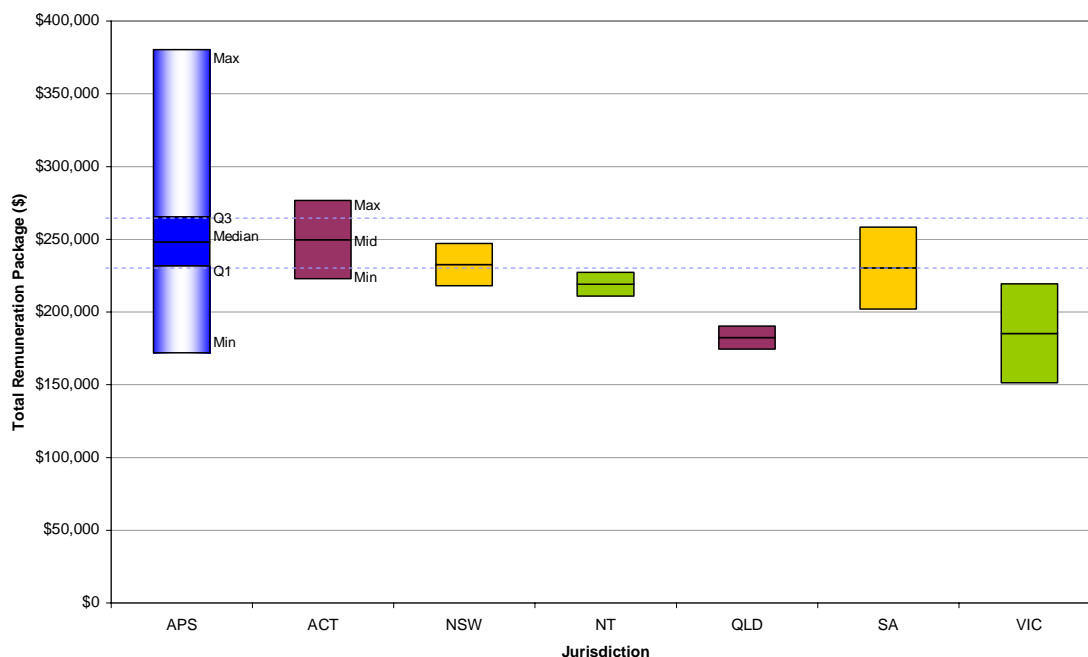
r = ranking cr = comparatio. \*Comparatios reflect APS set at 1.00.

Table B.4 – Median SES 2 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	r	m	r	m	r	m	r	m	r
2008	6.2%	1	4.4%	4	3.4%	6	4.7%	2	4.6%	3	n/a	n/a	3.8%	5	n/a	n/a
2007	5.8%	2	3.5%	6	2.4%	7	3.7%	4	3.6%	5	n/a	n/a	6.0%	1	4.0%	3

r = ranking m = movement.

Chart B.2 – TRP Comparison in 2008 – SES 2



Tables B.3 and B.4, and Chart B.2, show that:

- The APS had the second highest SES 2 median TRP, trailing the ACT by 1 per cent
- SES 2 employees between Q1 and Q3 are competitively positioned against all other state jurisdictions, except for the ACT
- SES 2 employees above Q3 are competitively positioned against the ACT
- as with SES 1, SES 2 TRP median movement of 6.2 per cent also ranked first in comparison with other individual public service jurisdictions.

### Total Remuneration Package (TRP) Analysis – SES 3

Table B.5 – Median SES 3 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r
2008	1.00	2	1.07	1	0.93	4	0.85	5	0.78	6	0.96	3	0.70	7	n/a	n/a
2007	1.00	2	1.10	1	0.97	3	0.87	5	0.80	6	n/a	n/a	0.72	7	0.95	4

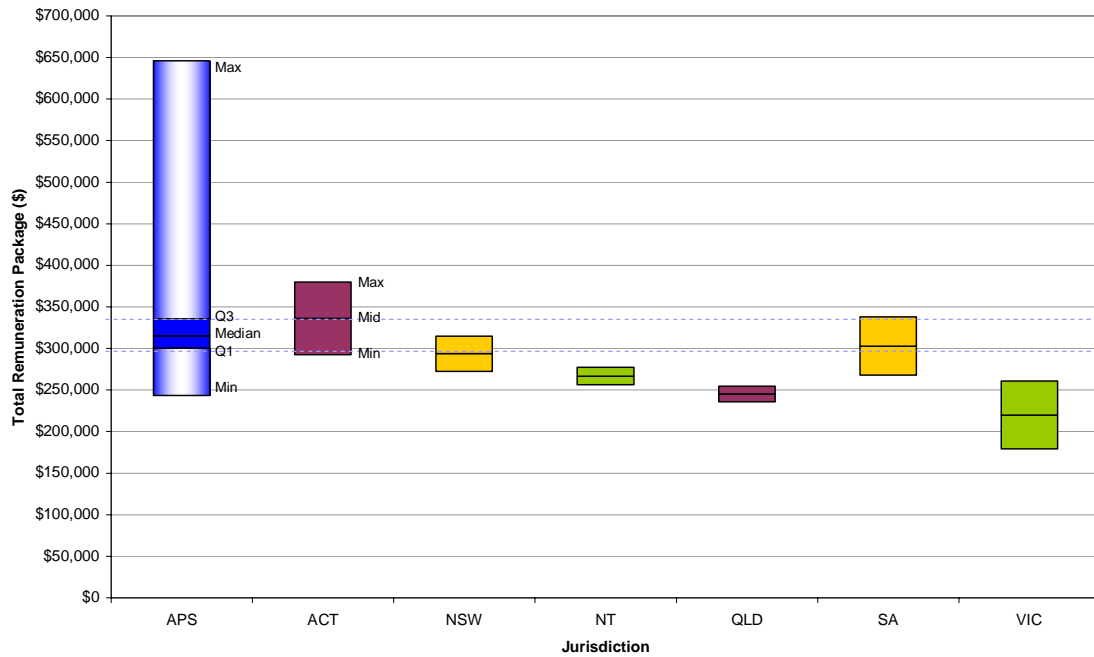
r = ranking cr = comparatio. \*Comparatios reflect APS set at 1.00.

Table B.6 – Median SES 3 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	r	m	r	m	r	m	r	m	r
2008	7.4%	1	4.3%	4	3.2%	6	4.6%	3	4.8%	2	n/a	n/a	3.6%	5	n/a	n/a
2007	6.1%	1	3.6%	5	2.4%	7	3.8%	4	3.5%	6	n/a	n/a	6.1%	2	4.1%	3

r = ranking m = movement.

Chart B.3 – TRP Comparison in 2008 – SES 3



Tables B.5 and B.6, and Chart B.3, show that:

- SES 3 median TRP ranked second behind the ACT by 7 per cent
- SES 3 employees above Q3 receive comparable remuneration to the upper range of the ACT
- The SES 3 TRP between Q1 and Q3 is well positioned against all other jurisdictions
- the SES 3 TRP median movement of 7.4 per cent ranked first across all individual public service jurisdictions.

## Non-SES Remuneration Analysis

### Total Remuneration Package (TRP) Analysis – APS 1

Table B.7 – Median APS 1 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r
2008	1.00	2	0.75	7	1.02	1	0.95	3	0.82	5	0.89	4	0.78	6	n/a	n/a
2007	1.00	2	0.76	8	1.03	1	0.95	3	0.82	6	0.89	4	0.79	7	0.82	5

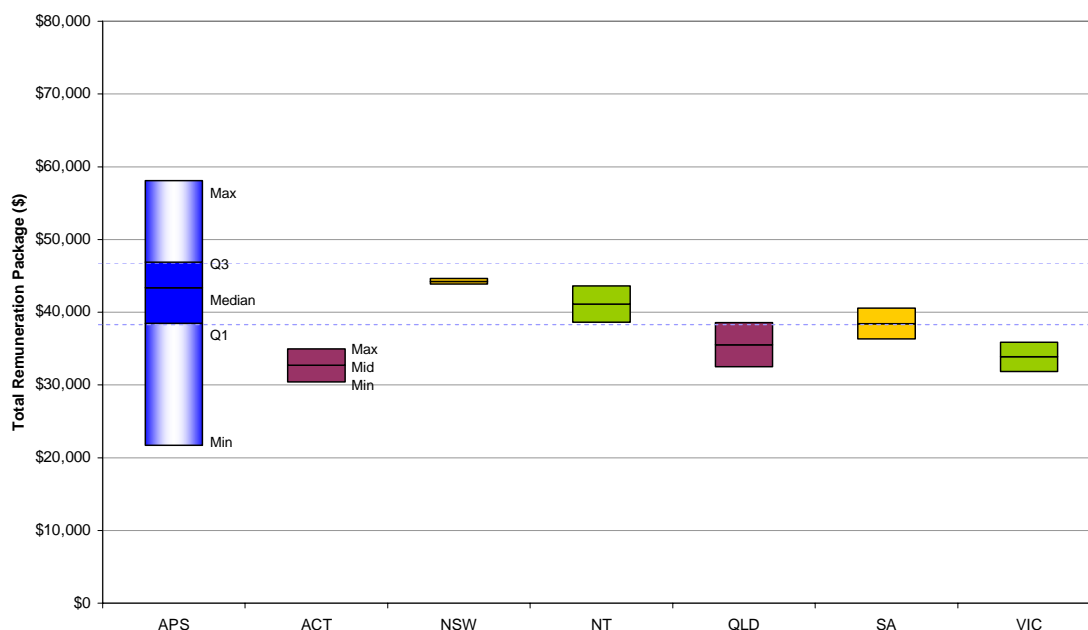
r = ranking cr = comparatio \*Comparatios reflect APS set at 1.00.

Table B.8 – Median APS 1 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	r	m	r	m	r	m	r	m	r
2008	4.5%	2	4.0%	3	4.0%	4	4.0%	5	4.7%	1	3.5%	6	3.0%	7	n/a	n/a
2007	2.3%	8	4.0%	3	4.0%	4	4.0%	5	4.8%	1	3.5%	6	3.0%	7	4.2%	2

r = ranking m = movement

Chart B.4 – TRP Comparison in 2008 – APS 1



Tables B.7 and B.8, and Chart B.4, show that:

- the majority of APS 1 employees are competitively positioned against all individual public service jurisdictions, with the APS 1 median TRP positioned second behind NSW (by 2 per cent)
- the APS 1 median TRP moved by 4.5 per cent, the second highest movement across all jurisdictions. In 2007, the APS had the lowest movement of 2.3 per cent.

### Total Remuneration Package (TRP) Analysis – APS 2

Table B.9 – Median APS 2 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r
2008	1.00	2	0.87	6	1.07	1	0.97	3	0.89	5	0.94	4	0.85	7	n/a	n/a
2007	1.00	3	0.90	6	1.11	1	1.00	2	0.92	5	0.97	4	0.89	7	0.81	8

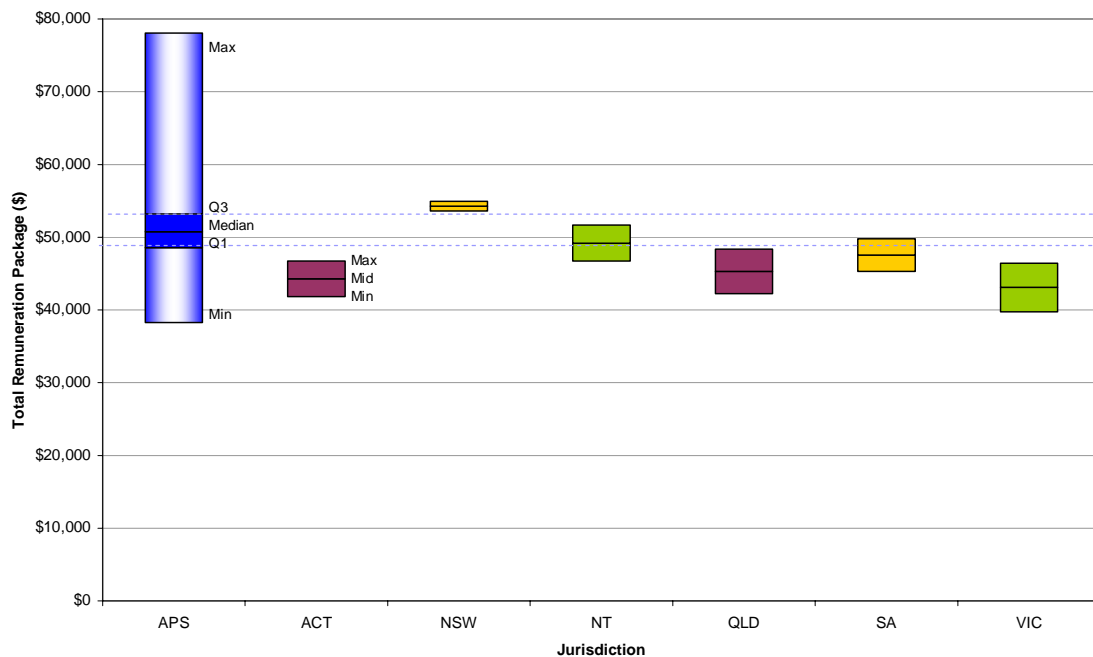
r = ranking cr = comparatio \*Comparatios reflect APS set at 1.00.

Table B.10 – Median APS 2 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	r	m	r	m	r	m	r	m	r
2008	7.7%	1	4.0%	3	4.0%	4	4.0%	5	4.4%	2	3.5%	6	3.0%	7	n/a	n/a
2007	2.1%	8	4.0%	2	4.0%	3	4.0%	4	4.5%	1	3.5%	6	3.0%	7	3.7%	5

r = ranking m = movement

Chart B.5 – TRP Comparison in 2008 – APS 2



Tables B.9 and B.10, and Chart B.5, show that:

- the APS 2 median TRP ranked second behind NSW by 7 per cent
- APS 2 employees between Q1 and Q3 are competitively positioned against all individual public service jurisdictions with the exception of NSW
- the APS 2 TRP above Q3 is competitive with NSW
- the APS 2 annual movement of 7.7 per cent ranked the highest. Compared to 2007, the APS movement of 2.1 per cent ranked the lowest.

### Total Remuneration Package (TRP) Analysis – APS 3

Table B.11 – Median APS 3 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r
2008	1.00	2	0.93	5	1.09	1	0.97	3	0.93	6	0.96	4	0.88	7	n/a	n/a
2007	1.00	2	0.95	5	1.11	1	0.99	3	0.94	6	0.98	4	0.90	7	0.78	8

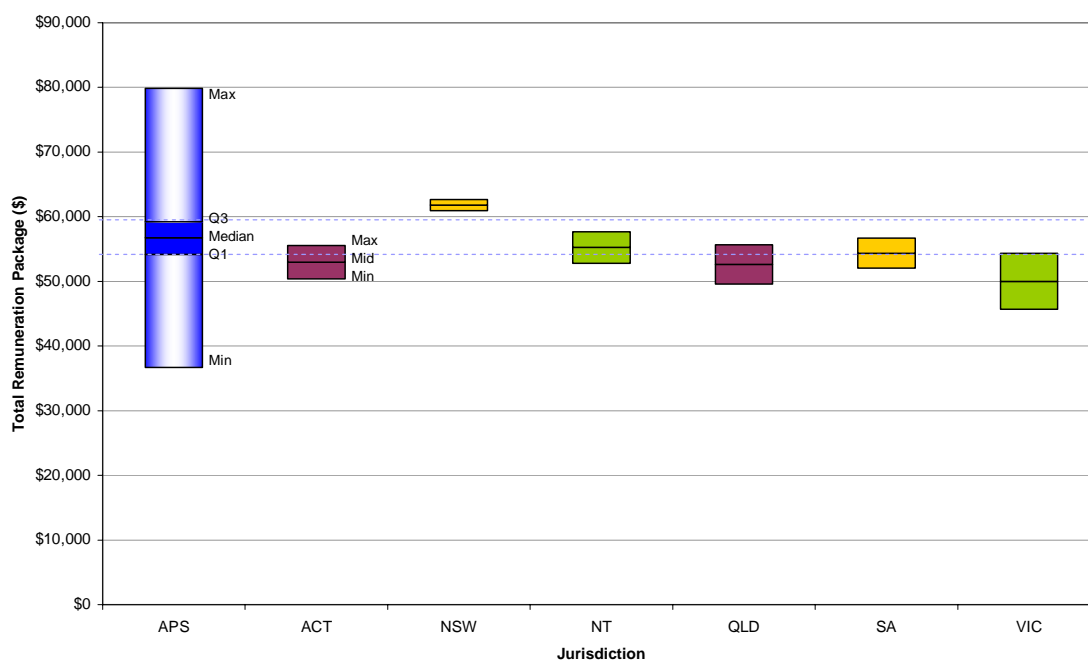
r = ranking cr = comparatio \*Comparatios reflect APS set at 1.00.

Table B.12 – Median APS 3 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	r	m	r	m	r	m	r	m	r
2008	5.7%	1	4.0%	3	4.0%	4	4.0%	5	4.3%	2	3.5%	6	3.0%	7	n/a	n/a
2007	2.5%	8	4.0%	2	4.0%	3	4.0%	4	4.4%	1	3.5%	5	3.0%	7	3.4%	6

r = ranking m = movement

Chart B.6 – TRP Comparison in 2008 – APS 3



Tables B.11 and B.12, and Chart B.6, show that:

- the APS 3 median TRP ranked second, 9 per cent behind NSW
- APS 3 employees between Q1 and Q3 are competitively positioned against all individual public service jurisdictions with the exception of NSW
- the APS 3 TRP above Q3 is competitive with NSW
- the APS 3 movement of 5.7 per cent ranked the highest across all individual public service jurisdictions. In 2007, APS movement of 2.5 per cent was the lowest.

### Total Remuneration Package (TRP) Analysis – APS 4

Table B.13 – Median APS 4 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r
2008	1.00	2	0.97	3	1.09	1	0.96	4	0.94	6	0.96	5	0.89	7	n/a	n/a
2007	1.00	2	0.97	3	1.10	1	0.97	5	0.95	6	0.97	4	0.91	7	0.74	8

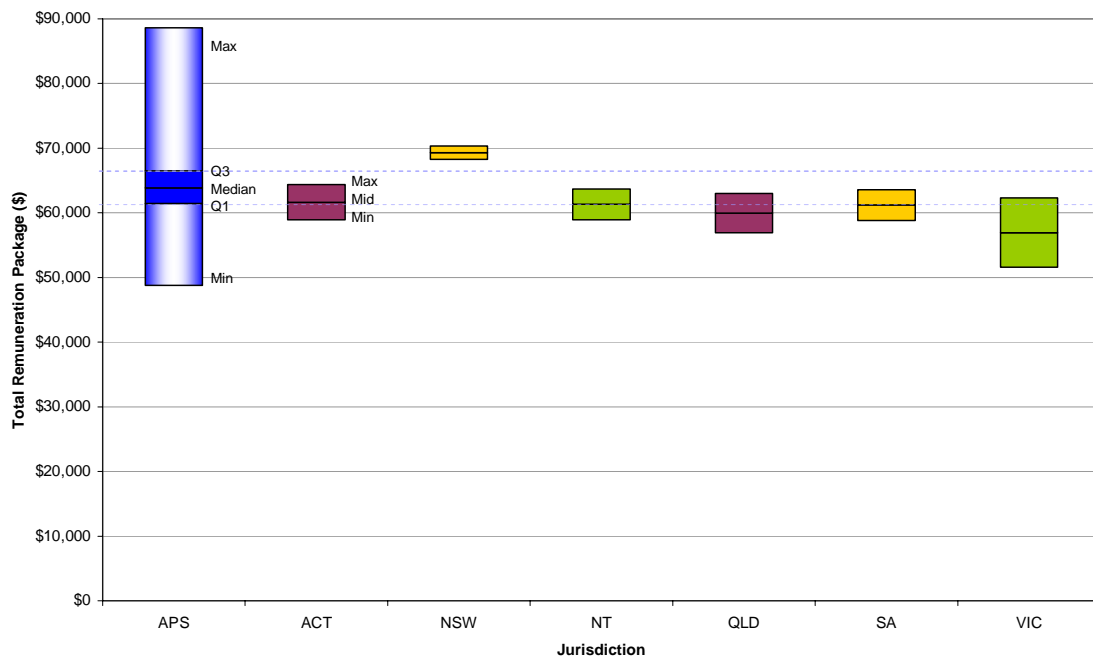
r = ranking cr = comparatio \*Comparatios reflect APS set at 1.00.

Table B.14 – Median APS 4 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	r	m	r	m	r	m	r	m	r
2008	5.0%	1	4.0%	3	4.0%	4	4.0%	5	4.2%	2	3.5%	6	3.0%	7	n/a	n/a
2007	4.1%	2	4.0%	3	4.0%	4	4.0%	5	4.3%	1	3.5%	6	3.0%	8	3.2%	7

r = ranking m = movement

Chart B.7 – TRP Comparison in 2008 – APS 4



Tables B.13 and B.14, and Chart B.7, show that:

- as in 2007, the APS 4 median TRP ranked second, 9 per cent behind NSW
- APS 4 employees between Q1 and Q3 are competitively positioned against all individual public service jurisdictions with the exception of NSW
- the APS 4 TRP above Q3 is competitive with NSW
- the APS 4 annual movement of 5.0 per cent ranked first across all individual public service jurisdictions, compared with being second ranked in 2007 (at 4.1 per cent).

### Total Remuneration Package (TRP) Analysis – APS 5

Table B.15 – Median APS 5 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r
2008	1.00	3	1.01	2	1.10	1	0.97	6	0.97	5	0.98	4	0.92	7	n/a	n/a
2007	1.00	3	1.01	2	1.10	1	0.96	5	0.96	6	0.98	4	0.92	7	0.72	8

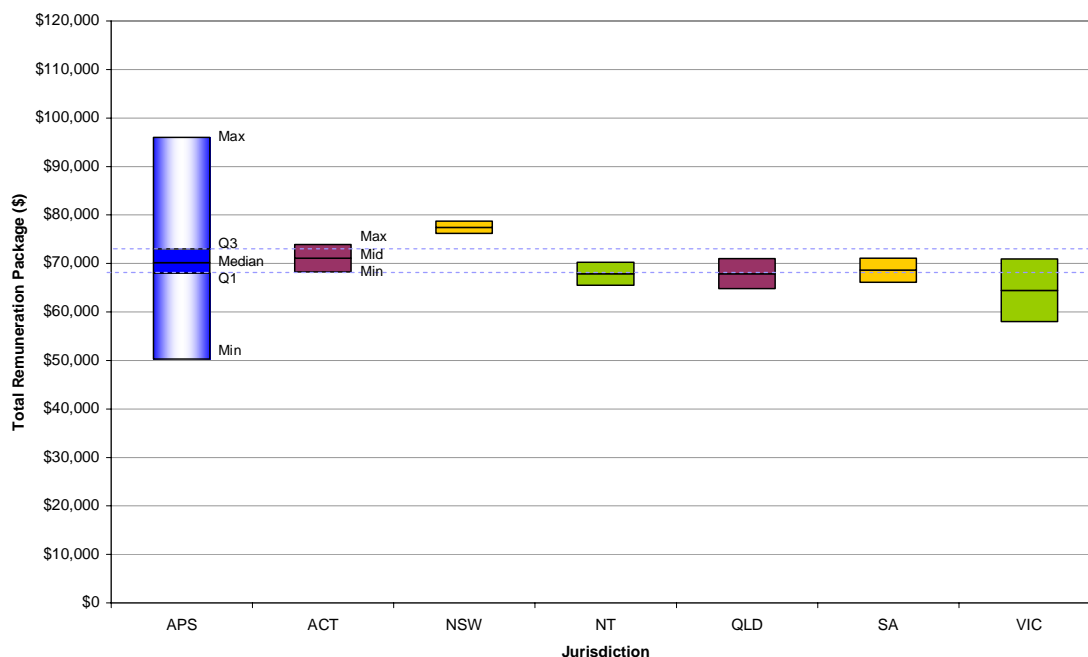
r = ranking cr = comparatio \*Comparatios reflect APS set at 1.00.

Table B.16 – Median APS 5 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	r	m	r	m	r	m	r	m	r
2008	3.6%	5	4.0%	2	4.0%	3	4.0%	4	4.1%	1	3.5%	6	3.0%	7	n/a	n/a
2007	4.6%	1	4.0%	3	4.0%	4	4.0%	5	4.2%	2	3.5%	6	3.0%	7	2.9%	8

r = ranking m = movement

Chart B.8 – TRP Comparison in 2008 – APS 5



Tables B.15 and B.16, and Chart B.8, show that:

- the APS 5 median TRP ranked third, behind NSW (by 10 per cent) and the ACT (by 1 per cent)
- APS 5 employees between Q1 and Q3 are well positioned against all individual public service jurisdictions with the exception of NSW
- APS 5 TRP above Q3 is competitive with NSW
- the APS TRP movement of 3.6 per cent was ranked fifth, compared to the 2007 movement of 4.6 per cent which was the highest across jurisdictions.

### Total Remuneration Package (TRP) Analysis – APS 6

Table B.17 – Median APS 6 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r
2008	1.00	3	1.01	2	1.07	1	0.93	6	0.95	5	0.95	4	0.90	7	n/a	n/a
2007	1.00	3	1.00	2	1.07	1	0.93	6	0.94	5	0.95	4	0.90	7	0.67	8

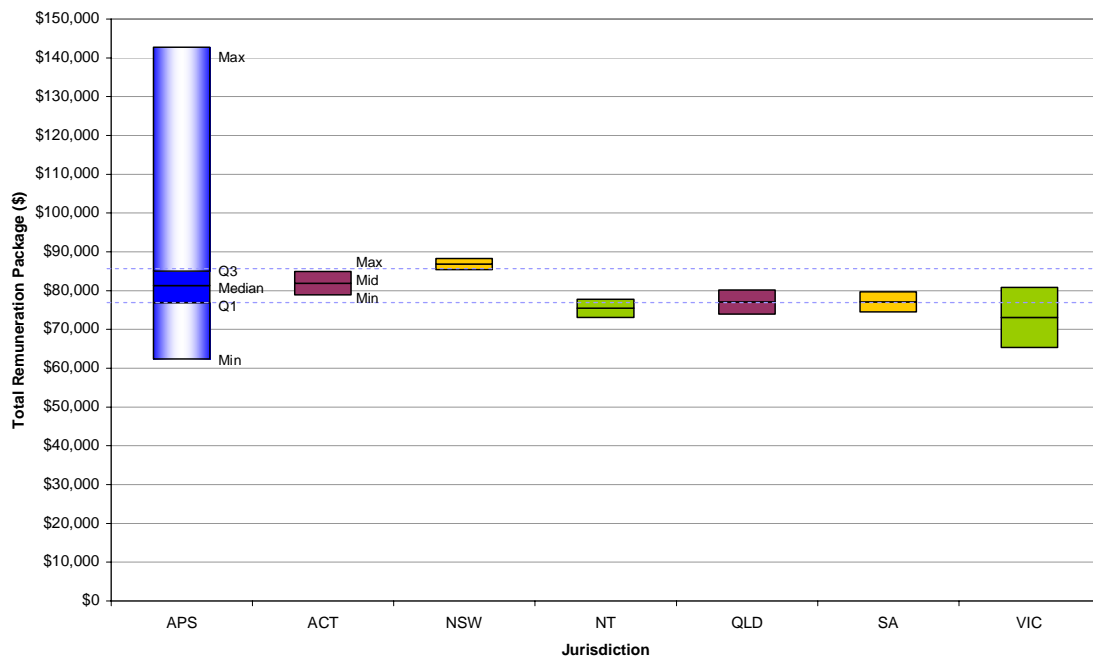
r = ranking cr = comparison \*Comparatios reflect APS set at 1.00.

Table B.18 – Median APS 6 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	r	m	r	m	r	m	r	m	R
2008	3.7%	5	4.0%	2	4.0%	3	4.0%	4	4.1%	1	3.5%	6	3.0%	7	n/a	n/a
2007	3.8%	5	4.0%	2	4.0%	3	4.0%	4	4.1%	1	3.5%	6	3.0%	7	2.7%	8

r = ranking m = movement

Chart B.9 – TRP Comparison in 2008- APS 6



Tables B.17 and B.18, and Chart B.9, show that:

- the APS median TRP ranked third behind NSW (by 7 per cent) and the ACT (by 1 per cent)
- APS 6 employees between Q1 and the median are well positioned against all individual public service jurisdictions, except for NSW
- APS 6 TRP above Q3 is competitive with NSW
- the annual movement of 3.7 per cent is the fifth highest across all public sector jurisdictions. In 2007, the annual movement of 3.8 per cent was also ranked fifth.

### Total Remuneration Package (TRP) Analysis – EL 1

Table B.19 – Median EL 1 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r
2008	1.00	1	0.90	3	0.94	2	0.81	6	0.84	4	0.83	5	0.80	7	n/a	n/a
2007	1.00	1	0.91	3	0.94	2	0.81	6	0.84	4	0.84	5	0.81	7	0.58	8

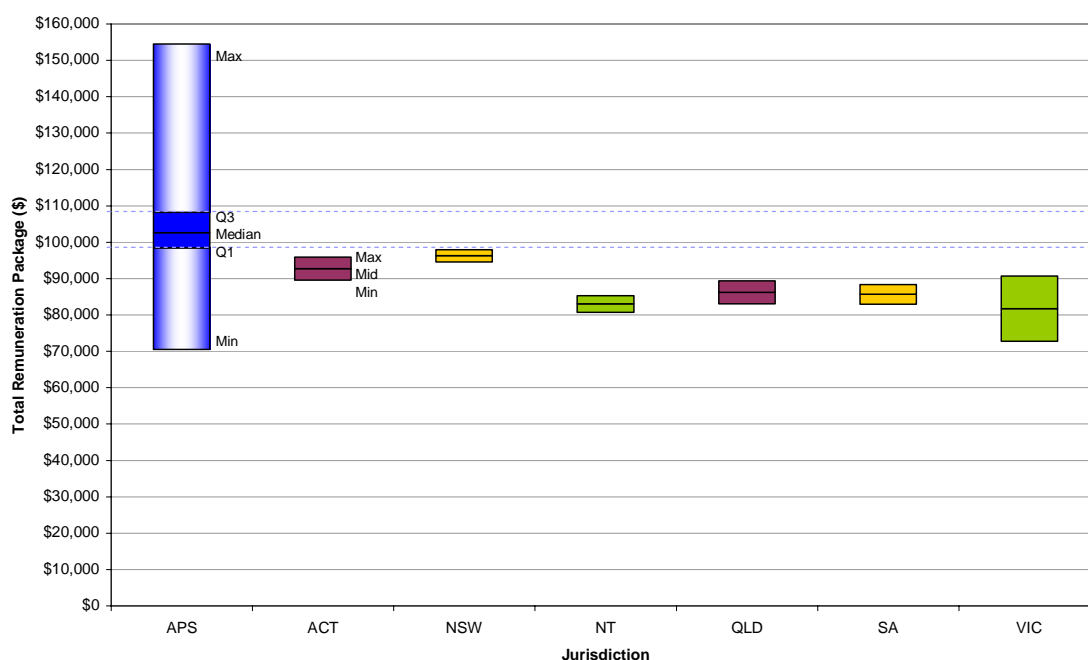
r = ranking cr = comparatio \*Comparatios reflect APS set at 1.00.

Table B.20 – Median EL 1 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	r	m	r	m	r	m	r	m	r
2008	4.5%	1	4.0%	3	4.0%	4	4.0%	5	4.0%	2	3.5%	6	3.0%	7	n/a	n/a
2007	4.7%	1	4.0%	3	4.0%	4	4.0%	5	4.0%	2	3.5%	6	3.0%	7	2.5%	8

r = ranking m = movement

Chart B.10 – TRP Comparison in 2008 – EL 1



Tables B.19 and B.20, and Chart B.10, show that:

- the EL 1 median TRP ranked first, ahead of NSW and the ACT by 6 per cent and 10 per cent respectively
- EL 1 employees above Q1 have a higher TRP than the maximum of any other individual public service jurisdiction
- the EL 1 TRP median movement of 4.5 per cent ranked highest across all individual public service jurisdictions. This was similar to 2007 where the TRP movement of 4.7 per cent also ranked first.

### Total Remuneration Package (TRP) Analysis – EL 2

Table B.21 – Median EL 2 TRP Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r	cr	r
2008	1.00	1	0.84	3	0.85	2	0.73	7	0.77	4	0.76	5	0.73	6	n/a	n/a
2007	1.00	1	0.85	3	0.86	2	0.74	7	0.78	4	0.77	5	0.74	6	0.51	8

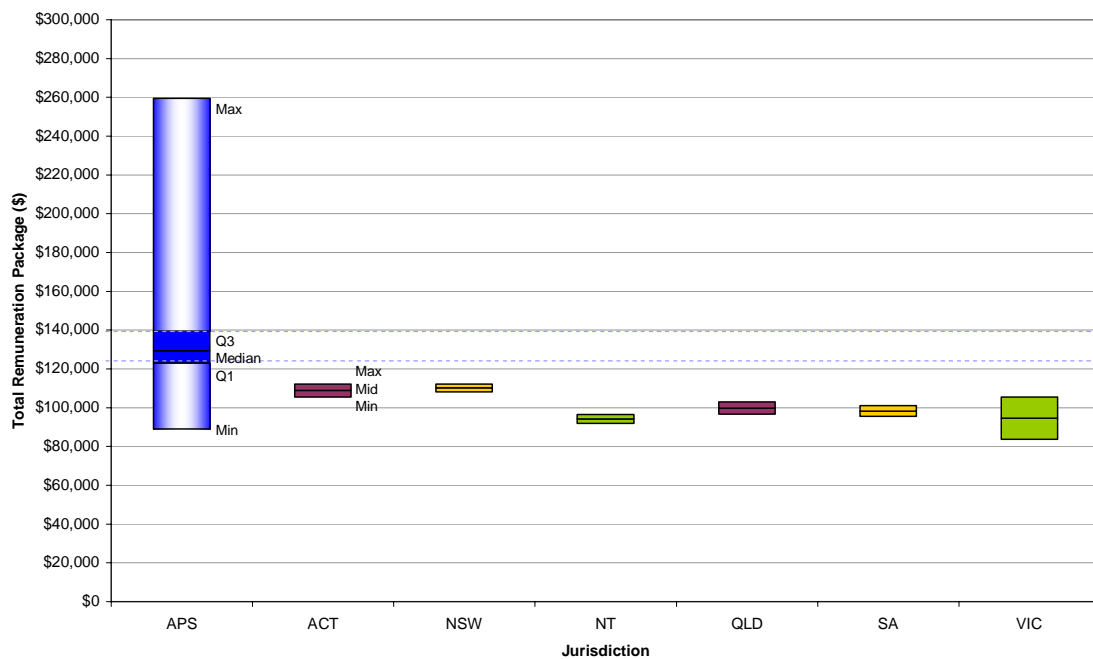
r = ranking cr = comparatio \*Comparatios reflect APS set at 1.00.

Table B.22 – Median EL 2 TRP Movement Comparisons with Individual Public Service Jurisdictions

	APS		ACT		NSW		NT		QLD		SA		VIC		WA	
	m	r	m	r	m	r	m	r	m	r	m	r	m	r	m	r
2008	4.9%	1	4.0%	2	4.0%	3	4.0%	4	3.9%	5	3.5%	6	3.0%	7	n/a	n/a
2007	4.6%	1	4.0%	2	4.0%	3	4.0%	4	3.9%	5	3.5%	6	3.0%	7	2.2%	8

r = ranking m = movement

Chart B.11 – TRP Comparison in 2008 – EL 2



Tables B.21 and B.22, and Chart B.11, show that:

- the EL 2 median TRP ranked first, ahead of NSW and the ACT by 15 per cent and 16 per cent respectively
- EL 2 employees above Q1 are very competitively positioned, with Q1 TRP exceeding the maximum of any other individual public service jurisdiction
- the EL 2 TRP median movement of 4.9 per cent ranked the highest across all individual public service jurisdictions. This was similar to 2007 where the TRP movement of 4.6 per cent also ranked first.

Appendix C

## Overview of Remuneration Practices in the Private Sector

The following section provides an overview of remuneration strategies, practices and policies observed in private sector organisations, including:

- a total remuneration approach, which incorporates salary packaging
- superannuation
- motor vehicles
- incentives.

Information sources for the analysis in this section include Mercer's *Australian Benefits Review 2008*, as well as analyses from Mercer's proprietary Job Evaluation and Remuneration database.

### Total Remuneration Approach

A total remuneration approach is where an organisation calculates the remuneration costs associated with employing an individual over and above Base Salary. Calculating total employment cost (TRP as defined in the APS Remuneration Survey) enables the organisation and its employees to understand the full value of remuneration and make valid remuneration comparisons between jobs of a similar size.

The following points provide key trends in relation to a total remuneration approach in the private sector:

- the percentage of agencies using a remuneration package approach dropped marginally from where it was over the last four years (at around 70 per cent) to 66 per cent
- remuneration packaging is more commonly used for senior executives than any other staff category, a trend also seen in previous years
- the most common remuneration packaged items across all employee categories are laptops and personal digital assistants (PDAs), company vehicles, car parking, employer superannuation contributions (over and above the Superannuation Guarantee Contribution)
- 75 per cent of agencies who use a remuneration package approach provide their senior executive employees with the flexibility to choose the make up of their package. This reduces to 71 per cent at the management level, 66 per cent at the technical/professional level and 60 per cent at the operations/support level

- the opportunity for employees to vary their package is primarily in the areas of superannuation and company vehicles. However, around 15 per cent to 19 per cent of agencies extend this flexibility to all benefits provided to different levels of staff
- at least 35 per cent of agencies surveyed require employees to take a minimum percentage of their remuneration package in cash, which is typically determined as a percentage of the employees' package or according to the relevant award, enterprise agreement or individual contract.

## Superannuation

Superannuation continues to be an important part of the TRP approach adopted by the APS. However, as Table C.1 shows, the worth of superannuation as a benefit in the private sector is comparatively lower and contributions are generally more aligned with the Superannuation Guarantee Contribution (SGC) legislation.

Table C.1 - APS Superannuation Compared with the Private Sector Equivalent

	APS Median	Private Sector Median
APS 1 – 3	\$7,025	\$4,150
APS 4 – 6	\$9,550	\$6,715
EL 1 – 2	\$15,213	\$10,812
SES 1	\$23,485	\$13,586
SES 2	\$42,128	\$19,575
SES 3	\$56,929	\$21,257

Key points in relation to superannuation are as follows:

- the incidence of agencies currently making superannuation contributions above the SGC rate for all employees is 22 per cent and, for certain employees, 31 per cent of organisations, with 47 per cent of agencies not contributing above the 9 per cent SGC rate
- the incidence of defined contribution funds has stayed relatively stable in the last four years with over 80 per cent of agencies offering a defined contribution fund as the principal default fund to their employees in 2008
- industry funds continue to be more common for operations/support employees than for other staff, with 30 per cent of agencies using such funds as the default option for this group
- for employees who took their option to exercise 'choice of fund', just over a quarter of agencies allow these employees to continue to access life and disability insurance in the default fund
- it is not common (only 12 per cent to 13 per cent) for agencies to make employer contributions to superannuation, dependent on the amount of employee contribution.
- around 82 per cent of agencies surveyed reported that employee contributions to the defined contribution superannuation fund were completely flexible and employees could select any amount to contribute themselves
- approximately 53 per cent of agencies surveyed allowed all employees the choice to make employee superannuation contributions from either pre-tax or post-tax remuneration.

## Motor Vehicles

Company vehicles are a traditional feature of remuneration in Australia in the private sector. The continued popularity of the company car (see Table C.2 below) reflects its relative cost effectiveness as a remuneration component (i.e. under the current FBT regime, benefit cars are valued concessionally for the purposes of FBT).

Table C.2 – Vehicle Provision in the Private Sector

Vehicle Type	Senior Exec	Mgmt	Tech/Prof	Ops/Support
Company provided benefit vehicle	54%	44%	36%	20%
Novated lease benefit vehicle	66%	69%	64%	48%
Job facility vehicle	16%	25%	42%	45%
Car allowance	55%	55%	46%	24%

Note: Percentages may add to more than 100 per cent, as each method was not mutually exclusive

The following points are made regarding motor vehicle practices in the private sector:

- 73 per cent of agencies surveyed provide company benefit vehicles and/or novated lease benefit vehicles to employees
- novated leases continue to be a popular option for employers, with around half of all agencies offering the benefit to all employees
- car allowances are provided by around half of the agencies surveyed, most commonly to senior executives, managers and employees in technical and professional roles
- a greater choice in selecting the make and model of a tool-of-trade vehicle is available to employees selecting tool-of-trade vehicles. The majority of agencies permit private use of these vehicles
- job facility vehicles are more likely to be available for technical/professional and operations/support staff (42 per cent to 45 per cent of organisations), compared to 16 per cent and 25 per cent of agencies providing job facility vehicles to senior executives and management respectively
- operations/support staff remain the group least likely to be provided with a company benefit vehicle or car allowance
- In 2008, between 45 per cent and 58 per cent of agencies did not impose any restrictions on the benefit vehicle type, depending on the employee group. Sales representatives remain the group most likely to be restricted to a specified make and model of benefit vehicle
- the most predominant method of financing benefit vehicles for all employee groups is a novated lease (55 per cent of organisations), a method that has been increasing in popularity. Prior to 2001, the most popular form of financing benefit vehicles was an operating lease maintained by the employer
- many agencies (40 per cent to 52 per cent) providing benefit vehicles allocate the cost to the employee at all staff levels. Typically this is done by calculating the actual annual cost of the vehicle including all running, maintenance and associated costs.

Table C.3 overleaf shows market data relating to typical annual car allowance rates.

Table C.3 – Vehicle Typical Annual Car Allowance Rates in the Private Sector

N=42-116	\$ Annual Allowance			
	Q1	Median	Q3	Average
Senior Executives	\$21,850	\$25,000	\$34,575	\$28,855
Management	\$18,000	\$20,000	\$24,000	\$20,611
Technical/Professional	\$15,125	\$18,000	\$20,000	\$16,761
Operations/Support	\$11,250	\$15,750	\$18,000	\$14,104
Sales	\$15,000	\$17,472	\$19,950	\$16,791

### Summary of Benefit Provision

Tables C.4 to C.9 present an analysis of actual private sector benefits and bonus payments for SES and non-SES equivalent positions. The benefits included are motor vehicles, car allowances, superannuation and actual bonuses.

In relation to the private sector data, please note:

- data is effective as at December 2008
- motor vehicle costs are based on the purchase price provided and are devised using the Mercer Car Formula. The formula was applied with the same assumptions as those applied to the APS Remuneration Survey
- car allowance values include actual *allowances*, as well as salary-sacrificed amounts to fund a motor vehicle's leasing and running costs
- actual bonus paid only includes zeros if the individual was noted as eligible for a bonus, but no bonus was given
- actual APS data for APS employees have been provided in the applicable table for comparison purposes
- some categories (at the lower classification) are not well populated in Mercer's private sector database, as detailed in the 'n' field.

Table C.4 – Benefit Provision in the Private Sector in 2008 for APS 1 to APS 3 Equivalent

	Q1	Median	Q3	Mean	n	APS 1	APS 2	APS 3
						Med	Med	Med
Motor Vehicle Cost	\$10,405	\$14,646	\$15,561	\$14,519	517	--	--	--
Car Allowance	\$12,500	\$16,000	\$19,575	\$15,641	110	--	--	--
Superannuation	\$3,600	\$4,150	\$5,168	\$4,588	21,409	\$5,629	\$6,650	\$7,372
Actual Bonus	\$1,212	\$2,358	\$3,995	\$3,530	7,227	\$500	\$0	\$0

Table C.5 – Benefit Provision in the Private Sector in 2008 for APS 4 to APS 6 Equivalent

	Q1	Median	Q3	Mean	n	APS 4	APS 5	APS 6
						Med	Med	Med
Motor Vehicle Cost	\$12,151	\$13,818	\$17,517	\$14,951	2,724	--	--	--
Car Allowance	\$15,000	\$17,800	\$19,900	\$17,213	3,276	--	--	--
Superannuation	\$5,200	\$6,715	\$8,335	\$7,146	35,485	\$8,411	\$9,286	\$10,661
Actual Bonus	\$3,022	\$5,644	\$10,800	\$10,849	16,283	\$1,148	\$2,000	\$2,871

Table C.6 – Benefit Provision in the Private Sector in 2008 for EL 1 and EL 2 Equivalent

	Q1	Median	Q3	Average	n	APS EL 1 Median	APS EL 2 Median
Motor Vehicle Cost	\$12,000	\$15,187	\$18,126	\$16,096	998	\$23,555	\$21,000
Car Allowance	\$15,000	\$19,326	\$21,700	\$18,812	2,121	\$11,638	\$22,000
Superannuation	\$8,982	\$10,812	\$13,119	\$11,503	13,104	\$13,642	\$17,064
Actual Bonus	\$6,482	\$11,985	\$21,965	\$21,306	8,608	\$3,800	\$5,403

Table C.7 – Benefit Provision in the Private Sector in 2008 for SES 1 Equivalent

	Q1	Median	Q3	Average	n	APS SES 1 Median
Motor Vehicle Cost	\$14,969	\$19,157	\$21,468	\$19,434	306	\$23,625
Car Allowance	\$18,000	\$23,300	\$27,780	\$24,177	510	\$22,856
Superannuation	\$11,416	\$13,586	\$17,096	\$15,204	4,356	\$23,485
Actual Bonus	\$14,571	\$27,441	\$48,156	\$40,289	2,386	\$8,004

Table C.8 – Benefit Provision in the Private Sector in 2008 for SES 2 Equivalent

	Q1	Median	Q3	Average	n	APS SES 2 Median
Motor Vehicle Cost	\$19,286	\$24,555	\$30,667	\$25,327	67	\$24,500
Car Allowance	\$20,750	\$26,210	\$35,802	\$29,996	109	\$24,920
Superannuation	\$16,265	\$19,575	\$25,192	\$23,577	916	\$42,128
Actual Bonus	\$23,277	\$50,087	\$94,421	\$77,137	561	\$12,600

Table C.9 – Benefit Provision in the Private Sector in 2008 for SES 3 Equivalent

	Q1	Median	Q3	Average	n	APS SES 3 Median
Motor Vehicle Cost	\$26,038	\$34,556	\$40,907	\$34,204	12	\$25,000
Car Allowance	\$23,300	\$27,450	\$43,000	\$32,155	21	\$25,727
Superannuation	\$13,129	\$21,257	\$36,142	\$30,511	120	\$56,929
Actual Bonus	\$45,693	\$79,950	\$134,448	\$125,420	105	\$15,564

As can be seen from Tables C.4 to C.9:

- median superannuation is significantly higher across all APS classifications
- median bonuses across all APS classifications are significantly lower than the median private sector bonuses
- median vehicle costs (reflecting situations where an actual vehicle is provided to an employee) in the private sector are lower in comparison to car allowances, but have increased from EL 1 onwards since 2007. Mercer reports that an increasing proportion of agencies have adopted a budget approach (i.e. car allowance value), or have not separately identified a vehicle cost, as remuneration is managed by a TRP approach.

## Incentive Practices in the Private Sector

Variable reward (i.e. short-term and long-term incentives) has long been an integral part of reward strategy in the private sector, given that it is a valuable tool in driving both individual performance and organisational outcomes.

In the private sector, variable reward can be used to recognise and reinforce the behaviours and attitudes desired by the organisation in order to underpin a strong culture and support the business strategy. In addition, variable reward is used to reward the achievement of activities and accountabilities considered necessary to fulfil the organisation's business strategy.

The survey data highlights that although many APS agencies incorporate performance bonuses into an employee's TR, the incidence of performance bonuses for non-SES classifications below APS 5 is low. Nevertheless, this does reflect a move toward a high performance culture through rewarding employee performance. Similarly, Mercer's *Australian Benefits Review 2008* reports that, of those private sector agencies with an incentive plan in operation, only 40 per cent enforce a waiting period before new employees gain entry into that plan.

In 2008, the levels of performance bonuses received by SES employees as a proportion of TRP are shown in Table C.10. Non-SES performance bonus proportions have not been included as the majority of non-SES employees did not receive a performance bonus in 2008.

Table C.10 – Average Performance Bonus Payments as a Percentage of TRP in the APS and the Private Sector\*

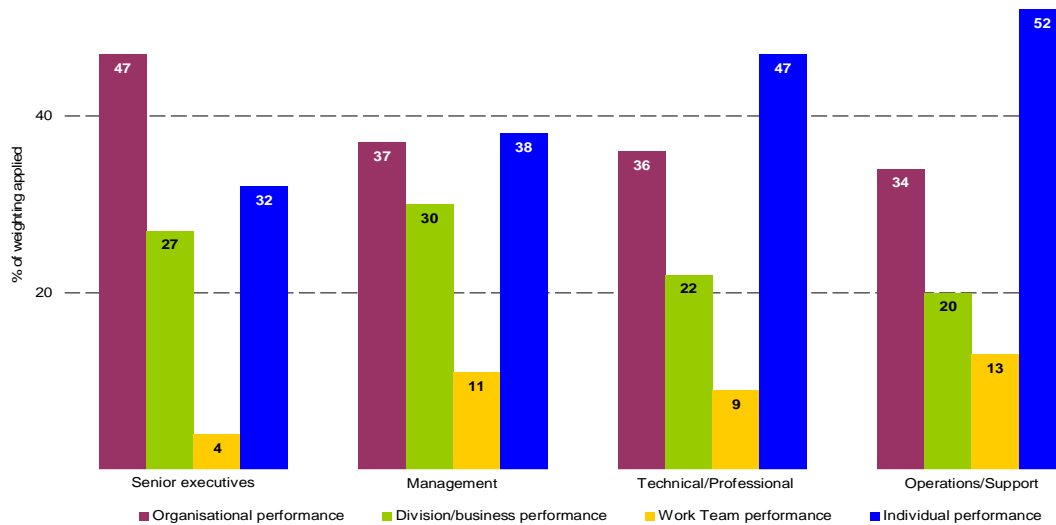
Classification	APS Average Bonus %	Private Sector Average Bonus %
SES 1	4.4%	13%
SES 2	5.1%	21%
SES 3	5.0%	31%

\*Based on Mercer's *Remuneration Forum* (March 2009 covering calendar year 2008)

Whilst Table C.10 illustrates only a small difference between performance bonuses (as a percentage of TRP) between SES 1 and SES 3, in the private sector incentive payments generally increase on a proportional basis with the employee's classification level. As can be seen in Table C.9, actual incentive payments in 2008 in the private sector were significantly higher than the APS SES. Depending on the size of the organisation, average incentive payments ranged from ~13 per cent for senior managers up to 31 per cent for CEOs, with target levels being in the range 16 per cent to 36 per cent respectively. Maximum payment levels are roughly twice the on-target level.

Chart C.1 overleaf shows average weightings applied when measuring performance outcomes for different employee categories. Here we see the focus change from organisational performance for senior executives to a greater weighting on individual performance expected from operational/support employees.

Chart C.1 – Average Weightings when measuring Performance Outcomes



In relation to private sector incentives:

- the majority of agencies (69 per cent) in the survey group will budget for a minimum short-term incentive pool, regardless of business performance
- the majority of agencies surveyed (between 66 per cent and 73 per cent, depending upon employee group) place a cap on short-term incentive payments to employees. This cap is typically expressed as a percentage of the employee's remuneration, although a set dollar value and a percentage of the plan's funds are also used
- consistent with the APS, all private sector agencies surveyed pay bonuses in cash, while the practice of offering rewards in the form of a superannuation top-up or shares has increased from last year (38 per cent, up from 29 per cent)
- the majority of agencies (66 per cent to 74 per cent) use measured performance outcomes and/or performance against set criteria as the process to determine incentive payment amounts, a slightly lower proportion than was seen in previous years.

Table C.11 highlights the most commonly used measures to assess performance for senior executives, according to Mercer's *Australian Benefits Review 2008*.

Table C.11 – Most Commonly Used Performance Measures to assess Private Sector Executive Performance

Performance Measure	% of Organisations
Profit	65%
Revenue	46%
Cost Control	26%
Productivity	28%
Sales	37%
Customer Satisfaction	25%
Service levels	24%
OH&S Measures	14%
Market Share	15%
Employee training and development	9%
Work in progress	7%
Absenteeism	4%
Share price growth	5%
Total shareholder reward	6%
Earnings per share	4%



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