

PAY INCREASES IN APS AGENCIES

APRIL 2001 REPORT

This report provides an overview of general pay increases that have been occurring in Australian Public Service (APS) agencies over the last 4 years, since the introduction of agency level bargaining in May 1997.

This is the second report to be produced. The first report prepared in June 2000 arose out of discussions at the Secretary's APS Round Table in December 1999, where interest was shown in capturing the pay increases occurring in agencies, some of which are not taken into account in published information, eg. regular bonus payments.

BACKGROUND

The last APS-wide pay increase was in October 1996. In May 1997 the Government issued the *Policy Parameters for Agreement Making in the APS*, which set out the framework for bargaining in the APS, these Parameters were revised in April 2000. Under the Government's approach, responsibility for determining terms and conditions of employment was devolved to agencies. This meant that future pay increases would be determined at the agency level and there would be no further Service-wide pay increases. The Parameters require improvements in pay and conditions to be linked to productivity gains.

There is no cap on pay increases an agency may agree to. However increases must be funded from within agency appropriations and there is no supplementation for agreement increases. Any increase should not result in either increased prices or reduced quality of services.

Appropriations are determined in the Budget context and include an adjustment factor based on safety net wage increases granted by the Australian Industrial Relations Commission. There is no direct link between this adjustment and the pay increases an agency may grant. Agencies are also subject to an efficiency dividend each year.

To-date the Department of Employment, Workplace Relations and Small Business (DEWRSB) has been reporting on APS pay increases using the same methodology as that developed for pay increases occurring under certified agreements in the community generally. This is the Average Annualised Wage Increase (AAWI), where pay increases in the agency are divided by the nominal duration of an agreement.

ABOUT THE DATA

The data used in this report is based on the percentage pay increases generally available to staff in an agency. It does not reflect differing approaches to specialist groups (eg lawyers) or one classification that may have received a different pay outcome (eg some EL2's). It only analyses percentage increases identified as being paid generally to employees, not actual dollar amounts.

It is aimed at providing an indication of the movement in salaries across the APS since the introduction of decentralised pay arrangements in 1997. As agencies start from common pay rates (the October 1996 rates) the percentage movements since that time provide a good indication of differences in actual pay now operating. In other words, if the percentages for an agency are applied to the October 1996 pay rates, this should provide a reasonable indication of the rates currently being paid.

The data is based on information provided by agencies in response to a pro-forma sent out in January 2001. It covers a total of 95 agency agreements in the APS covering around 111,000 employees. Where agencies chose not to respond to the request (about 18 agencies), data has been entered based on publicly available information (ie Certified Agreements). Agencies are not identified in the data, but instead have been given an individual number (1-95) and participating agencies have been advised of their own number. It should be noted that agency numbers as listed in this report do not necessarily correspond to those numbers allocated in the previous report.

In addition to reflecting general pay rises, the percentages may include other increases such as those due to moving to new pay points (eg on translation to the APS Classification structure) or lump sum bonuses where these are paid to most staff and are ongoing (eg annual lump sum bonus based on achieving effective performance); payments such as 'sign on' bonuses are excluded.

The increases in an agency have been compounded year to year (but not within a year).

The report covers all APS agencies and parliamentary departments.

Where data is to end-2000, this covers pay increases with a date of effect on or before 31 December 2000. Agreements certified up to 2 March 2001 have been included in the year 2000 and beyond figures.

In reading the data it should be noted that percentage figures display only one decimal point, with the figures rounded up or down to the nearest number. However, the background data remains the same so that where calculations are performed the original data is used and the final calculation is then rounded up or down.

THE REPORT

The report presents the data in four ways. The first 3 findings are presented on a Service-wide basis, with the fourth being an individual report provided to agencies.

1. **Annual increases** where increases have been committed to by agencies:

- ?? average annual increases for the period October 1996 to end-2000;
- ?? year by year (quartile and average).

These figures provide an alternative to address the limitations in the calculation of the current published figure - AAWI (Average Annualised Wage Increase), which is based on date of certification (or the first pay increase if this is earlier) and nominal expiry date of the Certified Agreement and therefore ignores any delays between the expiry of the previous agreement and the certification of the replacement agreement (in practical terms, this means that the AAWI figures over state the actual average annual wage increase).

2. The **total increase to end 2000** which totals the percentage increases from October 1996 to December 2000:

- ?? this provides a broad snapshot of where agencies have moved to so far; and
- ?? is a good indicator of the dispersion in rates between agencies.

The graphs also show the **total agency increases** for each agency, i.e. the cumulative increases, including future pay rises where these are contained in an agreement.

3. **Pay rises, based on the size of agencies**

This examines whether there is any correlation between agency size and pay outcomes.

4. **Agency-specific reports**, that provide each agency with an individual report on their data for the first 2 matters above, and that agency's ranking compared to other agencies.

1. ANNUAL INCREASES

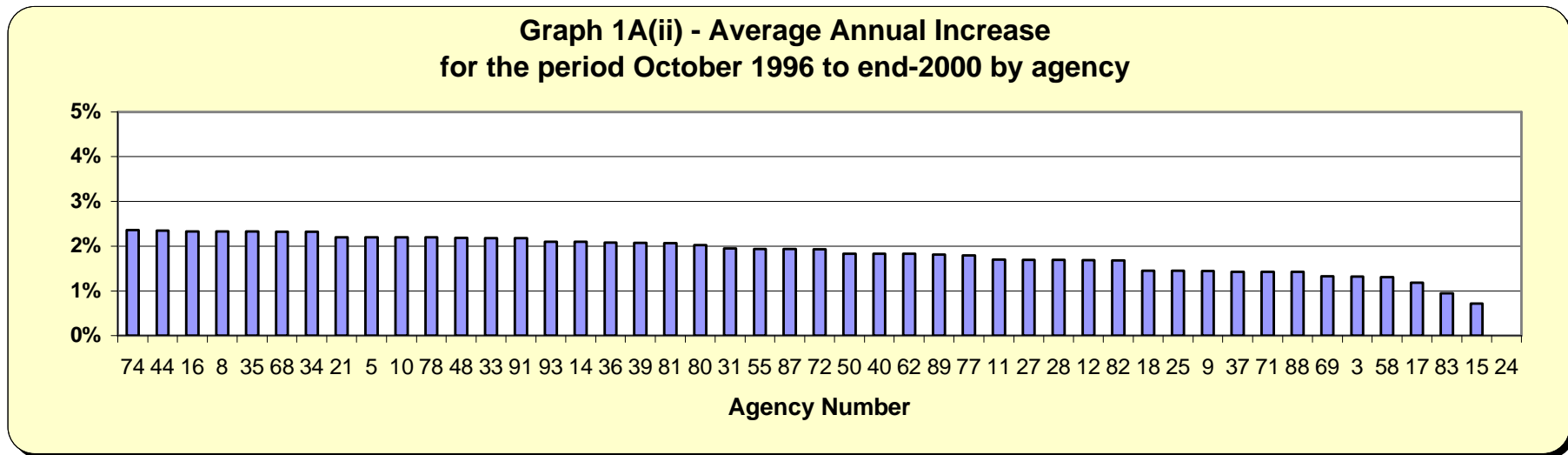
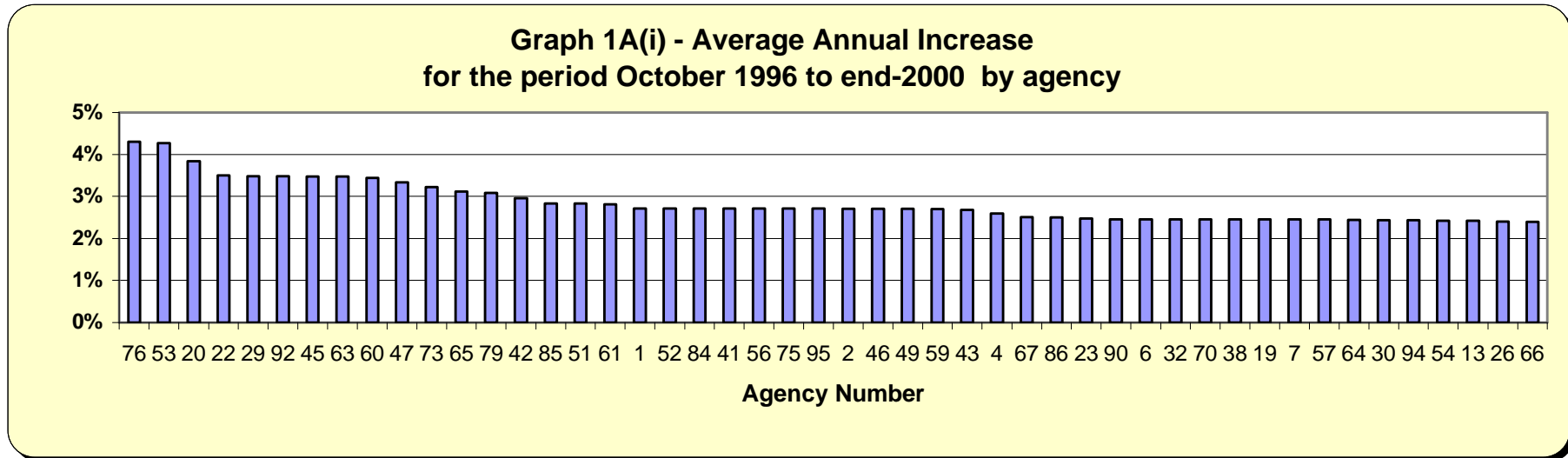
Average Annual Increase

- ?? The **average annual increase since 1996 to the end of 2000** has been **2.6%** per annum (10.8% in total – see Table 2A). Note that these figures are weighted by the number of employees.
- ?? This represents an increase from the modest annual increases of 2.1% reported to end 1999 which had been affected by the slow start to agency level bargaining getting underway in 1997.
- ?? The 95 agencies have average annual increases as follows:
- ?? 13 have 3% or more (up to 4.3%)
 - ?? 55 have 2% to less than 3%
 - ?? 24 have 1% to less than 2%
 - ?? 3 less than 1%.
- ?? The *average annual increase* takes the total percentage increases committed to by an agency, divided by the period from October 1996 to 31 December 2000. Future pay increases (i.e. beyond end-2000) have not been included.

The Graphs below provide the average annual increase for each agency:

- ?? there are 2 graphs due to the large number of agencies (i.e. graph (ii) follows on from graph (i)).

Graphs 1A: Average Annual Increase – Agency by Agency



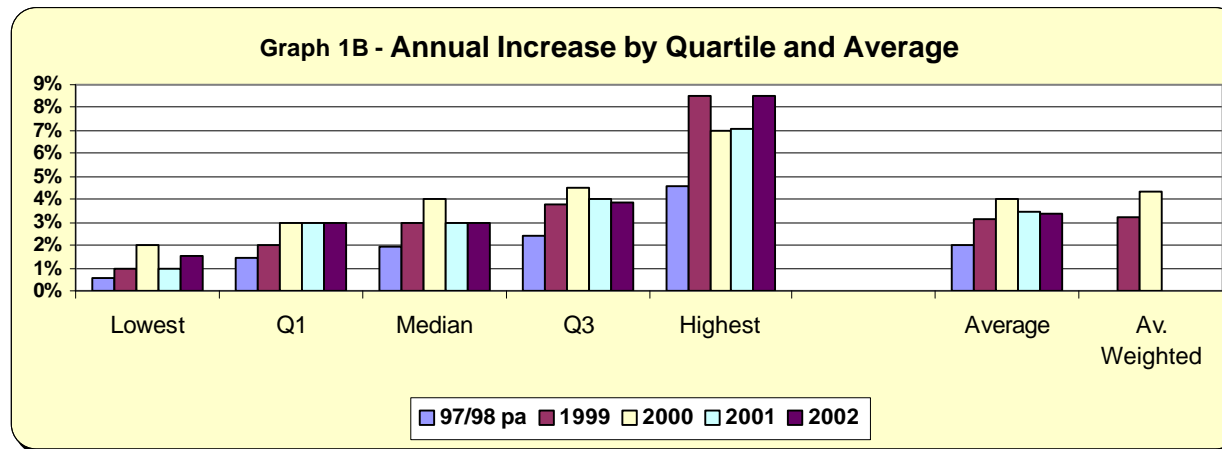
Increases Year by Year

?? The **median agency increase for 2000 was 4%** and the **weighted average was 4.3%**. On the basis of figures for agencies that have an agreement providing for pay increases beyond 2000, at this time, it might be expected that median pay increases return to a similar level as for 1999 – see Table 1A and Graph 1B below (note that these figures are not weighted by the number of employees, except for the additional figures for 1999 and 2000). However, the figures for 2001 and beyond are likely to change as we move through the year and more agencies commit to pay increases. The lower annual rate for 1997 & 1998 reflects the slow start in agency level bargaining getting underway in 1997, with most pay increases occurring in 1998.

Table 1A – Average and Quartile Increases by Calendar Year

	1997 & 98	97/98 pa	1999	2000	2001	2002
Lowest	1.2%	0.6%	1.0%	2.0%	1.0%	1.5%
Q1	3.0%	1.4%	2.0%	3.0%	3.0%	3.0%
Median	4.0%	1.9%	3.0%	4.0%	3.0%	3.0%
Q3	5.0%	2.4%	3.8%	4.5%	4.0%	3.9%
Highest	9.5%	4.6%	8.5%	7.0%	7.1%	8.5%
Average	4.1%	2.0%	3.1%	4.0%	3.5%	3.4%
Av. Weighted			3.2%	4.3%		
No of agencies	85		80	76	68	22

Notes: The 1997 & 98 figures in column 2 include increases post October 1996 (ie 1997 & 1998) – column 3 expresses these as annualised amounts (12/26). The figures are based on agencies that actually grant an increase that calendar year.



Comparisons with other data

?? The main published figure for pay increases occurring under agreements is the **AAWI**. This annualises pay increases in a CA, based on the nominal duration of the agreement.

?? For *round one* agreements the AAWI for the **APS** was 3.7% and for *round two* agreements to-date, it is 4.2%.

?? The AAWI (December 2000) for **all current federal agreements** in Australia is 3.9% (3.8% for the public sector).

?? The Wage Cost Index (**WCI**) published by the Australian Bureau of Statistics (ABS) assesses aggregate wages growth (ie not just agreements).

?? The WCI rose by 3.4% over the year to December 2000 (3.1% for the public sector).

The Average Weekly Ordinary Time Earnings (**AWOTE**) increased by 5.5% over the year to November 2000 (4.6% for the public sector).

2. TOTAL INCREASES TO END 2000

- ?? Increases since the last Service-wide pay rise in October 1996 to the end of 2000 have totalled **10.8%** on average (see Table 2A below). Virtually all employees have received an increase under agency bargaining (only one agency had not had a general pay increase by the end of 2000).
- ?? Table 2A also shows the impact of the end-2000 figures on 1996 salary rates for selected classifications (at the top of the range) and the dispersion in dollar terms that results in (the dispersion figures shown are based on the gap between Q1 and Q3 which covers the majority of employees; the difference between the 1996 rates and the highest 2000 rates provides the maximum dispersion in rates).

Table 2A – Total increases to end-2000 (since 1996)

Increases to end of 2000										
	annualised	TOTAL		ASO 1	ASO 2	ASO 3	ASO 4	ASO 5	ASO 6	
Weighted Average	2.6%	10.8%	→	1996 rates	\$26,457	\$30,042	\$33,304	\$37,341	\$40,675	\$47,591
	2.4%	9.8%			\$29,325	\$33,298	\$36,914	\$41,388	\$45,084	\$52,749
Highest	4.3%	18.1%		\$31,243	\$35,476	\$39,328	\$44,096	\$48,033	\$56,200	
Q3	2.7%	11.4%		** \$29,473	** \$33,467	** \$37,101	** \$41,598	** \$45,312	** \$53,016	
Median	2.4%	10.1%		\$29,121	\$33,067	\$36,657	\$41,101	\$44,770	\$52,383	
Q1	2.0%	8.1%	→	** \$28,609	** \$32,486	** \$36,013	** \$40,379	** \$43,984	** \$51,463	
No of employees		110255		** Difference between Q3 and Q1	\$864	\$981	\$1,087	\$1,219	\$1,328	\$1,554

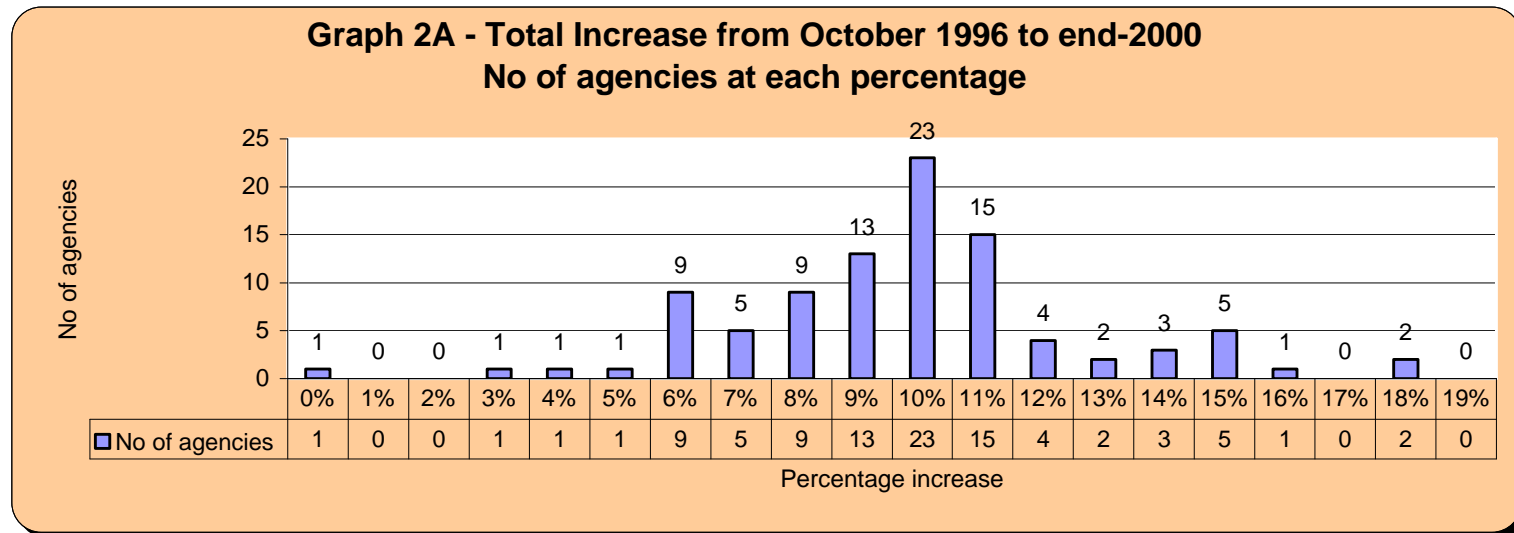
Note: apart from the 'weighted average' the other figures in Table 2A are not weighted by the number of employees – they are based on the percentage increases for the 95 agencies

How many agencies are paying at a given percentage?

Graph 2A below shows the dispersion in pay outcomes for the period October 1996 to the end of 2000 based on the percentage increase granted by each agency.

?? 74 of the 95 agencies had granted increases between 6% and 11% over the period October 1996 to the end of 2000.

Graph 2A – Total Increase from October 1996 to end of 2000 – Number of agencies at each percentage

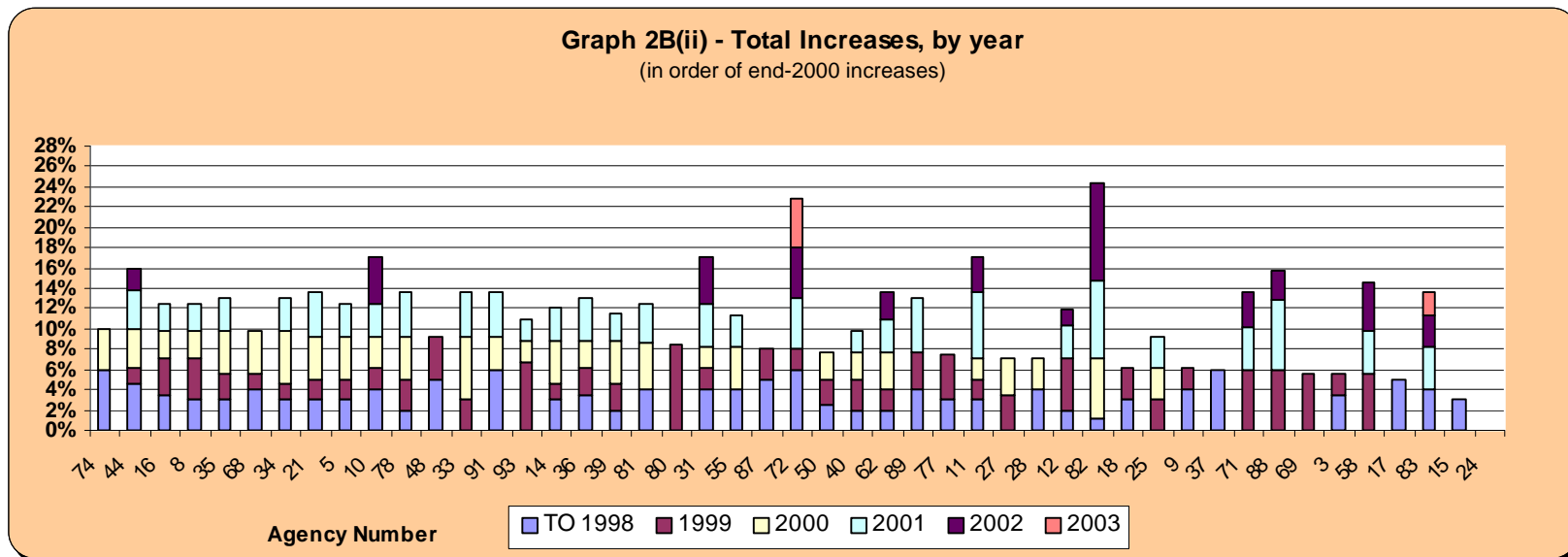
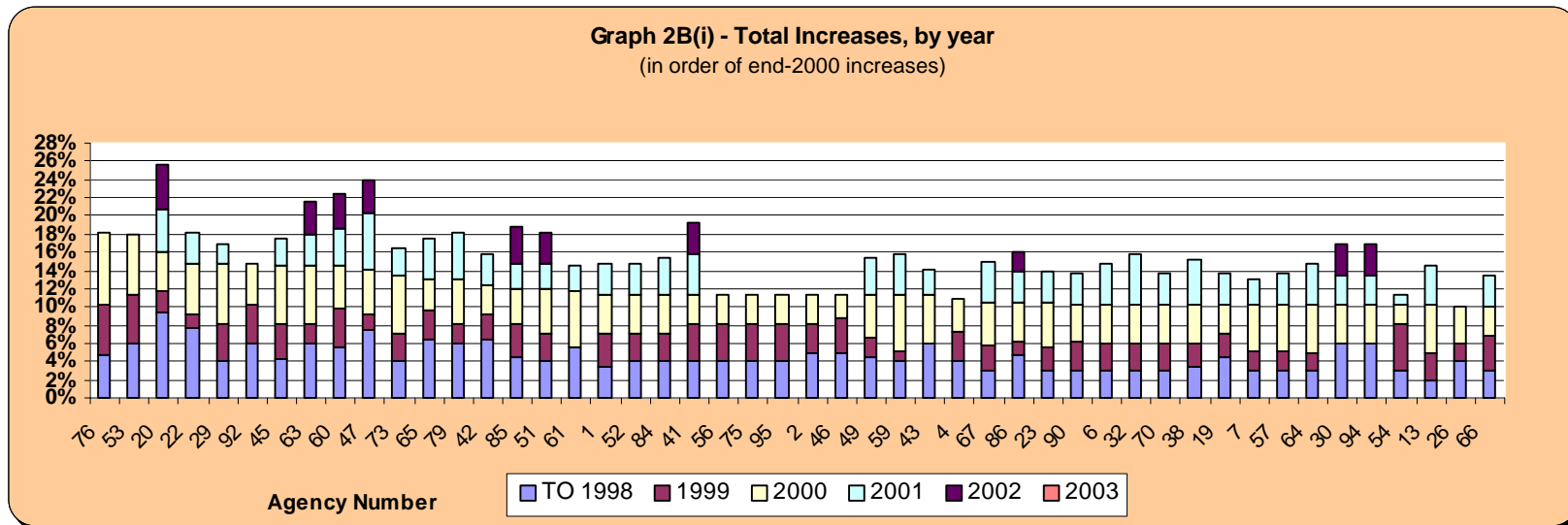


Total Increases - Agency by Agency

Graphs 2B below show, for each agency, the total increases committed to by that agency:

- ?? sorted on the basis of total pay increases at the end of 2000;
- ?? different colours in the graphs reflect the timing of the increases by year;
- ?? increases beyond 2000 are included;
- ?? there are 2 graphs due to the large number of agencies (i.e. graph (ii) follows on from graph (i)).

Graphs 2B: Total Increases, by year – Agency by Agency (in order of end-2000 increases)

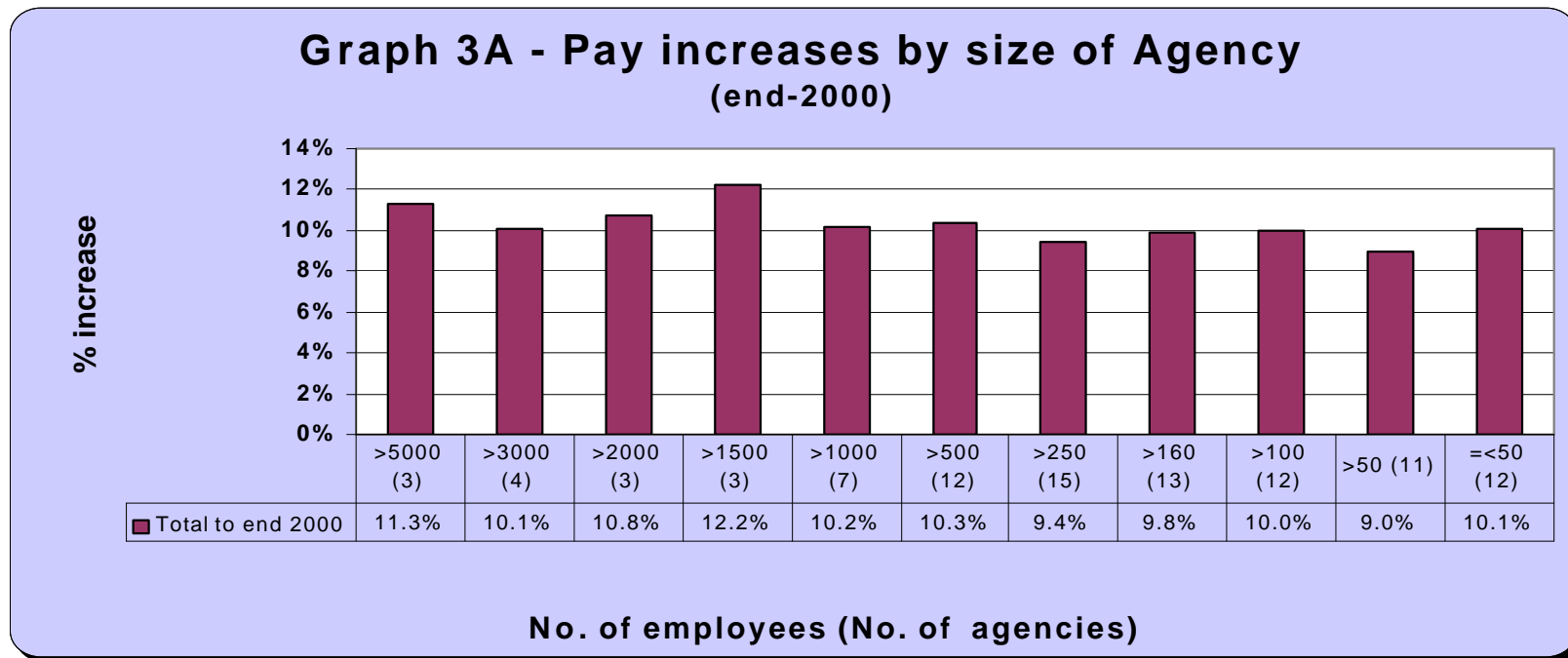


3. PAY RISES BASED ON SIZE OF AGENCY

There has been speculation that larger agencies, with their larger budgets, will be able to generate greater productivity savings and consequently afford bigger pay increases than smaller agencies.

Graph 3A below shows that, as was shown in June 2000 Report, there is no significant correlation between agency size and pay outcomes, ie. small agencies do not appear to be providing significantly different pay outcomes from other, larger agencies. There have been higher increases occurring in three larger agencies with 1,500-2,000 staff of about 12.2% in total to end 2000. The other agencies fall within the range of 9% and 11.3%, with the largest and most smaller agencies being around 10.1-11.3% to end 2000. The figures in the table below are weighted by the number of employees and include agencies without any pay increase.

Graph 3A– Pay Increases by Size of Agency



4. AGENCY SPECIFIC REPORTS

The individual agency reports provide:

?? the total percentage movement in pay in the agency since the move to agency bargaining (compounded year to year);

?? the total increase to end 2000;

?? the average annual increase by the agency to end-2000, and

?? the ranking of the agency compared with other agencies, for the above figures.

AGENCY DATA SHEET

Agency number

Name of Agency: AGENCY - full title

Number of Employees:

Date of final increase:

<u>Annual Pay Increases</u>	TO 1998	1999	2000	2001	2002	2003
Agency						

Total Increase (Compounded)	Agency Ranking
(compounded)	

APS - median
 APS - weighted average

Total Agency Increase to end 2000	(compounded)	Agency Ranking
APS average to end 2000	(weighted)	

Average annual increase 96-2000 - Agency

Average annual increase 96-2000 - APS

Based on period from Oct 1996 to 31 Dec 2000

Date printed:

Enquiries on the above data should be directed to DEWRSB (Remuneration & Conditions Team)
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