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# Broader Market Comparison - SES Remuneration Department of Employment & Workplace Relations

**MERCER**

Human Resource Consulting

## Contents

1. Executive Summary.....	1
2. Introduction.....	4
3. Report Outline.....	7
4. Relative Position of APS SES Bands 1-3 with the Private Sector.....	9
5. Incentive Practices in the Private Sector.....	15
6. Typical Pay Practices in the Private Sector.....	19
7. Private Sector Remuneration Movements and Economic Factors.....	30
8. Relative Position of APS SES Bands 1-3 to the Combined State Public Service .....	35
9. Relative Position of APS SES Bands 1 to 3 with Individual Public Service Jurisdictions .....	40
10. Benefit Provision and Incentives in the Public Sector.....	46
11. Incentive Practices in Individual Public Service Jurisdictions .....	48
12. APS Comparison with the Public Service and the Private Sector .....	49
13. International Public Sector Pay Practices .....	51

1

## Executive Summary

Mercer Human Resource Consulting (Mercer) has prepared this report based on broader market comparisons of APS SES remuneration for the Department of Employment & Workplace Relations.

This report covers the following:

- APS comparisons with other State and Territory public service jurisdictions and the Private Sector at Base Salary (BS) and Total Remuneration Package (TRP) level
- APS incentive comparisons
- UK and US public sector pay practices

## Comparison with SES in Other Jurisdictions

### Base Salary

- At the Base Salary level, APS SES is positioned above the Combined State Public Service at SES 1 and SES 2, and is comparable at the SES 3 level
- In 2001, the APS has improved their relative position against the Combined State Public Service at all SES levels
- Overall, APS SES is positioned above the VIC, NT, QLD and SA public services, but below ACT and NSW SES at the Base Salary level

## Total Remuneration Package

- At the TRP level, APS SES is positioned slightly above the Combined State Public Service at SES 1 and SES 2, and slightly below at SES 3
- Since 2000, APS SES movements in TRP have been slightly less than the Combined State Public Service at SES 1 and SES 2, but comparable at SES 3
- Overall, APS SES is positioned above VIC, QLD and SA public services, but below the ACT, NSW and NT public services at the TRP level

## Overall summary

- Consistent with 2000, the APS SES are better positioned comparatively at SES 1 than at SES 3

## Comparison with Private Sector Executives

### Base Salary

- Consistent with the trend in 2000, at the Base Salary level, APS SES (median BS) is positioned slightly above the first quartile Q1 of Private Sector at SES 1, but below Q1 for SES 2 and 3
- APS SES is positioned well below the Private Sector Base Salary median at all SES levels

### Total Remuneration Package

- At the TRP level, APS SES (median TRP) is positioned slightly above the 25th percentile of the Private Sector at SES 1, but below for SES 2 and 3. As the level of the executive increases, so to does the gap between the APS and the Private Sector 25th percentile
- APS SES is positioned well below the Private Sector TRP median at all SES levels

### Incentives

- The average incentive actually paid to APS SES employees is around 4% of TRP
- Incentive payments for executives in the Private Sector are typically in the order of 10 – 25% of TRP (average 20%)

### Overall summary

The following Tables provide a summary of the relative position of the APS against the Private Sector and Combined State Public Service in 2001

Table 1  
Summary of remuneration comparisons (Base Salary)

	Combined State PS	Private Sector 25th percentile	Private Sector Median
SES 1	+6%	+2%	-14%
SES 2	+1%	-8%	-25%
SES 3	0%	-23%	-38%

Table 2  
Summary of remuneration comparisons (TRP)

	Combined State PS	Private Sector Q1	Private Sector Median
SES 1	+5%	+1%	-15%
SES 2	+1%	-13%	-28%
SES 3	-2%	-29%	-43%

## 2

## Introduction

The Department of Employment & Workplace Relations (DEWR) commissioned Mercer Human Resource Consulting (Mercer) to conduct a survey of remuneration within the Senior Executive Service (SES) on behalf of APS agencies.

This report makes up the second part of this survey, which was to conduct a wider market comparative study of executive remuneration, with particular emphasis on senior executive positions in the Private Sector and in State and Territory governments.

To do this we have conducted a “desk research approach” and drawn on our extensive remuneration databases and knowledge of senior executive service remuneration in the Public Sector.

Indicative paylines have been constructed for the APS using data obtained from the 2000 SES Remuneration Survey. These paylines are based on the following work value points for each grade:

Table 3  
SES Pay Band – Indicative Work value Points Ranges

Band	Minimum	Midpoint	Maximum
SES 1	685	817	949
SES 2	950	1225	1499
SES 3	1500	1840	2179

## Definition of Terms

Base Salary (BS)	Base Salary represents the full time equivalent annualised PAYE salary. It <i>includes</i> post-tax employee superannuation contributions and any additional car post-tax salary sacrifice amount. It <i>excludes</i> all other cash components including bonuses and allowances.
Total Remuneration Package (TRP)	Total Remuneration Package 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 incentive payments. Please note, we have adjusted the relevant TRP values for applicable public service jurisdictions, by taking into consideration the differences which exist between the public and private sector, such as with vehicle costings. (Overall, the APS have comparable motor vehicle costings, when compared with the Private Sector).
Total Reward (TR)	Total Reward is Total Remuneration Package plus short-term incentive payments.
Private Sector Market	Executive positions drawn from our Mercer General Market database, covering all industries across the Australian commercial sector.
Public Service Market	In this instance, public service market refers to positions defined as executives in public service jurisdictions in NSW, QLD, NT, ACT, SA and WA public services. It does not include Government Business Enterprises (GBE's). The public service market used for comparison in this report will be referred to as the <u>Combined State Public Service</u> (excluding the APS).
Public Sector Market	The public sector market includes the public service market as referred to above and Government Business Enterprises.
Bonus Plans	Bonus plans base reward on an organisation's overall performance. They involve the distribution of an agreed pool of money, which is created as a result of a specific level of performance. Bonuses paid are often discretionary, although payment may be related in principle to organisation level or position impact. They are generally paid once a year, often at or around the end of the financial or calendar year.

## Incentive Plans

Incentive plans are reward programs to achieve a particular outcome. Payments are geared to defined performance parameters and are designed to bring about positive employee action. Short-term incentives (STI) are any non-guaranteed component of remuneration with a performance period of twelve months or less.

## Statistical Terms

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 above which 50% of the scores fall and below which 50% of the scores fall.

The **first quartile** (or 25th Percentile) is the mid-point of the lower half of the sample. That is, the first quartile is the score below which 25% of the cases fall and above which 75% fall.

The **Average** is calculated by summing all of the values of a range of figures and dividing this value by the number of observations.

A **comparatio** is the ratio of actual remuneration to the market expressed as a percentage. The normal range of comparatios one might expect are between 0.90 and 1.10.

**Pay lines**, as referred to in this report, are regression lines derived from work value points and their corresponding published rates of pay, or in the case of the APS, actual data.

## 3

## Report Outline

Specifically, this report presents two major comparative analyses, these broadly being:

- the APS and the Private Sector
- the APS, the Public Service and Public Sector

### APS vs Private Sector

**1. Relative Position of the APS SES Bands 1-3 with the Private Sector**

The relative position of the APS SES 1-3 Bands (Base Salary and Total Remuneration Package) with the Private Sector using the median of each APS SES band for comparison purposes.

**2. Incentive Practices in the Private Sector**

A commentary of incentive practices in the Private Sector, which includes capping of incentives, payment vehicles and the performance mix.

**3. Typical Pay Practices in the Private Sector**

A commentary of typical pay practices in Private Sector organisations, and the composition, value and incidence of remuneration benefits typically provided across the Private Sector at work values equivalent to the APS SES 1-3 levels.

**4. Private Sector Remuneration Movements**

Remuneration movements in the Private Sector across Australia over the last 12 months by comparable work value levels and job family.

## APS vs Public Service

- 5. Relative Position of the APS SES Bands 1-3 with the Combined State Public Service**  
The relative position of the APS SES Bands 1-3 (Base Salary and Total Remuneration Package) with the Combined State Public Service, using the median of each APS SES band for comparison purposes.
- 6. Relative Position of the APS SES Bands 1-3 with Individual Public Service Jurisdictions**  
Relative Position of actual APS SES Bands 1-3 (Base Salary and Total Remuneration Package) with individual public service jurisdictions using the median of each APS SES band for comparison purposes.
- 7. Benefit Provision in the Public Sector**  
The composition, value and incidence of remuneration benefits typically provided at work value levels equivalent to the APS SES Bands 1-3.
- 8. Incentive Practices in the Individual Public Service Jurisdictions**  
A commentary of incentive practices in other public service jurisdictions.
- 9. APS Comparison with the Combined State Public Service and the Private Sector**  
Positioning of APS and the Combined State Public Service against the Private Sector.
- 10. International Public Sector Pay Practices**  
Pay practices, pay movements and current issues in the US and UK federal and civil services (Public Sectors).

The following **data sources** have been used to conduct the comparative analyses:

- actual APS remuneration based on the 2001 APS SES Remuneration Survey
- published rates for public service jurisdictions, which include ACT, NSW, NT, QLD, SA, VIC and WA
- Mercer General Market 25th Percentile and General Market Median
- Mercer remuneration databases

## 4

## Relative Position of APS SES Bands 1-3 with the Private Sector

Comparative analyses have been prepared for DEWR on the basis of the median Base Salary and Total Remuneration Package (TRP) values for each of the APS SES bands to determine the relative position of the APS SES Bands 1-3 to the Private Sector.

Each APS SES band has been compared to the Private Sector at the Base Salary and TRP level, specifically:

- to the **General Market 25th Percentile** (the pay position at which 75% of organisations pay more for equivalent sized positions and 25% pay less);
- to the **General Market Median** (the pay position at which 50% of organisations pay more for equivalent sized positions and 50% pay less).

Whilst comparisons at the Base Salary level have been included, Mercer consider comparisons at the TRP level more useful when making remuneration decisions, especially at senior executive levels.

## Base Salary Comparison

Tables 4 and 5 and Figure 1 compare the **median Base Salary** of each APS SES band to the Private Sector 25th Percentile and Private Sector Median based on the midpoint (work value and pay) of each APS SES band. The comparisons in Table 5 highlights the differences which exist between the APS and the Private Sector 25th percentile across the APS SES Bands 1-3.

Table 4

Base Salary Comparisons of each APS SES Pay Band with the Private Sector

SES Pay Band	Work Value Points (midpoint)	APS Median Base Salary	Private Sector (as at January 2002)	
			25th Percentile	Median
SES 1	817	\$99,178	\$97,400	\$115,100
SES 2	1225	\$121,737	\$132,200	\$162,100
SES 3	1840	\$153,286	\$200,200	\$247,800

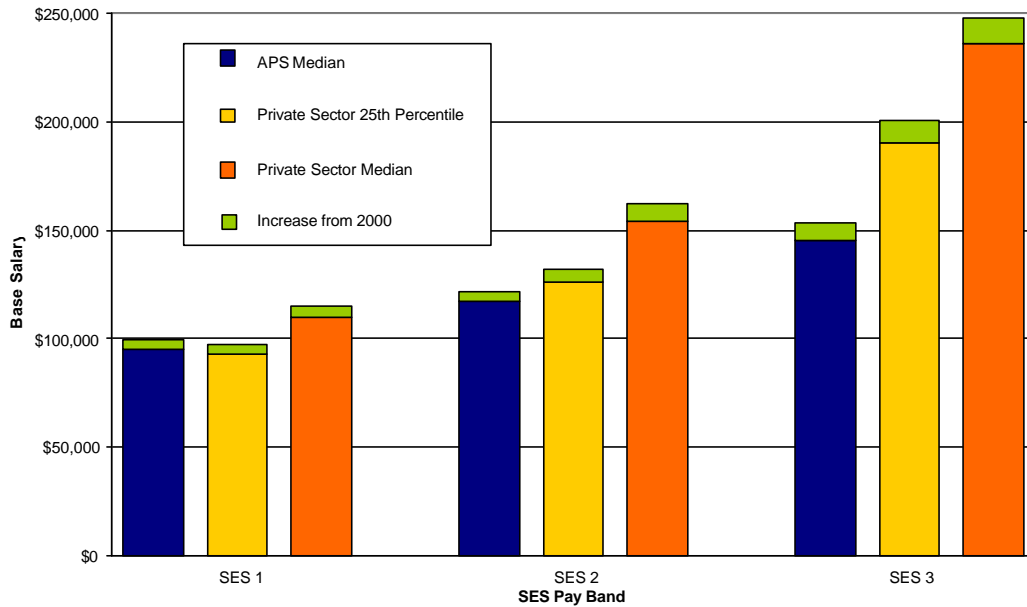
Table 5

Base Salary Difference of each APS SES Pay Band with the Private Sector 25th Percentile

SES Pay Band	Work Value Points (midpoint)	APS Median Base Salary	Private Sector 25th Percentile	Difference	Comparatio
SES 1	817	\$99,178	\$97,400	\$1,778	1.02
SES 2	1225	\$121,737	\$132,200	-\$10,463	0.92
SES 3	1840	\$153,286	\$200,200	-\$46,914	0.77

Figure 1

Comparison of Median APS SES 1-3 Base Salary with Private Sector



### 2001 Commentary

An inspection of the Tables and Figure pertaining to median Base Salary in this section reveals:

- At SES 1, the APS is marginally above the Private Sector 25th Percentile (2%)
- At SES 2, the APS is 8% below the Private Sector 25th Percentile
- At SES 3, the APS is significantly below the Private Sector 25th Percentile (23%)
- In all instances the APS is significantly below the Private Sector Median

### 2000 Comparison

At each SES level, the APS has retained its relative position to the Private Sector 25th Percentile since 2000

## Total Remuneration Package Comparison

Tables 6 and 7 and Figure 2 compare the **median TRP** of each APS SES band to the Private Sector 25th Percentile and Private Sector Median. The comparisons in Table 7 highlight the differences which exist between the APS and the Private Sector 25th percentile across the APS SES Bands 1-3.

Table 6

TRP Remuneration Comparisons of each APS SES Pay Band with the Private Sector

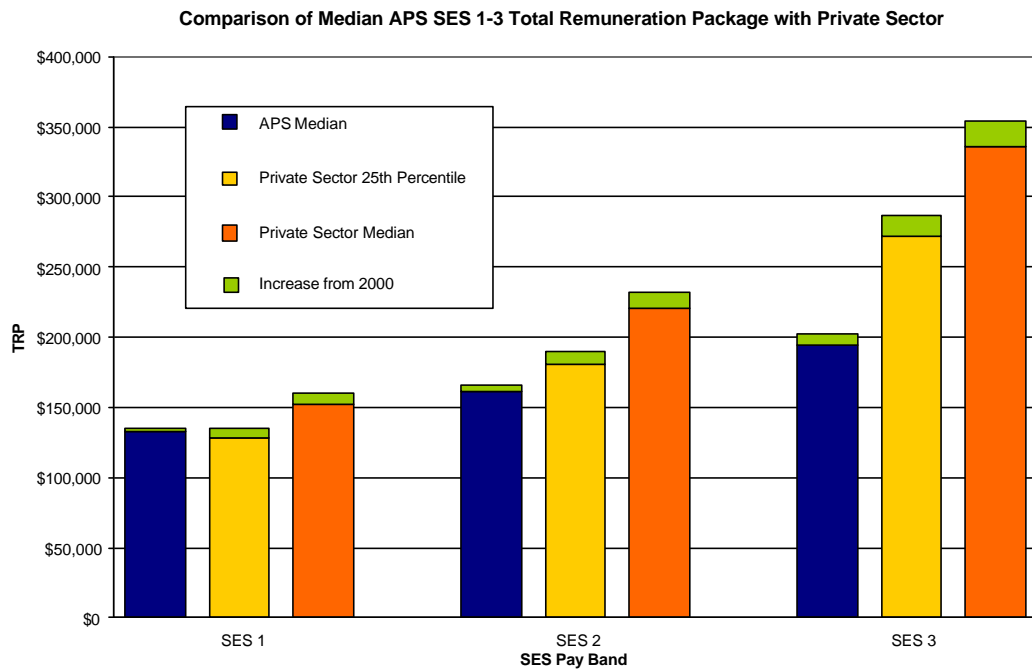
SES Pay Band	Work Value Points (midpoint)	APS TRP Median	Private Sector (as at January 2002)	
			25th Percentile	Median
SES 1	817	\$135,541	\$134,800	\$160,100
SES 2	1225	\$166,041	\$190,100	\$232,200
SES 3	1840	\$202,884	\$286,300	\$353,500

Table 7

TRP of each APS SES Pay Band with the Private Sector 25th Percentile

SES Pay Band	Work Value Points (midpoint)	APS TRP Median	Private Sector 25th Percentile	Difference	Comparatio
SES 1	817	\$135,541	\$134,800	\$741	1.01
SES 2	1225	\$166,041	\$190,100	-\$24,059	0.87
SES 3	1840	\$202,884	\$286,300	-\$83,416	0.71

Figure 2



### 2001 Commentary

An inspection of the Tables and Figure pertaining to median TRP in this section reveals:

- At SES 1, the APS is slightly above the Private Sector 25th Percentile (3%) but 15% below the Private Sector Median
- At SES 2, the APS is 13% below the Private Sector 25th Percentile and 28% below the Private Sector Median
- At SES 3, the APS is 29% below the Private Sector 25th Percentile and 43% below the Private Sector Median

## 2000 Comparison

- Consistent with 2000, the APS is slightly above the Private Sector 25th Percentile at SES 1, however the gap has slightly narrowed.
- At SES 2, the gap has slightly widened in 2001 between the APS and the Private Sector 25th Percentile
- At SES 3, the APS has maintained the same relative position to the Private Sector 25th Percentile
- A significant gap still exists when the APS is compared to the Private Sector median

5

## Incentive Practices in the Private Sector

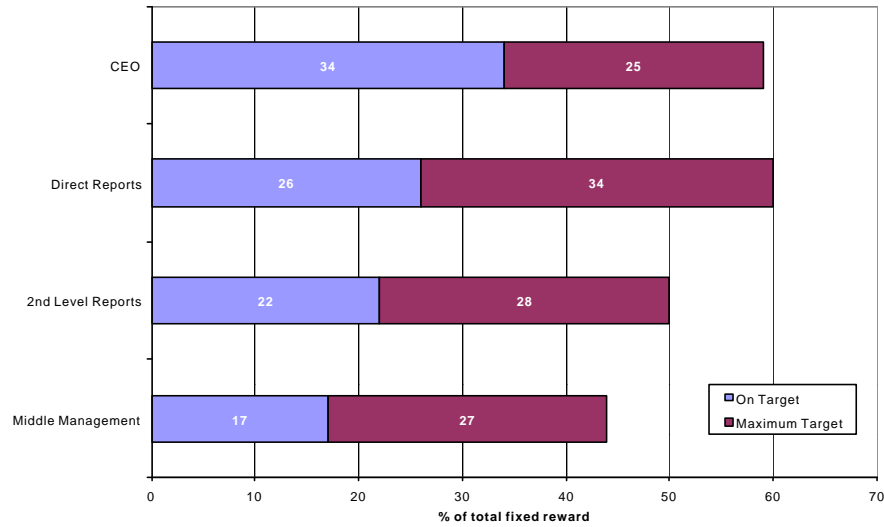
The prevalence of incentive plans and other forms of variable reward in Australian organisations, has increased significantly over the past 10 years. Along with the increasing incidence of short-term incentive (STI) plans, organisations are providing a far greater incentive dollar opportunity for executives.

In 2001, the levels of incentive received by APS employees, as a proportion of TRP were:

- 3.5% at SES 1
- 4.4% at SES 2
- 4.5% at SES 3

Figure 3 shows average payout levels for on-target performance, as well as the maximum payout for various executive categories, based on outstanding performances.

Figure 3  
STI Opportunity: On Target and Maximum Target



Please note, the slightly lower values for CEOs compared with other senior managers may be a reflection of the emphasis on longer-term incentive plans such as shares or option plans.

### Capping Incentives

- 74% of organisations place a cap on the maximum STI payout for their executives.
- It is common for organisations to cap the maximum STI payment at a level around twice the target STI level.

### Payment Vehicle

In 96% of cases, part or total STI plan payments are made in the form of cash, while superannuation top-ups form part of the payment in 41% of cases. Shares, options, and non-cash benefits are not widely used for short-term incentive payments. Table 8 shows the payment vehicle for the Private Sector and SES employees.

Table 8  
Form of short-term incentive payment

	Private Sector	SES 1	SES 2	SES 3
	Percentage			
Cash	96	98	97	100
Increase in Base Salary	-	14	15	20
Superannuation top-up	41	5	6	8
Shares	9	-	-	-
Combined cash/shares	7	-	-	-
Share options	5	-	-	-
Other (includes non-cash benefits)	3	-	-	-

## Performance Mix

Many STI plans are designed to balance the following key objectives:

- the need to motivate and recognise the contribution of the individual executive; and
- the need to ensure that an individual performs in a manner which will maximise their contribution to overall company performance.

Typically, this balance is achieved by incorporating elements of individual and organisational performance within STI plans. Table 9 illustrates, how on average, corporate/agency, business unit and individual performance differentially impact the incentive payment opportunity in the Private Sector.

Table 9  
Relative Influence of Performance on Short-Term Incentive Payments

	Corporate Performance / Agency	Business Unit / Group	Individual	Other
	Percentage <sup>1</sup>			
CEO	64	13	22	1
Direct Reports	40	33	25	3
Second Level Reports	26	38	33	2
Other Top Management	28	34	36	3

*\*Other includes CEOs discretion and investment performance.*

*1 Percentage figures have been rounded to nearest whole number*

## 6

## Typical Pay Practices in the Private Sector

The following section provides an overview of remuneration strategies, practices and policies observed in Private Sector organisations. This will include:

- total remuneration approach – which incorporates packaging
- superannuation
- motor vehicles
- remuneration mix
- FBT liability allocation
- benefits
- remuneration budgets

## Total Remuneration Approach

A total remuneration approach enables the organisation and its employees to understand the full value of remuneration; and is where an organisation calculates the remuneration costs associated with employing an individual, which are over and above Base Salary. The following points provide key trends in relation to a total remuneration approach:

- the percentage of organisations using a total remuneration approach for senior executives has declined over the past two years. In 2001, 75% of organisations calculated and communicated a remuneration package to some or all of their senior executives, compared with 80% in 1999. This decline may be a result of the decreased attractiveness of salary packaging in the new taxation environment.
- the most common items in the remuneration packages of senior executives are employer and employee superannuation contributions, company vehicles and laptops.
- the trend of increasing the flexibility offered to employees in their remuneration package continued in 2001. Employers are increasingly providing employees with opportunities for greater flexibility in packaging superannuation and company vehicles.
- in around 45% of organisations, fringe benefits tax (FBT) is fully costed to the employees package. Around 40% of employers pay FBT liability in full, typically as a means of attracting and retaining employees.

The following table looks at the percentage of organisations providing specific remuneration package items to senior executives. Predictably, motor vehicles and employee salary sacrifice superannuation are the most popular.

Table 10  
Provision of Remuneration Package Items for Senior Executives

Package Item	%
Company vehicle	79
Employee salary sacrifice superannuation	80
Employer superannuation contributions (over and above SGC commitments)	71
Second vehicle	32
Annual Leave Loading	32
Vehicle Allowance	28
Shares	16
Professional association membership	30
Laptop	39
Variable reward payments	39
Mobile phone	30
Parking (liable to FBT)	28
Self-education expenses	13
Salary continuance insurance	24
Total and permanent disablement insurance	27
Life insurance	22
Payment of private telephone accounts	14
Health insurance	25
Club or gym subscriptions	10
Financial planning	12
Health evaluation or medical checks	10
Dependants' education expenses	9
Home, personal or investment loans	7
Spouse travel	4
Reimbursement of non-business expenses	3
Child care	6
Private travel	6
Mortgage subsidy	6

## Superannuation

Superannuation continues to be an important part of the total remuneration approach adopted by the APS. However, Table 11 illustrates, the use of superannuation as a benefit in the Private Sector is comparatively lower. (*Source: Mercer database*).

Table 11  
APS Superannuation Comparisons with the Private Sector at Comparable SES 1-3 Levels

SES Level	APS (Median)		Private Sector median	
	Dollars	% of TRP	Dollars	% of TRP
SES 1	\$19,144	14	\$9,040	7
SES 2	\$23,989	14	\$11,734	7
SES 3	\$30,297	14	\$16,640	7

Consistent with previous years, Table 11 highlights that discernible differences exist between the Private Sector and the APS at all SES levels, based on dollar amount and as a percentage of TRP. The Table also shows that in the APS and the Private Sector, the superannuation as a percentage of TRP is consistent across comparable SES 1-3 levels. Key points in relation to superannuation are as follows:

- the shift in Australian organisations towards accumulation superannuation funds and away from defined benefit funds continued in 2001. Accumulation funds are now the principle fund available to employees in at least 76% of Private Sector organisations. This is the converse of the APS where the majority of staff are in defined benefit funds.
- organisations are most commonly considering introducing greater flexibility in employee contributions and introducing salary sacrifice contributions.
- 14% of private sector organisations are considering increasing employer contributions to a level above the SGC minimum.
- at the median, employees contribute 5% of salary to the defined benefit fund.

- 45% of senior executives in defined benefit funds salary sacrifice their superannuation contributions from their pre-tax remuneration.
- 12% is the median contribution level for organisations contributing to defined benefit superannuation funds for senior executives.
- life and permanent disablement insurance cover are a compulsory component of fund membership in over 93% of organisations with defined benefit funds. Salary continuance insurance is compulsory in 63% of organisations (a decrease from 72% in 2000).
- the responsibility for meeting all insurance premiums in defined benefit superannuation funds rests with the employer in approximately 65% of organisations surveyed. These results represent a marked difference to the situation for accumulation superannuation funds where the majority of organisations require employees to meet their own life and permanent disablement insurance premium obligations.
- 9% of organisations were considering changing from a defined benefit to an accumulation fund. This continues the general trend away from defined benefit funds which has been consistently reported.

## Motor Vehicles

Motor vehicles remain a popular package item across both the private and public sectors. The continued popularity of the company car reflects its relative cost effectiveness as a remuneration component (ie. under the current fringe benefits tax regime, benefit cars are valued concessionaly for the purposes of fringe benefits tax). The majority (97%) of SES officers had a motor vehicle as part of their package, which is consistent with this trend.

The following points are made in regards to Private Sector practices regarding motor vehicles:

- in 88% of organisations, senior executives are offered a benefit vehicle as part of their remuneration package, and in 29%, car allowances are offered.
- the most commonly implemented and planned change to vehicle policy in the survey group is the introduction of novated leasing.

- costing the value of the vehicle, and its FBT liability to the employee's remuneration package is also a popular change.
- the trend towards greater or complete freedom of choice in benefit vehicle (especially at senior executive levels) has continued in 2001.
- in 2001, most organisations providing benefit vehicles allocate their cost to the employee, irrespective of levels.
- there has been a significant decline in the percentage of organisations meeting the FBT costs of the vehicles provided to their staff. This figure has declined from 71% in 1996 to 45% in 2001.

The value of the motor vehicle to an employee's remuneration package is determined using a variety of costing methods. Table 12 compares the methods used in the Private Sector against the APS.

Table 12

Methods Used to Calculate the Remuneration Value of Benefit Vehicles

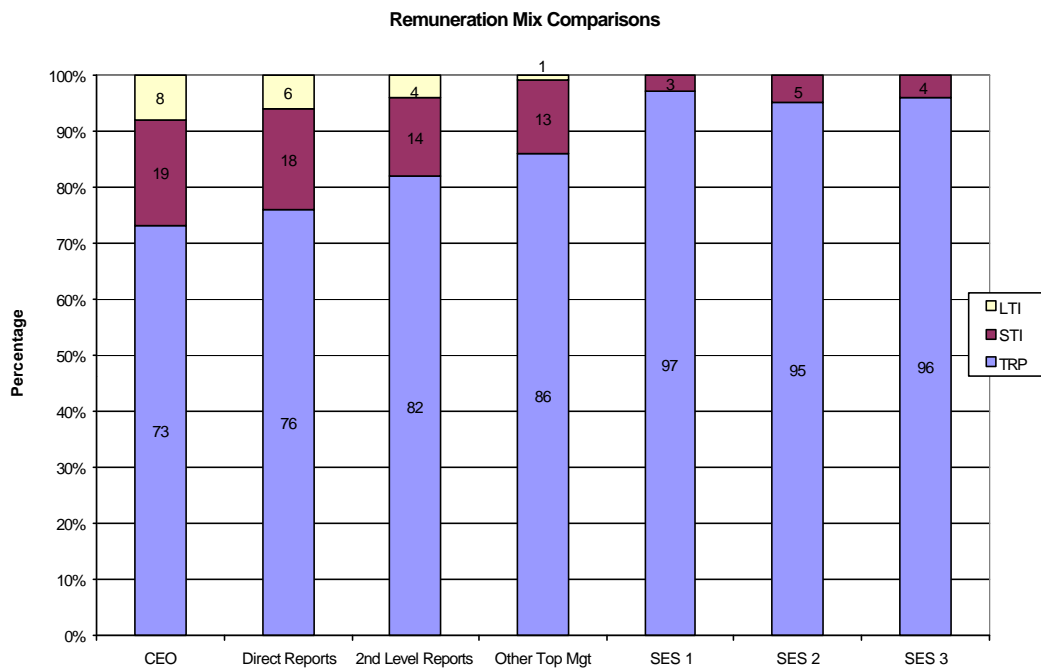
Method	Private Sector Senior Executives	SES 1	SES 2	SES 3
	Percentage			
Using a formula or estimated value (eg. Mercer car formula)	33	25	32	35
Using the actual annual costs of the vehicle (lease cost) including running, maintenance and other associated costs	40	57	57	48
Using the actual annual costs of the vehicle (lease cost) excluding running, maintenance and other associated costs	7	4	3	3
Vehicle costs are not costed to remuneration	18	6	3	7
Other	3	6	5	7

## Remuneration Mix

There has been a rapid growth in the provision of incentive payments to executives in the Private Sector, with variable pay opportunities being offered as an alternative to very high levels of fixed remuneration. These incentive payments are much more significant than they used to be, and are linked to performance levels in both the short and long term.

Figure 4 shows the typical breakdown between fixed remuneration (TRP), short-term incentives (STI) and long-term incentives (LTI). In particular, for Private Sector employees Figure 4 shows the increasing link between an executive’s reward and performance, with the incentive portion increasing, as the level of the executive becomes more senior. Conversely, the proportion of incentive received for SES employees remains relatively similar as the level of TRP increases.

Figure 4



Given the above Figure, 42% of organisations report plans to change this remuneration mix. Of those who are planning to change mix in the future, the majority of organisations plan to decrease the focus on total fixed remuneration. The major driving forces behind these decisions are the attraction and retention of high performing individuals, and the creation of a stronger alignment between remuneration and stakeholder interests. This could have implications for the APS in terms of attraction and retention.

## Allocation of Fringe Benefits Tax Liability

Non-cash benefits (and some allowances) are generally subject to fringe benefits tax (FBT), payable by the employer at a rate of 48.5%.

Various benefits are treated differently for the purposes of FBT. Benefits such as health insurance, mortgage repayments and private expenses attract the full rate of FBT. Other benefits such as laptop computers are exempt from FBT.

Attraction and retention of employees has been the most common reason for employers to meet FBT liability for 2000 and 2001. Previously, ease of administration had been the most common reason organisations met the FBT cost associated with provision of benefits.

Table 13 shows the allocation of FBT liability for senior executives in the Private Sector. As is evident, just under half of senior executives are required to pay the FBT liability. In the APS, there has been an increase in the trend for employees to pay the FBT, particularly for employees packaging second motor vehicles, insurance benefits and self education expenses.

Table 13  
Allocation of FBT Liability

Allocation of FBT Liability	Private Sector Senior Executives (%)
FBT will be paid by the employer	37%
FBT paid by employee	46%
FBT shared between the employee and employer	17%

## Benefit Provision and Incentives

Tables 14 to 16 present an analysis of **actual** Private Sector benefit and incentive payments by work value levels equivalent to the SES Bands 1-3. The Tables look at benefits such as motor vehicles, car allowances, superannuation and incentives.

Please note:

- “% Rep” figure is the proportion of individuals in the sample who receive a particular component of remuneration. Hence, if one company inputs data on three financial accountants, but only one of them receives a company car, this will count as 33%.
- Indicative motor vehicle values have been derived using the Mercer car formula, based on car purchase price information from our database.
- A dollar amount has been provided in the following Tables for incentives. However, as a generalisation, it is observed that maximum incentives tend to be around twice the target incentives.

Table 14  
Benefit Provision in the Private Sector  
Work Value Equivalent to APS SES 1

	Q1	Median	APS SES 1 Median	Q3	Average	% Rep
Motor Vehicles (includes parking for APS)	\$17,062	\$20,518	\$18,000	\$24,810	\$21,181	44.8
Car Allowance (Private Sector)	\$15,297	\$18,000	-	\$21,867	\$18,260	22.7
Superannuation	\$7,600	\$9,040	\$19,144	\$12,032	\$10,521	100
Actual Incentive	\$5,918	\$10,866	\$4,725	\$19,726	\$16,765	46.2

Table 15  
Benefit Provision in the Private Sector  
Work Value Equivalent to APS SES 2

	Q1	Median	APS SES 2 Median	Q3	Average	% Rep
Motor Vehicles (includes parking for APS)	\$18,940	\$23,506	\$17,398	\$26,969	\$24,165	57.6
Car Allowance (Private Sector)	\$13,000	\$17,146	-	\$23,000	\$18,541	21.3
Superannuation	\$8,558	\$11,734	\$23,989	\$17,891	\$14,396	100
Actual Incentive	\$10,831	\$19,871	\$8,147	\$35,968	\$28,356	54.8

Table 16  
Benefit Provision in the Private Sector  
Work Value Equivalent to APS SES 3

	Q1	Median	APS SES 3 Median	Q3	Average	% Rep
Motor Vehicles (includes parking for APS)	\$21,542	\$28,456	\$20,500	\$36,321	\$31,937	53.0
Car Allowance (Private Sector)	\$15,000	\$23,068	-	\$32,225	\$25,264	20.7
Superannuation	\$10,542	\$16,640	\$30,297	\$25,720	\$21,580	100
Actual Incentive	\$16,121	\$35,597	\$8,828	\$59,768	\$56,194	58.0

## Remuneration Budgets

Table 17 compares budgeted increases for senior executive employees in the APS against the Private Sector. With the exception of SES 1 and SES 2 in 2002, the budgeted remuneration increases for APS employees fall below those in the Private Sector over the three year period.

Table 17  
Budgeted Remuneration Increases

	Forecasted % Increase			
	SES 1	SES 2	SES 3	Private Sector*
2002	4.0	4.0	3.5	4.0
2003	4.0	3.5	3.5	4.1
2004	3.5	3.3	3.3	4.1

\* Source: Mercer Market issues survey conducted in January 2002

## 7

## Private Sector Remuneration Movements and Economic Factors

This section looks at:

- Economic indices (Public Sector economic indices are also included in this section)
- Economic trends
- Same incumbent remuneration movements by job family at the Base Salary and TRP levels.

### Economic Indices

- Inflation (CPI) increased 0.9% for the March quarter 2002, and 2.9% for the year.
- Full time ordinary time earnings (AWOTE) for the private and Public Sectors rose by 1.8% and 1.2% respectively for the August 2001 quarter, and 1.6% overall
- AWOTE for the private and Public Sectors rose by 5.6% and 5.1% respectively in the twelve months to August 2001, and 5.4% overall
- In the December 2001 quarter, Wage Cost Index (WCI) increases were 0.6% for both the private and Public Sector, and 3.4% and 3.5% respectively for the private and Public Sector, between December 2000 and December 2001

- The WCI for all employee jobs in Australia, increased by 3.4% between December 2000 and December 2001 and 0.7% for the September to December 2001 quarter. Unlike the AWOTE, the WCI is unaffected by, for example, shifts in the distribution of employees across occupations and industries, and between full-time and part-time jobs. The WCI is a pure price index designed to measure changes over time in wage and salary rates of pay.

Forecast annual movements in key market indicators (ie. CPI and AWOTE) are presented in Table 18

Table 18  
Forecast Annual Movements in Key Market Indicators

Year Ending	2002		2003		2004	
	June	Dec	June	Dec	June	Dec
Percentage						
CPI	2.1	2.5	2.4	2.4	2.3	2.3
AWOTE	3.4	3.4	3.5	3.9	4.2	4.2

\* Source: Major banking and other forecasting organisations

## Economic Trends

After the economic downturn in 2001, Mercer undertook a market survey of how organisations were responding to the economic conditions (*Market Issues Survey*). The purpose of this survey was to supplement current data and provide a current view of the market in light of the changing economic circumstances. The survey was conducted in January 2002 with over 350 organisations participating.

Emerging trends include:

- Approximately 24% of organisations have reduced average annual salary increases, with a further 29% planning to do so
- Approximately 20% of organisations have revised their incentive schemes, with a further 16% planning to revise them in future

- Almost 47% of organisations have reduced their headcount through retrenchment with a further 26% planning retrenchments in the near future.
- Hiring freezes have been implemented in 46% of organisations surveyed. A further 9% plan to implement hiring freezes in the near future
- Over 19% of organisations have increased the use of contractors/outsourced services, with a further 14% planning to increase their usage in the near future.

We note, however, that there is still demand for high performing key talent, and whilst a more conservative pay position may be adopted for a period of time, it is expected that within any organisation there will be individuals for whom the need to reward more competitively will always remain.

### Same Incumbent Movements

Same incumbent movements are generally a useful indicator of organisations' remuneration practices. They indicate the level and spread of increases paid to individuals in the same position in the same organisations from one year to the next.

Table 19 presents actual same incumbent movements in Base Salary by particular job families for the year ending March 2002, in addition to Mercer's forecasts for 2002 and 2003.

Table 19  
Base Salary Remuneration Movements\* - by Job Family

Job Family	Year Ending March 2002	Forecast	
		2002	2003
Percentage			
Senior Management	5.0	4.3	4.5
Finance	4.5	4.2	4.7
Information Technology	4.5	4.3	4.7
Human Resources	5.0	4.6	4.7
Engineering	4.9	4.5	4.4
Scientific	5.1	5.1	5.0

Job Family	Year Ending March 2002	Forecast 2002 Percentage	Forecast 2003
Marketing	4.4	4.0	4.2
Sales	4.2	4.1	4.2
Production	4.0	3.8	3.5
Supply/Distribution	4.0	3.7	3.5
<b>Overall Trend</b>	<b>4.4</b>	<b>3.9</b>	<b>4.2</b>

\* Median increase same incumbent

Table 20 presents actual same incumbent movements in TRP by particular job families for the year ending March 2002, in addition to Mercer’s forecast for 2001/2002.

Table 20  
TRP - Remuneration Movements\* by Job Family

Job Family	Year Ending March 2002	Forecast 2002	Forecast 2003
Senior Management	5.1	4.4	4.5
Finance	4.5	4.3	4.7
Information Technology	4.5	4.4	4.7
Human Resources	5.1	4.7	4.7
Engineering	4.8	4.6	4.5
Scientific	5.3	5.2	5.2
Marketing	4.1	4.1	4.1
Sales	4.3	4.2	4.3
Production	4.0	3.9	3.5
Supply/Distribution	3.9	3.8	3.4
<b>Overall Trend</b>	<b>4.5</b>	<b>4.0</b>	<b>4.2</b>

\* Median increase same incumbent

It should be noted that whilst these movements are representative of the overall job family, there are in fact positions within the job families that are commanding premiums, or have had low or no movements.

It should also be noted that sample on sample movements (ie the movement of pay across all of our database from last year to this year) have not matched same incumbent movements. This can be explained by lower rates for new hires and fluctuations in the sample.

## 8

## Relative Position of APS SES Bands 1-3 to the Combined State Public Service

Comparative analyses have been prepared for DEWR on the basis of median Base Salary and TRP values for each of the APS SES bands, to determine the relative position of the SES bands to each of the State public services.

Each SES band has been compared to the public service, specifically:

- the **Combined State Public Service**, which comprises work value and remuneration data from the Queensland, Victoria, Northern Territory, Australian Capital Territory, New South Wales, South Australia and Western Australia public services
- the Queensland, Victoria, Northern Territory, Australian Capital Territory, New South Wales and South Australia individual public services.

### Note:

- the remuneration data is that which is current for the respective public service jurisdictions
- published ranges from the SA and WA public services have been based on tenured figures
- pay lines have been constructed for both the **APS** and **Combined State Public Service** so that remuneration levels can be compared according to work value levels equivalent to the APS SES Bands 1 to 3

- consideration needs to be given to the fact that the APS payline was derived from actual data, as opposed to the paylines developed for other public jurisdictions which used published rates of pay. Therefore, **actual** State data could tell a different story, given the large broadbands which exist in some States (e.g. Victoria).
- it should also be noted that some caution needs to be exercised in examining comparisons at the SES 2 and SES 3 levels with the ACT public service. In the case of the ACT, there are very few positions at 1200 points or above. Those that do occur at these work value levels are exclusively chief executive roles within agencies or other specific public sector entities.

## Base Salary

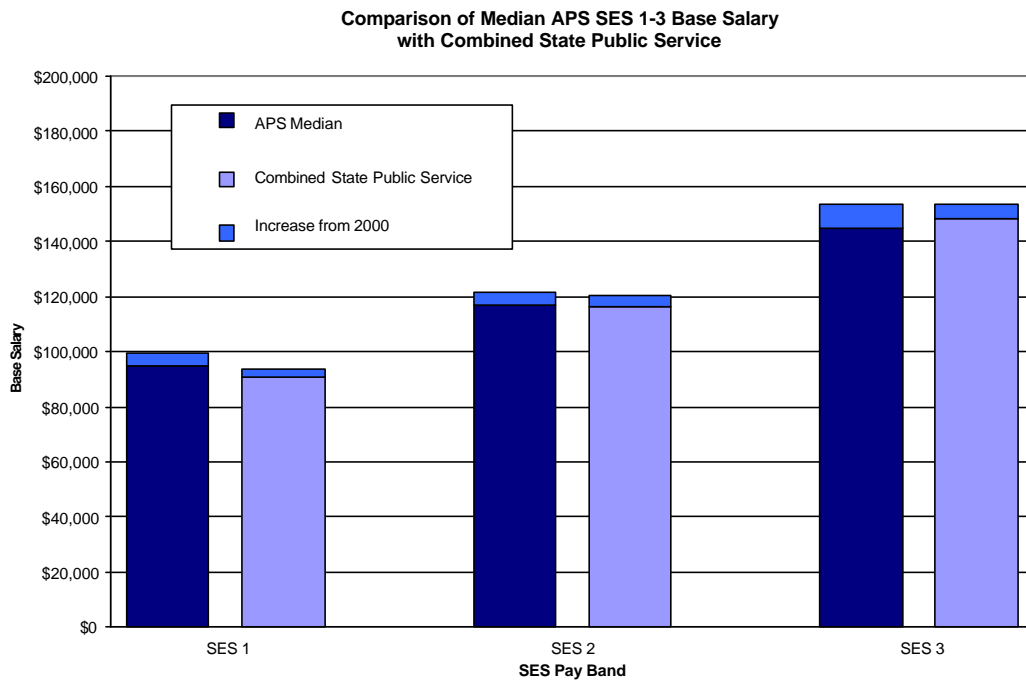
Table 21 and Figure 5 compare the **median Base Salary** of each APS SES band to that of the **Combined State Public Service**. Please note, States such as NSW, NT, SA and VIC take a TRP approach, not a Base Salary plus benefits approach when determining remuneration. As such, an indicative proportion of TRP was used to define Base Salary values for these public service jurisdictions.

Table 21

Base Salary Comparisons of each SES Pay Band with the Combined State Public Service

SES Pay Band	Work Value Points (midpoint)	APS Base Salary Median	Combined State Public Service	Difference	Comparatio
SES 1	817	\$99,178	\$93,596	\$5,582	1.06
SES 2	1225	\$121,737	\$120,649	\$1,088	1.01
SES 3	1840	\$153,286	\$153,531	-\$245	1.00

Figure 5



### 2001 Commentary

An inspection of Table 21 and Figure 5 pertaining to median Base Salary in this section reveals:

- At SES 1, the APS is 6% above the Combined State Public Service
- At SES 2, the APS is 1% above the Combined State Public Service
- At SES 3, the APS is on a par with the Combined State Public Service
- That overall, the APS is comparable to the Combined State Public Service at all SES levels

### 2000 Comparison

- Compared with 2000, the APS has moved slightly above the Combined State Public Service at SES 1 and SES 2

- The APS has improved its position at SES 3 from 2000 (2% below), to be on an equal par with the Combined State Public Service in 2001. This gap has gradually narrowed at SES 3 since 1999.

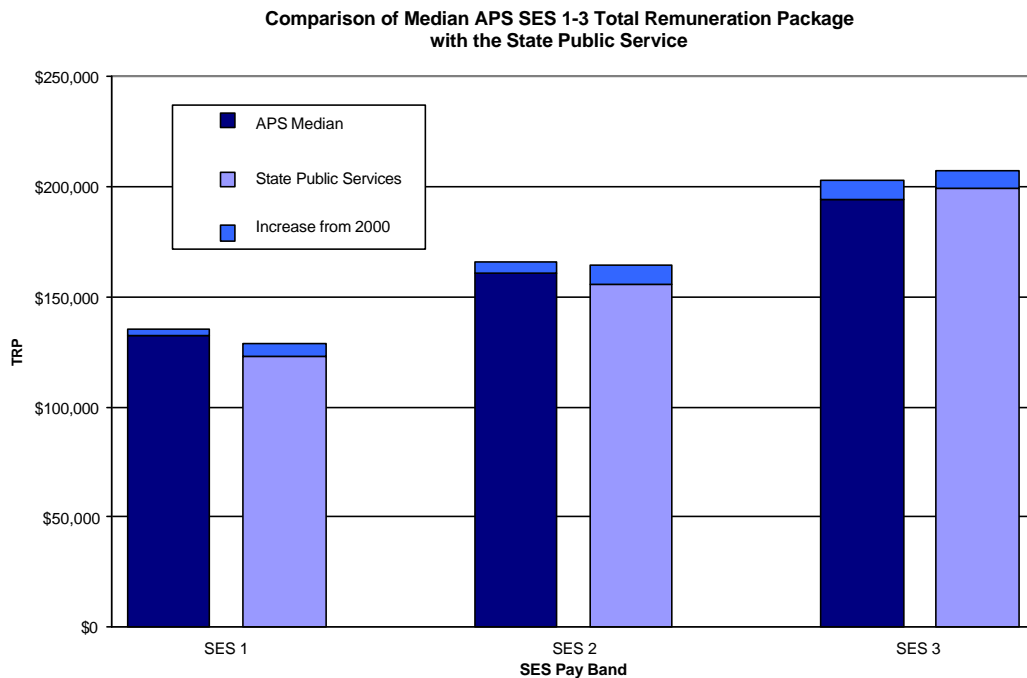
### Total Remuneration Package

Table 22 and Figure 6 compare the **median TRP** of each APS SES band (based on work value points), with the **Combined State Public Service**.

Table 22  
TRP Comparisons with the Combined State Public Service

SES band	Work Value Points (midpoint)	APS TRP Median	Combined State Public Service	Difference	Comparatio
SES 1	817	\$135,541	\$128,996	\$6,545	1.05
SES 2	1225	\$166,041	\$163,918	\$2,123	1.01
SES 3	1840	\$202,884	\$207,391	-\$4,507	0.98

Figure 6



## 2001 Commentary

An inspection of Table 22 and Figure 6 reveals:

- At SES 1, the APS is 5% above the Combined State Public Service
- At SES 2, the APS is 1% above the Combined State Public Service
- At SES 3, APS is 2% below the Combined State Public Service

## 2000 Comparison

- Whilst the APS is 5% above the Combined Public Service at SES 1 and 1% above at SES 2 in 2001, its relative position has decreased from 2000 (8% and 3% above respectively).
- The APS has retained its relative position at SES 3 (2% below) from 2000

9

## Relative Position of APS SES Bands 1 to 3 with Individual Public Service Jurisdictions

Whilst the previous section compared the APS against the Combined State Public Service, here we will look at each public service jurisdiction individually.

Paylines have been constructed for the Queensland, Victorian, Northern Territory, ACT, New South Wales, and South Australia public services, so that remuneration levels in each State can be compared according to work value levels equivalent to the APS SES bands.

### Base Salary

Figure 7 compares the **median** of each APS SES band with each individual State (based on SES midpoint work value points).

Figure 8 depicts the APS SES payline against the paylines of other Australian public service jurisdictions, up to 2000 work value points

Table 23 shows the percentage variation of the APS Bands SES 1-3 at the median level against the midpoint (based on APS SES work value points) of individual public service jurisdictions.

Figure 7

Comparison of Median APS SES 1 - 3 Base Salary with the midpoint (based on SES work value) with other Public Service Jurisdictions

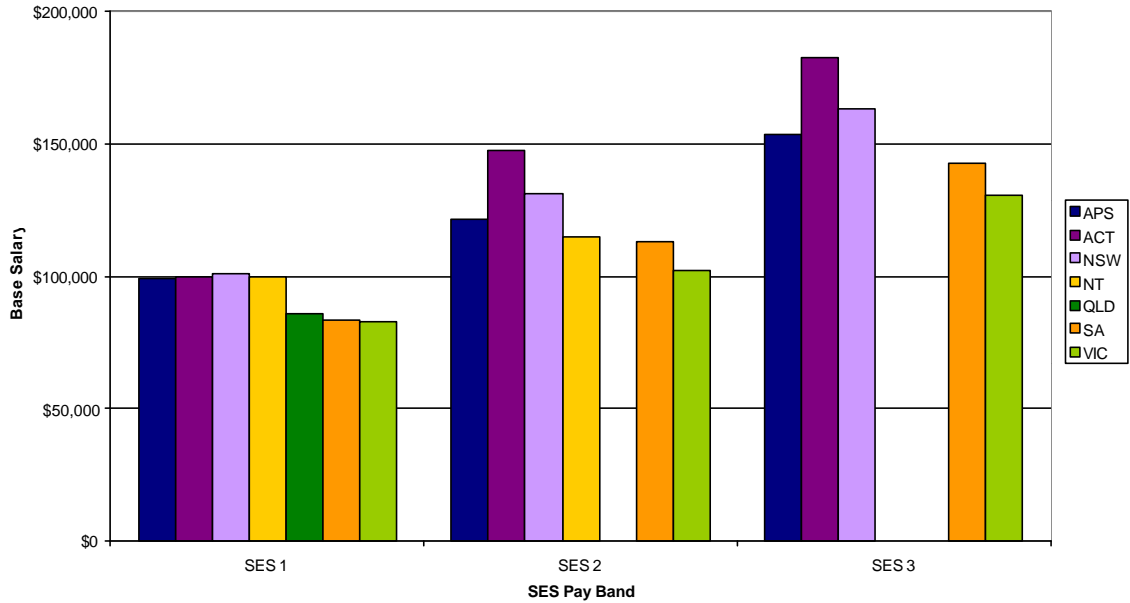


Figure 8

Comparison of APS Base Salary with other Public Service Jurisdictions based on work value points

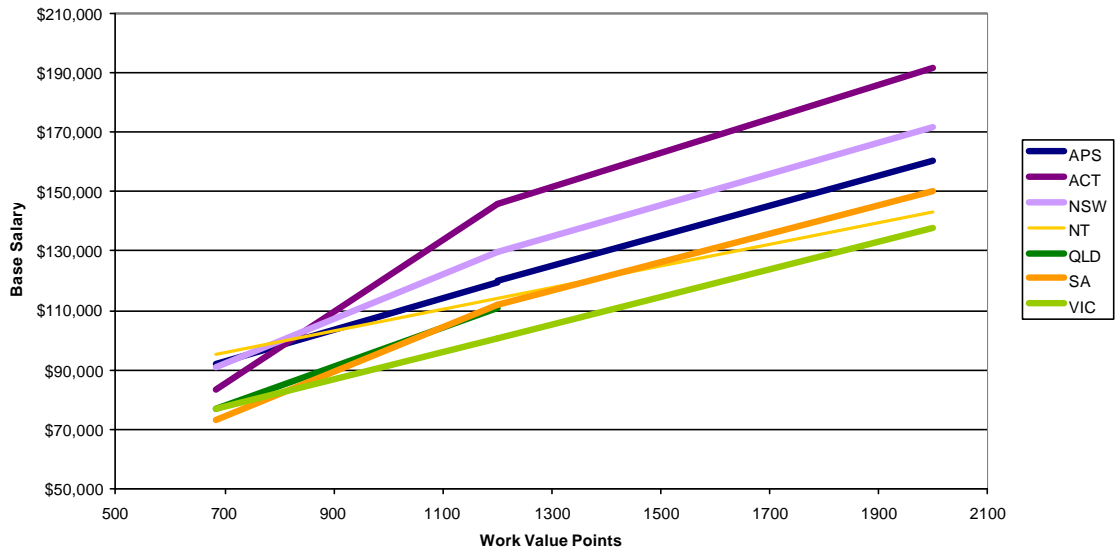


Table 23  
Base Salary Comparatios: APS SES 1-3 Bands versus other State Public Service Jurisdictions

SES Level	ACT	NSW	NT	QLD	SA	VIC
SES 1	1.00	0.98	0.99	1.16	1.19	1.20
SES 2	0.83	0.93	1.06		1.08	1.19
SES 3	0.84	0.94			1.08	1.18

### 2001 Commentary

An inspection of the Table and Figures pertaining to APS median Base Salary in this section reveals:

- SES 1 is above the QLD, SA and VIC public services, below the NSW and NT and public services, and on a par with the ACT public service
- SES 2 is above the NT, SA and VIC public services but below the ACT and NSW public services (Note that QLD is not applicable here)
- SES 3 is above the SA and VIC public services, but behind the ACT and NSW public services (Note that NT and QLD are not applicable here)

### 2000 Comparison

- At SES 1 and SES 2 the APS has improved its relative position against the ACT, NT, QLD (not applicable at SES 2), and SA public services
- At SES 3 the APS has improved its relative position against the ACT, NSW and SA public services

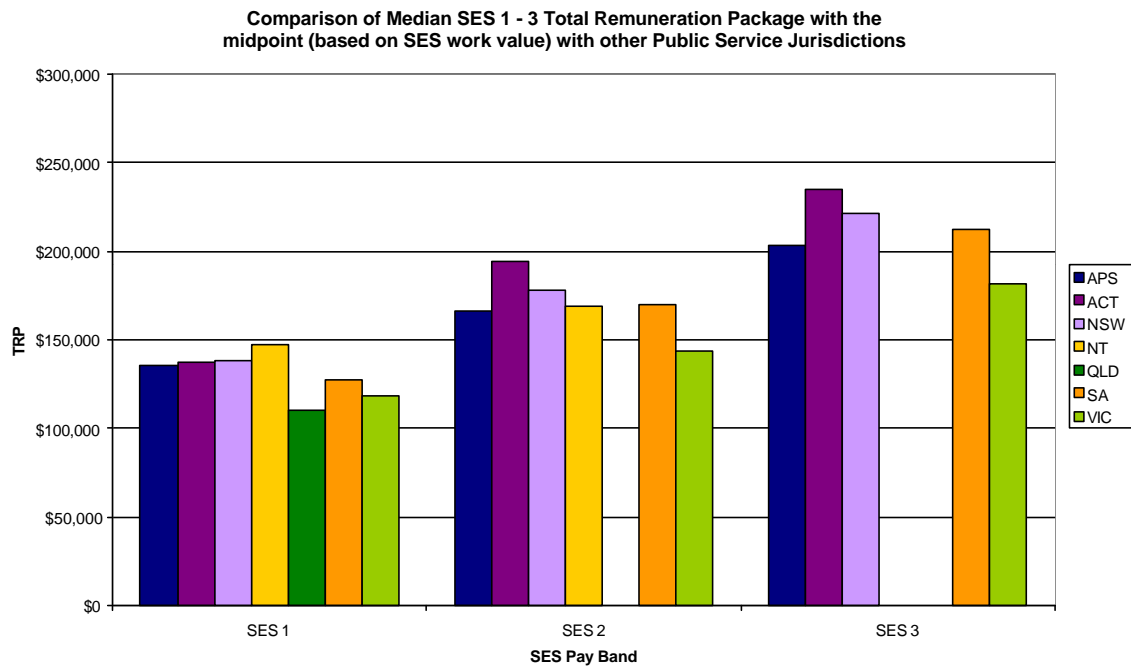
## Total Remuneration Package

Figure 9 compares the **median** of each APS SES band with each State (based on APS SES midpoint work value points).

Figure 10 depicts the APS SES payline against the paylines of other Australian public service jurisdictions, up to 2000 work value points

Table 24 shows the percentage variation of the APS SES Bands 1-3 at the median level against the midpoints (based on APS SES work value points) of individual public service jurisdictions.

Figure 9



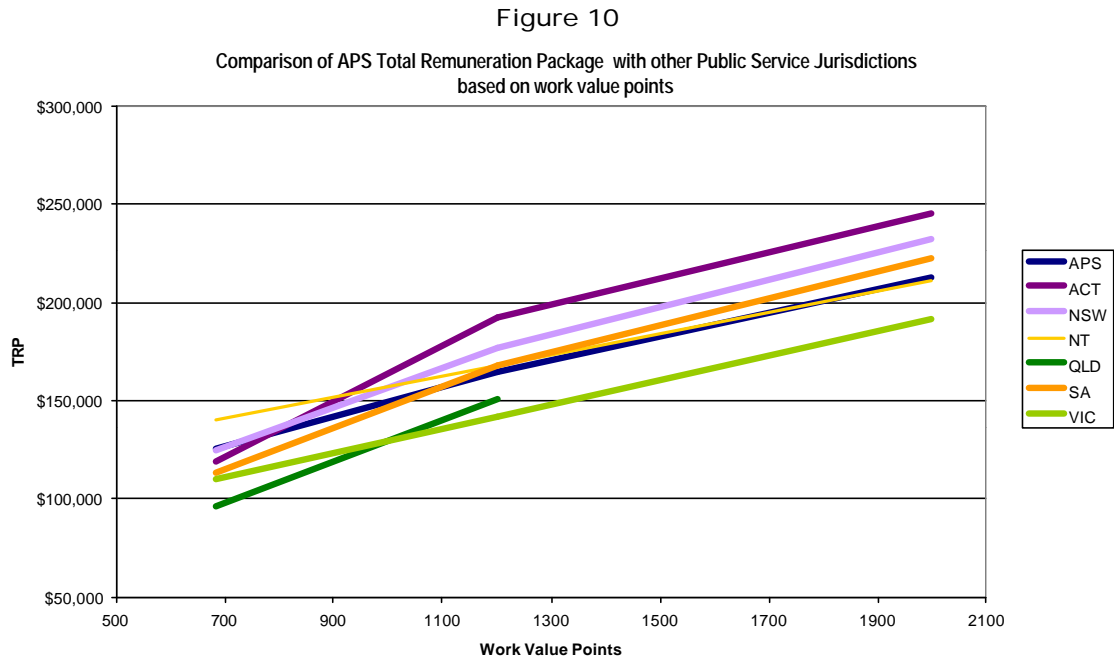


Table 24  
TRP Comparatios: SES 1-3 Bands versus other Public Jurisdictions

SES Level	ACT	NSW	NT	QLD	SA	VIC
SES 1	0.98	0.98	0.92	1.23	1.06	1.15
SES 2	0.86	0.93	0.98		0.98	1.16
SES 3	0.86	0.92			0.96	1.12

### 2001 Commentary

An inspection of the Table and Figures pertaining to median TRP at the midpoint (work value) in this section reveals:

- SES 1 is above the, QLD, SA, and VIC public services but below the ACT, NSW and NT public services.
- SES 2 is above the VIC public service but behind the ACT, NT, SA and NSW public services (Note that QLD is not applicable here)

- SES 3 is above the VIC public service but behind the ACT, NSW and SA public services (Note that NT and QLD are not applicable here)

### 2000 Comparison

- With the exception of the ACT, the APS's relative position against the NSW, NT, QLD, SA and VIC public services has decreased since 2000.



## Benefit Provision and Incentives in the Public Sector

Tables 25 to 27 present an analysis of benefit provision and incentives in the **Public Sector (including GBE's)** based on **actual** data from Mercer's database. This is different from the comparison with the Combined State Public Service which does not include GBE's and is not based on actual data. The Tables look at benefits such as motor vehicles, car allowances, superannuation and incentives.

Please note, indicative motor vehicle values have been derived using the Mercer car formula, based on car purchase price information from our database.

Table25  
Benefit Provision in the Public Sector  
Work Value Equivalent to APS SES 1

	Q1	Median	APS SES 1 Median	Q3	Average	% Rep
Motor Vehicles (includes parking for APS)	\$18,001	\$20,466	\$18,000	\$22,697	\$20,827	13.7
Car Allowance (Public Sector)	\$15,850	\$15,850	-	\$15,850	\$15,181	43.5
Superannuation	\$7,700	\$8,379	\$19,144	\$9,364	\$8,809	98.1
Actual Incentive	\$4,368	\$4,638	\$4,725	\$7,241	\$7,794	73.9

Table 26  
Benefit Provision in the Public Sector  
Work Value Equivalent to APS SES 2

	Q1	Median	APS SES 2 Median	Q3	Average	% Rep
Motor Vehicles (includes parking for APS)	\$19,871	\$21,811	\$17,398	\$24,105	\$22,089	18.0
Car Allowance (Public Sector)	\$9,477	\$12,000	-	\$16,000	\$11,936	13.0
Superannuation	\$8,803	\$12,507	\$23,989	\$15,620	\$12,964	34.8
Actual Incentive	\$17,250	\$22,200	\$8,147	\$31,054	\$25,719	20.5

Table 27  
Benefit Provision in the Public Sector  
Work Value Equivalent to APS SES 3

	Q1	Median	APS SES 3 Median	Q3	Average	% Rep
Motor Vehicles (includes parking for APS)	\$18,566	\$20,104	\$20,500	\$25,808	\$21,850	61.1
Car Allowance (Public Sector)	\$13,397	\$14,818	-	\$16,914	\$16,476	61.1
Superannuation	\$13,860	\$15,830	\$30,297	\$18,865	\$15,853	94.4
Actual Incentive	-	-	\$8,828	-	-	27.8

11

## Incentive Practices in Individual Public Service Jurisdictions

Incentive plans reward employees for the extent to which they achieve a particular outcome. Payments geared to defined performance parameters are designed to bring about positive employee action, generally aimed at improving the organisation's prosperity.

Consistent with 1999 and 2000, there is a lack of formal incentive pay structures currently within the individual public service jurisdictions. Following is a brief commentary of current incentive practices in other public service jurisdictions.

### NSW

Performance pay in NSW was abolished in 2000, which has raised concerns about salary compression. However, in order to retain a number of CEO's the Director General has exercised his discretion to pay allowances, because it was considered that the current remuneration levels of CEO's, particularly in large agencies, was inadequate.

### VIC

Maximum incentive is 20% of TRP for all VPS executive levels. Incentives are dependent on individual performance.

### QLD

No formal incentives are in place, except for short term performance based incentives for chief executives.

### NT, SA, WA, & ACT

No formal incentive pay offered.



## APS Comparison with the Public Service and the Private Sector

Figures 11 and 12 present an overall picture of where the APS is positioned relative to the Combined State Public Service and the Private Sector at the Base Salary and TRP level.

Figure 11

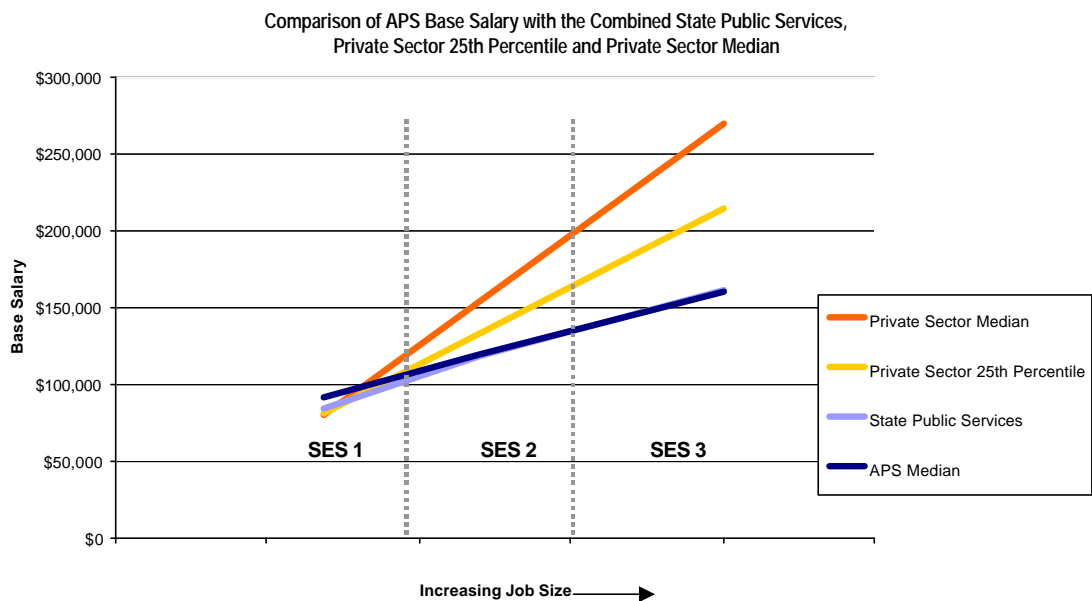
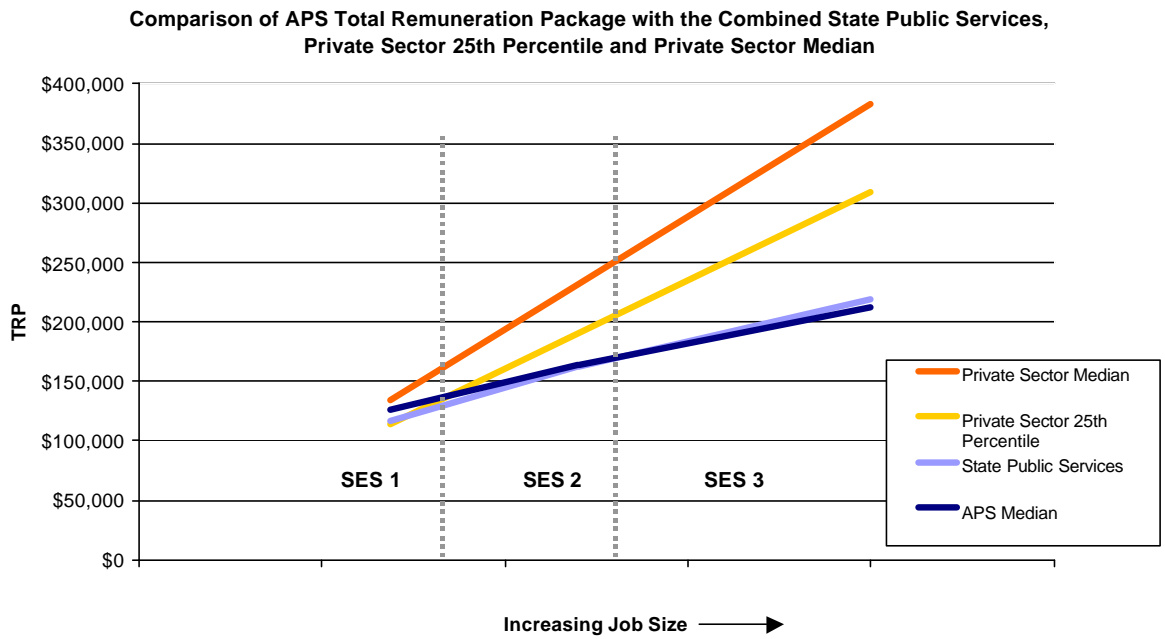


Figure 12



Figures 11 and 12 show that as job size increases:

- so too does the gap between the APS and the Private Sector
- the APS starts to fall slightly below the Combined State Public Service at the upper end of SES 3.

13

## International Public Sector Pay Practices

This section outlines pay practices in the US and UK federal and civil services.

### US Federal Civil Service

#### Current Federal Service Pay Systems

Federal employees are covered by a number of different pay systems, some established by individual laws, some by administrative determination. The three statutory pay systems for Federal white-collar employees are the **General Schedule**, the Foreign Service, and certain employees in the Veterans Health Administration in the Department of Veterans Affairs.

The General Schedule pay system covers, with specific exemptions, most “white-collar” positions in the executive branch and certain legislative branches. The General Schedule consists of 15 grades, each broadly defined in law in terms of work difficulty, responsibility, and the qualifications required for performance. A salary range of 10 steps is provided for each grade. To qualify for advancement to the next higher step, an employee must demonstrate work at an acceptable level of competence.

The **Executive Schedule** was established by Congress to cover top officials in the executive branch. This schedule has five levels, each with a single rate.

The **Senior Executive Service** covers most managerial, supervisory and policy positions in the executive branch which are classified above GS-15. There are currently six salary levels in the SES.

## Federal Service Pay Increases

- For 2001, the nationwide adjustment was 2.7%.
- Locality adjustments were granted in 31 metropolitan areas, with locality rates ranging from 7.68% to 16.98%
- On average, locality rates increased by 1.13 percentage points in 2001 to 9.77%
- Special geographic pay adjustments were authorised for law enforcement officers employees in three metropolitan areas. In 2001, the pay adjustments were 16% above the regular scheduled basic pay rate.
- Special salary rates for certain information technology (IT) workers has continued

## Human Resource Management for the 21st Century

The basic federal systems for recruitment, pay, classification, training and performance management are being redesigned to provide the flexibility agencies must have to manage their people and achieve their mission.

The OPM has delegated broad HRM authorities to agencies and encouraged agencies to redelegate them to line managers, so they can introduce and use all of these new approaches to recruit, hire, manage, train, and reward employees in ways that best meet agency needs. Delegation and deregulation also calls for a new role for HR staff in agencies who must now serve managers as strategic partners.

In addition, with 50% of the Senior Executive Service and GS-15 corporate level executives eligible for optional retirement over the next five years, the OPM is engaging in comprehensive workforce planning that focuses on anticipating new leadership requirements and strengthening the identified leadership competencies to provide high potential candidates for these positions.

A key goal for the federal service is to provide a **flexible, competitive and performance oriented strategic rewards environment**. The Office of Personnel Management (OPM) is using a strategic rewards perspective to improve the Federal Government's pay and benefits systems. This broad perspective includes traditional compensation and benefits, as well as other elements of work experience, such as support for continual learning, work/life balance, and a culture of leadership excellence, that are recognised as major factors in attracting and retaining employees. To apply this strategic rewards perspective, a Strategic Compensation Policy Centre and a Benefits Design and Delivery Centre has been established. Policy proposals for consideration by Congress are to be completed by the end of FY2002. Effective programs and measures linking reward to performance will be a priority.

### Demonstration Projects

The US also currently has a number of demonstration projects running, which are projects designed to provide a means for testing and introducing beneficial change in Government wide human resources management systems, and ultimately shape the future of Federal human resource management. Following are examples of demonstration projects focused around pay:

#### Performance Focused Pay

This demonstration project looks at pay based on a broadbanding classification framework. Employees are compensated and rewarded based on performance, contribution or competencies. Demonstration project evaluations show high performers/contributors are retained because of being rewarded for their performance, while low performers either improve or leave the organisation. Management can offer significant pay rises to new hires from the Private Sector, commensurate with their qualifications and within the salary rate range of the applicable broadband. This flexibility has enhanced the demonstration projects' ability to compete with the Private Sector for high quality candidates. The Administration is considering alternative personnel system legislation that would permit agencies to adopt such programs under the oversight of the Office of Personnel Management.

#### Market Based Pay

- Pay ranges tied to pay rates for comparable positions with relevant private/public competitors
- Grade levels replaced with career levels varied by occupation
- OPM classification standards replaced with job level definitions

- Position descriptions eliminated – work documented by series/job level definition, performance standards and task lists
- Performance based pay for executives. Annual pay increases based on performance. Annual performance based bonuses up to 25%

## UK Civil Service

### Senior Civil Service

Since 1 April 1996, all departments and agencies have had delegated responsibility for the pay and grading of their staff, except for the 3,300 or so most senior managers and policy advisors in the Senior Civil Service (SCS). When the SCS was formed, the current SCS pay system was also introduced, replacing the old grade-related annual incremental pay scales. The Senior Salaries Review Body is responsible for monitoring the pay system, recommending changes to the pay band minima and maxima, and to the range and distribution of performance related awards.

As at October 2001, SCS median gross salaries were competitive with remuneration for the top management levels in the wider Public Sector (except at the very highest rates of pay in some organisations). In most cases, SCS pay was broadly competitive with median Base Salary levels in the Private Sector. However, SCS median salaries were less competitive overall when compared with the incentive opportunity available in the Private Sector.

### New Performance Management and Pay Practices

New performance management and pay arrangements came into effect in April 2001, for the SCS. The first payment under the new system is due to be made from April 2002. An important component of the new system is the new competence framework for the SCS.

The SCS framework gives limited scope to the employing department or agency to vary:

- the pay system, contracts and job evaluation methodology
- the appraisal system using SCS core criteria/ competencies
- inter-departmental mobility arrangement
- training and development events

Main elements of the new pay arrangements are:

- reduction in the number of pay bands in the SCS to three or four, from the current nine
- the maxima of the pay bands are linked broadly to the medians of market rate salaries
- target rates are introduced below the band maxima, to which all satisfactory performers would be able to progress; only the best performers would progress further towards the maximum
- performance payments are introduced for the 25% best performers and for about half of the middle performers
- departments will have discretion in their approach to some aspects, including whether or not to introduce higher London rates for some pay bands or a fourth pay band

The objectives of the revised pay system are to:

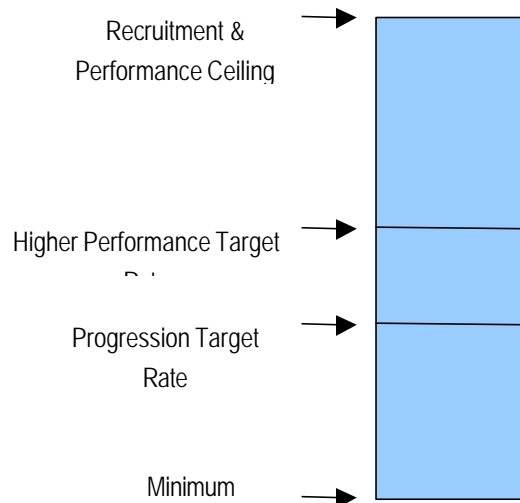
- provide better incentives for delivering key results
- provide significant rewards to high performers and greater reward differentiation based on relative contribution
- drive continuous improvement
- enable the SCS to compete in the market for high quality staff whilst targeting resources
- help interchange with the wider public service and Private Sectors
- improved transparency and perceived fairness in pay decisions

### Performance Related Pay

Under the new system, an individual's contribution will be assessed relative to that of others in the same pay band. The actual amount rewarded to an individual will be a function of their position in the salary scale and their annual performance review. Progression to the target rate will be faster for those lower in the pay band than for those higher. The target rate will be the effective maximum for most SCS employees. Only high performers (about 25% of the SCS population) will be eligible to make progress beyond the target rate in that year.

Progression from the median entry point to the progression target rate will take 3-4 years for consistently top performers, and around 10 years for other fully effective performers. High performers will receive accelerated progression until their salary reaches the higher performance target rate, and continued, but slower, progression thereafter.

Figure 13  
Pay Band Model



Bonus payments will be phased in over three years. When fully implemented, it is estimated that an annual bonus averaging 8% will be paid to high performing employees (~25%), and a bonus averaging 4% will be paid to very good performing employees (~35% of the population). The remainder will receive no bonus. Departments will decide on their strategy for awarding bonuses within a general SCS framework.

Agency Chief Executives and certain other members of the SCS recruited for fixed term appointments, generally have individually negotiated contracts, with non-consolidated bonuses dependent on individual and organisation performance.

The government believes that the new pay system strikes a balance between progression, market related target rates and affordability, which will enable the SCS to compete more effectively for senior talent.

## 2002 Initiatives for the SCS

Other SCS projects for 2002 include:

- 360 degree feedback for all member of the SCS
- establishment of objective leadership potential measures

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