

31 May 2006

2005 Broader Market Comparison - SES and Non-SES Remuneration Department of Employment and Workplace Relations

Data as at 31 December 2005

MERCER

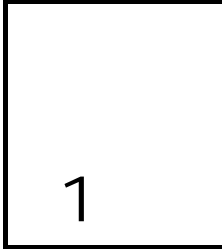
Human Resource Consulting

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Executive Summary

Survey purpose and objectives

The Department of Employment and Workplace Relations (DEWR) commissioned Mercer Human Resource Consulting (Mercer) to conduct the 2005 APS Remuneration Survey. The 2005 APS Non-SES and SES Remuneration Surveys, plus the Broader Market Comparison, provide a comprehensive overview of remuneration trends and outcomes across the APS. These reports also provide information about remuneration in State and Territory public services and the wider market with a view to informing APS agencies in the determination of remuneration practices and policy.

More specifically, the 2005 APS Remuneration Survey seeks to provide:

- updated information and analysis of overall SES and non-SES remuneration by comparison to the previous APS Remuneration Surveys
- detailed information about individual components of the total SES and non-SES remuneration packages and the total value of each package by classification and agency
- accurate estimates of the remuneration ranges for the classifications in each agency and the APS as a whole
- capacity for agencies to compare remuneration of their SES and non-SES employees 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.

Survey participants and sample size

A total of 55 agencies participated in the 2005 APS Remuneration Survey. Of these, 40 agencies participated in 2004 with fifteen new agencies participating in 2005. Of the total 84,965 records submitted (out of an approximate total of 134,000 APS employees), 1,913 records were for SES employees of which 1,811 records were included in the SES survey remuneration database. Of the total 83,052 non-SES records, 24,714 were included in the non-SES survey remuneration database. When preparing Individual Agency Reports, all data submitted by each agency was used.

Sample size for both SES and non-SES groups are the largest in the history of conducting this survey, and represent an increase of 15.9% for SES employees and 12.4% for non-SES employees over 2004.

The 2005 APS Remuneration Survey is based on a sample of remuneration data as at 31 December 2005 and payments/entitlements for the 2005 calendar year. The 2005 APS Remuneration Survey findings are presented in four reports: an SES Report, a Non-SES Report, a Broader Market Comparison Report and Individual Agency Reports.

Methodology

In 2005, all APS agencies were invited by DEWR to participate in the 2005 APS Remuneration Survey. Participating agencies attended a survey briefing in December and completed relevant survey questionnaires.

In order 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 data once it had been confirmed. Over 3,000 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 (UNSW) for review. Once the calculations were confirmed, Mercer finalised the dataset and commenced data analysis and reporting.

All analyses and report formats are based on requirements as specified by DEWR. Prior to releasing the final report, Mercer and DEWR agreed all items to be included in the analyses. Mercer presented a summary of initial findings and then draft reports to DEWR for review. However, Mercer retains full responsibility for the accuracy and integrity of all data presented in this report.

The salary information in the 2005 survey has been compared to the 2004 information in many cases. This analysis is presented throughout the report as the 2004 to 2005 movement, represented as a percentage. This refers to the change in the sample on sample data from the 2004 calendar year to the 2005 calendar year in all instances.

The methodology used to determine the CPS data is identical to the 2004 report. The 2004 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 Tasmania¹).

¹ 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 will not be published unless the following criteria for both case numbers and agency numbers are 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

Definitions which are specific to this report are detailed below. Generic definitions which are used across all four reports are detailed in Appendix A.

Midpoint

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

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% below the APS (1.00).

Trendlines

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

Aim of This Report

The 2005 Broader Market Comparison – SES and Non-SES Remuneration report provides a detailed analysis of APS SES and non-SES remuneration against equivalent positions within State and Territory public services 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 in order to be consistent with previous surveys).

In preparing this report, Mercer researched the 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.

Comparative remuneration analyses against State and Territory public services (excluding Tasmania) and the private sector are based on a comparison of work value levels and associated remuneration information that apply to comparable positions. Work value is a numerical measure of job size determined by assessing the responsibilities and accountabilities of a role. Use of this method 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.

Based on feedback from many agencies after the 2004 APS Remuneration Survey, the Broader Market Comparison report is briefer and more streamlined than those provided in previous years. This report should be read in conjunction with the APS SES and Non-SES Remuneration Survey reports.

Main Remuneration Findings

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

Combined Public Service – Base Salary

The Combined Public Service (CPS) analysis uses a remuneration range spanning from the minimum to the maximum of the reported remuneration ranges across the relevant jurisdictions. The CPS midpoint is the value half-way between the minimum and maximum. The relative competitive positioning of Base Salary for all non-SES classifications in comparison to the CPS has been maintained in 2005, as detailed in Table 1.1. Overall, the median 2005 Base Salary movement across all non-SES classifications was 3.7%. This compares to the overall CPS 2005 Base Salary midpoint movement of 3.5% for non-SES equivalent positions in other jurisdictions.

APS SES Base Salary has not been compared because most State jurisdictions manage SES remuneration on a TRP basis.

Table 1.1 – Median Base Salary Comparisons for Non-SES Classifications with the CPS Midpoint

Classification	APS Median		Difference	Comparatio	
	2005	CPS 2005		2005	2004
APS 1	\$33,935	\$30,240	\$3,695	0.89	0.88
APS 2	\$39,028	\$37,533	\$1,495	0.96	0.96
APS 3	\$43,923	\$42,107	\$1,816	0.96	0.96
APS 4	\$48,944	\$46,680	\$2,264	0.95	0.95
APS 5	\$53,931	\$51,635	\$2,296	0.96	0.96
APS 6	\$62,775	\$57,352	\$5,423	0.91	0.92
EL 1	\$77,767	\$63,069	\$14,698	0.81	0.82
EL 2	\$96,063	\$71,534	\$24,529	0.74	0.75

Comparatios reflect APS set at 1.00.

Combined Public Service (CPS) – Total Remuneration Package (TRP)

In terms of TRP, all non-SES classifications generally maintained their relative competitive positioning against the CPS, as detailed in Table 1.2. Overall, the median 2005 TRP movement across all non-SES classifications was 3.7%. This compares to the overall CPS 2005 TRP midpoint movement of 3.4% for non-SES equivalent positions.

SES TRP has decreased its competitive positioning slightly by between 1% and 3%. However, APS median TRP values for each SES band remain significantly higher than their State/Territory public service counterparts. Overall, the median 2005 TRP movement across SES 1 to SES 3 was 3.7%, however the overall CPS 2005 TRP midpoint movement was 5.6% for SES equivalent positions (influenced by relatively large movements in Victoria and the Australian Capital Territory – refer Appendix B for details).

Table 1.2 – Median APS TRP Comparisons with the CPS

Classification	APS Median			Comparatio	
	2005	CPS 2005	Difference	2005	2004
APS 1	\$37,930	\$33,376	\$4,554	0.88	0.87
APS 2	\$44,604	\$41,417	\$3,187	0.93	0.93
APS 3	\$50,472	\$46,463	\$4,009	0.92	0.93
APS 4	\$56,157	\$51,510	\$4,647	0.92	0.92
APS 5	\$62,021	\$56,977	\$5,044	0.92	0.92
APS 6	\$72,322	\$63,286	\$9,036	0.88	0.88
EL 1	\$89,828	\$69,594	\$20,234	0.77	0.78
EL 2	\$113,820	\$78,935	\$34,885	0.69	0.70
SES 1	\$170,416	\$150,918	\$19,498	0.89	0.88
SES 2	\$210,861	\$191,598	\$19,264	0.91	0.88
SES 3	\$260,983	\$250,761	\$10,223	0.96	0.94

Comparatios reflect APS set at 1.00.

Combined Public Service (CPS) – Total Reward (TR)

This section provides information on APS SES employees only, as no State/Territory public services provide bonuses to non-SES equivalent positions. From a TR perspective, the SES competitiveness over the CPS decreased by between 4% and 6%, as shown in Table 1.3.

Overall, median 2005 TR movement across SES 1 to SES 3 was 3.6%. This compares to the overall CPS 2005 TR midpoint movement of 9.6% for equivalent SES bands (which was influenced by relatively large movements in several States/Territories, but not in others). As can be seen in Table 1.3, median APS TR values for each SES band remain around \$15,000 to \$22,000 higher than their State/Territory public service counterparts.

Table 1.3 – Median SES TR Comparisons with the CPS

Classification	APS Median			Comparatio	
	2005	CPS 2005	Difference	2005	2004
SES 1	\$175,745	\$160,656	\$15,089	0.91	0.85
SES 2	\$218,420	\$196,154	\$22,266	0.90	0.85
SES 3	\$273,269	\$257,470	\$15,799	0.94	0.90

Comparatios reflect APS set at 1.00.

Private Sector – Base Salary

The relative competitive positioning of Base Salary for all non-SES classifications in comparison to the private sector has been maintained in 2005, as detailed in Tables 1.4 and 1.5 which compare non-SES Base Salary medians with private sector Q1 and median figures. Overall, the median 2005 Base Salary movement across all non-SES classifications was 3.7%, which is the same as private sector 2005 Base Salary movements at Q1 and the median for non-SES equivalent positions.

Table 1.4 – Median Base Salary Comparisons for Non-SES Classifications with the Private Sector Q1

Classification	APS Median 2005	Private Sector Q1	Difference	Comparatio	
				2005	2004
APS 1	\$33,935	\$24,273	\$9,662	0.72	0.71
APS 2	\$39,028	\$35,205	\$3,823	0.90	0.90
APS 3	\$43,923	\$43,403	\$520	0.99	0.99
APS 4	\$48,944	\$51,602	-\$2,658	1.05	1.06
APS 5	\$53,931	\$58,697	-\$4,766	1.09	1.09
APS 6	\$62,775	\$66,884	-\$4,109	1.07	1.07
EL 1	\$77,767	\$75,070	\$2,697	0.97	0.96
EL 2	\$96,063	\$87,186	\$8,877	0.91	0.91

Comparatios reflect APS set at 1.00.

As can be seen from Table 1.4, median Base Salary values for APS 1, APS 2, APS 3, EL 1 and EL 2 classifications are higher than the Q1 Base Salary for equivalent positions in the private sector.

Table 1.5 – Median Base Salary Comparisons for Non-SES Classifications with the Private Sector Median

Classification	APS Median 2005	Private Sector Median	Difference	Comparatio	
				2005	2004
APS 1	\$33,935	\$26,247	\$7,688	0.77	0.77
APS 2	\$39,028	\$38,616	\$412	0.99	0.99
APS 3	\$43,923	\$47,892	-\$3,969	1.09	1.09
APS 4	\$48,944	\$57,169	-\$8,225	1.17	1.17
APS 5	\$53,931	\$65,849	-\$11,918	1.22	1.22
APS 6	\$62,775	\$75,865	-\$13,090	1.21	1.21
EL 1	\$77,767	\$85,881	-\$8,114	1.10	1.10
EL 2	\$96,063	\$100,705	-\$4,642	1.05	1.05

Comparatios reflect APS set at 1.00.

As can be seen from Table 1.5, the private sector median Base Salary values are higher than the corresponding APS median for all classifications except APS 1 and APS 2. However, as can be seen from the two right hand columns, the APS' competitive position against the private sector median remains essentially unchanged from 2004 to 2005.

Graduates

In 2005, the median range of graduate Base Salaries in the private sector ranged from \$42,400 to \$43,669 across different job families (excluding MBA graduates), compared to the APS Graduate median of \$41,000. In the private sector, Engineering, HR and Marketing graduates typically started at higher Base Salaries than graduates from other disciplines. This is in contrast to the APS, where graduates from the Economics, Legal and General job families were the highest paid. On average, APS graduate Base Salaries (\$41,707) are slightly below those in the private sector (\$43,501).

Private Sector – Total Remuneration Package (TRP)

Similar trends apply to TRP comparisons with the private sector as have already been reported for Base Salary. All non-SES classifications generally maintained their relative competitive positioning against the private sector, as outlined in Tables 1.6 and 1.7. Overall, the median 2005 TRP movement across all non-SES classifications was 3.7%. This compares to the overall private sector 2005 TRP movements of 3.6% at Q1 and the median for non-SES equivalent positions.

SES TRP has generally maintained its competitive positioning against the private sector. Overall, the median 2005 TRP movement across SES 1 to SES 3 was 3.7%. This is slightly lower than the overall private sector 2005 TRP movements of 4.4% at Q1 and the median for SES equivalent positions.

Table 1.6 – Median APS TRP Comparisons with the Private Sector Q1

Classification	APS Median 2005	Private Sector Q1	Difference	Comparatio	
				2005	2004
APS 1	\$37,930	\$26,477	\$11,453	0.70	0.69
APS 2	\$44,604	\$38,502	\$6,102	0.86	0.86
APS 3	\$50,472	\$47,726	\$2,746	0.95	0.95
APS 4	\$56,157	\$56,949	-\$792	1.01	1.01
APS 5	\$62,021	\$66,675	-\$4,654	1.08	1.08
APS 6	\$72,322	\$80,817	-\$8,495	1.12	1.12
EL 1	\$89,828	\$97,270	-\$7,442	1.08	1.08
EL 2	\$113,820	\$118,277	-\$4,457	1.04	1.04
SES 1	\$170,416	\$155,342	\$15,074	0.91	0.90
SES 2	\$210,861	\$220,993	-\$10,132	1.05	1.04
SES 3	\$260,983	\$334,077	-\$73,094	1.28	1.28

Comparatios reflect APS set at 1.00.

Table 1.7 – Median APS TRP Comparisons with the Private Sector Median

Classification	APS Median 2005	Private Sector Median	Difference	Comparatio	
				2005	2004
APS 1	\$37,930	\$28,621	\$9,309	0.75	0.75
APS 2	\$44,604	\$42,259	\$2,345	0.95	0.95
APS 3	\$50,472	\$52,722	-\$2,250	1.04	1.05
APS 4	\$56,157	\$63,186	-\$7,029	1.13	1.12
APS 5	\$62,021	\$74,761	-\$12,740	1.21	1.21
APS 6	\$72,322	\$91,597	-\$19,275	1.27	1.27
EL 1	\$89,828	\$111,199	-\$21,371	1.24	1.24
EL 2	\$113,820	\$136,930	-\$23,110	1.20	1.21
SES 1	\$170,416	\$184,419	-\$14,003	1.08	1.07
SES 2	\$210,861	\$269,919	-\$59,058	1.28	1.27
SES 3	\$260,983	\$413,288	-\$152,305	1.58	1.58

Comparatios reflect APS set at 1.00.

Private Sector – Total Reward (TR)

From a TR perspective, the competitive position of SES 1 has decreased by 2% against Q1 and the median and for SES 2 has decreased by 1%. SES 3 has maintained its competitive position against the private sector. Overall, the median 2005 TR movement across SES 1 to SES 3 was 3.6%. This compares to the overall private sector 2005 TR movements of 4.3% at both Q1 and the median for SES equivalent positions.

Table 1.8 – Median SES TR Comparisons with the Private Sector Q1

Classification	APS Median 2005	Private Sector Q1 2005	Difference	Comparatio	
				2005	2004
SES 1	\$175,745	\$165,100	\$10,645	0.94	0.92
SES 2	\$218,420	\$237,648	-\$19,228	1.09	1.08
SES 3	\$273,269	\$374,329	-\$101,060	1.37	1.37

Comparatios reflect APS set at 1.00.

Table 1.9 – Median SES TR Comparisons with the Private Sector Median

Classification	APS Median 2005	Private Sector Median 2005	Difference	Comparatio	
				2005	2004
SES 1	\$175,745	\$203,261	-\$27,516	1.16	1.14
SES 2	\$218,420	\$303,243	-\$84,823	1.39	1.38
SES 3	\$273,269	\$492,642	-\$219,373	1.80	1.80

Comparatios reflect APS set at 1.00.

As can be seen in Tables 1.8 and 1.9, on a TR basis, the remuneration for all SES bands are well below the private sector, particularly for SES 2 and SES 3.

The comparisons shown in Table 1.7 for TRP are also much closer to private sector TRP comparisons, than the TR comparison shown in Tables 1.8 and 1.9. This is mainly due to actual bonuses paid to private sector executives being substantially higher than actual bonuses paid to SES employees. In the past year, actual bonus payments for many private sector executives have been higher than normal, driven by high levels of company profitability in some sectors.

Benefits and Bonuses – Public and Private Sector

SES 1 to SES 3

SES median motor vehicle values (\$19,913 to \$22,660) are competitively positioned against public sector values (\$13,300 to \$21,500). In this context, the public sector includes CPS and Government Owned Corporations (GOCs). In contrast, median private sector motor vehicle values of \$22,930 to \$34,059 (depending on classifications) are much higher than APS SES median values. In the private sector, many employees in SES Band 3 equivalent positions are able to choose a wide range of salary-package vehicles, including imported and luxury vehicles.

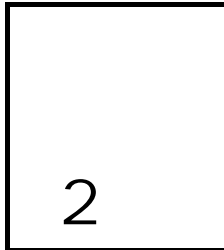
SES median superannuation values (\$26,460 to \$48,546) are extremely competitive in comparison to both the public (\$11,024 to \$31,112) and private sector (\$12,602 to \$23,579), with SES employees receiving two to three times the contribution of equivalent positions within State/Territory public services and the private sector generally.

SES median actual bonus payments of \$5,972 to \$13,000 depending on SES band, are significantly higher than State/Territory public services which do not pay performance bonuses. However, they are lower than those found in the public sector (including GOCs) with GOC medians in the range \$19,555 to \$37,000. SES performance bonuses are significantly lower than the private sector medians of \$19,550 to \$65,007, with SES 1 to SES 3 median payments being one-third to one-fifth of those found in the private sector.

APS 1 to EL 2

Non-SES median superannuation values (\$4,680 to \$15,184 depending on classification) are competitively positioned in comparison to both the public sector (\$3,716 to \$9,260) and private sector medians (\$3,716 to \$9,260).

Whilst the value of vehicles provided to EL 1 and EL 2 is competitive with the private sector, only 1% of EL 1 and 2% of EL 2 employees received a vehicle benefit in 2005. This is quite different to the trend in the private sector, as vehicles start to be provided in the salary packages of EL 1 equivalent positions and over 70% of EL 2 equivalent positions feature motor vehicles in the salary package. This is the main reason why the competitiveness, with the private sector, of TRP for the EL 1 and EL 2 classifications, is significantly less than the EL 1 and EL 2 Base Salary competitiveness.



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). Mercer's analysis compares the APS median to the CPS midpoint. 2004 results 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 TRP has not been compared 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 the comparative analysis on the basis of TRP.

APS Graduate analysis has also been excluded as part of the CPS analysis, as new graduates in most jurisdictions are classified and remunerated within each State or Territory's existing grade and 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 value of some jurisdictions are appropriately calculated and hence can be fairly compared to APS TRP values.

In undertaking the comparative analysis of APS SES bands and CPS equivalent positions, fixed term contract remuneration rates for were used for CPS equivalent positions within the Australian Capital Territory, New South Wales, the Northern Territory, Queensland, South Australia, Victoria and Western Australia. Only the two jurisdictions of South Australia and Western Australia continue to have optional tenured employment arrangements for SES employees. Currently, no State or Territory public services use AWAs although fixed-term common law employment contracts used by most jurisdictions have many parallels to AWAs.

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

SES Remuneration Analysis

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

Table 2.1 – Median SES TRP Comparisons with the CPS

	SES 1	CPS	CR	SES 2	CPS	CR	SES 3	CPS	CR
2005	\$170,416	\$150,918	0.89	\$210,861	\$191,598	0.91	\$260,983	\$250,761	0.96
2004	\$164,981	\$145,353	0.88	\$203,410	\$179,791	0.88	\$250,607	\$235,793	0.94

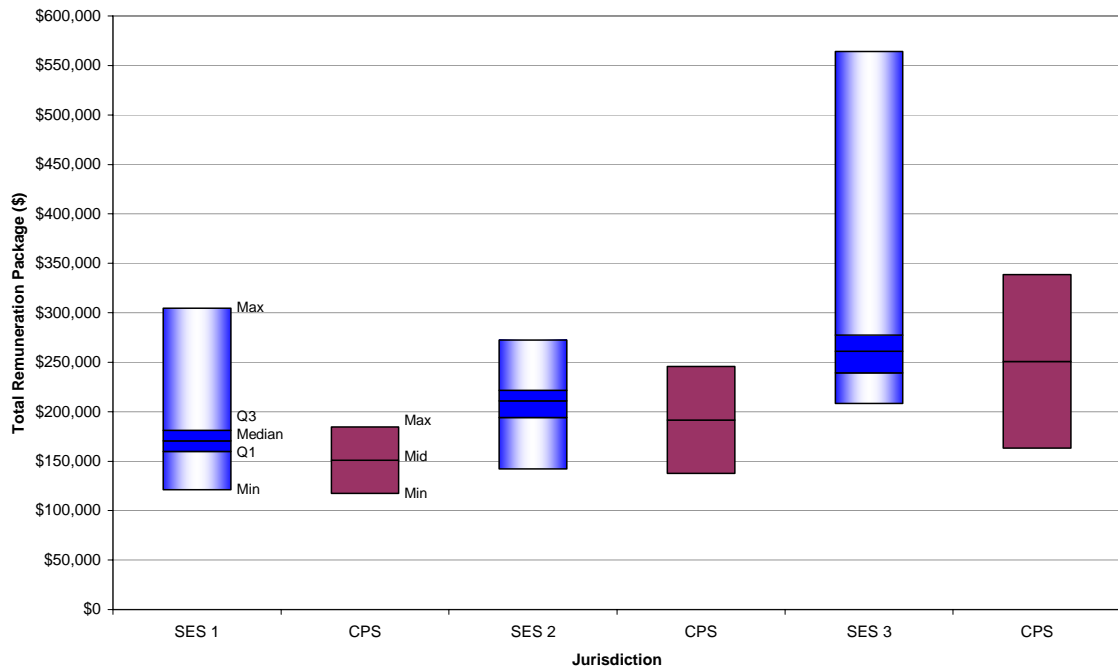
CR = comparatio. Comparatios reflect APS set at 1.00

Table 2.2 – Median SES TRP Movement Comparisons with the CPS

	SES 1	CPS	SES 2	CPS	SES 3	CPS
	m	m	m	m	m	m
2005	3.3%	3.8%	3.7%	6.6%	4.1%	6.3%
2004	7.1%	3.6%	8.2%	1.9%	9.4%	2.1%

m = movement

Chart 2.1 – TRP Comparison in 2005 for SES 1 to SES 3



Tables 2.1 and 2.2 and Chart 2.1 show that:

- SES 1 to SES 3 TRP medians are positioned 11%, 9% and 4% above the CPS midpoint respectively (compared to 12%, 12% and 6% above in 2004)
- SES 1 to SES 3 employees whose TRP is above Q3 are very competitively positioned against the CPS
- despite a slight loss in competitiveness against this benchmark since 2004, SES 1 to SES 3 employees between Q1 and Q3 remain competitively positioned, being rewarded predominately within the upper half of the CPS range
- SES 1 to SES 3 employees below Q1 are well positioned against the lower half of the CPS range, with minimum TRP for SES 1 to SES 3 above the minimum of the corresponding CPS minimum
- in 2005, annual SES 1 to SES 3 TRP median movements are below midpoint movements for corresponding CPS equivalent positions (by 0.5%, 2.9% and 2.2% respectively). Movements in some jurisdictions were quite high, but were reflective of a two-year review cycle.

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 the CPS

	APS 1	CPS	CR	APS 2	CPS	CR	APS 3	CPS	CR
2005	\$37,930	\$33,376	0.88	\$44,604	\$41,417	0.93	\$50,472	\$46,463	0.92
2004	\$37,093	\$32,093	0.87	\$43,068	\$39,988	0.93	\$48,468	\$44,903	0.93

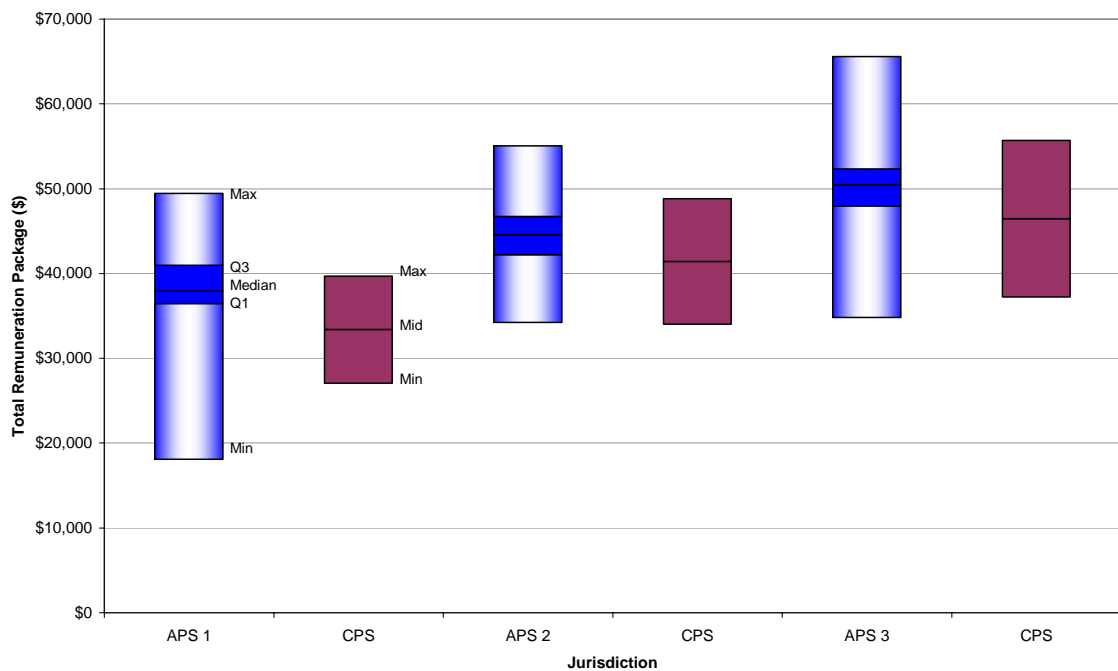
CR = comparatio. Comparatios reflect APS set at 1.00

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

	APS 1	CPS	APS 2	CPS	APS 3	CPS
	m	m	m	m	m	m
2005	2.3%	4.0%	3.6%	3.6%	4.1%	3.5%
2004	2.7%	4.4%	3.9%	3.8%	5.2%	3.6%

m = movement

Chart 2.2 – TRP Comparison in 2005 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 are competitive against the CPS midpoints, and the APS’ competitive advantage has remained essentially unchanged since 2004
- as few APS 1 employees had a TRP below ~\$30,000, the majority of APS 1 employees are competitively positioned against the CPS
- it is unlikely that any agencies would be experiencing attraction/retention difficulties for APS 1 to APS 3 employees due to remuneration factors.

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

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

	APS 4	CPS	CR	APS 5	CPS	CR	APS 6	CPS	CR
2005	\$56,157	\$51,510	0.92	\$62,021	\$56,977	0.92	\$72,322	\$63,286	0.88
2004	\$54,386	\$49,818	0.92	\$59,701	\$55,143	0.92	\$69,387	\$61,286	0.88

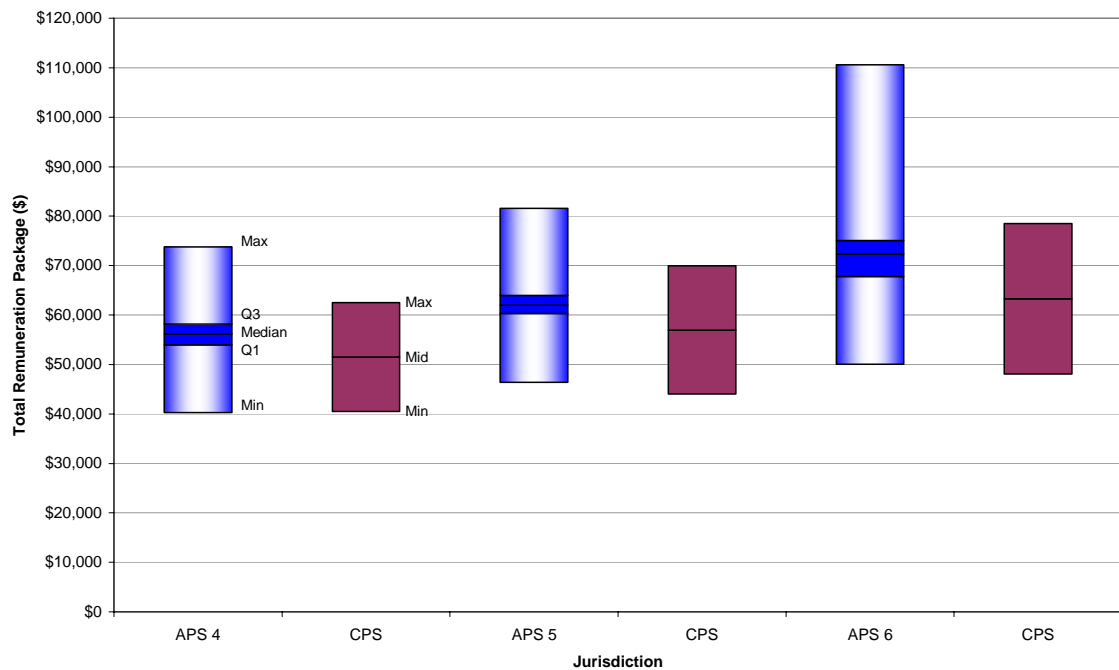
CR = comparatio. Comparatios reflect APS set at 1.00

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

	APS 4	CPS	APS 5	CPS	APS 6	CPS
	m	m	m	m	m	m
2005	3.3%	3.4%	3.9%	3.3%	4.2%	3.3%
2004	4.4%	3.5%	4.5%	3.5%	5.2%	3.4%

m = movement

Chart 2.3 – TRP Comparison in 2005 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 8%, 8% and 12% above the CPS midpoint respectively. This positioning has not changed since 2004
- APS 4 to APS 6 employees whose TRP is above Q1, are competitively positioned in the upper half of the CPS range
- annual APS 4 TRP median movements are 0.1% below the midpoint movements of the corresponding CPS classifications, while APS 5 and APS 6 movements are 0.6% and 0.9% ahead respectively
- it is unlikely that any agencies would be experiencing attraction/retention difficulties from other public services for APS 4 to APS 6 employees due to remuneration factors.

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

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

	EL 1	CPS	CR	EL 2	CPS	CR
2005	\$89,828	\$69,594	0.77	\$113,820	\$78,935	0.69
2004	\$86,609	\$67,430	0.78	\$109,088	\$76,527	0.70

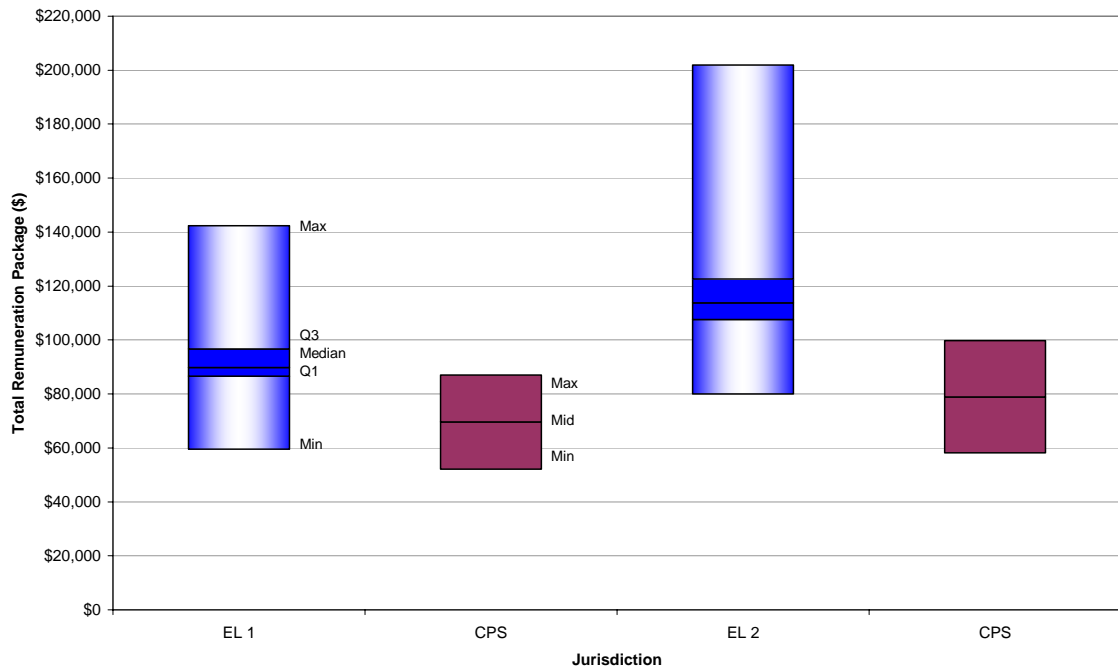
CR = comparatio. Comparatios reflect APS set at 1.00

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

	EL 1	CPS	EL 2	CPS
	m	m	m	m
2005	3.7%	3.2%	4.3%	3.1%
2004	3.5%	3.3%	4.4%	3.2%

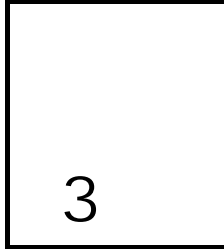
m = movement

Chart 2.4 – TRP Comparison in 2005 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 23% and 31% above the corresponding CPS midpoints respectively (compared to 22% and 30% above in 2004)
- all EL 1 and EL 2 employees are competitively positioned against the CPS. All EL 1 and EL 2 employees above Q1 exceed the maximum TRP of the corresponding CPS classifications
- annual EL 1 and EL 2 median movements are 0.5% and 1.2% above the midpoint movements of the corresponding CPS equivalent positions respectively
- similar to all non-SES classifications, any attraction/retention difficulties for EL 1 and EL 2 classifications is unlikely to be because of remuneration factors.



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 organisations across all industries and job families (excluding public services).

SES Base Salary has not been compared because a high proportion of organisations 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.

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 payline. This enables a direct comparison against the APS' TRP. Results from 2004 have been included in many of the tables for comparative purposes, enabling the assessment of year on year movements and changes in competitive positioning.

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
2005	\$170,416	\$155,342	0.91	\$184,419	1.08
2004	\$164,981	\$149,032	0.90	\$176,920	1.07
	SES 2	Q1	CR	Median	CR
2005	\$210,861	\$220,993	1.05	\$269,919	1.28
2004	\$203,410	\$211,842	1.04	\$258,743	1.27
	SES 3	Q1	CR	Median	CR
2005	\$260,983	\$334,077	1.28	\$413,288	1.58
2004	\$250,607	\$319,679	1.28	\$395,483	1.58

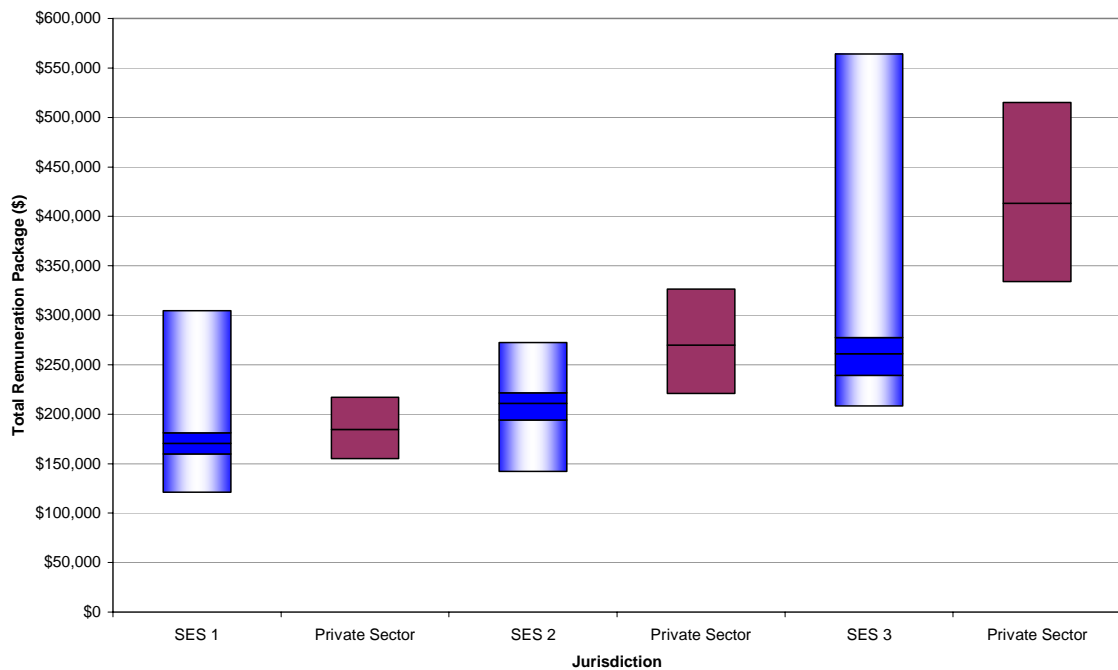
CR = comparatio. Comparatios reflect APS set at 1.00

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
2005	3.3%	4.2%	4.2%	3.7%	4.3%	4.3%	4.1%	4.5%	4.5%
2004	7.1%	3.8%	3.8%	8.2%	4.1%	4.1%	9.4%	4.4%	4.4%

m = movement

Chart 3.1 – TRP Comparison in 2005 for SES 1 to SES 3



Tables 3.1 and 3.2 and Chart 3.1 show that:

- SES 1 employees above Q1 are competitively positioned against the private sector, even though the SES 1 TRP movement from 2004 to 2005 was 0.9% below equivalent positions in the private sector
- the SES 2 TRP median is 5% below Q1 of the private sector. Only SES 2 employees above Q3 have TRPs comparable to the private sector. SES 2 TRP movements in 2005 to 2005 were 0.6% below private sector TRP movements for the same period
- the SES 3 TRP median is 28% below Q1 of the private sector and 58% below the private sector median, which is identical to the 2004 comparison
- SES TRP competitiveness against the private sector has deteriorated slightly in 2005, due to SES movements being slightly less than those in the private sector
- nearly all SES 3 and most SES 2 positions are located in Canberra which has a limited private sector labour market. Mobility issues, as well as the lack of APS remuneration competitiveness, may make it difficult to attract interest in APS employment from SES equivalent private sector positions.

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
2005	\$37,930	\$26,477	0.70	\$28,621	0.75
2004	\$37,093	\$25,575	0.69	\$27,639	0.75
	APS 2	Q1	CR	Median	CR
2005	\$44,604	\$38,502	0.86	\$42,259	0.95
2004	\$43,068	\$37,248	0.86	\$40,879	0.95
	APS 3	Q1	CR	Median	CR
2005	\$50,472	\$47,726	0.95	\$52,722	1.04
2004	\$48,468	\$46,168	0.95	\$51,002	1.05

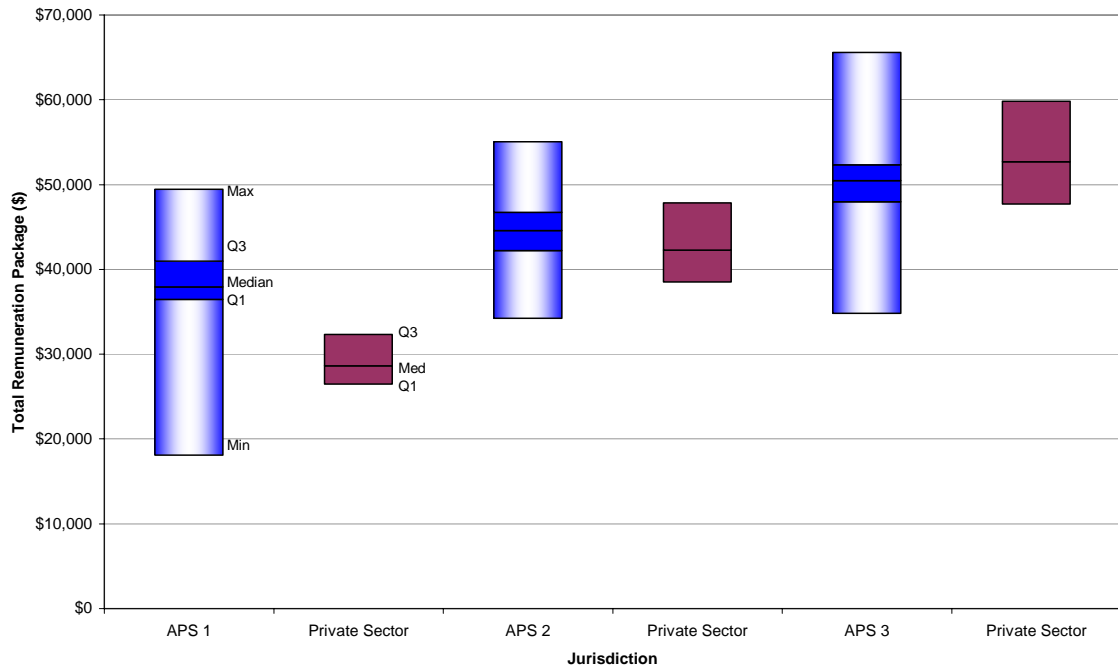
CR = comparatio. Comparatios reflect APS set at 1.00

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
	m	m	m	m	m	m	m	m	m
2005	2.3%	3.5%	3.6%	3.6%	3.4%	3.4%	4.1%	3.4%	3.4%
2004	2.7%	2.5%	2.5%	3.9%	2.6%	2.6%	5.2%	2.6%	2.6%

m = movement

Chart 3.2 – TRP Comparison in 2005 for APS 1 to APS 3



Tables 3.3 and 3.4 and Chart 3.2 show that:

- at APS 1 and APS 2, the vast majority of APS employees are very competitively positioned against the private sector. This is associated with higher Base Salary levels as well as higher employer superannuation contributions
- the APS 3 TRP median is 5% above Q1 of the private sector and 4% below the private sector median. TRP relativities have improved slightly since 2004, as TRP movements for 2004 to 2005 were 0.6% higher for the APS than the private sector
- remuneration competitiveness for APS 1 employees deteriorated slightly in 2005, has been maintained at the APS 2 classification and has improved slightly at the APS 3 classification. However, all three classifications remain competitively positioned against equivalent positions in the private sector
- it is unlikely that any attraction/retention issues for agencies competing for employees with the private sector would be associated with remuneration factors.

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	
2005	\$56,157	\$56,949	1.01	\$63,186	1.13	
2004	\$54,386	\$55,087	1.01	\$61,124	1.12	
	APS 5		Private Sector			
	APS 5	Q1	CR	Median	CR	
2005	\$62,021	\$66,675	1.08	\$74,761	1.21	
2004	\$59,701	\$64,348	1.08	\$72,147	1.21	
	APS 6		Private Sector			
	APS 6	Q1	CR	Median	CR	
2005	\$72,322	\$80,817	1.12	\$91,597	1.27	
2004	\$69,387	\$77,854	1.12	\$88,241	1.27	

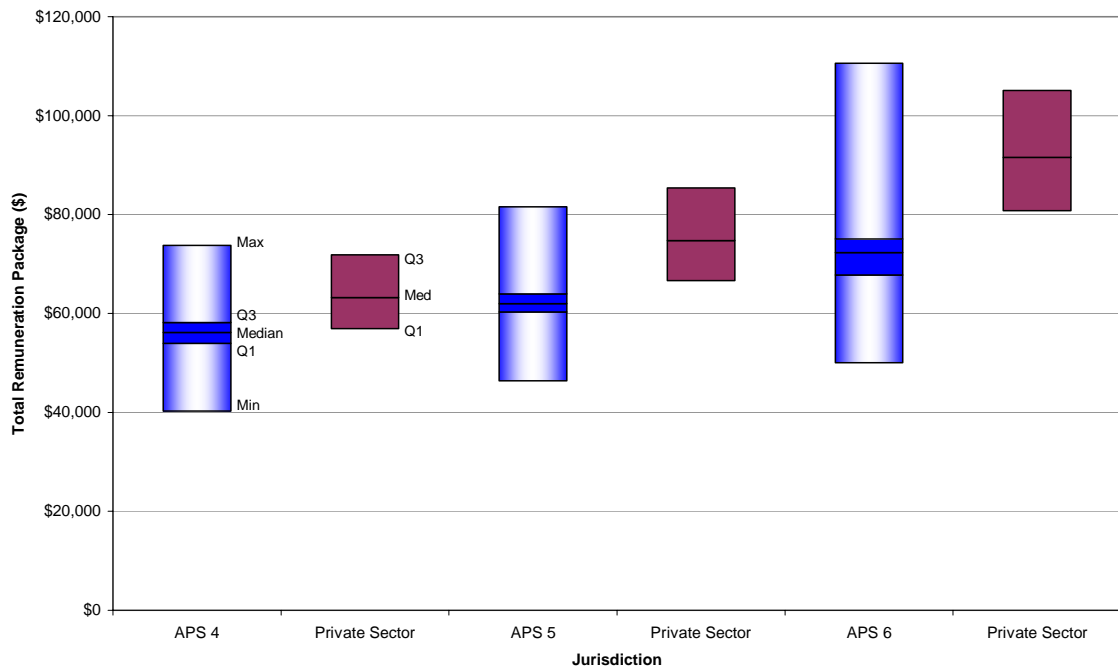
CR = comparatio. Comparatios reflect APS set at 1.00

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	APS 6	Q1	Median
	m	m	m	m	m	m	m	m	m	m	m	m
2005	3.3%	3.4%	3.4%	3.9%	3.6%	3.6%	4.2%	3.8%	3.8%	4.2%	3.8%	3.8%
2004	4.4%	2.7%	2.7%	4.5%	2.9%	2.9%	5.2%	3.1%	3.1%	5.2%	3.1%	3.1%

m = movement

Chart 3.3 – TRP Comparison in 2005 for APS 4 to APS 6



Tables 3.5 and 3.6 and Chart 3.3 show that:

- the APS 4 TRP median is 13% below the median of the private sector, the APS 5 median is 21% below the private sector median and the APS 6 median is 27% below the private sector median
- for these three classifications, only employees above Q3 could be described as being competitively positioned against the private sector
- at APS 4 to APS 6 classifications, the level of TRP competitiveness has been maintained as TRP movements from 2004 to 2005 in the APS were slightly higher than the private sector. However, without the higher superannuation contributions for most APS employees compared to private sector practices, APS TRP would be even less competitive
- to attract talented employees from the private sector, at these classifications, agencies may need to offer significantly higher salaries, which could cause relativity problems with current employees. This circumstance may be, in part, responsible for the trend of rapid progression through the APS 4 to APS 6 classifications and the higher frequency of employees changing jobs through this classification range.

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
2005	\$89,828	\$97,270	1.08	\$111,199	1.24
2004	\$86,609	\$93,603	1.08	\$107,010	1.24
	EL 2	Q1	CR	Median	CR
2005	\$113,820	\$118,277	1.04	\$136,930	1.20
2004	\$109,088	\$113,683	1.04	\$131,613	1.21

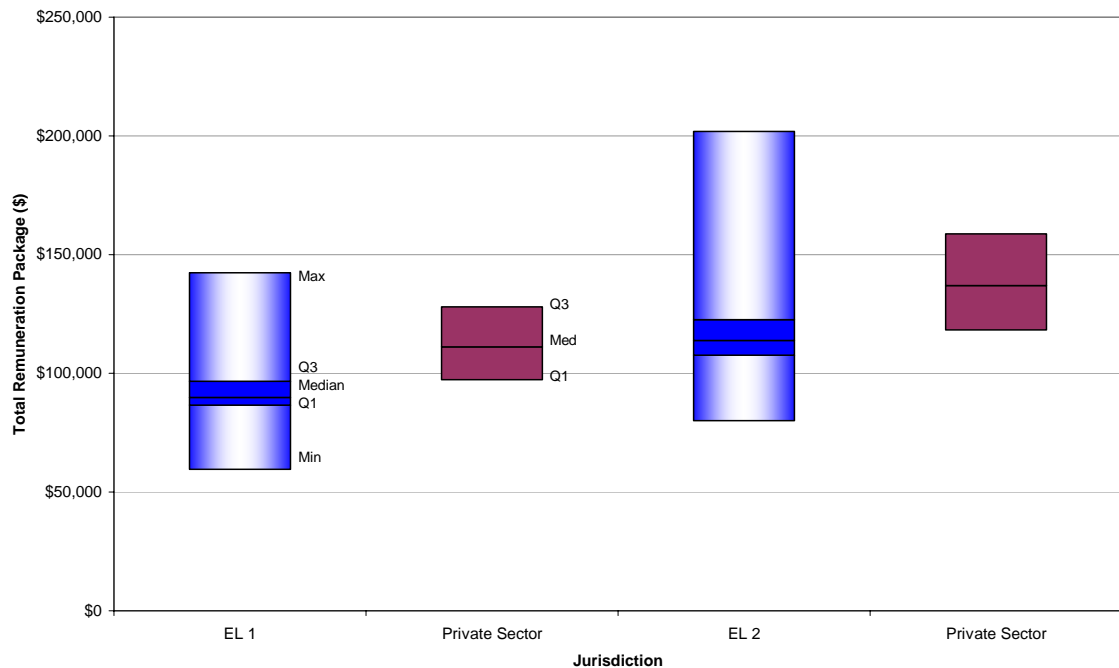
CR = comparatio. Comparatios reflect APS set at 1.00

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
2005	3.7%	3.9%	3.9%	4.3%	4.0%	4.0%
2004	3.5%	3.2%	3.2%	4.4%	3.5%	3.5%

m = movement

Chart 3.4 – TRP Comparison in 2005 for EL 1 and EL 2



Tables 3.7 and 3.8 and Chart 3.4 show that:

- the EL 1 TRP median is 24% below the median of the private sector (as was the case in 2004). EL 1 employees above Q3 are competitively positioned against the private sector's Q1 to Q3 range. However, the 75% of EL 1 employees below Q3 have a TRP below the private sector Q1
- the EL 2 TRP median is 20% below the median of the private sector (compared to 21% below the median in 2004). As is the case for EL 1 employees, EL 2 employees above Q3 are competitively positioned against the private sector's Q1 to Q3 range
- at EL 1 and EL 2 classifications, the level of reward competitiveness against the private sector has stayed relatively stable for 2005 compared to 2004. Agencies may need to consider the routine provision of motor vehicles, as a feature of EL classifications' remuneration, if an improved level of remuneration competitiveness against the private sector is sought.

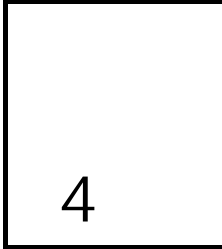
Base Salary Analysis – Graduate

Table 3.9 – Private Sector Graduate Base Salary in 2004 and 2005 compared to the APS

	Q1		Median		Q3		Average	
	2004	2005	2004	2005	2004	2005	2004	2005
APS Graduate Salaries	\$38,589	\$39,678	\$40,000	\$41,000	\$43,763	\$42,700	\$40,669	\$41,707
Accounting	\$36,813	\$39,300	\$40,000	\$42,400	\$44,263	\$46,000	\$40,893	\$42,728
Economics	\$39,875	\$41,569	\$44,500	\$43,000	\$45,500	\$44,500	\$42,570	\$43,071
Computer Science	\$36,523	\$41,000	\$42,000	\$43,000	\$44,750	\$46,000	\$40,888	\$43,095
Engineering	\$39,875	\$40,250	\$43,200	\$43,669	\$46,229	\$47,375	\$44,034	\$44,839
HR/Industrial Relations	\$35,000	\$41,000	\$39,500	\$43,005	\$44,000	\$46,100	\$39,134	\$43,887
Marketing	\$37,000	\$39,650	\$40,000	\$43,000	\$45,000	\$44,500	\$43,567	\$43,729
Science	\$38,277	\$40,000	\$40,500	\$43,337	\$45,000	\$47,000	\$42,398	\$43,271
Business/Commerce	\$37,500	\$40,000	\$39,750	\$43,419	\$45,000	\$45,000	\$40,179	\$43,394
Social Sciences/Art	\$39,500	\$39,642	\$45,000	\$42,453	\$47,000	\$43,459	\$44,048	\$41,374
MBA	\$44,000	\$42,453	\$47,000	\$47,840	\$48,000	\$62,500	\$45,838	\$54,535

Table 3.9 shows that:

- depending on the job family, in 2005 median graduate salaries in the private sector ranged from \$42,400 to \$43,669 (excluding MBA graduates)
- Engineering, HR/IR and Marketing graduates started at higher salaries than graduates from other disciplines. This is in contrast to the APS, where graduates from the Economics, Legal and General job families had higher salaries
- the APS average graduate Base Salary of \$41,707 is slightly below the average across all job families in the private sector of \$43,265
- the APS average graduate Base Salary is also below the average of each job family group, with the exception of Social Sciences/Arts graduates.



Summary of Key Findings

Combined Public Service (CPS) Comparisons

SES 1 to SES 3

- from both a TRP and TR perspective, all employees are competitively positioned when compared to the CPS
- the majority of employees above Q3 are remunerated above the maximum of the corresponding CPS classification (except for SES 3)
- SES employees below Q1 are remunerated above the minimum of the corresponding CPS equivalent positions.

APS 1 to APS 3

- from a Base Salary perspective, the majority of APS employees are competitively remunerated when compared to the CPS
- the overall competitive positioning (when compared to 2004) of APS 1 to APS 3 employees is slightly improved in terms of TRP as a result of APS superannuation contributions which exceed those in the CPS
- from a TRP perspective, the majority of employees above Q3 are remunerated above the maximum of the corresponding CPS equivalent positions
- employees below Q1 are generally remunerated in line with the lower half of corresponding CPS equivalent positions.

APS 4 to APS 6

- for both Base Salary and TRP, the majority of employees are competitively positioned when compared to the CPS
- the majority of employees above Q3 are remunerated above the maximum of the corresponding CPS equivalent positions
- employees below Q1 are remunerated at or above the minimum of corresponding CPS equivalent positions.

EL 1 and EL 2

- from a Base Salary perspective, employees above Q3 are very competitively positioned against the CPS

- from a TRP perspective, employees between the Q1 and the maximum are very competitively positioned with all values above Q1 for both EL 1 and EL 2 classifications exceeding the corresponding CPS equivalent maximum
- employees below Q1 on a TRP basis are still well positioned against the CPS.

Private Sector Comparisons

SES 1 to SES 3

- the median TRP and TR for SES 2 and SES 3 are typically positioned either at or below Q1 of the private sector. For SES 1, median TRP is positioned 9% above the private sector Q1. SES 1 employees above Q3 are comparable to the private sector median to Q3 range
- SES 2 employees above Q3 are comparable to the private sector Q1 to median range
- 75% of SES 2 employees and approximately 95% of SES 3 employees have a TRP below the private sector Q1 level.

APS 1 to APS 3

- from a TRP perspective, the middle half of employees (i.e. Q1 to Q3) are competitively positioned against the private sector's Q1 to Q3 range for APS 2 and APS 3, and are well above the private sector Q3 for APS 1
- the minimum and maximum TRP for APS 1 to APS 3 fall below and above the private sector's Q1 to Q3 range
- in general, APS 1 and APS 2 employees are very competitive with the private sector, and 75% of APS 3 employees (i.e. those above Q1) are also well positioned.

APS 4 to APS 6

- from a TRP perspective, APS 4 to APS 6 employees between Q3 and the maximum are competitively positioned against the private sector's Q1 to Q3 range
- APS 4 to APS 6 employees whose TRP is below Q3 are positioned on or below Q1 of the private sector
- comparisons for APS 4 to APS 6 classifications against both the private sector Q1 and median have remained stable from 2004 to 2005.

EL 1 and EL 2

- EL 1 and EL 2 employees above Q3 are competitively positioned against the private sector's Q1 to Q3 TRP range; however, EL 1 and EL 2 employees below Q3 have TRP values below the private sector Q1 TRP
- EL 1 and EL 2 employees level of reward competitiveness has stayed relatively stable at both Q1 and the median in 2005, when compared to 2004
- EL 1 and EL 2 employees competitive positioning against the private sector is slightly less at the TRP level, when compared to Base Salary, due to benefits such as motor vehicles being increasingly prevalent in the private sector for equivalent positions.

Graduates

- median graduate salaries in the private sector ranged from \$42,400 to \$43,669 (excluding MBA graduates) compared to the APS graduate median Base Salary of \$41,000
- APS graduates in the Economics, Legal and General job family groups typically started at higher salaries than graduates in other disciplines, whilst in the private sector, graduates in the Engineering, HR/IR and Marketing job families started on higher salaries
- the APS average graduate Base Salary of \$41,707 is slightly below the average across all job families in the private sector of \$43,265.

Provision of Benefits and Bonuses – Public and Private Sector

SES 1 to SES 3

- SES median motor vehicle values (\$19,913 to \$22,660) are competitively positioned against public sector (CPS plus GOCs) values (\$13,300 to \$21,500)
- private sector motor vehicle values (\$22,930 to \$34,059) are significantly higher than APS SES vehicle values, with the median private sector motor vehicle value for SES 3 equivalent positions of \$34,059 being significantly higher than the median for SES 3 of \$22,660
- SES median superannuation values (\$26,460 to \$48,546) are extremely competitive in comparison to both the public (\$11,024 to \$31,112) and private sector (\$12,602 to \$23,579), with SES employees receiving two to three times the contribution of comparable positions within the public and private sector
- SES median actual bonus payments of \$5,972 to \$13,000 depending on SES band, are significantly higher than State/Territory public services which do not pay performance bonuses. However, they are lower than those found in the public sector (including GOCs) with GOC medians in the range \$19,555 to \$37,000. SES performance bonuses are significantly lower than the private sector medians of \$19,550 to \$65,007, with SES 1 to SES 3 median payments being one-third to one-fifth of those found in the private sector.


APS 1 to APS 6

- the APS' competitive positioning across all non-SES classifications is slightly improved from a TRP perspective as a result of APS superannuation contributions which exceed those provided in both the public and private sectors
- in some instances, non-SES superannuation contributions are up to twice that provided in the public and private sector.

EL 1 and EL 2

- Although the APS' competitive positioning across the lower non-SES classifications is slightly improved from a TRP perspective, due to higher superannuation contributions, EL 1 and EL 2 TRP comparisons show a deteriorating competitive positioning compared with the private sector

- Whilst the value of vehicles provided to EL 1 and EL 2 is competitive with the private sector, only 1% of EL 1 and 2% of EL 2 employees received a vehicle benefit in 2005. This is quite different to the trend in the private sector, as vehicles start to be provided in the salary packages of EL 1 equivalent positions and over 70% of EL 2 equivalent positions feature motor vehicles in the salary package. This is the main reason why the TRP competitiveness, with the private sector, of EL 1 and EL 2 classifications is significantly less than the EL 1 and EL 2 Base Salary competitiveness.



Appendix A

Glossary of Terms

Remuneration Items

Base Salary

Base Salary represents full time equivalent annualised PAYG salary. It includes post-tax employee superannuation contributions and any additional motor vehicle post-tax salary sacrifice amount. It excludes all other cash components including bonuses and allowances.

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 bonuses.

Total Reward (TR)

TR is TRP plus bonuses.

Bonuses

At a practical level, the terms “bonus” and “incentive” are often used interchangeably. For the purposes of consistency throughout the 2005 APS Remuneration Survey, performance-based payments have been referred to as “performance bonuses” even though, in the APS, they may relate to the 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.

Statistical Terms

First Quartile / Q1

The **first quartile** or 25th percentile (Q1) is the midpoint of the lower half of the sample. That is, the first quartile is the score where 25% of the cases fall below and where 75% 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% of the cases fall below and where 50% of the scores 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

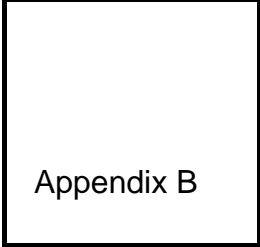
The **third quartile** or 75th percentile (Q3) is the midpoint of the upper half of the sample. That is, the third quartile is the score where 75% of the cases fall below and where 25% of the cases fall above.

Average

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

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.



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. 2004 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. Please note that comparisons are expressed on the basis of the APS being 1.00.

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 positions in individual public services, Mercer has undertaken the comparative analysis on the basis of TRP.

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. In essence, 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 some 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.

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
2005	1.00	2	1.00	3	1.02	1	0.99	4	0.71	8	0.96	5	0.87	7	0.91	6
2004	1.00	2	0.96	4	1.01	1	0.99	3	0.72	8	0.95	5	0.84	7	0.91	6

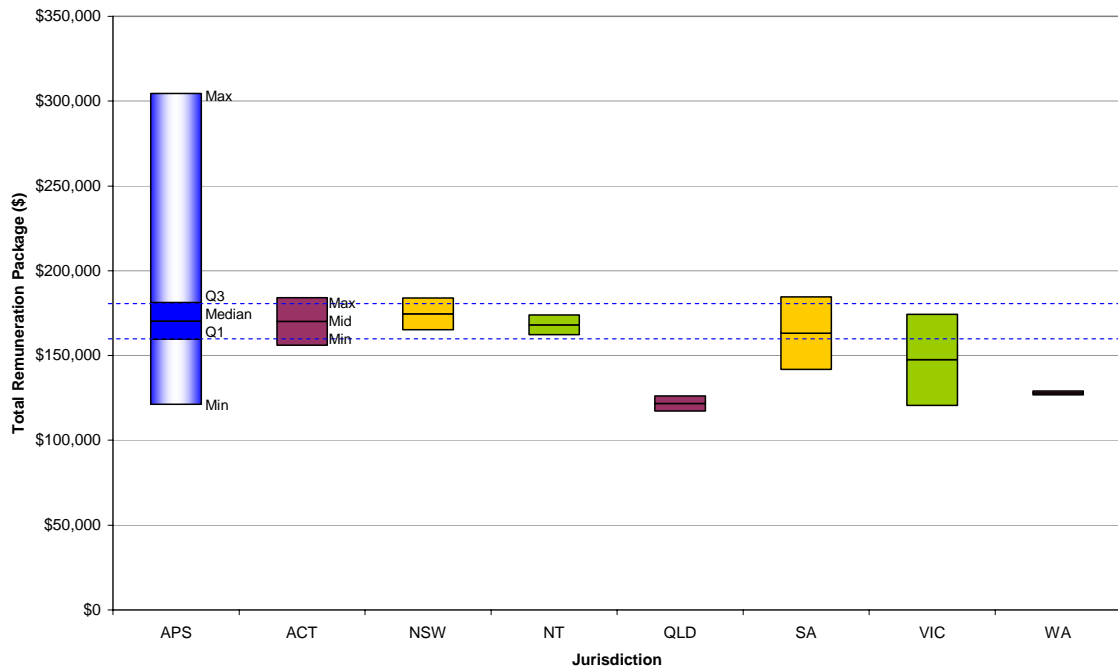
r = ranking cr = comparatio. *Comparatios reflect APS set at 1.00. Comparatio data for WA uses CEO data only

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
2005	3.3%	5	7.4%	1	4.2%	3	3.1%	6	2.7%	8	3.8%	4	6.1%	2	3.1%	7
2004	7.1%	1	1.7%	7	3.8%	4	4.5%	2	3.8%	5	3.3%	6	0.0%	8	3.9%	3

r = ranking m = movement. *Movement data for WA uses CEO data only

Chart B.1 – TRP Comparison in 2005 – SES 1



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

- SES 1 employees above Q3 are very competitively positioned against all individual public service jurisdictions
- SES 1 employees between Q1 and Q3 are competitively positioned against ACT, NSW, NT and SA, with the SES 1 TRP median ranked second behind NSW (2% difference)
- annual SES 1 TRP median movements of 3.3% ranked fifth across all individual public service jurisdictions, and was 4.1% behind the highest movements, which were recorded in the ACT.

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
2005	1.00	3	1.05	1	1.00	2	0.93	5	0.77	8	0.98	4	0.80	7	0.88	6
2004	1.00	2	1.02	1	1.00	3	0.94	5	0.77	8	0.98	4	0.78	7	0.88	6

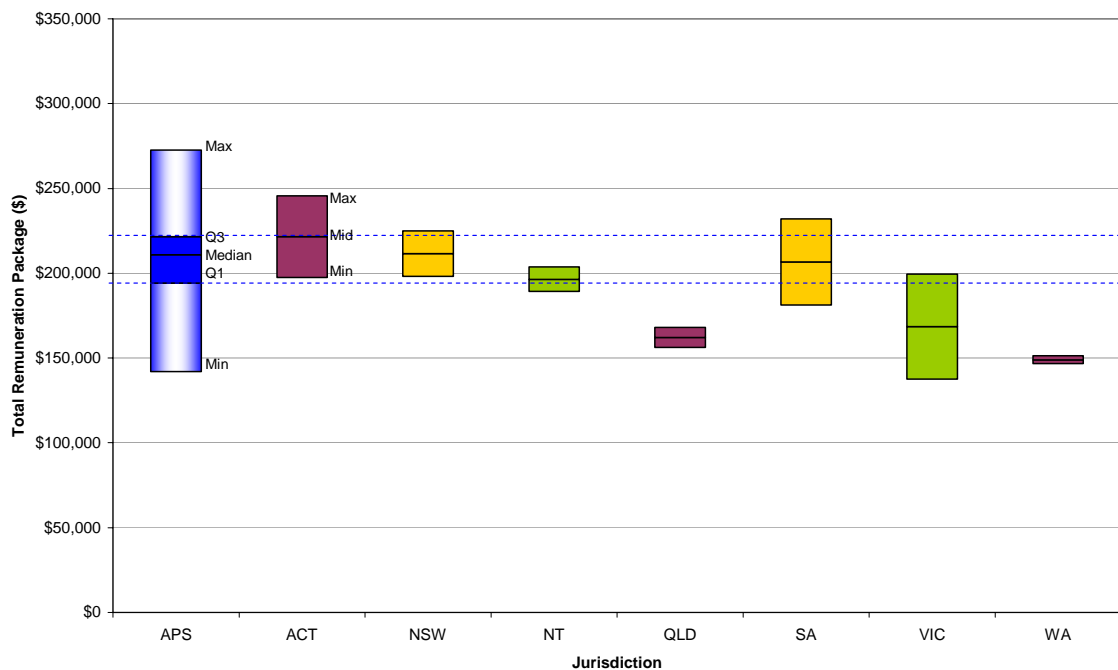
r = ranking cr = comparatio. *Comparatios reflect APS set at 1.00. Comparatio data for WA uses CEO data only

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
2005	3.7%	6	7.0%	1	4.2%	3	3.1%	8	3.2%	7	3.7%	5	6.1%	2	3.8%	4
2004	8.2%	1	2.3%	7	3.9%	4	4.6%	2	3.7%	5	3.4%	6	0.0%	8	4.0%	3

r = ranking m = movement. *Movement data for WA uses CEO data only

Chart B.2 – TRP Comparison in 2005 – SES 2



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

- SES 2 employees above Q3 are very competitively positioned against all individual public service jurisdictions
- SES 2 employees between Q1 and Q3 are competitively positioned against ACT, NSW, NT and SA, with the SES 2 TRP median ranked third, behind NSW (minimal difference) and ACT (2% difference)
- annual SES 2 TRP median movements of 3.7% ranked sixth across all individual public service jurisdictions and was 3.3% behind the highest movement (ACT).

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
2005	1.00	4	1.15	1	1.03	3	0.92	5	0.85	7	1.04	2	0.77	8	0.89	6
2004	1.00	4	1.12	1	1.02	3	0.93	5	0.86	7	1.05	2	0.75	8	0.89	6

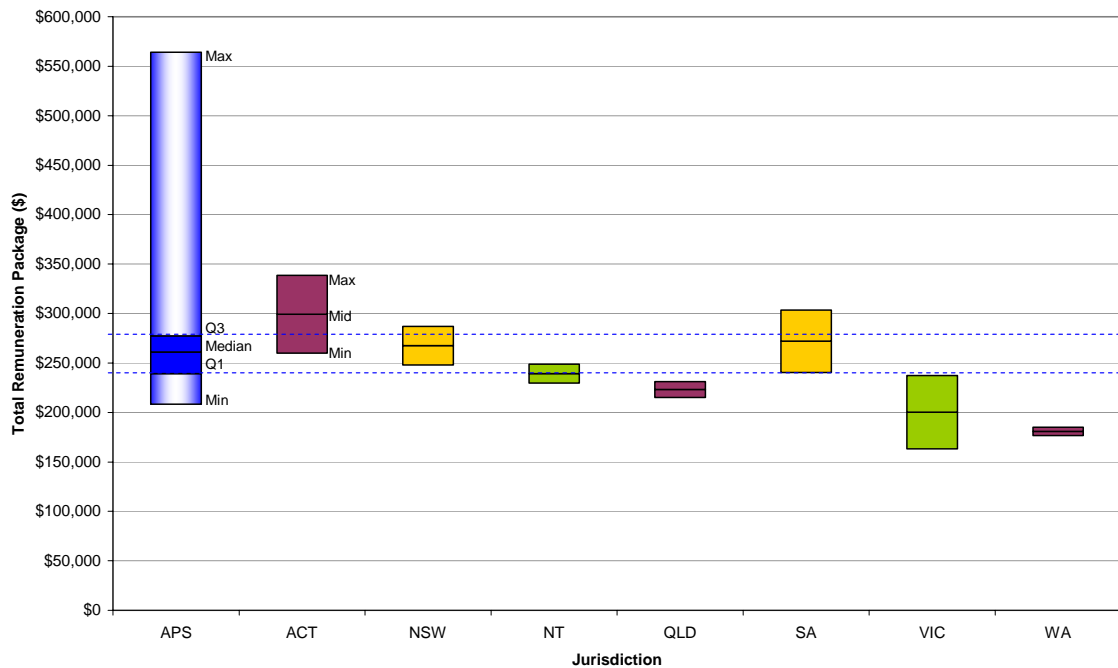
r = ranking cr = comparatio. *Comparatios reflect APS set at 1.00. Comparatio data for WA uses CEO data only

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
2005	4.1%	5	6.6%	1	4.2%	4	3.1%	8	3.6%	7	3.7%	6	6.1%	2	4.5%	3
2004	9.4%	1	2.8%	7	3.9%	4	4.7%	2	3.7%	5	3.4%	6	0.0%	8	4.1%	3

r = ranking m = movement. *Movement data for WA uses CEO data only

Chart B.3 – TRP Comparison in 2005 – SES 3



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

- the majority of SES 3 employees above Q3 are comparable to NSW and SA and are very competitively positioned against all individual public service jurisdictions, with maximum TRP significantly exceeding the maximum of any jurisdiction
- SES 3 employees between Q1 and Q3 are well positioned against the lower quarter of ACT and the lower half of NSW, NT and SA. The SES 3 TRP median ranked fourth behind ACT, SA and NSW
- the SES 3 TRP median movement of 4.1% ranked fifth across all individual public service jurisdictions and was 2.5% behind the highest movement (ACT).

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
2005	1.00	2	0.77	8	1.04	1	0.97	3	0.81	7	0.91	4	0.82	6	0.83	5
2004	1.00	2	0.75	8	1.02	1	0.96	3	0.80	7	0.89	4	0.81	6	0.82	5

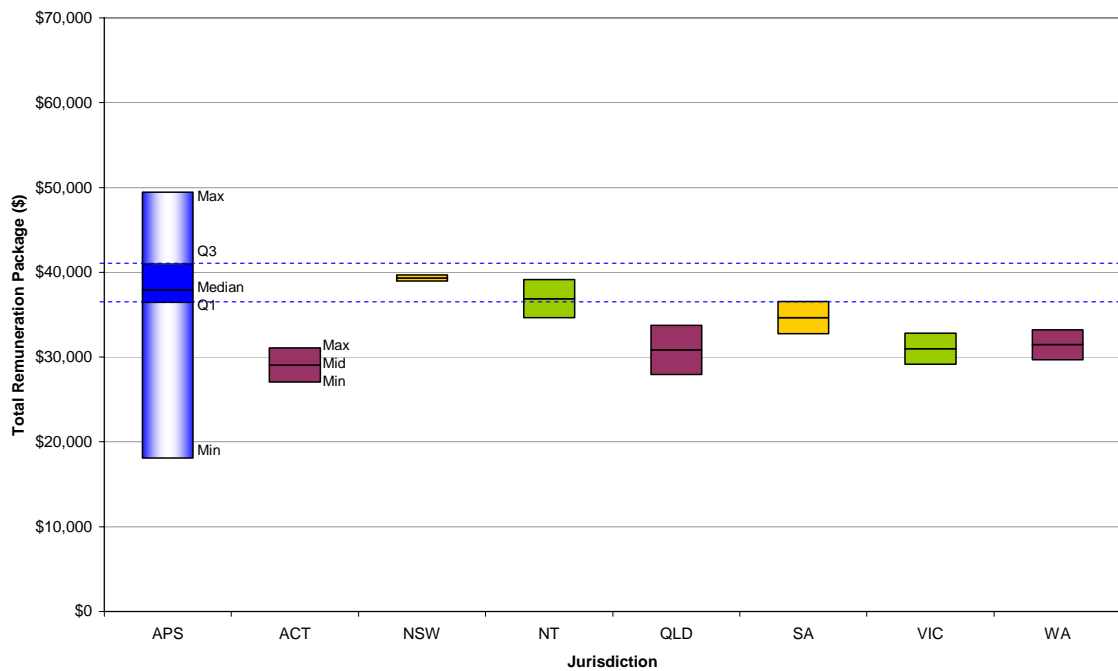
r = ranking cr = comparatio

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
2005	2.3%	8	4.0%	3	4.0%	4	3.2%	6	4.5%	2	5.0%	1	3.0%	7	3.2%	5
2004	2.7%	8	5.1%	2	4.0%	5	5.0%	3	4.6%	4	3.5%	7	6.1%	1	3.7%	6

r = ranking m = movement

Chart B.4 – TRP Comparison in 2005 – APS 1



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

- the vast majority of APS 1 employees are competitively positioned against all individual public service jurisdictions, with the APS 1 TRP median positioned second behind NSW (by 4%)
- an annual movement of 2.3% for the APS is the lowest of all jurisdictions and is 2.7% below the highest movement (SA).

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
2005	1.00	2	0.88	7	1.08	1	0.99	3	0.89	5	0.96	4	0.88	6	0.80	8
2004	1.00	2	0.88	7	1.08	1	0.99	3	0.88	6	0.95	4	0.89	5	0.81	8

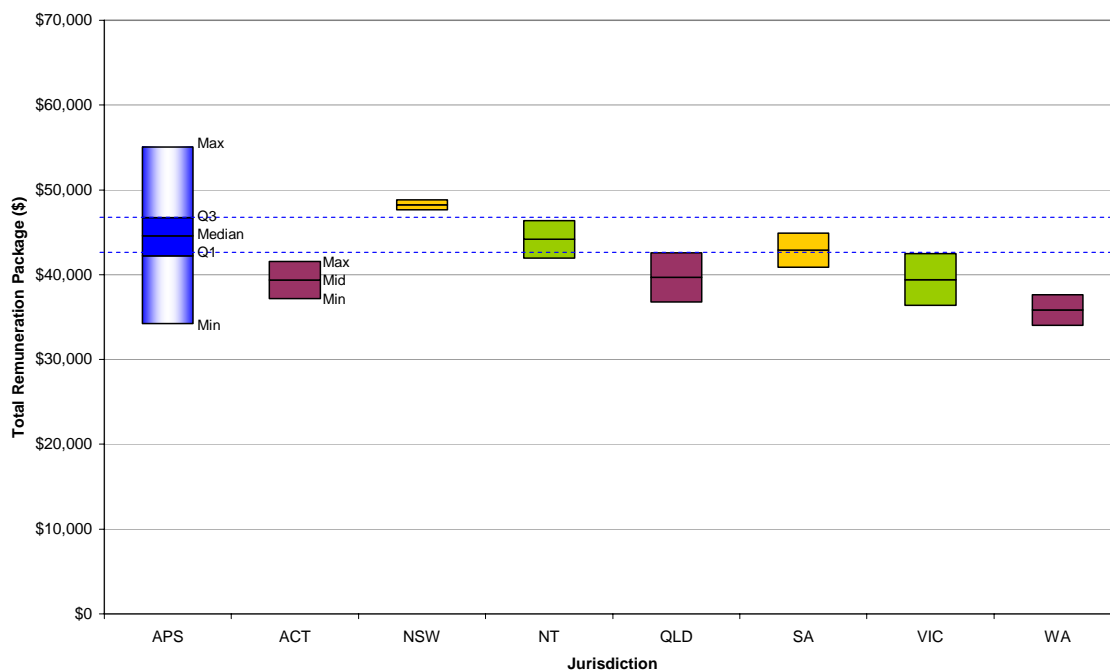
r = ranking cr = comparatio

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
2005	3.6%	5	4.0%	3	4.0%	4	3.1%	6	4.2%	2	4.5%	1	3.0%	7	2.8%	8
2004	3.9%	6	5.1%	2	4.0%	5	5.0%	3	4.3%	4	3.5%	7	6.1%	1	3.2%	8

r = ranking m = movement

Chart B.5 – TRP Comparison in 2005 – APS 2



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

- 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 median is ranked second behind NSW (by 8%)
- APS 2 employees below Q1 are, overall, well positioned against ACT, QLD, VIC and WA. The minimum APS 2 TRP is below the minimum of any other individual public service jurisdiction.

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
2005	1.00	2	0.93	5	1.09	1	0.98	3	0.92	6	0.97	4	0.91	7	0.78	8
2004	1.00	2	0.93	5	1.09	1	0.99	3	0.92	6	0.97	4	0.92	7	0.79	8

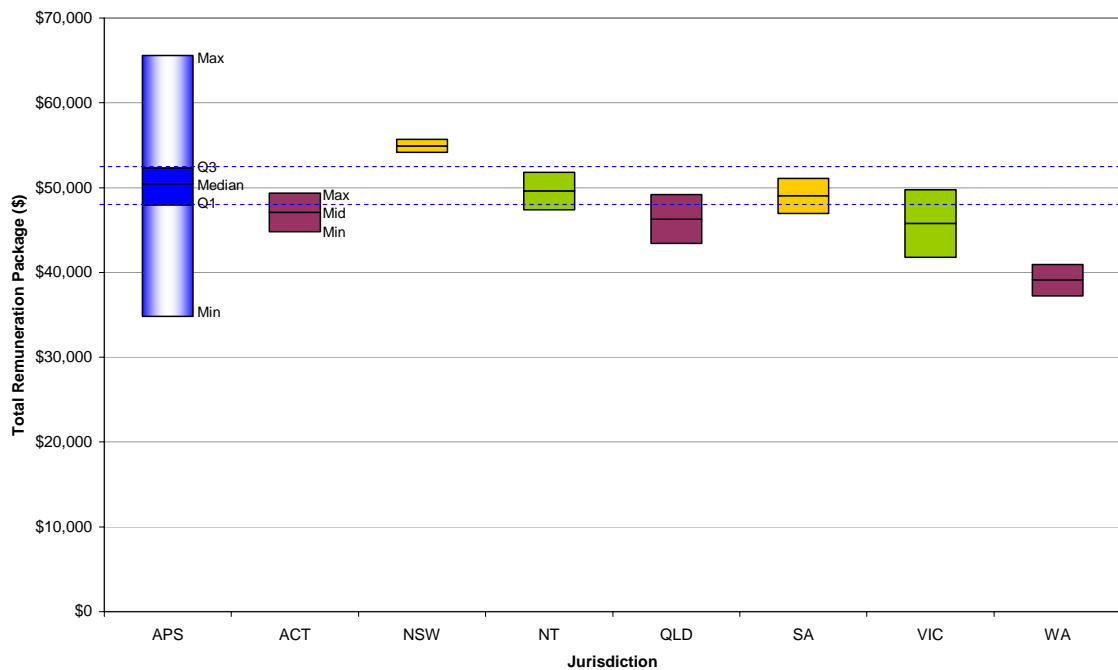
r = ranking cr = comparatio

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
2005	4.1%	2	4.0%	4	4.0%	5	3.1%	6	4.1%	3	4.3%	1	3.0%	7	2.6%	8
2004	5.2%	2	5.1%	3	4.0%	6	5.0%	4	4.2%	5	3.5%	7	6.1%	1	3.0%	8

r = ranking m = movement

Chart B.6 – TRP Comparison in 2005 – APS 3



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

- 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 median is ranked second, 9% behind NSW
- APS 3 employees below Q1 are, overall, well positioned against WA and the lower half of QLD, ACT and VIC. The minimum APS 3 TRP is below the minimum of any other individual public service jurisdiction.

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
2005	1.00	2	0.98	5	1.10	1	0.98	4	0.94	6	0.98	3	0.93	7	0.76	8
2004	1.00	2	0.97	5	1.09	1	0.98	3	0.94	6	0.97	4	0.93	7	0.76	8

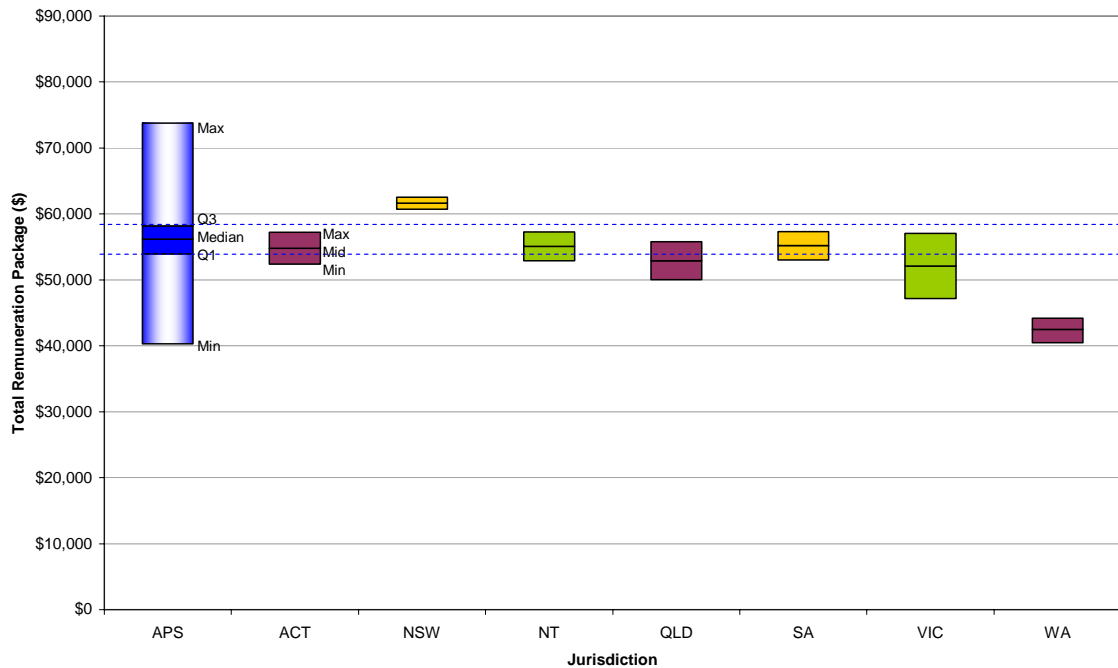
r = ranking cr = comparatio

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
2005	3.3%	5	4.0%	3	4.0%	4	3.0%	6	4.0%	2	4.1%	1	3.0%	7	2.4%	8
2004	4.4%	4	5.1%	2	4.0%	6	5.0%	3	4.1%	5	3.5%	7	6.1%	1	2.7%	8

r = ranking m = movement

Chart B.7 – TRP Comparison in 2005 – APS 4



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

- 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 median is ranked second, 10% behind NSW
- APS 4 employees below Q1 are reasonably well positioned against WA and the lower half of QLD and VIC. The minimum APS 4 TRP is aligned with the minimum of WA’s corresponding range
- APS 4 employees above Q3 are higher than all States except NSW.

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
2005	1.00	3	1.02	2	1.11	1	0.98	5	0.97	6	1.00	4	0.95	7	0.74	8
2004	1.00	3	1.02	2	1.11	1	0.99	5	0.97	6	1.00	4	0.96	7	0.75	8

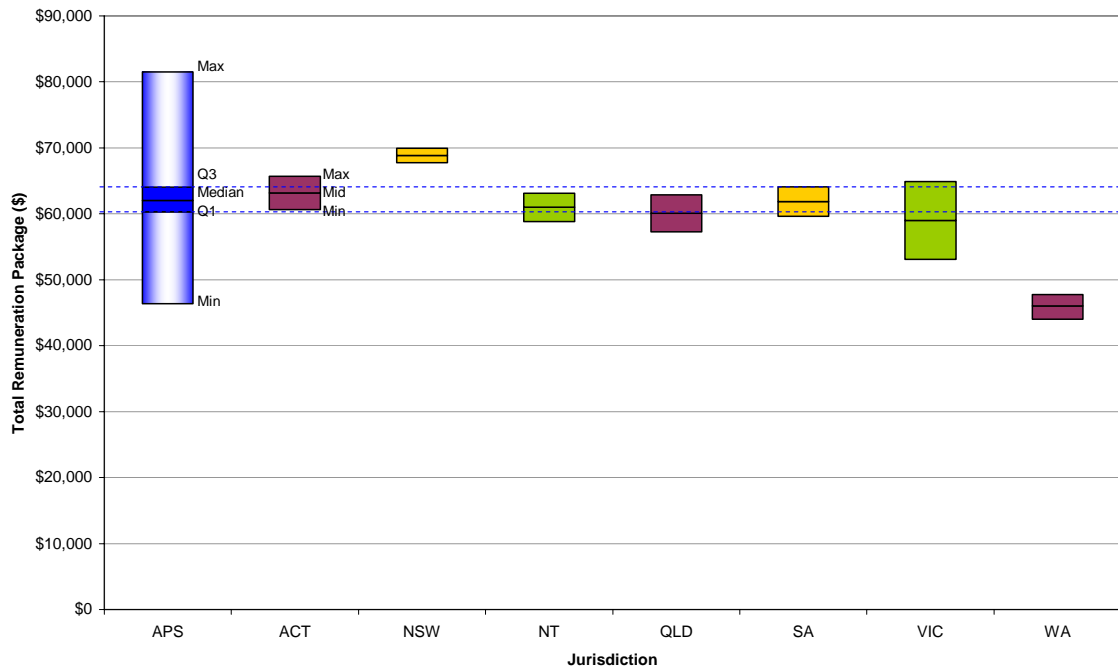
r = ranking cr = comparatio

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
2005	3.9%	5	4.0%	1	4.0%	2	3.0%	6	3.9%	4	4.0%	3	3.0%	7	2.2%	8
2004	4.5%	4	5.1%	2	4.0%	5	5.0%	3	4.0%	6	3.5%	7	6.1%	1	2.5%	8

r = ranking m = movement

Chart B.8 – TRP Comparison in 2005 – APS 5



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

- APS 5 employees between Q1 and Q3 are well positioned against all individual public service jurisdictions with the exception of NSW. The APS 5 TRP median is ranked third, behind NSW (11%) and ACT (2%)
- APS 5 employees below Q1 are reasonably well positioned against WA and the lower half of QLD and VIC. The minimum APS 5 TRP is aligned with the minimum of WA’s corresponding range
- APS 5 employees are very well positioned against all other 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
2005	1.00	3	1.01	2	1.07	1	0.94	6	0.95	5	0.96	4	0.92	7	0.69	8
2004	1.00	3	1.01	2	1.07	1	0.95	5	0.95	6	0.97	4	0.94	7	0.71	8

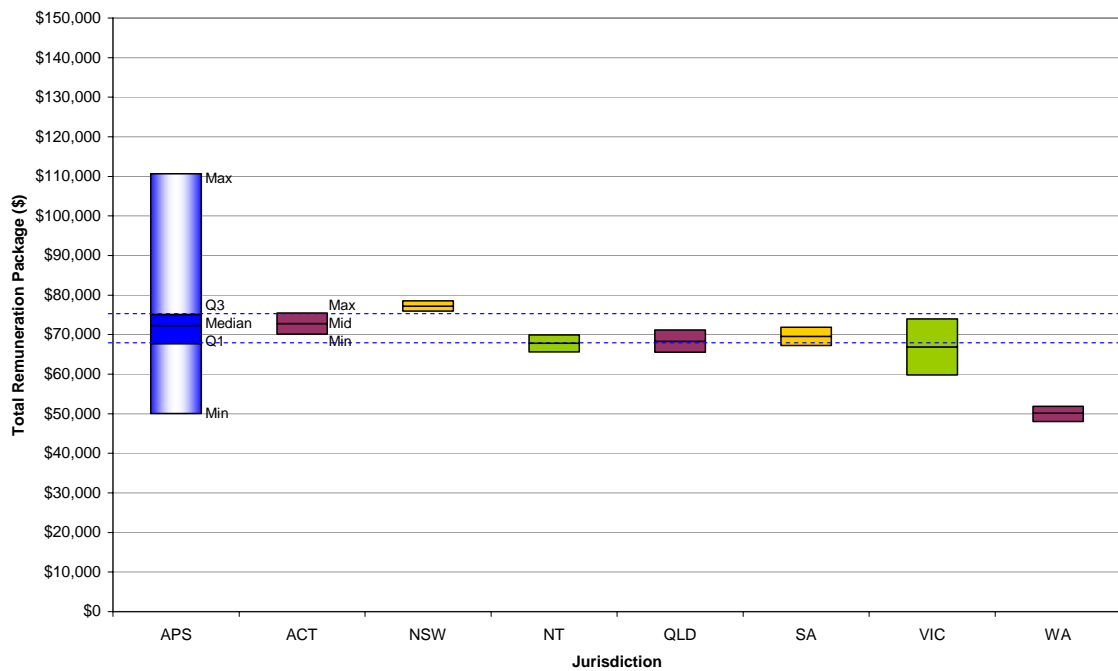
r = ranking cr = comparatio

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
2005	4.2%	1	4.0%	2	4.0%	3	3.0%	7	3.9%	4	3.8%	5	3.0%	6	2.0%	8
2004	5.2%	2	5.1%	3	4.0%	5	4.9%	4	3.9%	6	3.5%	7	6.1%	1	2.3%	8

r = ranking m = movement

Chart B.9 – TRP Comparison in 2005 – APS 6



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

- APS 6 employees above Q1 are well positioned against all individual public service jurisdictions, even though the APS TRP median is ranked third behind NSW (7% lower) and ACT (1% lower)
- APS 6 employees below Q1 are reasonably well positioned against WA and the lower half of QLD and VIC.

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
2005	1.00	1	0.92	3	0.95	2	0.83	7	0.85	5	0.86	4	0.83	6	0.60	8
2004	1.00	1	0.92	3	0.95	2	0.84	7	0.85	5	0.86	4	0.84	6	0.62	8

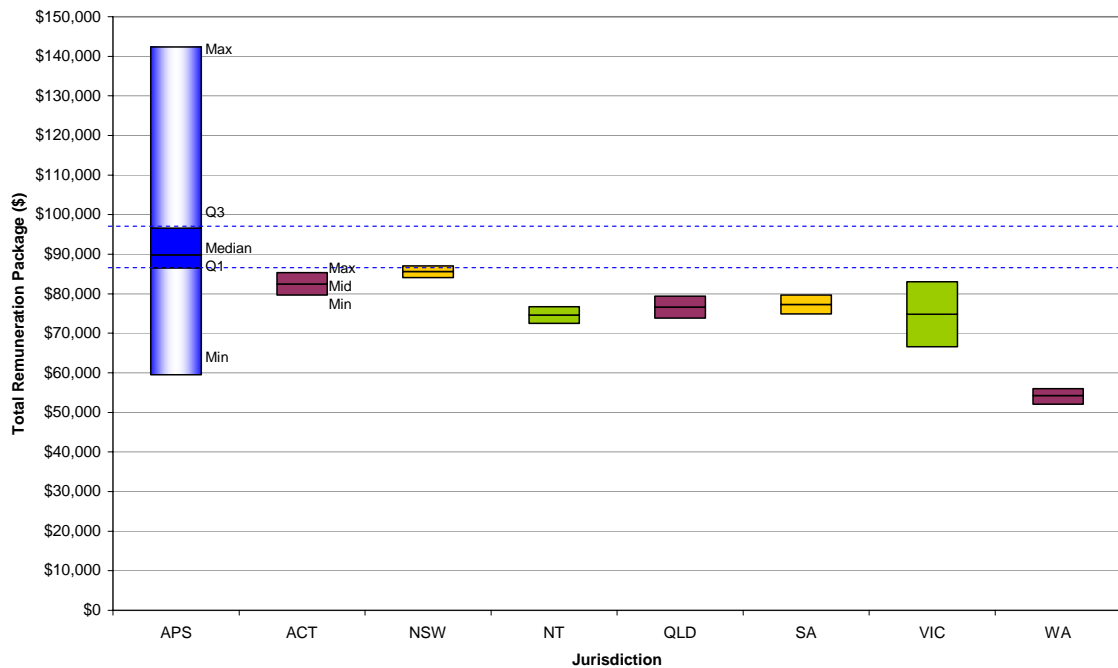
r = ranking cr = comparatio

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
2005	3.7%	4	4.0%	1	4.0%	2	3.0%	7	3.8%	3	3.7%	5	3.0%	6	1.8%	8
2004	3.5%	6	5.1%	2	4.0%	4	4.9%	3	3.8%	5	3.5%	7	6.1%	1	2.1%	8

r = ranking m = movement

Chart B.10 – TRP Comparison in 2005 – EL 1



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

- EL 1 employees above Q1 have a higher TRP than the maximum of any other individual public service jurisdiction. The EL 1 TRP median ranked first, ahead of NSW and ACT by 5% and 8% respectively. This is associated with higher Base Salary as well as higher superannuation contributions
- the EL 1 TRP median movement of 3.7% ranked fourth across all individual public service jurisdictions, however, is only 0.3% behind the highest movement in ACT.

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
2005	1.00	1	0.85	3	0.86	2	0.74	7	0.78	4	0.78	5	0.76	6	0.53	8
2004	1.00	1	0.85	3	0.86	2	0.75	7	0.79	4	0.78	5	0.77	6	0.54	8

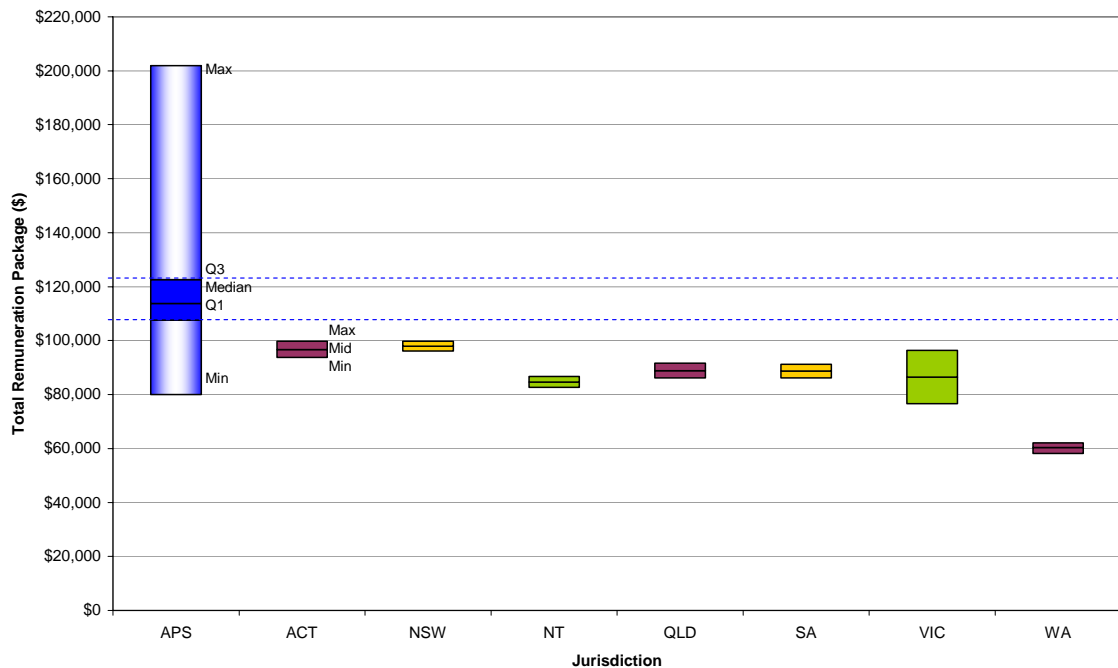
r = ranking cr = comparatio

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
2005	4.3%	1	4.0%	2	4.0%	3	2.9%	7	3.7%	4	3.6%	5	3.0%	6	1.6%	8
2004	4.4%	4	5.1%	2	4.0%	5	4.9%	3	3.7%	6	3.5%	7	6.1%	1	1.9%	8

r = ranking m = movement

Chart B.11 – TRP Comparison in 2005 – EL 2



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

- EL 2 employees above Q1 are extremely competitively positioned, with Q1 TRP exceeding the maximum of any other individual public service jurisdiction. The EL 2 TRP median ranked first, ahead of NSW and ACT by 14% and 15% respectively, and is indicative of higher Base Salary as well as higher superannuation contributions
- the EL 2 TRP median movement of 4.3% ranked first across all individual public service jurisdictions.

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
- benefits
- incentives.

Information sources for the analysis in this section include Mercer's publication the *2005/2006 Australian Benefits Review*, as well as a special analysis 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 organisations using a remuneration package approach remained stable over the past 12 months (approximately 75%)
- remuneration packaging is more commonly used for senior executives than any other staff category
- the most common remuneration packaged items across all employee categories are company vehicles, employer and employee superannuation contributions, laptops and mobile phones

- the trend analysis reveals flexibility in salary packaging has remained relatively stable over the past 12 months, with 79% of organisations who use a remuneration package approach providing their senior executive employees with the flexibility to choose the make up of their package. This reduces to 75% at the management level, 67% at the technical/professional level and 55% at the operations/support level
- the opportunity for employees to vary their package is primarily in the areas of superannuation and company vehicles, however, an average of 23% of organisations extend this flexibility to all benefits
- at least 43% of organisations surveyed require employees to take a minimum percentage of their remuneration package in cash (compared to 47% in 2004), usually $\geq 50\%$ of the employee's package.

Superannuation

Superannuation continues to be an important part of the TRP approach adopted by the APS. However, as Table C.1 shows, the use of superannuation as a benefit in the private sector is comparatively lower. (*Source: Mercer database*).

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

Band	APS Median	Private Sector Median
APS 1 – 3	\$5,590	\$3,716
APS 4 – 6	\$7,994	\$5,717
EL 1 – 2	\$13,237	\$9,260
SES 1	\$26,460	\$12,602
SES 2	\$35,805	\$17,914
SES 3	\$48,546	\$23,579

Consistent with previous years, Table C.1 highlights that discernible differences exist between the private sector and the APS at all classifications, but particularly for EL 1 and above.

Key points in relation to superannuation are as follows:

- the incidence of accumulation superannuation funds decreased in the last 12 months. In 2005, 80% of organisations offered an accumulation fund to their employees
- the proportion of the private sector organisations with defined benefit funds is between 13% and 20%, depending on employee category. These funds are often managed on a maintenance only basis, with historical or frozen funds now closed to new members, similar to CSS and PSS
- industry funds continue to be more common for operations/support employees than for other employees, with their prevalence increasing by 7% to 10% in the last 12 months across all employee categories
- the prevalence of multiple funds increased across all staff categories in 2005, with 40% to 45% of private sector organisations offering multiple funds to employees. The choice of fund legislation was the most common reason for organisations to bring in more than one superannuation fund in 2005. Multiple funds were also made available to operations/support staff to meet the requirements of awards or enterprise agreements

- the incidence of organisations currently making superannuation contributions over and above the SGC rate, for all employees, has remained stable since 2004 at a rate of 22%
- providing employees with the choice of making superannuation contributions either pre or post tax is becoming more popular across all staff categories, up from 39% in 2003, to 45% in 2004 and 51% in 2005
- it is not common for organisations to make employer contributions to superannuation dependent on the amount of employee contribution
- at least 71% of the private sector organisations surveyed reported that employee contributions to the accumulation superannuation fund were completely flexible and employees could select any amount to contribute themselves. The majority of organisation offer employees the opportunity to make additional voluntary contributions to the fund
- at the median, employees in defined benefit funds contribute 5-6% of salary. Employee contribution levels are similar for accumulation and defined benefit superannuation funds and have not changed significantly over the past few years
- 42% of senior executives and management employees typically salary sacrifice their superannuation contributions from their pre-tax remuneration. Technical/professional and operations/support employees are less likely to make pre-tax contributions to defined benefit funds
- 11% - 13% is the median contribution level for private sector organisations contributing to defined benefit superannuation funds for all employees, compared with a median of 9% for accumulation funds, although the employer contribution may be significantly higher than this in times of low investment returns.

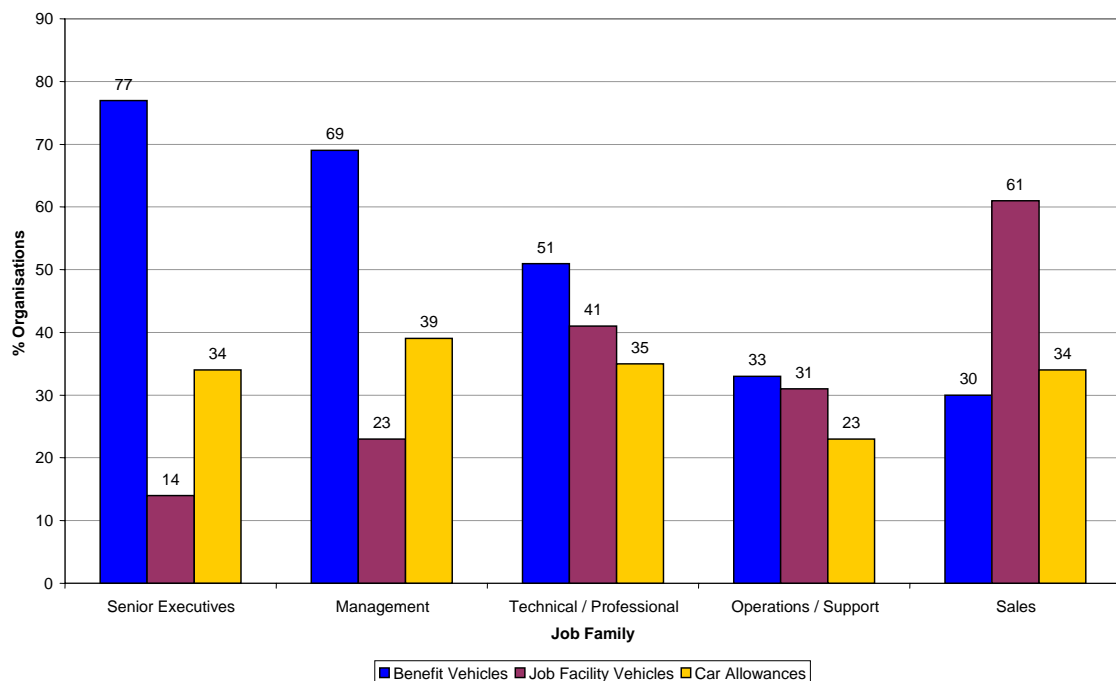
Motor Vehicles

Company vehicles are a traditional feature of remuneration in Australia in the private sector. The continued popularity of the company car 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).

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

- the private sector tend to adopt different motor vehicle policies for different types of employees. 77% of private sector organisations offer senior executives a benefit vehicle as part of their remuneration package, compared with 33% of operations/support employees. Chart C.1 illustrates motor vehicle provision in Australian private sector organisations

Chart C.1 – Vehicle Provision in the Private Sector



- in approximately 50% of the organisations surveyed, employees are permitted to select any type of vehicle, with no restrictions imposed. Sales representatives remain the group most likely to be restricted to a specified make and model of benefit vehicle
- the most common method for financing benefit vehicles is through a novated lease. Prior to 2001, the most popular form of financing benefit vehicles was an operating lease maintained by the employer. In 1997, on average only 17% of organisations used novated leases, whereas in 2005 this figure has increased to 46%, which is also an increase of 10% since 2004. The percentage of organisations who maintain an operating lease has decreased over the past 12 months from an average of 33% in 2004 to 22% in 2005
- most organisations providing benefit vehicles allocate their cost to the employee's package at all classifications. However, operations/support and sales staff are the groups least likely to have the value of benefit vehicles costed to their remuneration.

Benefit Provision

Tables C.2 to C.7 present an analysis of actual private sector benefit and incentive payments by 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 2005
- superannuation is employer contribution only
- motor vehicle costs are based on the purchased 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
- 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 EL 1 to SES 3 employees have been provided in the applicable table for comparison purposes
- some categories are not well populated in Mercer's private sector database, as detailed in the 'n' field.

Table C.2 – Benefit Provision in the Private Sector in 2005 for APS 1 to APS 3 Equivalent

	Q1	Median	Q3	Mean	n	APS 1 Med	APS 2 Med	APS 3 Med
Motor Vehicle Cost	\$15,156	\$17,367	\$20,409	\$17,443	135	-	-	-
Car Allowance	\$10,000	\$12,326	\$13,260	\$16,000	221	-	-	-
Superannuation	\$3,148	\$3,716	\$4,544	\$4,178	17,373	\$4,680	\$5,590	\$6,485
Actual Bonus / Incentive	\$732	\$1,253	\$2,322	\$2,013	4,649	\$500	\$0	\$0

Table C.3 – Benefit Provision in the Private Sector in 2005 for APS 4 to APS 6 Equivalent

	Q1	Median	Q3	Mean	n	APS 4 Median	APS 5 Median	APS 6 Median
Motor Vehicle Cost	\$7,331	\$15,948	\$18,079	\$13,916	3,992	-	-	-
Car Allowance	\$12,000	\$13,417	\$15,500	\$17,700	4,280	-	-	-
Superannuation	\$4,383	\$5,717	\$7,431	\$6,282	37,612	\$7,225	\$7,994	\$9,125
Actual Bonus / Incentive	\$1,849	\$3,711	\$7,424	\$6,216	10,540	\$0	\$0	\$1,496

Table C.4 – Benefit Provision in the Private Sector in 2005 for EL 1 and EL 2 Equivalent

	Q1	Median	Q3	Average	n	APS EL 1 Median	APS EL 2 Median
Motor Vehicle Cost	\$14,326	\$18,294	\$21,818	\$18,340	1,142	--	\$18,500
Car Allowance	\$11,780	\$15,588	\$19,700	\$14,336	2,820	-	\$20,121
Superannuation	\$7,372	\$9,260	\$11,523	\$10,063	12,885	\$11,290	\$15,184
Actual Bonus / Incentive	\$4,964	\$8,867	\$15,776	\$13,268	5,119	\$3,002	\$3,845

Table C.5 – Benefit Provision in the Private Sector in 2005 for SES 1 Equivalent

	Q1	Median	Q3	Average	n	APS SES 1 Median
Motor Vehicle Cost	\$16,792	\$22,930	\$28,446	\$24,035	323	\$19,913
Car Allowance	\$14,000	\$20,000	\$25,212	\$20,406	598	\$20,679
Superannuation	\$9,923	\$12,602	\$17,211	\$14,947	2,524	\$26,460
Actual Bonus / Incentive	\$9,000	\$19,550	\$39,950	\$33,006	1,245	\$5,972

Table C.6 – Benefit Provision in the Private Sector in 2005 for SES 2 Equivalent

	Q1	Median	Q3	Average	n	APS SES 2 Median
Motor Vehicle Cost	\$18,303	\$27,214	\$37,040	\$29,813	182	\$20,000
Car Allowance	\$19,775	\$24,000	\$33,027	\$26,289	242	\$22,000
Superannuation	\$12,486	\$17,914	\$25,988	\$22,663	1,003	\$35,805
Actual Bonus / Incentive	\$20,488	\$40,000	\$78,617	\$64,000	613	\$8,863

Table C.7 – Benefit Provision in the Private Sector in 2005 for SES 3 Equivalent

	Q1	Median	Q3	Average	n	APS SES 3 Median
Motor Vehicle Cost	\$19,703	\$34,059	\$65,370	\$41,385	20	\$22,660
Car Allowance	\$22,800	\$31,930	\$38,756	\$36,999	65	\$23,500
Superannuation	\$14,323	\$23,579	\$34,809	\$32,234	207	\$48,546
Actual Bonus / Incentive	\$32,570	\$65,007	\$142,325	\$121,493	140	\$13,000

As can be seen from Tables C.2 to C.7:

- median superannuation is significantly higher across all APS classifications
- SES 1 median vehicle costs are broadly comparable to the private sector, however, SES 2 and SES 3 vehicle costs are lower
- median bonuses across all APS classifications are significantly lower than the median private sector bonuses.

Incentive Practices in the Private Sector

Variable reward (i.e. short-term and long-term incentives) has become 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.

Given this, the survey data highlights that many APS agencies incorporate performance bonuses into an employee's TR at all non-SES classifications and SES bands, albeit the level of incidence of performance bonuses for non-SES classifications below APS 5 is extremely low. Nevertheless this does reflect a move toward a high performance culture through rewarding employee performance. Similarly, Mercer's *2005/2006 Australian Benefits Review* reports that, of those private sector organisations with an incentive plan operating, employees at all levels are generally able to participate.

In 2005, the levels of performance bonuses received by SES employees, as a proportion of TRP are shown in Table C.8. Non-SES performance bonus proportions have not been included because the majority of non-SES employees did not receive a performance bonus in 2005.

Table C.8 – Average Performance Bonus as a Percentage of TRP

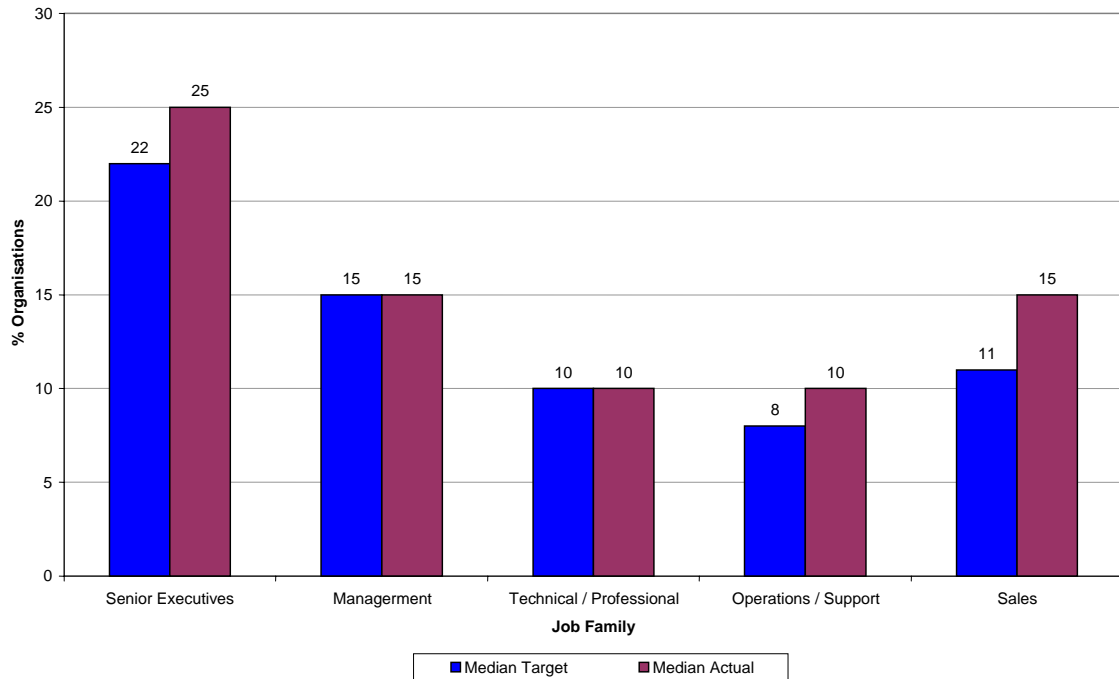
Band	Average % of TRP
SES 1	3.5
SES 2	4.2
SES 3	5.0

Whilst Table C.8 illustrates only a small difference between performance bonuses (as a % of TRP) between SES 1 and SES 3, in the private sector incentive payments generally increase on a proportional basis with the classification of the employee. Depending on the size of the organisation, median incentive levels are generally up to 40% of TRP for CEOs and 30% of TRP for executives. For non-SES equivalent positions in the private sector, incentive payments generally range between 5% and 20% of TRP.

Target Incentive Levels

Chart C.2 compares the median incentive target with the median actual incentive payment for a range of private sector job families. Actual payouts in 2005 tended to be higher than target incentive levels, a finding which is not typical, and which is associated with many companies achieving high or record levels of profitability.

Chart C.2 – 2005 Target Incentive versus Actual Incentive Payments



- on average, 43% of organisations reported similar or greater incentive payments compared to last year
- the majority of organisations surveyed (67% to 75%) place a cap on short-term incentive payments to employees. This cap is typically expressed as a percentage of the employee's remuneration
- consistent with the APS, nearly all organisations surveyed pay bonuses in cash. In addition, one fifth of organisations offer incentive reward in the form of a superannuation top-up, and/or the ability to salary sacrifice for other benefits
- the majority of organisations (71% to 80%) use a formal performance appraisal or performance management process to measure performance for incentive payments.

Table C.9 highlights the most commonly used measures to assess performance for senior executives, according to Mercer's *2005/2006 Australian Benefits Review*.

Table C.9 – Most Commonly Used Performance Measures to assess Private Sector Executive Performance

Performance Measure	% of Organisations
Profit	78%
Revenue	46%
Cost Control	40%
Productivity	29%
Sales	34%
Customer Satisfaction	24%
Service levels	22%
OH&S Measures	18%
Market Share	15%
Employee training and development	11%
Work in progress	11%
Absenteeism	4%
Share price growth	7%
Total shareholder reward	9%
Earnings per share	7%

MERCER

Human Resource Consulting

Mercer Human Resource Consulting Pty Ltd
ABN 32 005 315 917
123 Eagle Street Brisbane Qld 4000
PO Box 10244 Adelaide St Brisbane Qld 4000
07 3234 4900