

PAY INCREASES IN APS AGENCIES

JUNE 2000 REPORT

This report provides an overview of general pay increases that have been occurring in APS agencies over the last 3 years, since the introduction of agency level bargaining in May 1997.

The report arose out of discussions at the Secretary's APS Round Table in December 1999, where interest was shown in capturing the pay increases occurring in agencies, some of which are not taken into account in published information.

BACKGROUND

The last APS-wide pay increase was in October 1996. In May 1997 the Government issued the *Policy Parameters for Agreement Making in the APS*, which set out the framework for bargaining in the APS. This meant that future pay increases would be determined at the agency level and there would be no further Service-wide pay increases. The Parameters include a requirement for improvements in pay and conditions to be linked to productivity gains.

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

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

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

At the Secretary's APS Round Table in December 1999 (a discussion forum for heads of major agencies), the issue of reflecting some lump sum payments in the reporting of pay increases, was raised. DEWRSB undertook to give consideration to providing a more detailed analysis of APS agency pay increases, in particular regular bonus payments.

ABOUT THE DATA

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

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

The data is based on information provided by agencies, in response to a pro-forma sent out in February 2000. It covers a total of 98 agency agreements in the APS covering around 110,000 employees. Where agencies chose not to respond to the request (about 18 agencies), data has been entered based on publicly available information (ie CAs). Agencies are not identified in the data, but instead have been given an individual number (1-98) and participating agencies have been advised of their own number.

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

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

It covers all APS agencies and parliamentary departments.

Where data is to end-1999, this covers pay increases with a date of effect on or before 31 December 1999. Agreements certified up to 30 June 2000 have been included in the year 2000 and beyond figures.

THE REPORT

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

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

- ?? average annual increases to end-1999;
- ?? year by year (quartile and average).

These figures provide an alternative to address the limitations in the calculation of the current published figure - AAWI (Average Annualised Wage Increase), which is based on date of certification and nominal expiry date of the CA.

2. The **total increase to end 1999** which totals the percentage increases from October 1996 to December 1999:

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

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

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

- ?? This examines whether there is any basis to the claim that small agencies are generally unable to achieve pay outcomes comparable with large agencies.

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

1. ANNUAL INCREASES

Average Annual Increase

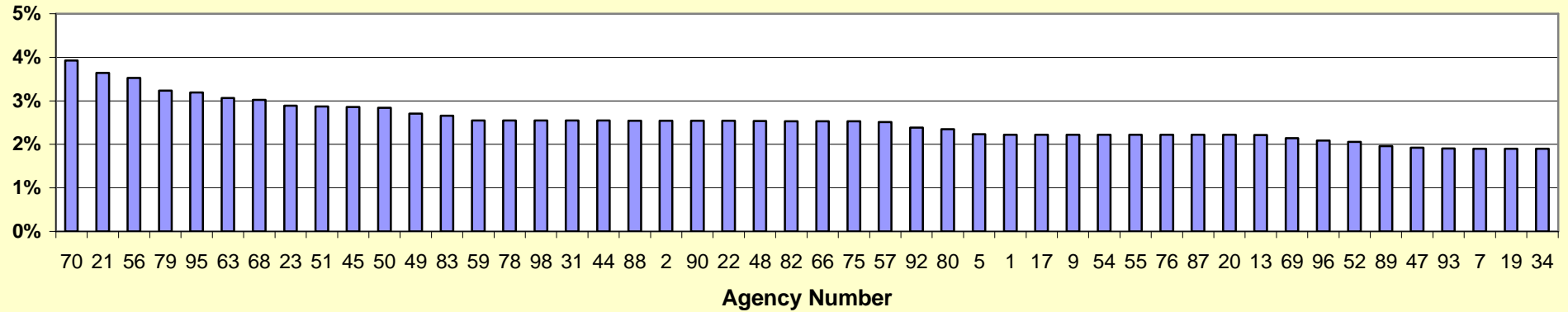
- ?? The **average annual increase since 1996 to the end of 1999** has been a modest **2.1%** per annum (6.6% in total – see Table 2A). Note that these figures are weighted by the number of employees.
- ?? The modest annual increases are affected by the slow start to agency level bargaining getting underway in 1997, with most pay increases occurring in 1998.
- ?? The 98 agencies have average annual increases as follows:
- ?? 7 have 3% or more (up to 3.9%)
 - ?? 36 have 2% or more
 - ?? 50 have 1% or more
 - ?? 5 less than 1%.
- ?? The *average annual increase* takes the total percentage increases committed to by an agency, divided by the period from October 1996 to 31 December 1999. Future pay increases (i.e. beyond end-1999) have not been included.

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

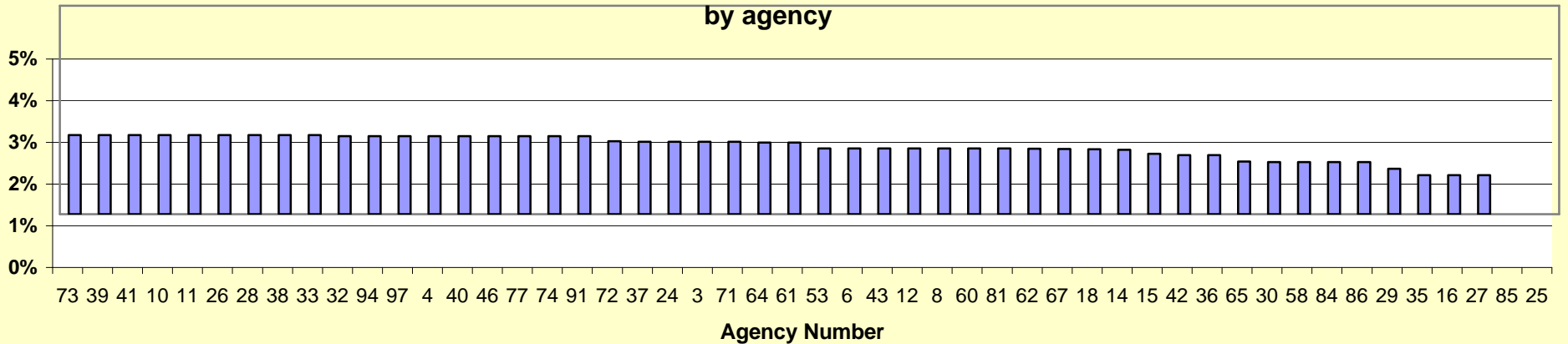
- ?? there are 2 graphs due to the large number of agencies (i.e. graph (ii) follows on from graph (i)).

Graphs 1A: Average Annual Increase – Agency by Agency

**Graph 1A(i) - Average Annual Increase to end-99
by agency**



**Graph 1A(ii) - Average Annual Increase to end-99
by agency**



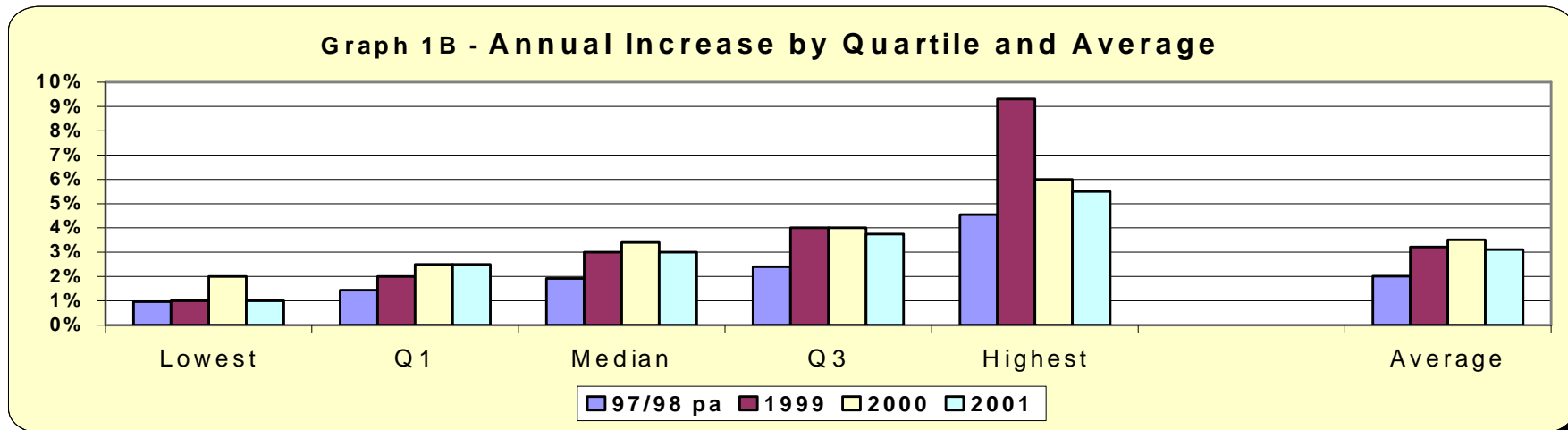
Increases Year by Year

?? The **median agency increase for 1999 was 3%** and the weighted average was 3.2%. Similar outcomes have been maintained into this and next year, based on agencies that have an agreement providing for pay increases beyond 1999 – see Table 1A and Graph 1B below (note that these figures are not weighted by the number of employees, except for the additional figure for 1999). The figures for 2000 and beyond are likely to change as we move through the year and more agencies commit to pay increases. The lower annual rate for 1997 & 98 reflects the slow start in agency level bargaining getting underway in 1997, with most pay increases occurring in 1998.

Table 1A – Average and Quartile Increases by Calendar Year

	1997 & 98	97/98 pa	1999	2000	2001	2002
Lowest	2.0%	1.0%	1.0%	2.0%	1.0%	1.5%
Q1	3.0%	1.4%	2.0%	2.5%	2.5%	2.1%
Median	4.0%	1.9%	3.0%	3.4%	3.0%	2.8%
Q3	5.0%	2.4%	4.0%	4.0%	3.8%	3.0%
Highest	9.5%	4.6%	9.3%	6.0%	5.5%	3.0%
Average	4.2%	2.0%	3.21%	3.5%	3.1%	2.5%
Av. Weighted			3.22%			
No of agencies	87		82	37	23	6

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



Comparisons with other data

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

?? For *round one* agreements the AAWI for the **APS** was 3.7% and for *round two* agreements to-date, it is 3%.

?? The AAWI (December 99) for **all current federal agreements** in Australia is 3.7% (3.5% for the public sector).

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

?? The WCI rose by 3% over the year to December 1999 (3.5% for the public sector).

The Average Weekly Ordinary Time Earnings (**AWOTE**) increased by 3% over the year to November 1999 (3.3% for the public sector).

2. TOTAL INCREASES TO END 1999

?? Increases since the last Service-wide pay rise in October 1996, to the end of 1999, have totalled **6.7%** on average (see Table 2A below). Virtually all employees have received an increase under agency bargaining (only three agencies had not had a general pay increase by the end of 1999).

?? Table 2A also shows the impact of the end-1999 figures on 1996 salary rates for selected classifications (at the top of the range) and the dispersion in dollar terms that results in (the dispersion figures shown are based on the gap between Q1 and Q3; the difference between the 1996 rates and the highest 1999 rates provides the maximum dispersion in rates).

Table 2A – Total Increases to end-1999 (since 1996)

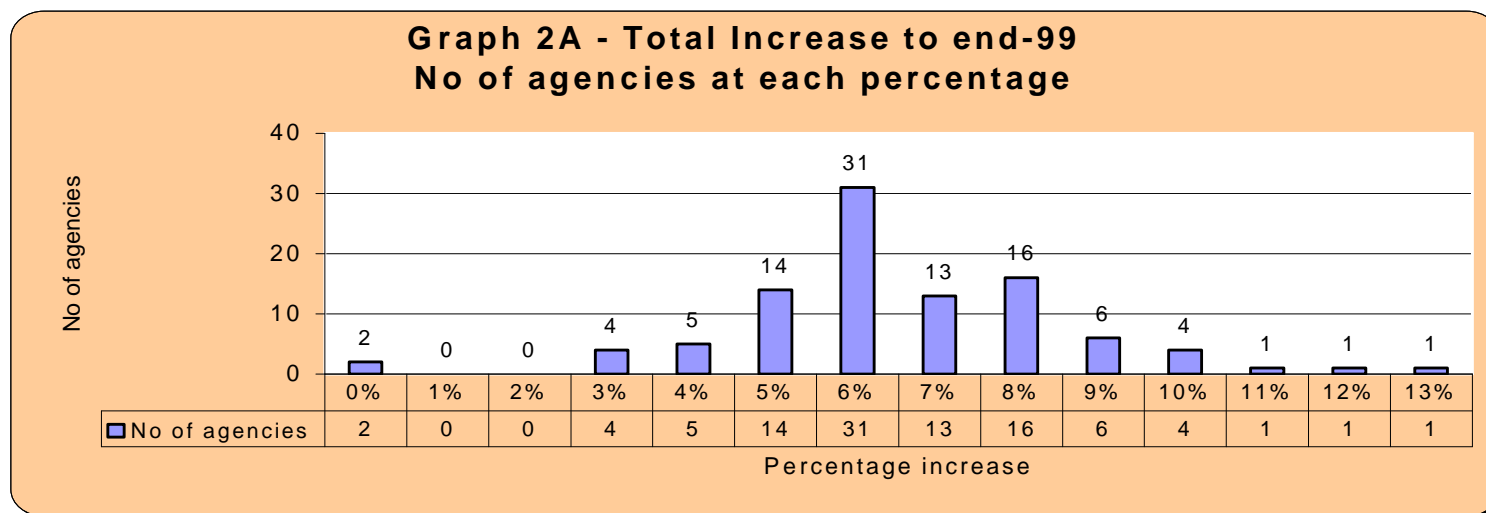
Increases to end of 1999				ASO 1	ASO 2	ASO 3	ASO 4	ASO 5	ASO 6
	annualised	TOTAL							
			1996 rates	\$26,457	\$30,042	\$33,304	\$37,341	\$40,675	\$47,591
Weighted Average	2.1%	6.7%	→	\$28,218	\$32,042	\$35,521	\$39,827	\$43,382	\$50,759
Average	2.1%	6.6%							
Highest	4.0%	12.6%		\$29,785	\$33,821	\$37,493	\$42,038	\$45,792	\$53,577
Q3	2.6%	8.1%	**	\$28,605	\$32,481	\$36,008	\$40,373	\$43,978	\$51,455
Median	1.9%	6.1%		\$28,068	\$31,872	\$35,332	\$39,615	\$43,152	\$50,489
Q1	1.7%	5.5%	→	\$27,912	\$31,694	\$35,136	\$39,395	\$42,912	\$50,209
No of employees		109514	** Difference between Q3 and Q1	\$693	\$787	\$873	\$978	\$1,066	\$1,247

Note: apart from the 'weighted average' the other figures in Table 2A are not weighted by the number of employees – they are based on the percentage increases for the 98 agencies.

How many agencies are paying at a given percentage?

Graph 2A below shows the dispersion in outcomes to the end of 1999 based on the percentage increase granted by each agency.
 ?? 79 of the 98 agencies had granted increases between 4% and 8% to the end of 1999.

Graph 2A – Total Increase to end of 1999 – Number of agencies at each percentage

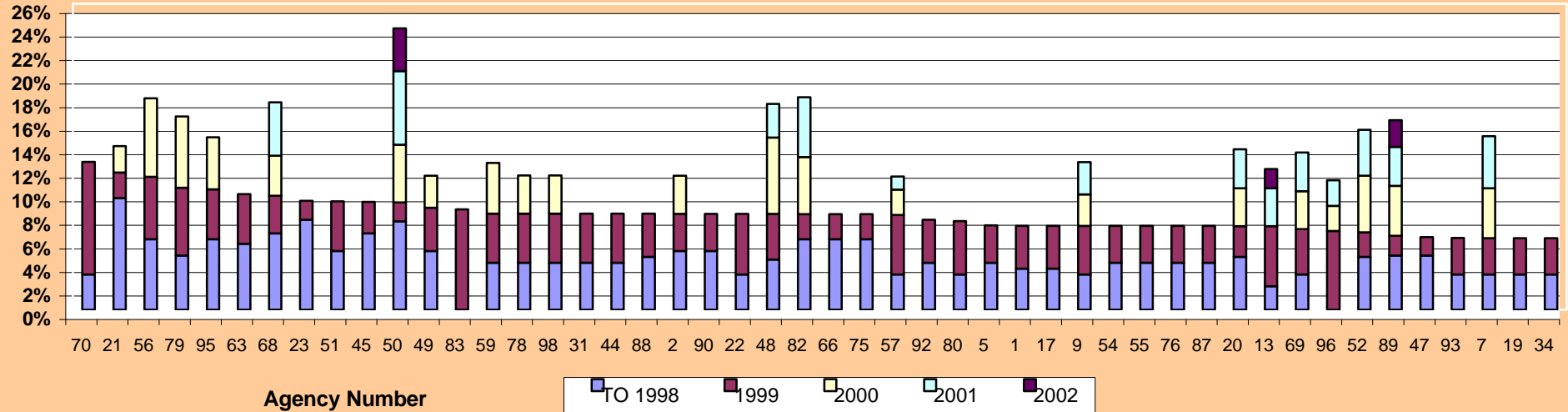


Total Increases - Agency by Agency

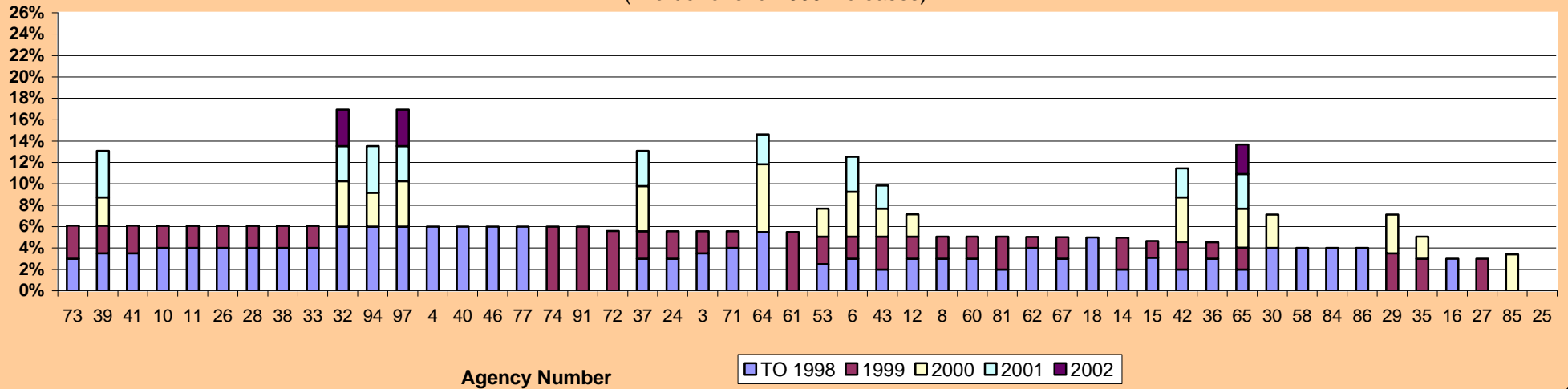
Graphs 2B below show, for each agency, the total increases committed to by that agency:

- ?? sorted on the basis of total pay increases at the end of 1999;
- ?? different colours in the graphs reflect the timing of the increases by year;
- ?? increases beyond 1999 are included;
- ?? there are 2 graphs due to the large number of agencies (i.e. graph (ii) follows on from graph (i)).

Graph 2B(i) - Total Increases, by year
(in order of end-1999 increases)



Graph 2B(ii) - Total Increases, by year
(in order of end-1999 increases)

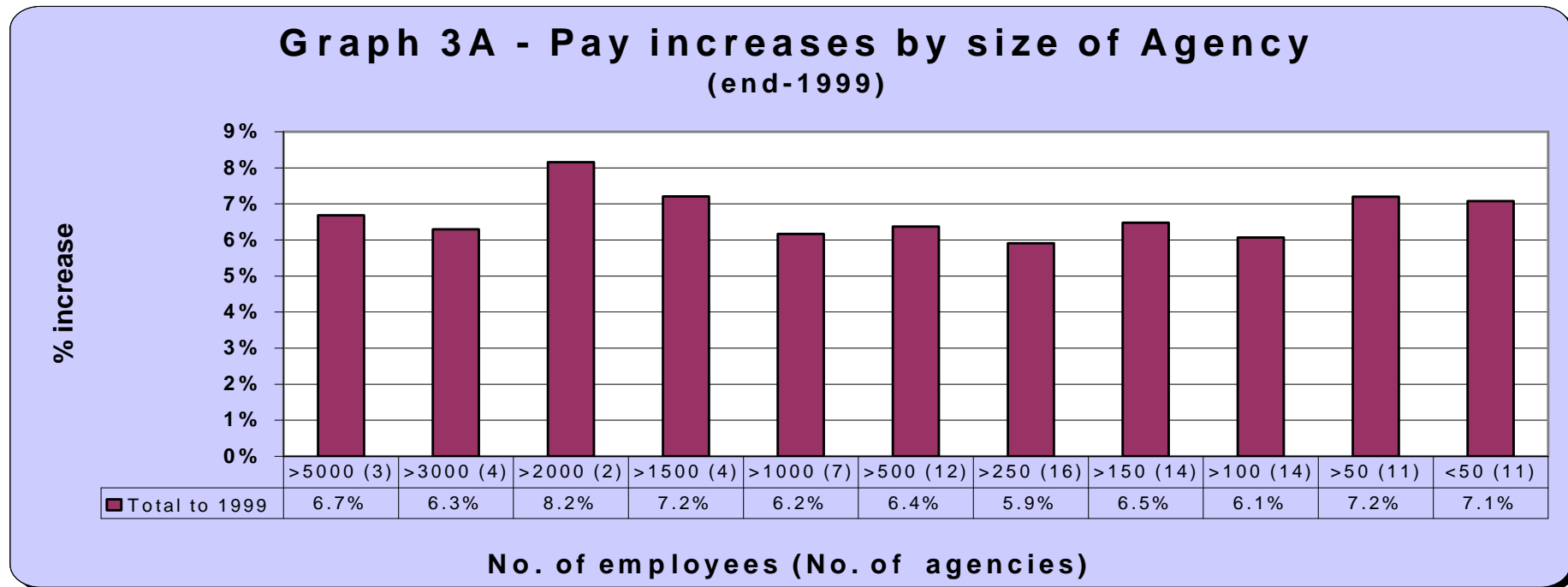


3. PAY RISES BASED ON SIZE OF AGENCY

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

Graph 3A below shows that, at this stage, there is no relative downward trend in pay outcomes where an agency employs smaller numbers of staff. There have been higher increases occurring in two larger agencies with 2-3,000 staff of about 8.2% in total to end 1999. The other agencies fall within the range of 5.9% and 7.2% ,with the largest and most smaller agencies being around 6-6.7% to end 1999. The figures in the table below are weighted by the number of employees and include agencies without any pay increase.

Graph 3A– Pay Increases by Size of Agency



4. AGENCY SPECIFIC REPORTS

The individual agency reports provide:

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

?? the total increase to end 1999;

?? the average annual increase by the agency to end-1999, and

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

AGENCY DATA SHEET

Agency number **99**

Name of Agency: **SPARE**

Number of Employees: 0

Date of final increase: 28-Oct-96

Total Increase (Compounded)
Agency Ranking

<u>Annual Pay Increases</u>	To 1998	1999	2000	2001	2002	2003		
Agency	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	99

APS – median	1.9%	3.0%	3.4%	3.0%
APS – average	2.0%	3.2%	3.5%	3.1%

Total Agency Increase to end 1999	0.0% (compounded)	Agency Ranking
		99
APS average to end 1999	6.7% (weighted)	

Average annual increase 96-99 – Agency 0.0%

Average annual increase 96-99 – APS 2.1%

Based on period from Oct 1996 to 31 December 1999

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

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