

31 May 2006

# 2005 APS SES Remuneration Survey

## Department of Employment and Workplace Relations

Data as at 31 December 2005

# MERCER

Human Resource Consulting

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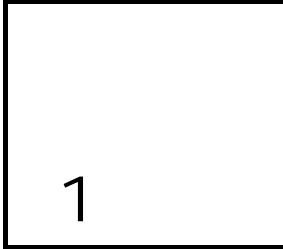
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## Executive Summary

### 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 survey of SES and non-SES remuneration plus the Broader Market Comparison provides a comprehensive overview of remuneration trends and outcomes across the APS, State 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 level and agency
- accurate estimates of the remuneration ranges for the classification levels 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 from 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 agency reports, all data submitted by each agency was used. For further information in relation to survey participants and sample sizes, please refer to Appendix A.

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.

For a more detailed overview of Mercer's methodology for the 2005 APS Remuneration Survey, please refer to Appendix B.

## 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 – four or more records from four or more agencies
- maximum and minimum - more than 10 records from four or more agencies.

## Aim of this Report

The SES Remuneration Report provides a detailed analysis of remuneration data and policies affecting all SES bands. Data is provided for the following components/aggregates of remuneration:

- Base Salary
- Total Remuneration Package, including Base Salary, plus:
  - Superannuation
  - Motor vehicles
  - Other benefits
- Total Reward, including Total Remuneration Package, plus:
  - Performance bonuses
  - Retention bonuses.

Please refer to Appendix C for definitions of these terms.

Analysis for each SES band provides the spread of remuneration from the minimum to the maximum across the sample as well as descriptive statistics including the most common paypoint for each level. Commentary also indicates the presence of outliers in the sample and a comparison with the 2004 dataset.

Data is also provided regarding the following remuneration policies and practices:

- Executive remuneration strategy
- Remuneration management practices
- Total remuneration
- Performance and reward linkages.

## Main Remuneration Findings

The detailed remuneration data tables are contained in Section 2: Remuneration Data and Analysis. A summary of the findings is outlined below.

### Base Salary

Table 1.1 provides a summary of median and average Base Salary movements for SES employees from 2004 to 2005.

Table 1.1 - Base Salary Median and Average Movements in 2004 to 2005 for SES 1, SES 2 and SES 3

Band	Median Base Salary			Average Base Salary		
	2004	2005	Movement	2004	2005	Movement
SES 1	\$116,543	\$122,000	4.7%	\$117,140	\$122,607	4.7%
SES 2	\$145,296	\$151,108	4.0%	\$145,258	\$152,921	5.3%
SES 3	\$179,883	\$187,500	4.2%	\$185,472	\$198,367	7.0%

Overall, the median 2005 Base Salary movement across all SES bands was 4.3%, with overall average movements being 5.7%. At the average, Base Salary movements increase with each SES band. The larger average increase at SES 3 is influenced by a few outliers which have inflated the average rate for 2005. Median movements for 2004 to 2005 are less than the 2003 to 2004 movements for all SES bands.

### Total Remuneration Package

Table 1.2 provides a summary of median and average Total Remuneration Package (TRP) movements for SES employees from 2004 to 2005.

Table 1.2 -TRP Median and Average Movements in 2004 to 2005 for SES 1, SES 2 and SES 3

Band	Median TRP			Average TRP		
	2004	2005	Movement	2004	2005	Movement
SES 1	\$164,981	\$170,416	3.3%	\$164,162	\$170,641	3.9%
SES 2	\$203,410	\$210,861	3.7%	\$201,320	\$210,209	4.4%
SES 3	\$250,607	\$260,983	4.1%	\$253,355	\$270,094	6.6%

Overall, the median 2005 TRP movement across all SES bands was 3.7%, with overall average movements being 5.0%. At both the median and average, TRP movements increase with each SES band.

As can be seen from Table 1.2, 2005 average TRP dollar values are quite similar to median TRP dollar values, indicating that the underlying distribution is not heavily skewed in either direction. The presence of some highly paid SES 3 employees has marginally inflated the average SES 3 TRP dollar value.

As reported for Base Salary, TRP median and average movements from 2004 to 2005 are significantly less than increases noted in previous years.

## Major Benefits

### Superannuation

For SES 1 and SES 2 superannuation contributions have steadied considerably showing a small negative movement at the median (-2.6% for SES 1 and -0.2% for SES 2), with the median increase for SES 3 being 6.9%. These movements are significantly less than movements noted in 2003 and 2004 and, in large measure, are related to the lower proportion of Commonwealth Superannuation Scheme (CSS) members in the 2005 sample (58%) than the 2004 sample (62%).

As a proportion of Base Salary, average superannuation contributions were 21.0% for SES 1, 22.5% at SES 2, and 24.2% at SES 3. Superannuation contributions for CSS members are usually considerably higher than for members of other funds.

Leaving aside increases in superannuation due simply to Base Salary increases, a number of SES employees have either a higher or lower salary for superannuation purposes than their actual Base Salary. This is the first time a specific question has been asked about salary for superannuation purposes, and a thorough analysis is provided in Section 2.

### Motor Vehicle Costs

Median vehicle costs were \$19,913 for SES 1, \$20,000 for SES 2, and \$22,660 for SES 3, indicating that there is a slight increase in vehicle costs, depending on the classification of the employee. Since 2004, SES 1 median motor vehicle costs have decreased by 0.4%, have remained the same for SES 2, and have increased at the median for SES 3 by 3.1%. Changing usage/vehicle eligibility patterns are behind the slight decrease at the median for SES 1, rather than a genuine reduction in costs.

### Cash in Lieu of Motor Vehicle

Cash provided in lieu of motor vehicles ranges from \$20,679 to \$23,500 at the median (depending on SES band) and, similarly to motor vehicle costs, increase with each SES band. These payments increased by 14.2% for SES 1 and 15.7% for SES 2 from 2004 levels, but decreased at SES 3 by 1.4%.

### Car Parking

Car parking costs vary only slightly across SES bands, with median costs ranging from \$1,600 at SES 1 to \$1,450 at SES 2 and SES 3. Isolated cases of very high payments were mainly due to location rather than the seniority of the individual employees. This overall trend in car parking cost was similar to that reported in 2004.

### Other Benefits

Other benefits such as home computing equipment, task allowances and foreign language proficiency allowances tend to be small, with median payments across SES 1, SES 2 and SES 3 ranging from \$2,070 to \$3,743. Though the median payments increase with each SES band, the dollar difference is slight.

There are a small number of significant payments provided at SES 1 and SES 2 (\$24,918 and \$17,000 at the maximum), though payments of this magnitude are not provided at SES 3. The magnitude of the small numbers of large payments is significantly less than those observed in the 2004 survey.

## Total Reward

Table 1.3 provides a summary of median and average Total Reward (TR) movements for SES employees from 2004 to 2005.

Table 1.3 - TR Median and Average Movements in 2004 to 2005 for SES 1, SES 2 and SES 3

Band	Median TR			Average TR		
	2004	2005	Movement	2004	2005	Movement
SES 1	\$171,366	\$175,745	2.6%	\$170,218	\$176,766	3.8%
SES 2	\$210,391	\$218,420	3.8%	\$210,030	\$218,665	4.1%
SES 3	\$261,813	\$273,269	4.4%	\$264,833	\$281,994	6.5%

Overall, the median 2005 TR movement across all SES bands was 3.6%, with overall average movements being 4.8%. As expected, at both the median and average, TR movements increase with each SES band. This is also in line with TRP movements. TR movements from 2004 to 2005 are notably less across all SES bands than movements reported in 2003 to 2004.

## Bonuses

### Performance Bonuses

Across all SES bands, 87.2% of SES employees were eligible for a performance bonus in 2005 and, of those eligible, 84.2% actually received a payment. These results are broadly in line with the results in 2004.

Compared to median bonus payments in 2004, median performance bonus payments in 2005 have increased by:

- 2.9% (\$166) at SES 1
- 1.7% (\$145) at SES 2
- 6.8% (\$824) at SES 3.

However, for SES 1 and SES 2, the average performance bonus decreased by 4.9% and 4.8% respectively, due to slightly lower maximum payments and a slightly higher proportion of eligible employees receiving no performance bonus in 2005 compared to 2004. For SES 3, although a higher proportion of eligible employees received no performance bonus in 2005 compared to 2004, the average payment increased by 3.8%, due to the presence of a few very high performance bonus payments.

The above trend is indicative of agencies becoming more discriminating in their application of performance bonuses to SES employees.

A significant number of SES employees (between 19% and 29% dependent on SES band) took a proportion of their payment as a salary increase compared with only 5% to 12% in 2004.

### Retention Bonuses

Across all SES bands, 5.6% of employees were eligible for retention bonuses in 2005; down from 6.8% in 2004. However this is still higher than the eligibility for retention bonuses of 3.4% for all SES employees noted in 2003. Of those eligible only 14.7% actually received a payment in 2005, compared with 24.5% who received payments in 2004 and 85% who received payments in 2003. Leaving aside the eligibility issue, there is a clear trend emerging for the past three years that significantly fewer retention bonuses are being paid to SES employees generally.

Where retention bonuses were paid to SES employees, average dollar amounts are less in 2005 than for 2004, however, the amounts are still significant for those few individuals who do receive such payments. In 2005, maximum retention bonus payments were \$15,000 for SES 1 and \$20,000 for SES 2 employees. The corresponding maximum payments in 2004 were \$15,511 and \$28,000 respectively. As only two SES 3 employees received a retention bonus payment in 2005, no statistics were able to be published.

Although many retention bonuses relate to periods of longer than one year, it is unlikely that the decreasing incidence of payment in the period 2003 to 2005 is because many retention bonuses were simply not due in 2005. The more plausible explanation is that there is a policy change for many agencies away from the use of retention bonuses. However, the decrease in retention bonuses noted in 2005 has not been offset by substantial increases in performance bonuses, other bonuses, increases to Base Salary or other benefits.

### Other Bonuses

Only 21 SES employees received other bonus payments, with the amounts provided ranging from \$946 to \$10,000 at SES 1. At SES 2, the Q1 to Q3 range was \$5,625 to \$16,212. Median payments were \$10,000 for SES 1 and \$8,702 for SES 2. The number receiving payments at SES 3 was too small for any statistics to be published. Clearly, other bonus payments are not a common feature of SES remuneration, but the payments are significant for the few SES employees who do receive them.

### Typical Package Breakdown

The proportion of TR made up by Base Salary was 69% at SES 1 and 70% for SES 2 and SES 3. Bonuses were 4% of TR at SES 1 and SES 2, and 5% for SES 3. Superannuation varies slightly across SES bands ranging from 15% at SES 1 to 17% at SES 3. Motor vehicles showed the greatest variation, ranging from 8% at SES 3 to 12% for SES 1. This is because the dollar value of vehicles only increases slightly from SES 1 to SES 3, whereas Base Salary, superannuation and other remuneration elements increase substantially from SES 1 to SES 3.

## Remuneration Policy Findings

Details of the remuneration policy findings are provided in Section 4. A summary of the key remuneration policy findings is outlined below.

### Executive Remuneration Strategy

In 2005, 83% of agencies reported having a formal remuneration strategy in place for SES employees, that was also communicated to employees and used as the basis for program design and pay decisions. The focus of these strategies is strongly based on TRP or TR, though less so than in previous years, with some agencies moving to Base Salary, or Base Salary plus bonuses.

Depending on SES band, executive remuneration strategies include performance bonuses in 84% to 93% of agencies; and retention bonuses in 19% to 25% of agencies. The use of performance bonuses has increased from 82% in 2004, while the proportion of agencies using retention bonuses for at least some SES employees has neither increased nor decreased since 2004. Of those agencies including performance bonuses in their strategies, the proportion of TR made up by the bonus has decreased marginally since 2004 from 5% to 7% (depending on SES band) to 4% to 5% in 2005.

### Remuneration Benchmarking

Almost 80% of agencies reference the APS Remuneration Survey and/or select public sector agencies to benchmark their remuneration and bonus payment levels. Very few agencies reference or benchmark to other markets or data sources, even though 43% to 47% of agencies surveyed view Government Business Enterprises (GBEs) and the private sector as key markets for attraction and retention.

At the median in 2004, agencies reported that the level of competitiveness sought for all SES bands against the APS Remuneration Survey was the 75<sup>th</sup> percentile, or Q3. This meant that well over half of all participating agencies were aiming to pay their staff at the pay point of the top 25% of APS agencies. In 2005, the median level of competitiveness sought for SES 1 was the 63<sup>rd</sup> percentile, but remains at the 75<sup>th</sup> percentile for SES 2 and SES 3. This is an important issue for the APS as a whole to consider, as it could influence the sustainability of SES remuneration movements in the future.

### Remuneration Management Practices

Remuneration structures vary across agencies, with 47% of agencies (up from 39% in 2004) utilising a structure that has both minimum and maximum pay points for each SES band. Other popular structures include set salary points, or bands with minima only. Where agencies have specified a maximum and a minimum, the minima and maxima for all SES bands have increased in 2005 compared with 2004 data.

The majority of agencies surveyed reported that when setting salaries for new or promoted SES employees, Agency Heads exercise their discretion, though the Agency Head's decision-making may include a review of the agency's minimum salary levels as well as internal pay relativities.

The vast majority of agencies continue to utilise formal annual remuneration review processes at the same time for all or most SES employees. The percentage of agencies conducting a 6-monthly review has reduced from 6% down to zero.

### Other Payments

Other payments such as foreign language proficiency allowances, Intelligence Community Allowance (ICA) and ministerial staff allowances are paid infrequently, with between 8% to 22% of SES employees receiving such payments.

### Total Remuneration

Remuneration packaging is still a key element of remuneration for executives. Apart from superannuation, motor vehicles continue to be the most significant benefit item offered to SES employees. The clear majority of agencies have either recently established a standard vehicle costing covering all actual costs rather than using a costing formula, or developed a predetermined budget amount for each SES band.

Where cash payments are available to SES employees in lieu of a motor vehicle, depending on SES band, 77% to 83% of agencies use the same cash value as the vehicle's benefit value; 3% to 8% use a higher value; and 14% to 16% use a lower value.

With respect to superannuation the vast majority of SES employees are members of the Commonwealth Superannuation Scheme (CSS) or the Public Sector Superannuation (PSS) scheme, where the rules governing the salary for superannuation purposes are not negotiable. However, 44% to 47% (depending on SES band) of agencies report allowing SES employees to negotiate a salary for superannuation purposes which is different to their Base Salary – which applies to members of funds other than CSS and PSS.

### Performance and Reward Linkages

Depending on the SES band, between 89% and 92% of agencies reported having a formal goal setting and performance management system in place. Eligibility for SES employees to participate in bonus arrangements is also slightly higher than in 2004. To assess performance, the vast majority of agencies use formal rating scales, and require the employee to perform at a fully effective level (or higher) to trigger a bonus payment.

Bonuses are typically determined as a percentage of the employee's remuneration, and are also typically paid annually as a cash lump sum. However, 17% to 26% of agencies (depending on SES band) reported that they pay bonuses as an increase to an individual's Base Salary for a defined period until the bonus is expended.

### Retention Bonuses

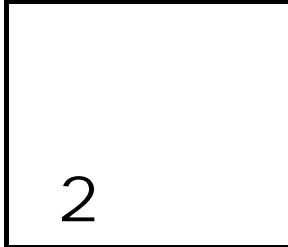
Between 19% and 23% of agencies provide eligibility for retention bonuses, typically based on an employee's possession of specialist skills or their being essential to a particular project. Retention bonuses tend to be paid at a specified point in time.

## Remuneration Outcomes by Various Parameters

Both departmental size and job family appear to have a statistically significant effect on Base Salary, TRP and TR levels, at least for SES 1 and SES 2 employees. Generally, results showed that across all SES bands, agencies of 500 – 999 employees pay higher on average than all three other agency size categories. For SES 1 and SES 2, agencies with 1000 to 4999 employees were the lowest paying. Differences between the different agency size categories for SES 3 were not significant.

There were also significant remuneration differences for SES 1 employees by location, with SES 1 employees based in New South Wales and Queensland having a higher average TRP than their counterparts in all other locations. This is a similar trend to 2004, except that in 2005 the differences are statistically significant. For SES 2, small differences were observed in TRP averages in different locations, but they were not statistically significant.

In terms of job family, Audit, Scientific and Policy Development roles appear to be amongst the highest paying job families, with Management, Finance, Communications and Legal job families being at the lower end. At SES 3, Policy roles were significantly higher than Management or Scientific job family categories. (Refer to Appendix D for details).



## Remuneration Data and Analysis

This section summarises the detailed findings for Base Salary, TRP and TR. Mercer's analysis of these salary aggregates presents distribution charts for the 2005 sample as compared to the 2004 sample, along with a discussion of the key characteristics of the 2005 sample. The section also includes analysis of the components of TR, including superannuation, motor vehicles and bonuses.

### Base Salary

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

Table 2.1 provides a summary of median and average Base Salary levels and movements for SES employees from 2004 to 2005.

Table 2.1 – Base Salary Median and Average Movements in 2004 to 2005 for SES 1, SES 2 and SES 3

Band	Median Base Salary			Average Base Salary		
	2004	2005	Movement	2004	2005	Movement
SES 1	\$116,543	\$122,000	4.7%	\$117,140	\$122,607	4.7%
SES 2	\$145,296	\$151,108	4.0%	\$145,258	\$152,921	5.3%
SES 3	\$179,883	\$187,500	4.2%	\$185,472	\$198,367	7.0%

Median Base Salary remuneration movements range between 4.0% and 4.7%, with average movements ranging from 4.7% to 7.0%. Mercer notes that the high average movement at SES 3 is the result of some outliers which have inflated the 2005 average.

Chart 2.1 provides an overview of the distribution and spread of Base Salary for each SES band. The median for each SES band is shown as a vertical line. In creating these distribution charts, actual salary data has been grouped into sampling ranges of \$3,750 for SES 1 data and sampling ranges of \$5,000 for SES 2 and SES 3 data. For example, within SES 2 salaries of \$120,000 to \$124,999 have been grouped within the same sampling range. These grouped sampling ranges may result in the minimum/maximum value on the charts appearing slightly lower or higher than the actual minimum/maximum. This methodology has been utilised for all distribution chart analysis, and is the same as the methodology used in the 2004 survey.

Chart 2.1 – Base Salary Distribution in 2005 for SES 1, SES 2 and SES 3

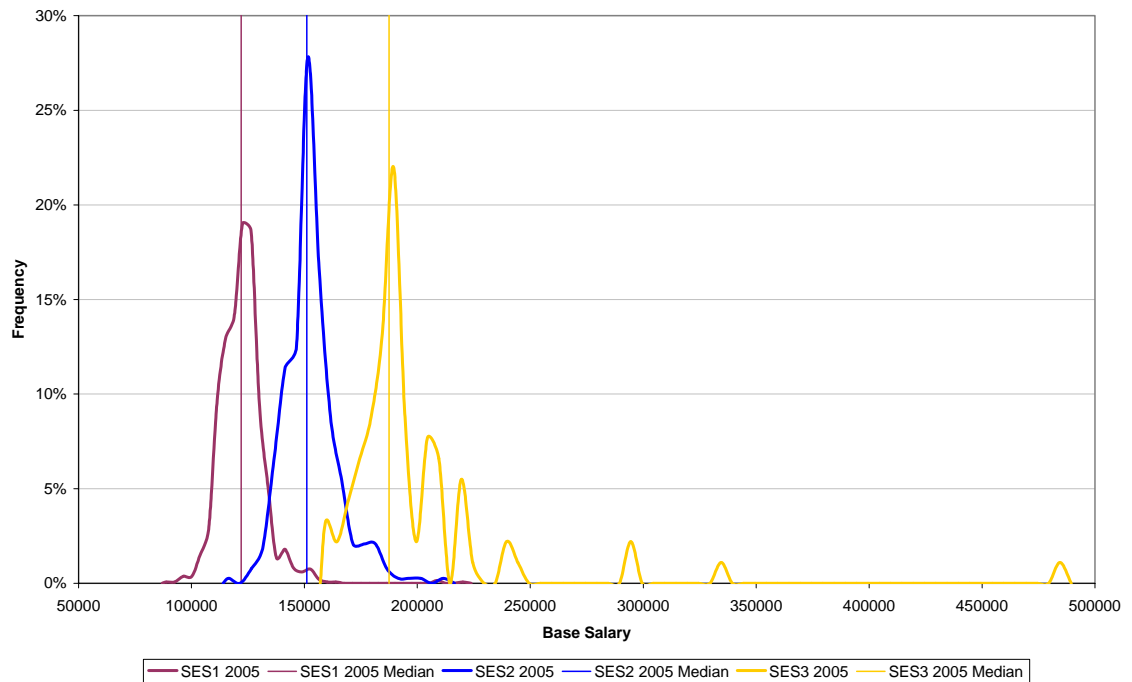


Chart 2.1 shows a reasonably smooth progression between levels, with approximately \$30,000 between the medians. Each level also shows a typical distribution, with the most common pay points being close to the median of each sample. However, there are significant overlaps between SES bands, with the few most highly paid SES 1 employees earning as much as many SES 3 employees, and more than most SES 2 employees. SES 2 roles similarly overlap with SES 3, with the few most highly paid SES 2 employees earning more than the majority of SES 3 employees.

Following is a more detailed analysis of the distribution and spread of Base Salary for each SES band, as well as comparisons with the data from 2004 and 2003.

### Base Salary – SES 1

Table 2.2 and Chart 2.2 detail the distribution and spread of Base Salary for SES 1 employees in 2005 compared with the results from 2004.

Table 2.2 – SES 1 Base Salary Distribution and Movements in 2003 to 2005 for SES 1

Year	n	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	1,335	\$87,704	\$116,243	\$122,000	\$126,500	\$218,798	\$122,607	\$9,937
2004	1,154	\$91,000	\$111,772	\$116,543	\$120,611	\$218,798	\$117,140	\$9,983
% Change 04/05	15.7%	-3.6%	4.0%	4.7%	4.9%	0.0%	4.7%	-0.5%
% Change 03/04	-0.3%	17.0%	6.5%	6.9%	4.0%	9.0%	5.6%	-9.2%

Chart 2.2 – Base Salary Distribution in 2004 and 2005 for SES 1

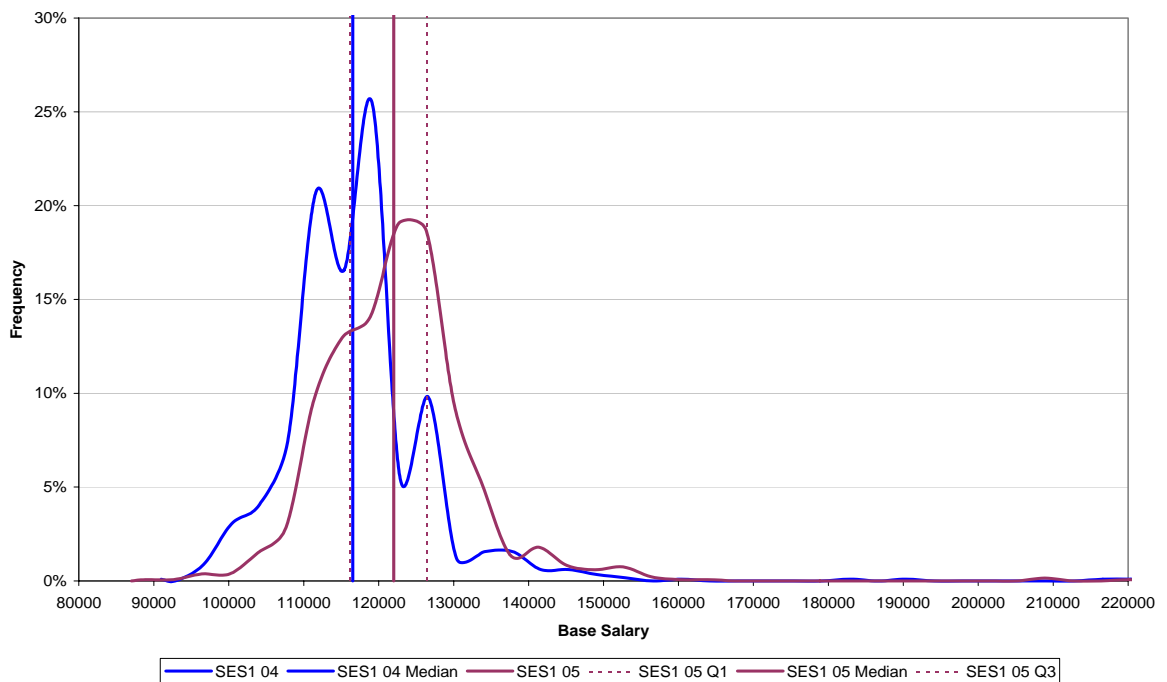


Table 2.2 and Chart 2.2 show that:

- 50% of employees are paid between \$116,243 and \$126,500 with 68% of employees being paid between \$112,670 and \$132,544
- the average Base Salary is slightly higher than the median Base Salary, indicating that a small number of individuals are paid significantly higher than the majority. However, the difference between the median and average is so slight (less than \$1,000) that it is apparent the few highly paid outliers have had little effect on the overall distribution of the sample
- the most common pay levels are \$122,500 followed by \$126,500
- as can be seen from Chart 2.2, this year’s distribution is flatter with only one major peak compared with the 2004 distribution containing three peaks

- the spread of Base Salary across the entire group ranges from \$87,704 to \$218,798, which is a spread of approximately \$131,000. This spread is similar to that of 2004 as indicated by the small standard deviation movement from 2004 to 2005
- the maximum payment received by an SES 1 employee in 2005 is higher than the maximum payment for SES 2 and the third quartile payment level for SES 3 positions. However, there are few employees paid at this level, with only four out of 1,335 SES 1 employees paid above \$162,000. The four outliers are employed in two agencies
- Base Salary has increased for the group overall with the exception of those at minimum and maximum levels. Median Base Salary has increased by 4.7% since 2004 compared with a higher increase of 6.9% from 2003 to 2004
- the sample size for SES 1 in 2005 is 1,335, compared with 1,154 in 2004, an increase of 15.7%.

## Base Salary – SES 2

Table 2.3 and Chart 2.3 detail the distribution and spread of Base Salary for SES 2 in 2005 compared with the results from 2004.

Table 2.3 – Base Salary Distribution and Movements in 2003 to 2005 for SES 2

Year	n	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	385	\$114,585	\$145,000	\$151,108	\$158,976	\$210,263	\$152,921	\$12,164
2004	339	\$117,730	\$139,719	\$145,296	\$150,234	\$194,652	\$145,258	\$10,644
% Change 04/05	13.6%	-2.7%	3.8%	4.0%	5.8%	8.0%	5.3%	14.3%
% Change 03/04	1.2%	23.9%	8.7%	6.0%	5.9%	-32.6%	5.7%	-28.9%

Chart 2.3 – Base Salary Distribution in 2004 and 2005 for SES 2

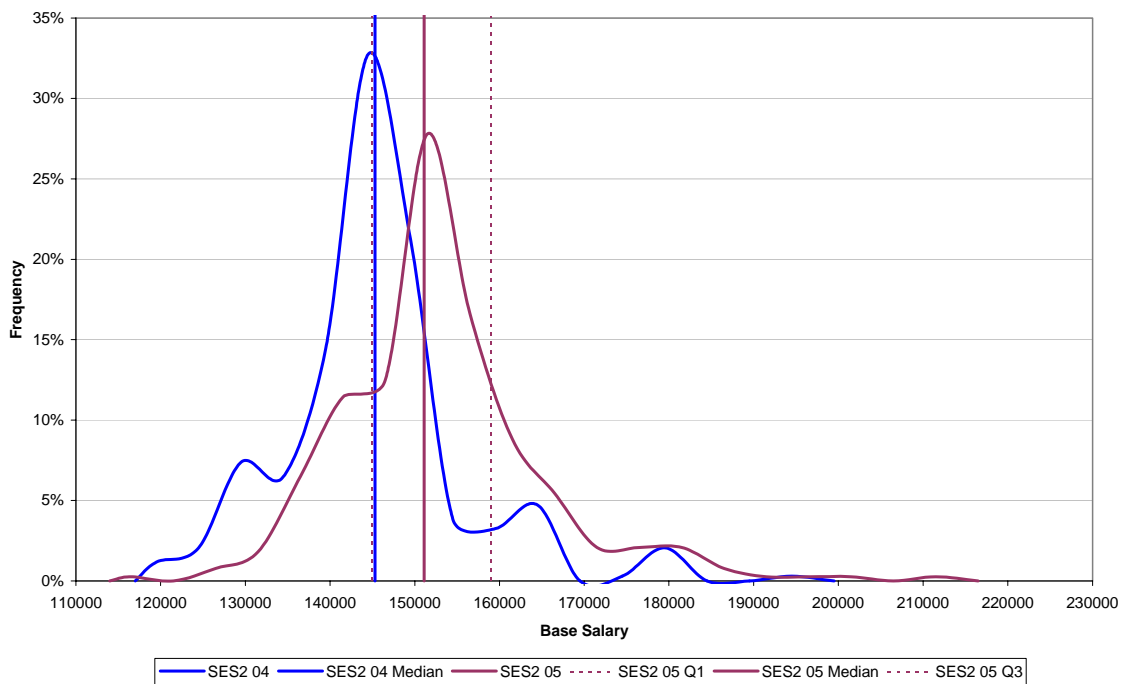


Table 2.3 and Chart 2.3 show that:

- 50% of employees are paid between \$145,000 and \$158,976 with 68% of employees being paid between \$140,757 and \$165,085
- the most common pay level is \$151,500 followed by \$156,500
- the average Base Salary is almost the same as the median Base Salary, indicating an even distribution of pay across the group, and a relatively symmetrical distribution
- the spread across the entire group is the narrowest of the three SES bands, ranging from \$114,585 to \$210,263; a spread of \$95,678
- the 2005 data shows several employees were paid above the expected range spread (i.e. three standard deviations above the mean). Mercer notes that the maximum payment of \$210,263 received by an SES 2 employee in 2005 is higher than the third quartile payment level for SES 3 positions, although this was also the case in 2004

- Base Salary has increased for the group overall such that the first quartile of the 2005 data is similar to the median of the 2004 data. Median Base Salary has increased by 4.0% since 2004, compared with a 6.0% increase from 2003 to 2004
- the 2005 SES 2 sample size of 385 employees was higher (by 13.6%) than the 339 records from 2004.

### Base Salary – SES 3

Table 2.4 and Chart 2.4 detail the distribution and spread of Base Salary for SES 3 in 2005 compared with the results from 2004.

Table 2.4 – Base Salary Distribution and Movements in 2003 to 2005 for SES 3

Year	n	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	91	\$160,000	\$182,000	\$187,500	\$205,786	\$484,990	\$198,367	\$40,705
2004	69	\$138,857	\$174,862	\$179,883	\$187,421	\$465,888	\$185,472	\$38,042
% Change 04/05	31.9%	15.2%	4.1%	4.2%	9.8%	4.1%	7.0%	7.0%
% Change 03/04	-14.8%	4.8%	6.5%	5.8%	7.9%	60.5%	8.6%	85.7%

Chart 2.4 – Base Salary Distribution in 2004 and 2005 for SES 3

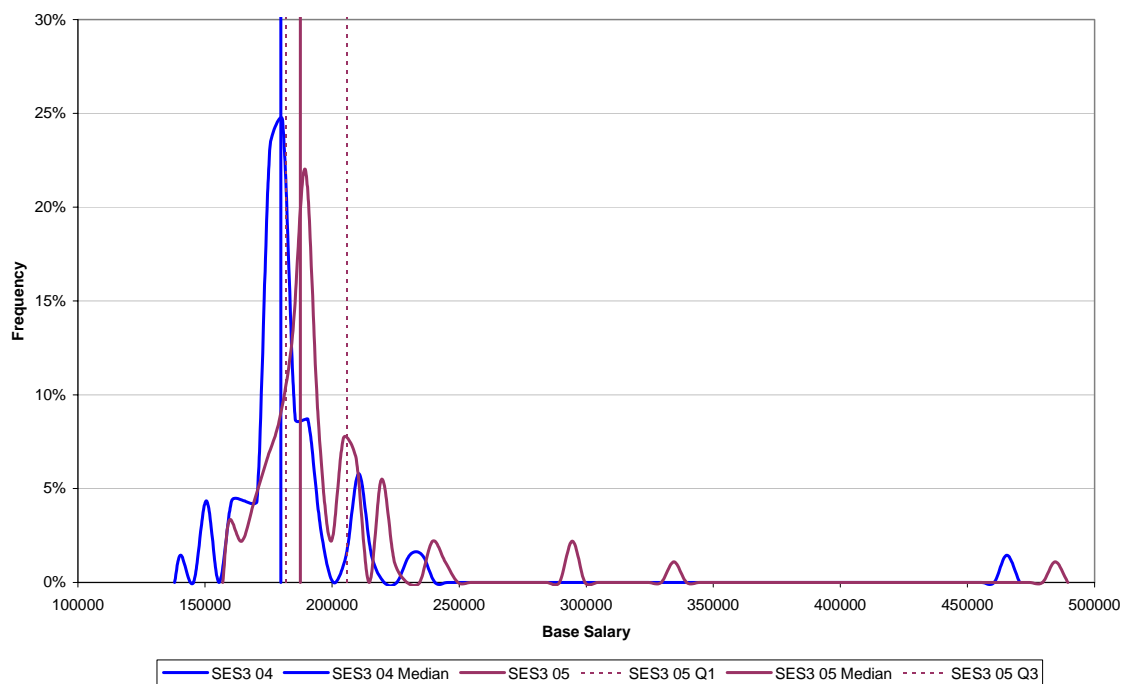


Table 2.4 and Chart 2.4 show that:

- 50% of employees are paid between \$182,000 and \$205,786 with 68% of employees being paid between \$157,662 and \$239,072
- the average Base Salary is approximately \$11,000 higher than the median Base Salary, indicating the presence of three more highly paid individuals that have lifted the average
- the most common pay levels are \$189,500, followed by \$184,500
- the spread of pay across the entire group is the widest of all three SES bands, ranging from \$160,000 to \$484,990; a spread of approximately \$325,000. This is a similar spread to that reported in 2004. A few outliers have influenced the overall sample, with the average being closer to Q3 than the median
- Base Salary has increased for the group overall. Median Base Salary has increased by 4.2% since 2004, compared with a 5.8% increase from 2003 to 2004
- the 2005 SES 3 sample size of 91 employees represent a significant increase of 39.9% over the 69 records from 2004.

## Total Remuneration Package (TRP)

TRP represents the sum of:

- Base Salary
- superannuation (including Employer Productivity Superannuation Contribution (EPSC) amounts where applicable)
- annual remuneration value of motor vehicles (including parking and FBT)
- other fixed benefit items.

TRP excludes business-related on-costs such as workers' compensation premiums or payroll tax.

Table 2.5 provides a summary of median and average TRP movements for SES employees from 2004 to 2005.

Table 2.5 - TRP Median and Average Movements in 2004 and 2005 for SES 1, SES 2 and SES 3

Band	Median TRP			Average TRP		
	2004	2005	Movement	2004	2005	Movement
SES 1	\$164,981	\$170,416	3.3%	\$164,162	\$170,641	3.9%
SES 2	\$203,410	\$210,861	3.7%	\$201,320	\$210,209	4.4%
SES 3	\$250,607	\$260,983	4.1%	\$253,355	\$270,094	6.6%

Median TRP remuneration movements range between 3.3% and 4.1%, with average movements ranging from 3.9% to 6.6%. Median and average movements from 2004 to 2005 are less than those for 2003 to 2004 across each level.

Chart 2.5 provides an overview of the distribution and spread of TRP for each SES band. The median for each level is also shown as a vertical line.

Chart 2.5 -TRP Distribution for SES 1, SES 2 and SES 3

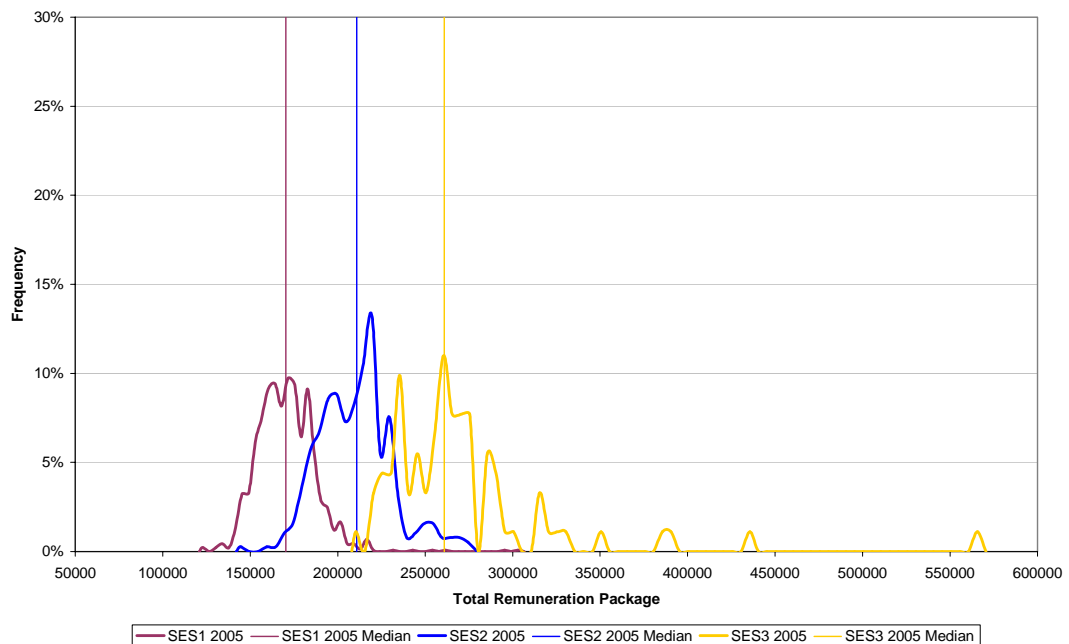


Chart 2.5 shows a growing progression between the SES bands, with an increase from the median of SES 1 to SES 2 of approximately \$40,000, and a \$50,000 increase from SES 2 to SES 3. This progression is almost identical to that noted in 2004. The TRP distribution of each sample is more even than the Base Salary distribution, with each SES band showing a number of common pay points, and the modal scores being less than 15%.

Following is a more detailed analysis of the distribution and spread of TRP for each SES band, as well as comparisons with the data from 2004 and 2003.

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

Table 2.6 and Chart 2.6 detail the distribution and spread of TRP for SES 1 employees in 2005 compared with the results from 2004.

Table 2.6 – TRP Distribution and Movements in 2003 to 2005 for SES 1

Year	n	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	1,335	\$121,170	\$159,643	\$170,416	\$181,151	\$304,614	\$170,641	\$16,432
2004	1,154	\$116,420	\$153,847	\$164,981	\$174,188	\$306,505	\$164,162	\$15,688
% Change 04/05	15.7%	4.1%	3.8%	3.3%	4.0%	-0.6%	3.9%	4.7%
% Change 03/04	-0.3%	2.2%	6.3%	7.1%	6.7%	27.3%	5.9%	6.9%

Chart 2.6 – TRP Distribution in 2004 and 2005 for SES 1

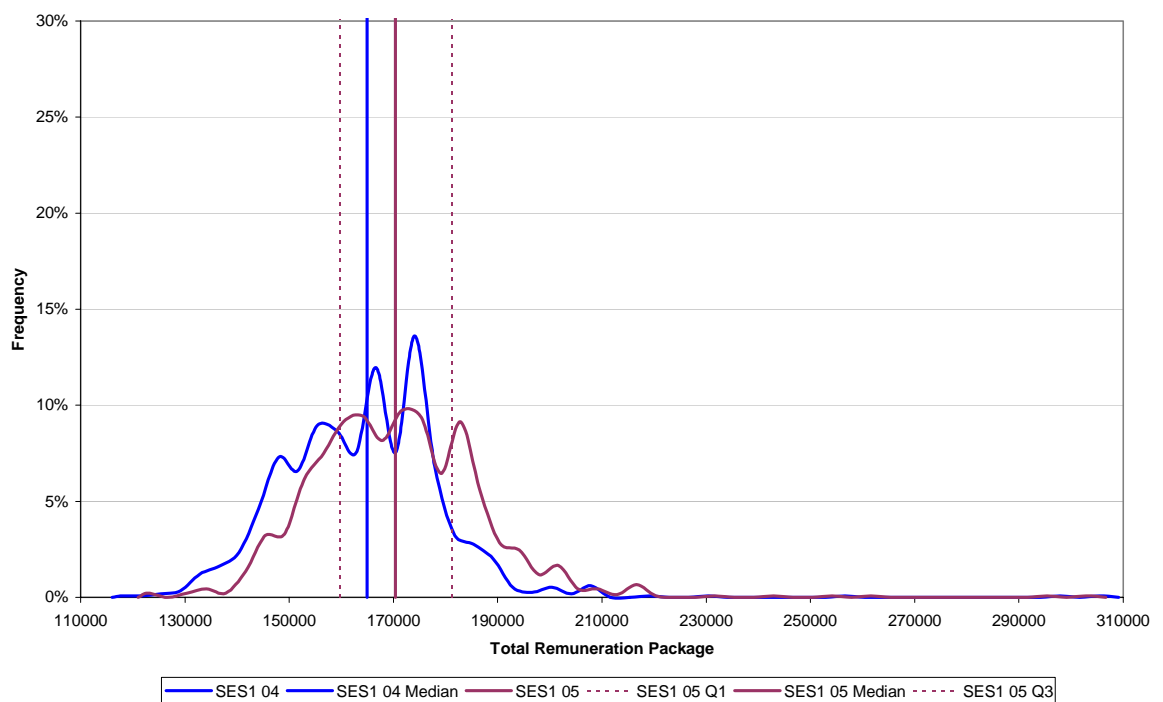


Table 2.6 and Chart 2.6 show that:

- 50% of employees are paid between \$159,643 and \$181,151 with 68% of employees being paid between \$ 154,209 and \$187,073
- the most common pay levels are \$171,625 followed by \$164,125 and \$175,375
- the median TRP is almost the same as the average TRP, indicating a more even or symmetrical distribution across the group. Even though there are a few outliers, as the sample size is very large, the outliers have had little effect on the average
- the spread of TRP across the entire group ranges from \$121,170 to \$304,614, which is a spread of approximately \$183,000
- the maximum payment received by an SES 1 employee is higher than the third quartile payment level for SES 3 positions, although this pattern was the same in 2004

- TRP has increased for the group, with the exception of the maximum level which has decreased slightly. Median TRP for SES 1 has increased by 3.3% since 2004 which is similar to the average increase of 3.9%. Average and median movements are lower than those recorded for the period 2003 to 2004.

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

Table 2.7 and Chart 2.7 detail the distribution and spread of TRP for SES 2 employees in 2005 compared with the results from 2004.

Table 2.7 – TRP Distribution and Movements in 2003 to 2005 for SES 2

Year	n	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	385	\$142,080	\$194,198	\$210,861	\$221,653	\$272,543	\$210,209	\$20,632
2004	339	\$160,689	\$190,049	\$203,410	\$210,896	\$258,491	\$201,320	\$17,842
% Change 04/05	13.6%	-11.6%	2.2%	3.7%	5.1%	5.4%	4.4%	15.6%
% Change 03/04	1.2%	22.1%	8.3%	8.2%	7.8%	-13.8%	7.1%	-2.0%

Chart 2.7 – TRP Distribution in 2004 and 2005 for SES 2

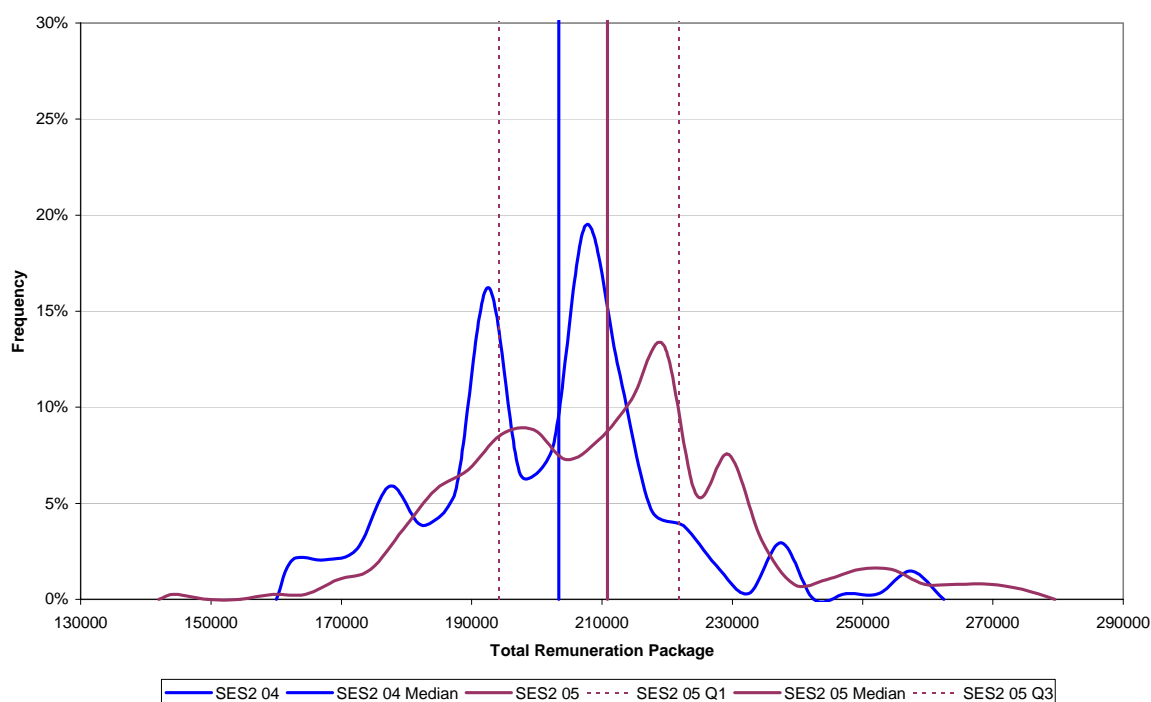


Table 2.7 and Chart 2.7 show that:

- 50% of employees are paid between \$194,198 and \$221,653 with 68% of employees being paid between \$189,577 and \$230,841
- the most common pay levels are \$219,500 followed by \$214,500
- the average TRP is similar to the median TRP indicating that outliers occur on either side of the spectrum and the spread has remained relatively even
- the spread of TRP across the entire group is, as with 2004, the narrowest of the three SES bands. Ranging from \$142,080 to \$272,543; the spread is approximately \$130,000. This is wider than the spread reported in 2004, which is evidenced by the positive standard deviation movement of 15.6%, and the fact that the minimum payment has decreased by 11.6% while the maximum has increased by 5.4%
- the maximum TRP payment received by an SES 2 employee in 2005 is well above the median TRP for SES 3 positions, which was also the case in 2004

- TRP has increased for the group overall such that the median of the 2005 data is now equivalent to the Q3 value for 2004. Median TRP has increased by 3.7% since 2004, which is in line with the 4.0% movement at the Base Salary aggregate.

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

Table 2.8 and Chart 2.8 detail the distribution and spread of TRP for SES 3 employees in 2005 compared with the results from 2004.

Table 2.8 – TRP Distribution and Movements in 2003 to 2005 for SES 3

Year	n	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	91	\$208,280	\$239,119	\$260,983	\$277,503	\$564,041	\$270,094	\$49,029
2004	69	\$192,801	\$231,531	\$250,607	\$259,794	\$535,353	\$253,355	\$43,482
% Change 04/05	31.9%	8.0%	3.3%	4.1%	6.8%	5.4%	6.6%	12.8%
% Change 03/04	-14.8%	1.8%	7.0%	9.4%	7.3%	43.9%	9.3%	65.3%

Chart 2.8 – TRP Distribution in 2004 and 2005 for SES 3

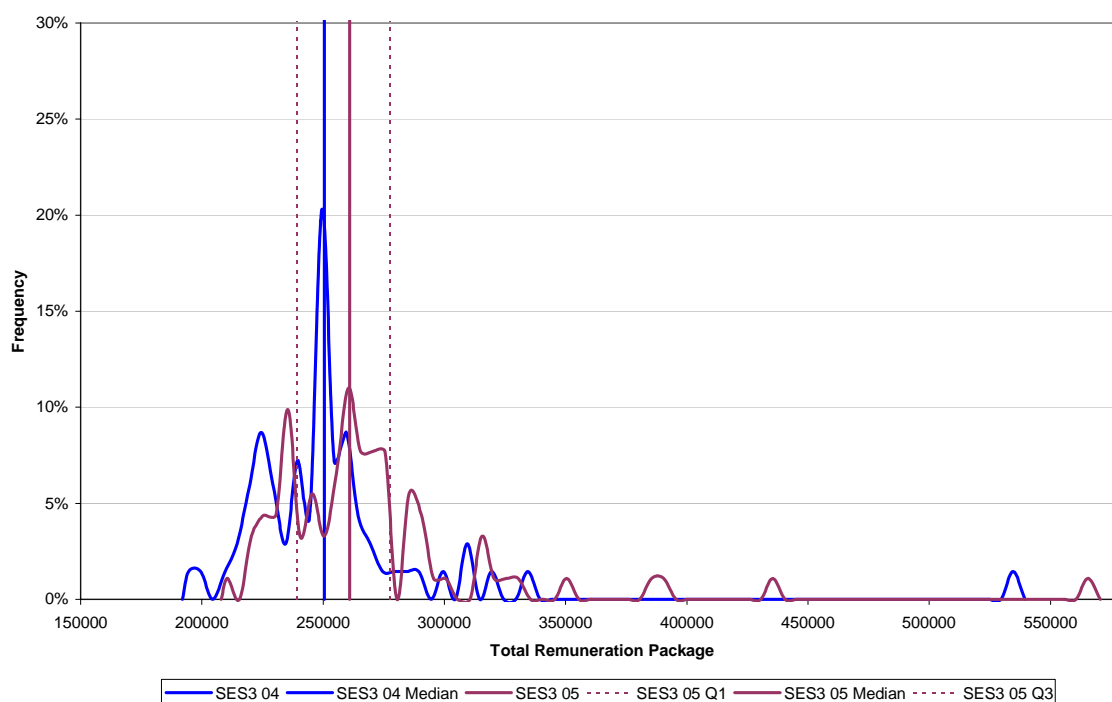


Table 2.8 and Chart 2.8 show that:

- 50% of employees are paid between \$239,119 and \$277,503 with 68% of employees being paid between \$221,065 and \$319,123
- the most common pay levels are \$260,500 followed by \$235,500
- the average TRP is approximately \$10,000 higher than the median TRP, reflective of some highly paid outliers which are lifting the average upwards
- the spread of TRP across the entire group is, as with 2004, the widest of all three SES bands, ranging from \$208,280 to \$564,041; a spread of about \$356,000 compared with the 2004 spread of \$343,000
- TRP has increased for the group overall with the median TRP increase since 2004 at 4.1%, and the average increase at 6.6%. This is in line with increases for Base Salary.

## Superannuation

Tables 2.9 to 2.11 show the distribution and movement of superannuation contributions for each SES band respectively. For 2003 to 2004; movements are provided at the median and average only; comparisons at the other quartiles are not provided as they were not reported in previous years.

Superannuation is defined as employer contribution plus the EPSC productivity component or the Superannuation Guarantee (SG).

Table 2.9 - Superannuation Distribution and Movements in 2003 to 2005 for SES 1

Year	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	\$9,733	\$17,183	\$26,460	\$32,406	\$73,919	\$25,833	\$9,323
2004	\$0	\$17,101	\$27,154	\$32,060	\$67,454	\$25,380	\$8,063
% Change 04/05	-	0.5%	-2.6%	1.1%	9.6%	1.8%	15.6%
% Change 03/04	-	-	19.2%	-	-	14.7%	-

Table 2.10 - Superannuation Distribution and Movements in 2003 to 2005 for SES 2

Year	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	\$8,495	\$22,936	\$35,805	\$42,414	\$62,691	\$34,490	\$11,530
2004	\$14,910	\$23,476	\$35,880	\$41,847	\$55,542	\$33,411	\$9,888
% Change 04/05	-43.0%	-2.3%	-0.2%	1.4%	12.9%	3.2%	16.6%
% Change 03/04	-	-	20.3%	-	-	19.7%	-

Table 2.11 - Superannuation Distribution and Movements in 2003 to 2005 for SES 3

Year	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	\$17,730	\$40,742	\$48,546	\$55,033	\$81,573	\$47,718	\$14,444
2004	\$22,365	\$32,379	\$45,428	\$52,083	\$72,270	\$43,869	\$11,546
% Change 04/05	-20.7%	25.8%	6.9%	5.7%	12.9%	8.8%	25.1%
% Change 03/04	-	-	25.3%	-	-	21.8%	-

Tables 2.9 to 2.11 show that:

- superannuation contributions have steadied considerably through 2004 to 2005 compared with movements in the previous year
- for SES 1, SES 2 and SES 3, average superannuation contributions for 2005 are again lower than median payments, indicating the significance of lower payments in each sample
- movements in superannuation contributions have decreased since 2003 at both the average and the median for all samples. This is mainly due to a decrease in the proportion of SES employees across all SES bands who are members of CSS from 62% in 2004 to 58% in 2005.

Table 2.12 shows superannuation contributions as a proportion of Base Salary for each SES band in 2005. These proportions are much higher than Mercer observed for industry groups, due to the vast majority of SES employees being members of CSS or PSS.

Table 2.12 – Superannuation as a Percentage of Base Salary in 2005 for SES 1, SES 2 and SES 3

Band	Minimum	Q1	Median	Q3	Maximum	Average
SES 1	7.3%	14.3%	22.4%	26.1%	46.5%	21.0%
SES 2	7.4%	15.1%	23.9%	26.9%	40.0%	22.5%
SES 3	9.0%	21.5%	25.5%	28.5%	37.7%	24.2%

The above table shows that median superannuation contributions as a percentage of Base Salary are between 22.4% and 25.5 % across all SES bands, with average proportions showing similar values. These values have not significantly changed from those reported in 2004, but are slightly lower at the median due to lower proportion of CSS members in 2005 compared to 2004.

Superannuation contributions may appear to be reported as less than the 9% of Base Salary provided for in the SG legislation because members of several superannuation schemes have their salary for superannuation purposes determined on their birthday. This may be lower than their actual Base Salary as at 31 December 2005. In these cases, the superannuation amount provided over the 2005 year has been provided in relation to a lower Base Salary figure than at 31 December 2005, causing the amount of superannuation as a percentage of reported Base Salary to appear less than 9% (and for such cases is typically in the range 7% to 9%).

There are also a number of cases where the employee is receiving a relatively high superannuation contribution as a percentage of their Base Salary. This is because the employee has a higher salary for superannuation purposes than their salary as at 31 December 2005. This could be because they received a higher salary at a previous stage in their career, or they have a package that provides for superannuation to be contributed on a higher salary than their actual Base Salary.

Tables 2.13 and 2.14 provide a summary of salary for superannuation purposes as a percentage of Base Salary across the total sample of SES employees, according to superannuation fund membership. The tables indicate the number and proportion of SES employees within each ‘percentage of Base Salary’ range.

The funds in Tables 2.13 and 2.14 are abbreviated as follows:

- Australian Government Employees Superannuation Trust (AGEST): this fund is for contractors and people employed for a defined period. Employer contribution is set at the statutory amount of 9% for income levels between \$150.33 and \$2593.85 per week (approximately \$7,817 to \$134,880 per year). Outside this range different contribution levels apply
- Commonwealth Superannuation Scheme (CSS): this scheme is closed to new members, and employer contributions are generally above 25%

- Public Sector Superannuation Scheme (PSS): this scheme is also closed to new members, with current employer contributions set at 15.4% (including the productivity component)
- Public Sector Superannuation Accumulation Plan (PSSAP): Employer contribution is set at 15.4%, and the fund has only been in operation since July 2005
- OTHER - this is usually for employees who have made their own superannuation arrangements as part of their contract. It is possible that many of these individuals self manage their superannuation.

Table 2.13 – Salary for Superannuation as a Percentage of Base Salary, sorted by Fund for SES Employees in 2005

Fund	n	Percentage of Base Salary (as at 31 December 2005) used as 'Base Salary' for superannuation calculation purposes							
		<70%	70-79%	80-89%	90-99%	100-110%	110-120%	120-130%	130+%
AGEST	5	0	0	0	1	3	1	0	0
CSS	1052	1	26	77	406	472	57	11	2
PSS	724	0	20	76	235	356	33	2	2
PSSAP	19	0	0	0	1	17	1	0	0
OTHER	11	0	0	0	2	8	0	0	1

Table 2.14 also analyses the percentage of Base Salary used for superannuation purposes, however instead of the number of employees within each percentile range, this table indicates by fund type, the percentage of SES employees within each fund falling within the percentage ranges.

Table 2.14 – Salary for Superannuation as a Percentage of Base Salary, sorted by Fund for SES Employees in 2005

Fund	n	Percentage of Base Salary (as at 31 December 2005) used as 'Base Salary' for superannuation calculation purposes							
		<70%	70-79%	80-89%	90-99%	100-110%	110-120%	120-130%	130+%
AGEST	5	0.0%	0.0%	0.0%	20.0%	60.0%	20.0%	0.0%	0.0%
CSS	1052	0.1%	2.5%	7.3%	38.6%	44.9%	5.4%	1.0%	0.2%
PSS	724	0.0%	2.8%	10.5%	32.5%	49.2%	4.6%	0.3%	0.3%
PSSAP	19	0.0%	0.0%	0.0%	5.3%	89.5%	5.3%	0.0%	0.0%
OTHER	11	0.0%	0.0%	0.0%	18.2%	72.7%	0.0%	0.0%	9.1%

To clearly understand this data it is important to reference Table 2.14 in conjunction with Table 2.13. For example, Table 2.14 indicates 9.1% of SES employees within OTHER (other funds) have a salary for superannuation purposes which is at least 130% of their Base Salary. Table 2.13 shows that the “9.1%” is actually only 1 employee, the large percentage figure of 9.1% due to a small sample of 11 in OTHER fund type.

As can be seen from Table 2.13 and Table 2.14, the vast majority of employees have a salary for super purposes within  $\pm 10\%$  of their Base Salary. Where there are large differences, these individuals were nearly all members of CSS or PSS.

## Motor Vehicles

Motor vehicles are a traditional feature of executive remuneration in Australia, with their continued popularity traditionally reflecting their relative cost effectiveness as a remuneration component. It has often been more tax effective for an employee to receive a vehicle as part of their TRP and incur the concessional Fringe Benefits Tax (FBT) than to receive an equivalent cash salary on which they incur income tax. Please note that FBT costs are included in the *Motor Vehicle Cost* remuneration item.

As with the 2004 survey, Mercer reports on motor vehicle costs in terms of:

- motor vehicle costs
- cash in lieu of cars, and
- car parking costs.

Mercer considers vehicle availability to the SES employee when calculating vehicle cost. For example, for agencies using a car formula, a car will only be costed at full market value if the SES employee has full private and unrestricted usage of the car. Where an SES employee is required to make the car available for use by other employees at certain times or where there are other restrictions such as the vehicle not being available for periods of annual leave, the car has been costed at less than the full market value.

### 2005 and 2004 Motor Vehicle Data

Table 2.15 presents the distribution of motor vehicle costs, including FBT, across all SES bands for 2005. These costs include all leasing and running costs, but exclude other related costs such as parking. Note that the costs refer to the cost to an employee's package, either calculated by the Mercer car formula, or using the agency's identified vehicle budget.

Table 2.15 – Distribution of Motor Vehicle Costs\* in 2005 and 2004 for SES 1, SES 2 and SES 3

Band	Year	Minimum	Q1	Median	Q3	Maximum	Average	SD	% Rep
SES 1	2005	\$10,535	\$18,500	\$19,913	\$22,100	\$30,253	\$20,324	\$3,211	67%
SES 1	2004	\$11,739	\$17,398	\$20,000	\$22,100	\$29,481	\$20,462	\$3,449	60%
SES 2	2005	\$12,899	\$18,750	\$20,000	\$23,200	\$29,525	\$21,113	\$3,441	76%
SES 2	2004	\$14,014	\$17,150	\$20,000	\$23,200	\$29,481	\$20,883	\$3,796	73%
SES 3	2005	\$17,008	\$19,850	\$22,660	\$24,300	\$29,187	\$22,854	\$3,318	80%
SES 3	2004	\$14,827	\$20,000	\$21,998	\$25,827	\$32,000	\$22,607	\$3,815	86%

\*Includes FBT

Table 2.15 shows that:

- the majority of SES employees continue to have a motor vehicle as part of their remuneration package, and the proportion for SES 1 and SES 2 employees is increasing
- at the median and average, vehicle costs for SES 1 employees decreased slightly, but increased slightly for SES 2 and SES 3

- the minimum values of \$10,535 for SES 1 and \$12,899 for SES 2 may seem quite low, however, these values reflect ‘part private use’ or ‘restricted private use’ and for these cases (there were more than 40), the full value of the vehicle to the employee is calculated by Mercer’s Car Formula (refer Appendix C), which discounts an otherwise unrestricted value in compensation for the limited usage by the employee
- the average motor vehicle costs for all SES bands has increased slightly from 2004 to 2005. This is mainly due to ongoing increases in the cost of petrol, maintenance and car insurance (with the exception of SES 1, where a slightly higher number of part or restricted use vehicles were observed, thus reducing the average cost)
- the number of SES 1 and SES 2 employees taking this remuneration option has increased from 2004 to 2005, whereas the number of SES 3 employees taking this remuneration option has decreased. However the percentage of SES 3 employees (80% in 2005) having this item of remuneration, remains the highest across all SES bands.

Table 2.16 presents the distribution of cash payments provided in lieu of motor vehicles across all SES bands for 2005.

Table 2.16- Cash in Lieu of Motor Vehicle in 2005 for SES 1, SES 2 and SES 3

Band	Year	Minimum	Q1	Median	Q3	Maximum	Average	SD	% Rep
SES 1	2005	\$15,000	\$18,100	\$20,679	\$21,634	\$27,630	\$20,415	\$2,624	31%
SES 1	2004	\$11,059	\$18,000	\$18,100	\$20,000	\$25,000	\$19,052	\$2,065	38%
SES 2	2005	\$15,000	\$19,000	\$22,000	\$25,500	\$31,827	\$21,926	\$3,219	23%
SES 2	2004	\$17,000	\$18,100	\$19,000	\$22,000	\$25,501	\$20,148	\$2,709	26%
SES 3	2005	\$19,500	\$21,625	\$23,500	\$32,837	\$33,731	\$26,137	\$5,582	15%
SES 3	2004	--	\$20,125	\$23,830	\$32,000	--	\$25,458	\$5,686	12%

Table 2.16 shows that:

- as with motor vehicle costs (Table 2.15), there is an increase in cash payment at both the median and the average, as the SES band increases
- conversely, the proportion of employees choosing to take cash in lieu of a motor vehicle decreases as the level of the employee increases
- the average amounts of “cash in lieu” has increased across all SES bands from 2004 to 2005 (and has not been affected by changing usage patterns)
- the percentage of SES 1 and SES 2 employees choosing this remuneration item has decreased from 2004 to 2005, the converse being true for SES 3. The percentage of SES 3 employees choosing this remuneration item is less than half that of SES 1.

Table 2.17 details the distribution of car parking costs (including FBT) across all SES bands for 2005.

Table 2.17 – Distribution of Car Parking Costs in 2005 for SES 1, SES 2 and SES 3

Band	Minimum	Q1	Median	Q3	Maximum	Average	SD	% Rep
SES 1	\$720	\$1,400	\$1,600	\$3,382	\$12,482	\$2,481	\$1,760	63%
SES 2	\$720	\$1,400	\$1,450	\$3,092	\$9,000	\$2,171	\$1,585	59%
SES 3	\$720	\$1,155	\$1,450	\$1,628	\$4,400	\$1,796	\$988	55%

All cases where car parking costs were less than \$1,000 have been checked for accuracy with the agencies concerned.

The data in Table 2.17 shows that:

- at the median and average, SES 1 has slightly higher car parking costs than those for SES 2 and SES 3
- the very high maximum payment provided at SES 1 affects the distribution by lifting the average for this level. This is also the case at SES 2 but to a lesser degree. The higher payments are location-related, and bear little relation to SES band
- a lower proportion of SES 2 and SES 3 employees have car parking as part of their TRP than those who have motor vehicles as part of their remuneration package. To a lesser degree this also applies to SES 1 employees.

## Other Benefits

Other benefits (as described by agencies) include items such as:

- home computing facilities
- laptop and broadband access
- Foreign Language Proficiency Allowance
- job level premiums
- language skills allowance
- Intelligence Community Allowance
- task loadings
- AWA responsibilities
- Telephones and Mobile Personal Use Allowance
- spouse travel, or cash in lieu of spouse travel
- airline memberships
- Reunion Travel Assistance
- extensive travel recognition
- newspapers
- ministerial staff allowances
- Judicial Allowance
- education expenses and Studies Assistance
- professional memberships
- First Aid
- healthy lifestyle payment
- Specialist Scientific & Management Skills Allowance.

Where the item attracts FBT, the FBT payment has been included in the reported amount. Table 2.18 details the distribution of payments made for other benefits in 2005 across all SES bands.

Table 2.18 – Distribution of Payments for Other Benefits in 2005 for SES 1, SES 2 and SES 3

Band	Minimum	Q1	Median	Q3	Maximum	Average	SD	%Rep
SES 1	\$1,165	\$2,070	\$2,070	\$3,000	\$24,918	\$2,951	\$2,381	22%
SES 2	\$1,049	\$2,070	\$3,000	\$3,834	\$17,000	\$4,104	\$3,575	15%
SES 3	--	\$3,000	\$3,743	\$7,128	--	\$8,682	\$12,310	8%

Table 2.18 shows that:

- median payments made for Other Benefits are between \$2,070 and \$3,743 across all SES bands
- some high payments for Other Benefits are being made at rates which significantly affect the data, particularly in the case of SES 3, where the high payments have resulted in the average being more than twice the size of the median, and the standard deviation being more than five times the size of SD for SES 1
- the high payments on Other Benefits can be attributed to three individuals at SES 1, five individuals at SES 2, and one individual at SES 3, with all nine employees being from different agencies.

## Total Reward (TR)

TR represents the sum of TRP plus actual bonus payments.

Table 2.19 provides a summary of median and average TR movements for SES employees from 2004 to 2005.

Table 2.19 – TR Median and Average Movements in 2004 and 2005 for SES 1, SES 2 and SES 3

Band	Median TR			Average TR		
	2004	2005	Movement	2004	2005	Movement
SES 1	\$171,366	\$175,745	2.6%	\$170,218	\$176,766	3.8%
SES 2	\$210,391	\$218,420	3.8%	\$210,030	\$218,665	4.1%
SES 3	\$261,813	\$273,269	4.4%	\$264,833	\$281,994	6.5%

Median TR movements range between 2.6% and 4.4%, with average movements ranging between 3.8% and 6.5%.

Chart 2.9 provides an overview of the distribution and spread of TR for each SES band. The median for each level is also provided.

Chart 2.9 – TR Distribution in 2005 for SES 1, SES 2 and SES 3

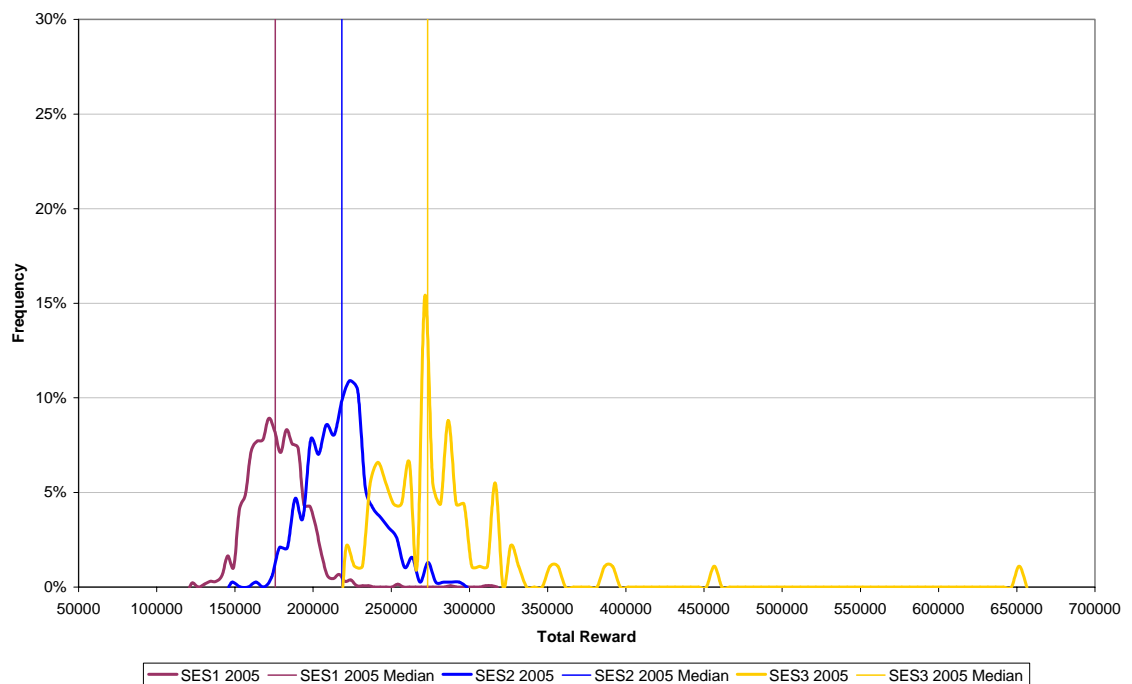


Chart 2.9 shows a growing progression between the SES bands, with an approximate \$43,000 increase from the median of SES 1 to SES 2, and a \$55,000 increase from SES 2 to SES 3. This progression is slightly higher than the progression between SES bands at the TRP aggregate, and is also slightly higher than the TR progression noted in 2004.

Following is a more detailed analysis of the distribution and spread of TR for each SES band, as well as comparisons with the data from 2004 and 2003.

**Total Reward (TR) – SES 1**

Table 2.20 and Chart 2.10 detail the distribution and spread of TR for SES 1 employees in 2005 compared with the results from 2004.

Table 2.20 – TR Distribution and Movements in 2003 to 2005 for SES 1

Year	n	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	1,335	\$121,170	\$164,602	\$175,745	\$188,206	\$315,254	\$176,766	\$17,735
2004	1,154	\$116,420	\$159,207	\$171,366	\$179,687	\$309,778	\$170,218	\$16,719
% Change 04/05	15.7%	4.1%	3.4%	2.5%	4.7%	1.8%	3.8%	6.1%
% Change 03/04	-0.3%	2.2%	6.0%	6.7%	5.3%	18.8%	5.7%	2.5%

Chart 2.10 – TR Distribution in 2004 and 2005 for SES 1

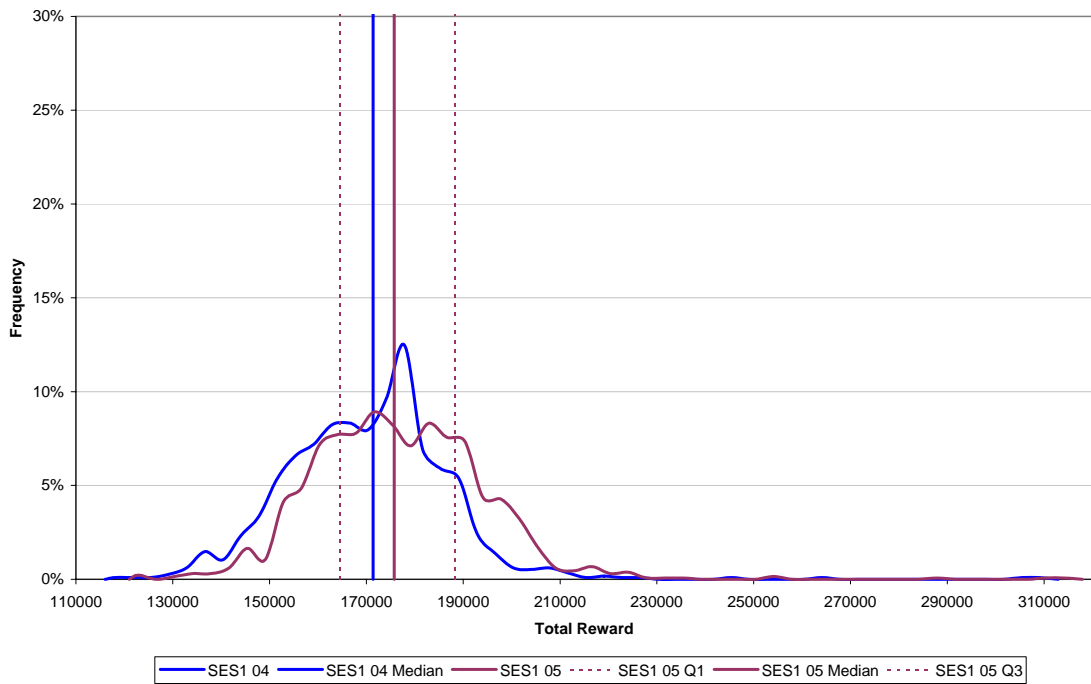


Table 2.20 and Chart 2.10 show that:

- 50% of employees are paid between \$164,602 and \$188,206 with 68% of employees being paid between \$159,031 and \$194,501
- the most common pay levels are \$171,625 followed by \$182,875 and \$175,375
- the spread of TR across the entire group ranges from \$121,170 to \$315,254, which is a spread of approximately \$194,000. This is in line with the 2004 spread of \$193,000

- the maximum TR received by an SES 1 employee is higher than the third quartile payment level for SES 3 positions, and is approximately \$6,000 higher than the maximum recorded payment in 2004. However, there are few employees paid at this level, with all but five out of 1,335 SES 1 employees paid less than \$238,000. Three of the five outliers are employed by one agency
- the minimum payment at SES 1 is the same as the minimum payment at the TRP aggregate, which is indicative of the fact that a number of SES 1 employees did not receive a bonus payment in 2004
- remuneration at the TR aggregate has increased for the group overall, with median remuneration increased by 2.5% since 2004, which is slightly less than the movements at the Base Salary and TRP aggregates. Movements for 2005 were lower than those recorded in 2004, indicating the higher proportion of SES 1 employees receiving lower or no bonus payments in 2005, compared to 2004.

### Total Reward (TR) – SES 2

Table 2.21 and Chart 2.11 detail the distribution and spread of TR for SES 2 employees in 2005 compared with the results from 2004.

Table 2.21 – TR Distribution and Movements in 2003 to 2005 for SES 2

Year	n	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	385	\$146,896	\$204,332	\$218,420	\$230,463	\$292,786	\$218,665	\$21,739
2004	339	\$160,689	\$196,759	\$210,391	\$221,313	\$297,628	\$210,030	\$19,701
% Change 04/05	13.6%	-8.6%	3.8%	3.8%	4.1%	-1.6%	4.1%	10.3%
% Change 03/04	1.2%	22.1%	9.0%	7.3%	7.5%	-0.8%	6.9%	-3.4%

Chart 2.11 – TR Distribution in 2004 and 2005 for SES 2

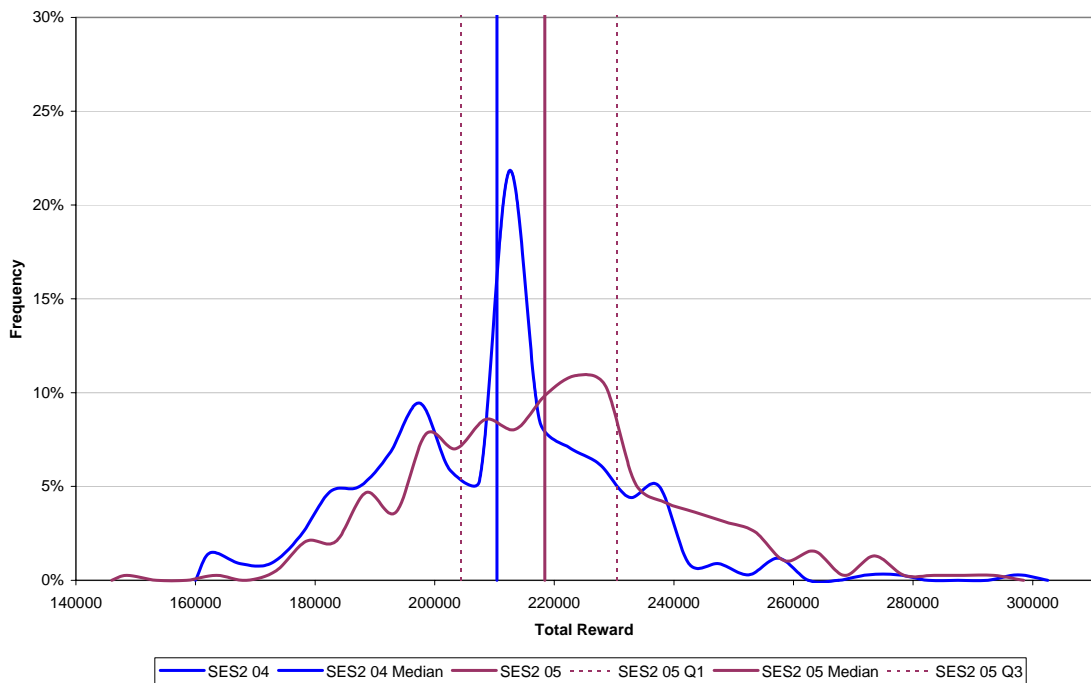


Table 2.21 and Chart 2.11 show that:

- 50% of employees are paid between \$204,332 and \$230,463 with 68% of employees being paid between \$196,926 and \$240,404
- the most common pay levels are \$223,500 followed by \$228,500
- the median TR is almost the same as the average TR, indicating an even distribution across the group, with no significant outliers
- the spread of TR across the entire group is the narrowest of the three SES bands, ranging from \$146,896 to \$292,786; a spread of approximately \$146,000. This spread has increased since 2004, which is evidenced by the positive standard deviation movement of 10.3%, and the fact that the minimum of the sample has decreased by 8.6% while the maximum has only decreased by 1.6%

- the maximum payment received by an SES 2 employee in 2005 is above the third quartile payment for SES 3 positions, as was also the case in 2004
- TR has increased at the median since 2004 by 3.8%, which is significantly lower than the 7.3% movement in 2004, indicating the higher proportion of SES 2 employees receiving lower or no bonus payments in 2005.

### Total Reward (TR) – SES 3

Table 2.22 and Chart 2.12 detail the distribution and spread of TR for SES 3 employees in 2005 compared with the results from 2004.

Table 2.22 – TR Distribution and Movements in 2003 to 2005 for SES 3

Year	n	Minimum	Q1	Median	Q3	Maximum	Average	SD
2005	91	\$219,180	\$253,144	\$273,269	\$290,707	\$650,106	\$281,994	\$54,301
2004	69	\$192,801	\$243,184	\$261,813	\$273,795	\$535,353	\$264,833	\$42,591
% Change 04/05	31.9%	13.7%	4.1%	4.4%	6.2%	21.4%	6.5%	27.5%
% Change 03/04	-14.8%	1.8%	7.4%	8.7%	7.3%	43.9%	9.4%	59.9%

Chart 2.12 – TR Distribution in 2004 and 2005 for SES 3

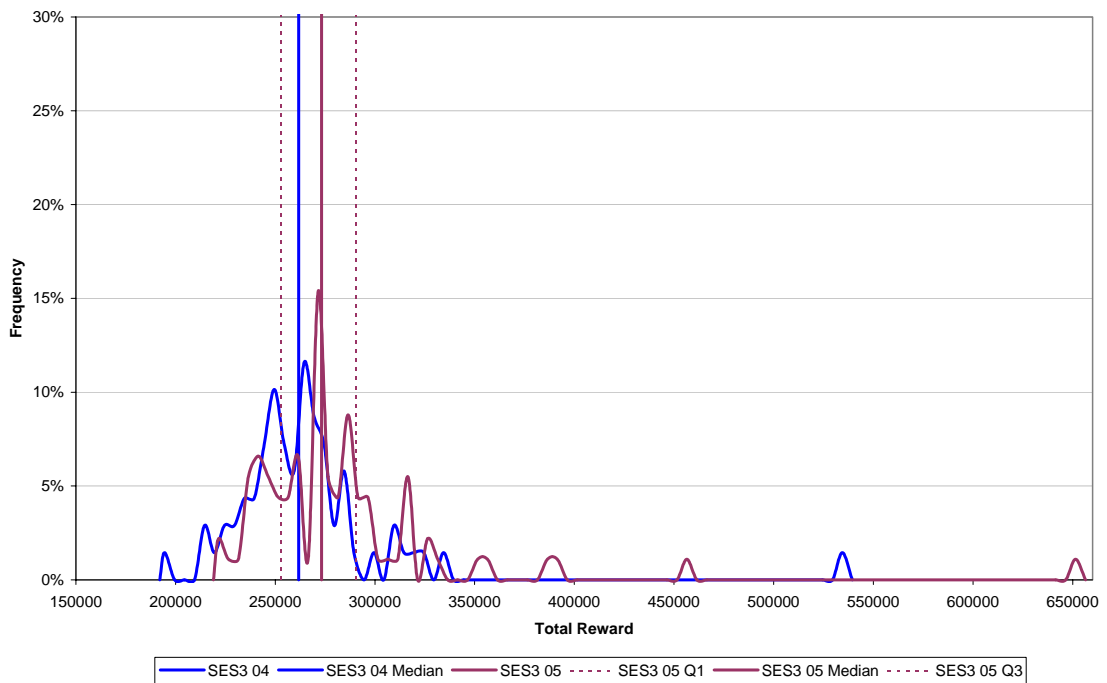


Table 2.22 and Chart 2.12 show that:

- 50% employees are paid between \$253,144 and \$290,707, with 68% of employees being paid between \$227,693 and \$336,295
- the most common pay levels are \$271,500, followed by \$286,500
- the spread of TR across the entire group is the widest of all three SES bands, ranging from \$219,180 to \$650,106; a spread of about \$431,000. This has increased from the \$343,000 spread reported in 2004, evidenced by the 27.5% increase in standard deviation
- TR has increased for the group overall, with the median showing an increase of 4.4 % and the average an increase of 6.5% since 2004
- the increase in the maximum TR value reflects a significantly larger bonus being paid to a particular SES 3 employee in 2005 than in 2004.

## Bonuses

The majority of SES employees (87.2%) were eligible for bonus payments in 2005, which was a slight increase from the 85% of eligible employees in 2004.

Of those eligible, 84.2% actually received payments in 2005 (compared with 85% in 2004). In 2005, a significant increase occurred in the number of SES employees choosing to receive bonus payments as a proportion of a salary increase, with 19%, 24% and 29% choosing to do so at SES 1, SES 2 and SES 3 respectively, compared with 5%, 12% and 10% choosing this method in 2004.

### Performance Bonuses

Tables 2.23 to 2.26 detail actual 2005 performance bonus payments for SES 1 to SES 3 respectively, along with comparisons to 2003 and 2004. Note that only median and average comparisons are provided for 2003 to 2004, as quartile data was not reported in 2003.

Note that the data included in Tables 2.23 to 2.26 includes those incumbents who were eligible but did not receive a bonus payment (i.e. data reported as \$0).

Table 2.23 – Performance Bonus Payment Distribution and Movements in 2003 to 2005 for SES 1

Year	Minimum	Q1	Median	Q3	Maximum	Average	SD	% Rep
2005	\$0	\$3,126	\$5,972	\$10,754	\$24,000	\$6,543	\$4,970	88%
2004	\$0	\$4,279	\$5,806	\$10,520	\$25,000	\$6,880	\$4,550	85%
% Change 04/05	-	-26.9%	2.9%	2.2%	-4.0%	-4.9%	9.2%	3.5%
% Change 03/04	-	-	7.0%	-	-	3.9%	-	-

Table 2.23 shows that:

- the average actual bonus payment for SES 1 is \$571 higher than the median payment, indicating the presence of some high bonus amounts which are increasing the average
- median movements are broadly in line with TRP movements for SES 1
- the decrease in average payments since 2004 is due to more individuals receiving zero or small dollar amounts (i.e. the large decrease in Q1) than in 2004.

Table 2.24 – Performance Bonus Payment Distribution and Movements in 2003 to 2005 for SES 2

Year	Minimum	Q1	Median	Q3	Maximum	Average	SD	% Rep
2005	\$0	\$4,533	\$8,863	\$14,127	\$30,000	\$9,164	\$6,772	85%
2004	\$0	\$4,414	\$8,718	\$14,272	\$30,000	\$9,631	\$6,487	85%
% Change 04/05	-	2.7%	1.7%	-1.0%	0.0%	-4.8%	4.4%	0.0%
% Change 03/04	-	-	6.1%	-	-	7.2%	-	-

Table 2.24 shows that:

- the average actual payment is higher than the median payment, indicating the presence of some high bonus amounts which are increasing the average
- the median increase in actual bonuses paid is quite low at 1.7% and the average is lower than 2004, as is the Q3 by 1%. This indicates a general lowering of bonus payments in the upper half of the distribution, even though there are still a few high amounts
- at the median, bonus payment increases have slowed since 2004, and the average movements have also slowed significantly. This indicates the presence of some high paying outliers in the data for 2004 which were not present to the same extent in the SES 2 data in 2005.

Table 2.25 – Performance Bonus Payment Distribution and Movements in 2003 to 2005 for SES 3

Year	Minimum	Q1	Median	Q3	Maximum	Average	SD	% Rep
2005	\$0	\$2,211	\$13,000	\$18,250	\$86,065	\$13,386	\$12,519	85%
2004	\$0	\$8,640	\$12,176	\$17,211	\$30,000	\$12,902	\$8,247	84%
% Change 04/05	-	-74.4%	6.8%	6.0%	186.9%	3.8%	51.8%	1.2%
% Change 03/04	-	-	4.9%	-	-	7.1%	-	-

Table 2.25 shows that:

- the average actual payment is approximately \$400 higher than the median payment, with a standard deviation being nearly the same magnitude as the average, indicating the presence of some high bonus amounts which are increasing the average
- the median bonus payment has increased since 2004, and the average bonus payment has also increased. However the rate of increase in the average has slowed for 2004 to 2005 compared with the increase from 2003 to 2004.

Table 2.26 details bonus payments received as a proportion of Base Salary and TRP for all SES bands. The data includes only those employees eligible for performance bonuses.

Table 2.26 – Average Bonuses as a Percentage of Base Salary and TRP in 2003 to 2005

Band	Average Bonuses as % of Base Salary			Average Bonuses as % of TRP		
	2003	2004	2005	2003	2004	2005
SES 1	6.0%	5.9%	5.6%	4.3%	4.2%	4.0%
SES 2	6.6%	6.7%	6.3%	4.8%	4.8%	4.6%
SES 3	7.2%	7.2%	6.8%	5.3%	5.3%	5.0%

Table 2.26 shows that bonus amounts as a percentage of Base Salary and TRP have decreased slightly and at a fairly uniform rate since 2004 for all SES bands.

## Retention Bonuses

Special payments are made to some SES employees as a means of retaining an employee for the duration of a project or for a particular period of time.

Across all SES bands, 5.6% of employees were eligible for retention bonuses in 2005, compared with 6.8% in 2004. Of those eligible for retention bonuses only 14.7% actually received a payment. This is a clear reduction from the 24.5% of eligible employees who received a retention bonus in 2004 and the 85% of eligible employees who received such payments in 2003. Leaving aside the eligibility issue, there is a clear trend emerging for the past three years that significantly fewer retention bonuses are being paid to SES employees generally.

Although many retention bonuses relate to periods of longer than one year, it is unlikely that the decreasing incidence of payment in the period 2003 to 2005 is because many retention bonuses were simply not due in 2005. The more plausible explanation is that there is a policy change for many agencies away from the use of retention bonuses. However, the decrease in retention bonuses noted in 2005, has not been offset by substantial increases in performance bonuses, other bonuses, increases to Base Salary or other benefits.

Table 2.27 shows the distribution of retention bonuses to eligible employees in 2005 across all SES bands.

Table 2.27 – Distribution of Actual Retention Bonuses to Eligible Employees in 2005 for SES 1, SES 2 and SES 3

Band	Minimum	Q1	Median	Q3	Maximum	Average	SD	% Rep
SES 1	\$0	\$0	\$0	\$0	\$15,000	\$901	\$3,014	6%
SES 2	\$0	\$0	\$0	\$7,777	\$20,000	\$3,645	\$6,333	5%
SES 3	--	\$0	\$0	\$10,748	--	\$3,722	\$5,790	7%

Table 2.27 shows that where a retention bonus was paid, the amounts appear to have been substantial across all SES bands. Note that the averages have been brought down across all levels by the greater proportion of zeros in the calculations representing eligible employees who received no retention bonus payment.

## Other Bonus Payments

Table 2.28 shows the distribution of other bonus payments to eligible employees in 2005 for SES 1, SES 2 and SES 3. Across all SES bands, only 21 employees received such payments. The vast majority of 'Other Bonus' payments were sign-on bonuses, with a few cases being described by the agencies concerned as 'skills-based' bonuses.

Table 2.28 – Distribution of Other Bonus Payments to Eligible Employees in 2005 for SES 1, SES 2 and SES 3

Band	Minimum	Q1	Median	Q3	Maximum	Average	SD	% Rep
SES 1	\$946	\$5,895	\$10,000	\$10,000	\$10,000	\$7,872	\$3,134	1%
SES 2	--	\$5,625	\$8,702	\$16,212	--	\$9,280	\$5,439	2%
SES 3	--	--	--	--	--	--	--	1%

Table 2.28 shows that the quantum of other bonus payments for both SES 1 and SES 2 were quite substantial for those few employees who received such payments. However, the number of employees at SES 3 receiving other bonuses was too small to allow statistics to be published.

## Typical Package Breakdown

Charts 2.13, 2.14 and 2.15 illustrate the typical breakdown of TR for SES 1, SES 2 and SES 3 employees respectively. Note that the motor vehicle component of the breakdown includes the car value, car parking and any car allowances. The bonuses component includes all actual performance, retention and other bonuses. Other benefits are not shown in the charts as they total between 2% to 3% of TR across all three SES bands.

Chart 2.13 – Typical Breakdown of TR in 2005 for SES 1

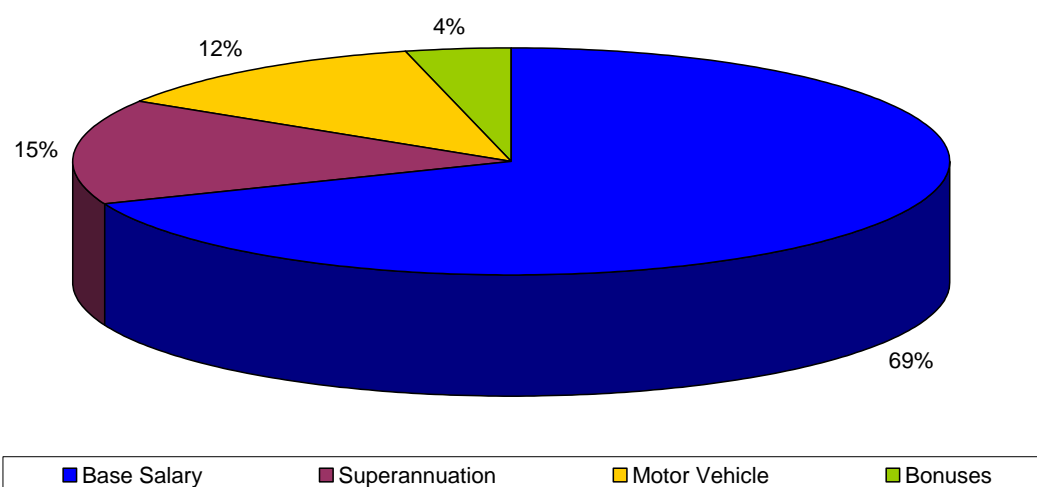


Chart 2.14 - Typical Breakdown of TR in 2005 for SES 2

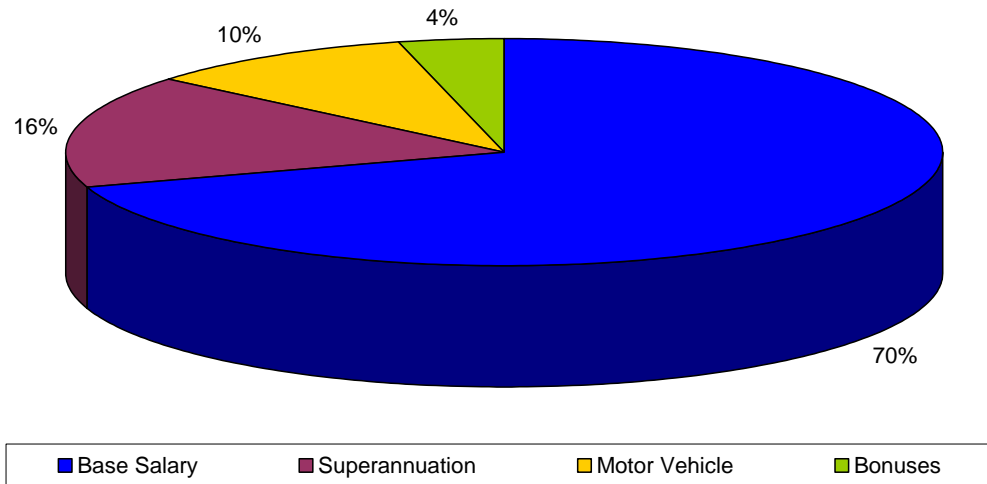
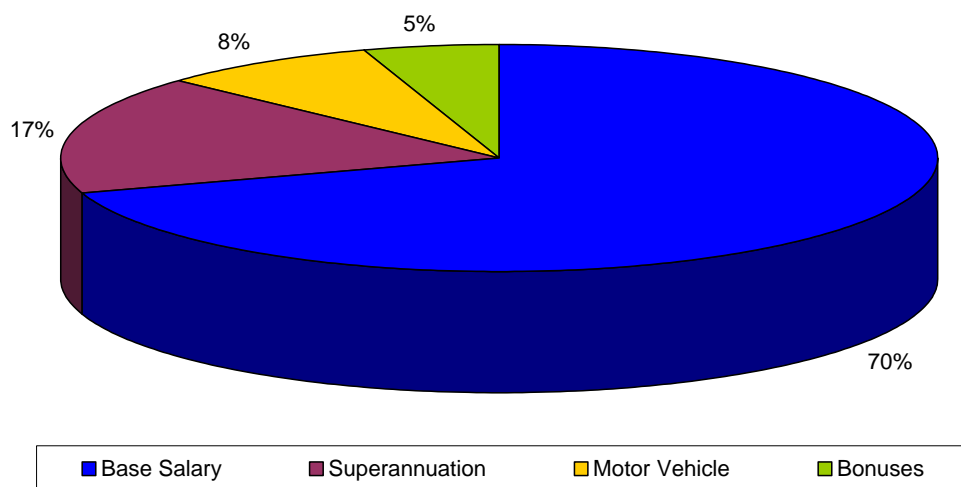


Chart 2.15 - Typical Breakdown of TR in 2005 for SES 3



Charts 2.13 to 2.15 show that:

- the proportion of TR made up by Base Salary and bonuses is broadly the same across all SES bands, with Base Salary comprising approximately 69% of TR for SES 1, and 70% for SES 2 and SES 3. Bonuses comprised 4% of TR for SES 1 and SES 2, and were 5% of TR for SES 3. These results are in line with 2004 results
- the proportion of TR made up by superannuation varies only slightly across the SES bands, ranging from 15% at SES 1 to 17% at SES 3. This is unchanged from the 2004 results
- motor vehicles show the greatest variation across levels, comprising 8% of TR for SES 3, 10% for SES 2 and 12% for SES 1. Therefore, as the SES band increases, the proportion of TR made up by motor vehicles decreases. These results are consistent with the fact that the cost of motor vehicles and parking increase little as the SES band increases, while TR increases significantly from one level to the next. 2004 results showed a similar trend.

3

## Time Series Analysis

This section contains time series analysis for the main components of remuneration, based on the results of previous surveys. When reviewing the time series data, it is important to take into account changes in the composition of the sample (i.e. the agencies participating from one survey period to the next) from year to year as well as changes to survey questions. These changes can impact data results and should be considered when viewing statistical outcomes.

In 2005 the overall number of SES employees included in the survey has increased from 2004 by 15.9%. However, as the growth in numbers has been distributed across all SES bands, and also across both new agencies since 2004 and agencies which have contributed in both 2004 and 2005, the larger sample size has had little impact on the results from a time series perspective. For 2005, changes to the survey questions from those asked in 2004 have also been limited to gaining additional data on salary for superannuation purposes.

In 2003, a change to the methodology from 2002 for costing motor vehicles standardised and increased the benefit value. This change in methodology, rather than a fundamental increase in motor vehicle values, has inflated the movements in motor vehicle values, TRP and TR. Further changes in 2004 decreased the year on year movements. For 2005 there were no changes in methodology that significantly impacted motor vehicle values.

Revisions to the definition of superannuation in 2003 may have corrected previous understatements of the value of superannuation. However, it may also have partly resulted in high movements between 2002 and 2003 in superannuation, TRP and TR. For 2005 there were no changes in methodology that significantly impacted superannuation contributions.

Time series data is provided from 2000. Modest movements on most remuneration indicators from 2003 to 2005 are indicative that past definitional issues have been resolved.

## Base Salary, Total Remuneration Package (TRP) and Total Reward (TR)

Chart 3.1 illustrates median Base Salary, TRP and TR values from 2000 to 2005 for SES 1 employees. Chart 3.2 shows the year on year overall applicable percentage movements.

Chart 3.1 – Median Actual Base Salary, TRP and TR in 2000 to 2005 for SES 1

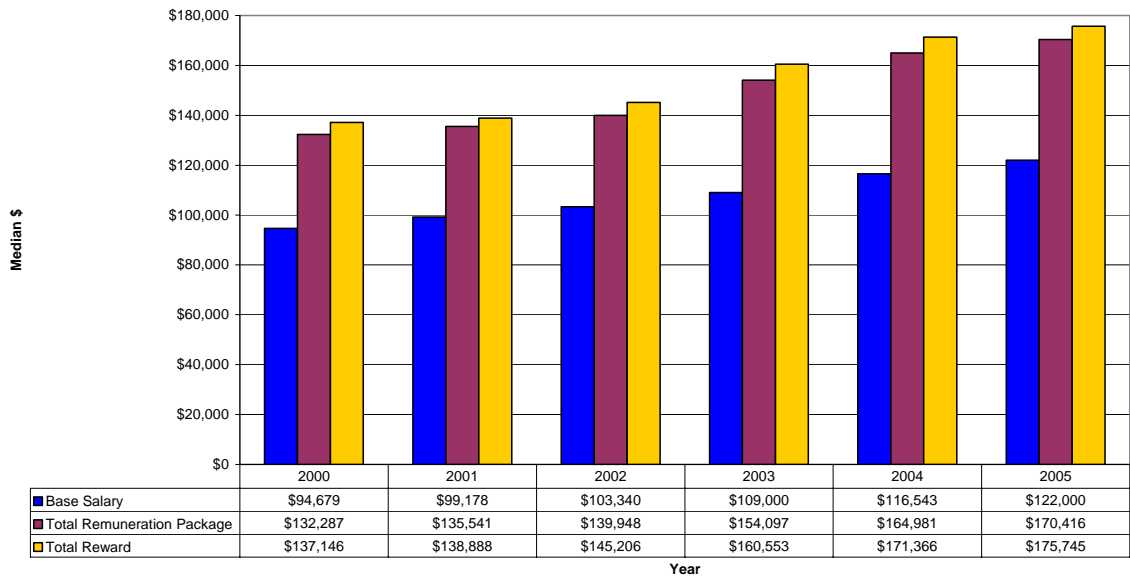
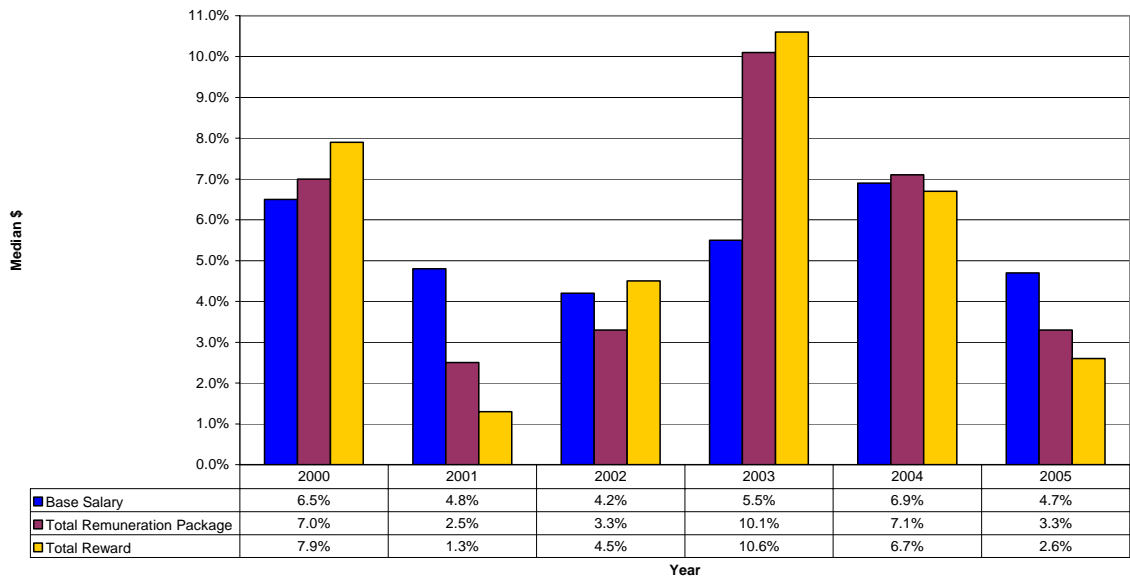


Chart 3.2 – Median Percentage Movements for Base Salary, TRP and TR in 2000 to 2005 for SES 1



Charts 3.1 and 3.2 show that whilst the median payment at all remuneration aggregates has increased from one year to the next, the rate of increase has varied significantly over the last five years.

A decline in growth rates was experienced in 2001, 2004 and again in 2005 for all remuneration aggregates. Mercer notes that some significant methodological changes in the survey may have artificially inflated 2003 results compared to 2002. However, the slow down of growth for Base Salary, TRP and TR noted for 2005 are mainly due to Agency Heads exercising restraint in managing remuneration in the past year, rather than being a result of any methodological change. Superannuation contributions (at the median) were slightly less than 2004, total motor vehicle costs increased, and more eligible SES 1 employees received a zero or low bonus than last year.

Chart 3.3 illustrates median Base Salary, TRP and TR values from 2000 to 2005 for SES 2 employees. Chart 3.4 shows the year on year overall corresponding percentage movements.

Chart 3.3 – Median Actual Base Salary, TRP and TR in 2000 to 2005 for SES 2

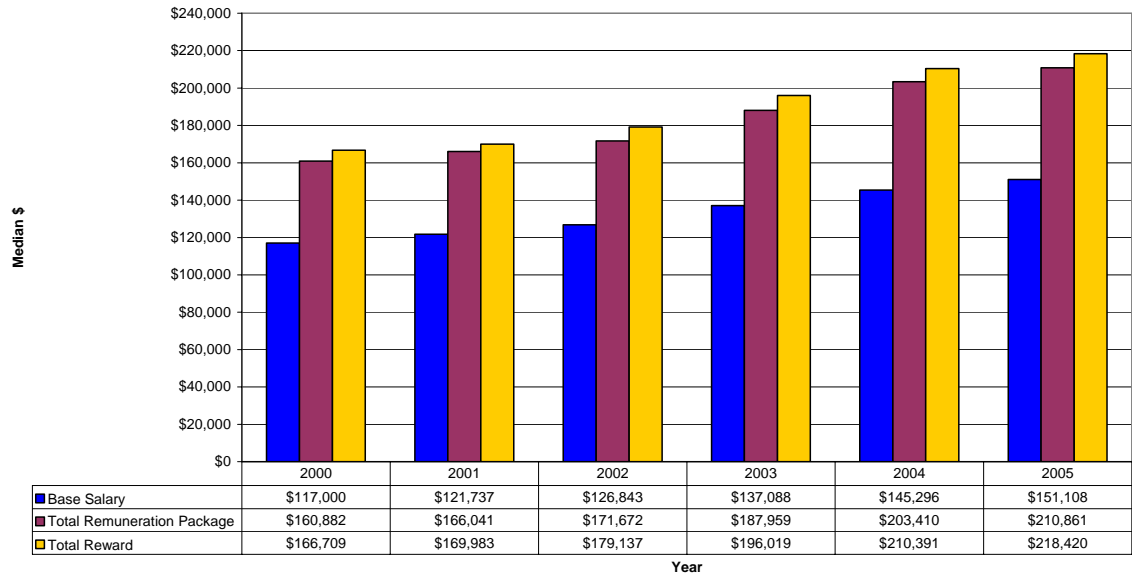
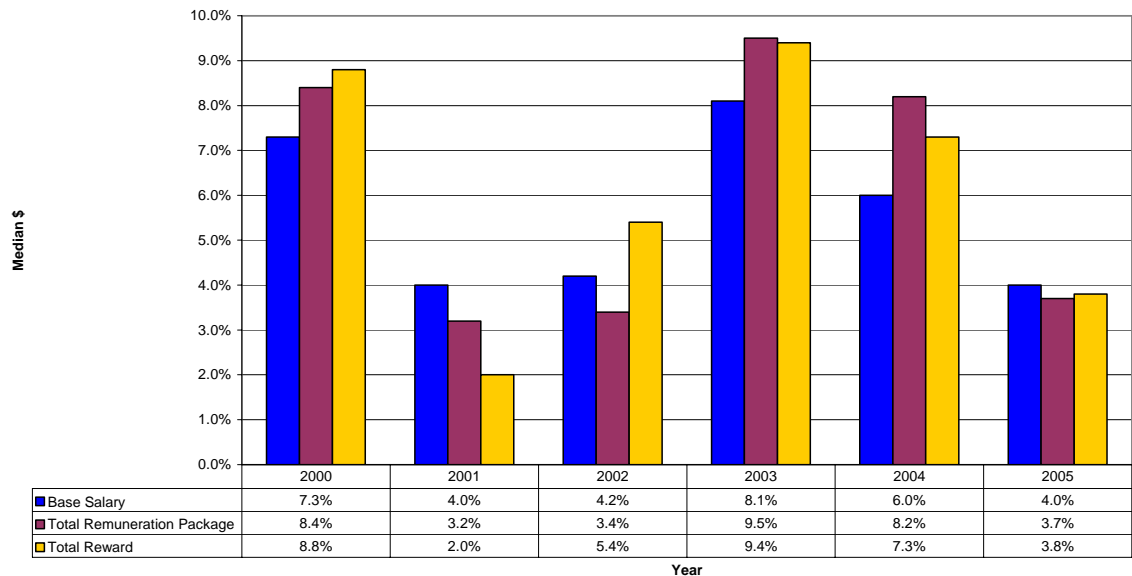


Chart 3.4 – Median Percentage Movements for Base Salary, TRP and TR in 2000 to 2005 for SES 2



Charts 3.3 and 3.4 show that whilst the median payment at all remuneration aggregates has increased from one year to the next, the rate of increase has varied significantly over the last five years.

A decline in growth rates was experienced in 2001, 2004 and again in 2005 for all remuneration aggregates. Mercer notes that some significant methodological changes in the survey may have artificially inflated 2003 results compared to 2002. However, the slow down of growth for Base Salary, TRP and TR noted for 2005 are mainly due to Agency Heads exercising restraint in managing remuneration in the past year, rather than an artefact of any methodological change. Since 2004 for SES 2 employees, superannuation has remained constant, total motor vehicle costs increased only slightly, whilst bonuses have only had a modest increase.

Chart 3.5 illustrates median Base Salary, TRP and TR values from 2000 to 2005 for SES 3 employees. Chart 3.6 shows the year on year overall corresponding percentage movements.

Chart 3.5 – Median Actual Base Salary, TRP and TR in 2000 to 2005 for SES 3

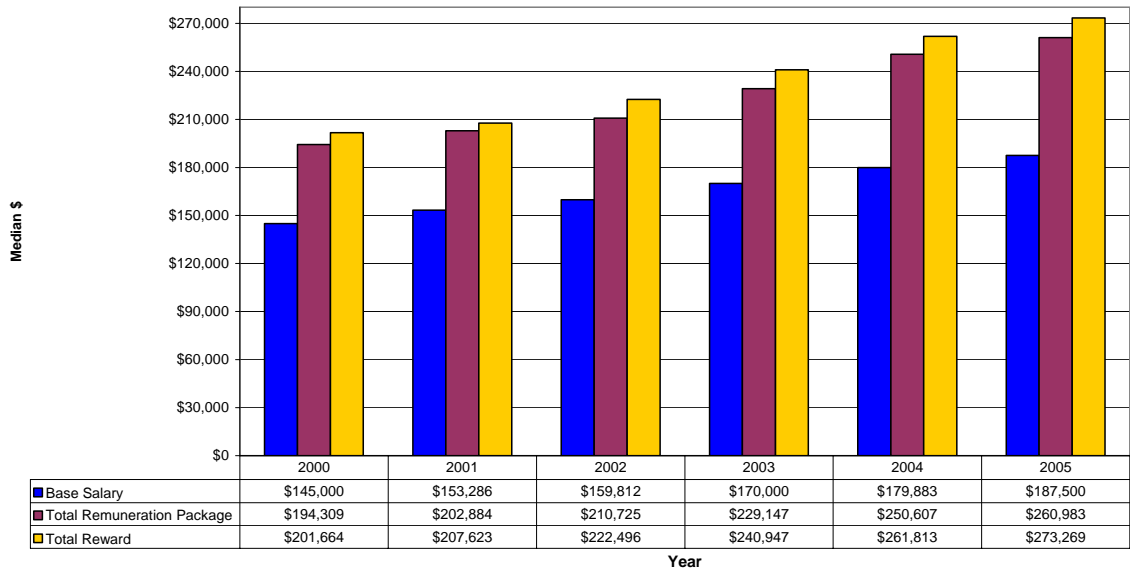
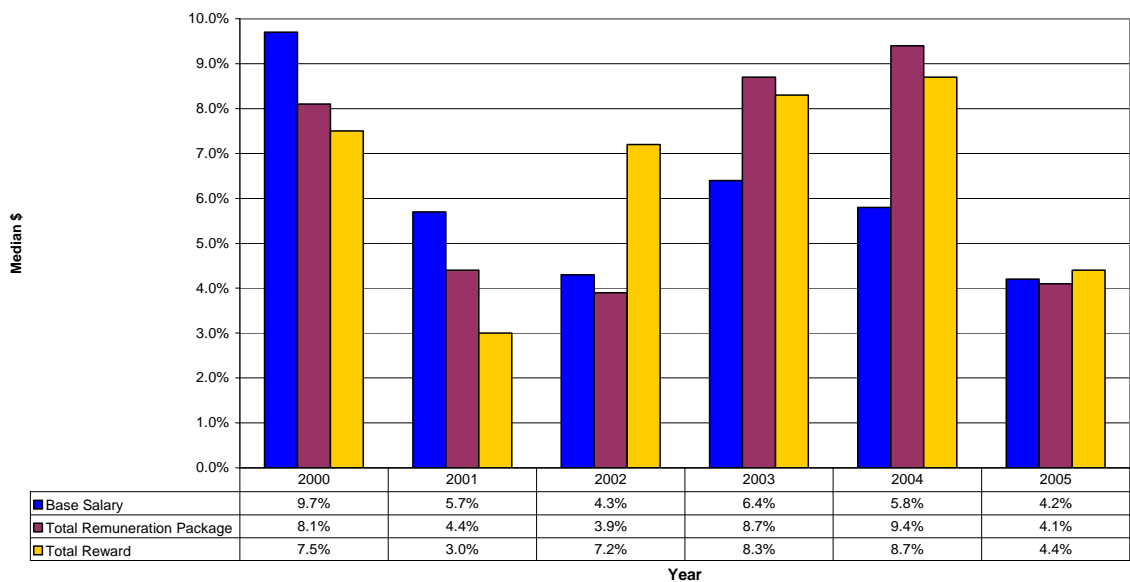


Chart 3.6 – Median Percentage Movements for Base Salary, TRP and TR in 2000 to 2005 for SES 3



Charts 3.5 and 3.6 show that whilst the median payment at all remuneration aggregates has increased from one year to the next, the rate of increase has varied significantly over the last five years.

Slower growth was experienced in 2001 and 2005 for all aggregates. Again, movements between 2002 and 2003 should be read with caution due to the change in methodology initiated in that year. Relatively high TRP and TR movements between 2003 and 2004 are due mainly to the relatively large superannuation increases, as vehicle values and bonuses did not change significantly. Modest movements for all remuneration aggregates from 2004 to 2005 are mainly due to Agency Heads exercising restraint in managing remuneration in the past year. Base Salary increases have been modest, superannuation has increased, total motor vehicle costs were marginally less and actual bonuses were higher.

## Superannuation

Table 3.1 presents median superannuation contribution values from 2000 to 2005 for each SES band. Table 3.2 provides the associated percentage increases over the same period.

Please note that the data reported in the 2003 survey has been impacted by a revision of the survey definition of superannuation, and this has substantially increased the reported value. As such, year on year comparisons should be made with reference to Appendix B, where the change is detailed. However, no such methodological issues are effecting the data from 2003 onwards.

Table 3.1 – Median Superannuation Values in 2000 to 2005 for SES 1, SES 2 and SES 3

Band	2000	2001	2002	2003	2004	2005
SES 1	\$19,208	\$19,144	\$19,300	\$22,772	\$27,154	\$26,460
SES 2	\$23,903	\$23,989	\$24,452	\$29,824	\$35,880	\$35,805
SES 3	\$28,743	\$30,297	\$30,881	\$36,262	\$45,428	\$48,546

Table 3.2 – Percentage Increase in Median Superannuation Values in 2000 to 2005 for SES 1, SES 2 and SES 3

Band	2000	2001	2002	2003	2004	2005
SES 1	6.6%	-0.3%	0.8%	18.0%	19.2%	-2.6%
SES 2	8.7%	0.4%	1.9%	22.0%	20.3%	-0.2%
SES 3	5.2%	5.4%	1.9%	17.4%	25.3%	6.9%

Tables 3.1 and 3.2 show that median superannuation movements have generally increased up to 2004 (except for one negative movement in 2001 for SES 1). In 2005 there is a decrease in the median movements at all SES bands and movement rates are negative for both SES1 and to a lesser degree SES 2. This was mainly due to a lower proportion of SES employees in the 2005 sample being members of CSS.

The high increases between 2002 and 2003 are likely to be the result of the revision of the definition of superannuation. However, no such explanation can be offered for the continued proportional growth of superannuation from 2003 to 2004. Some agencies have very high CSS contribution rates; Base Salary increases will factor directly into superannuation increases; and there was evidence that many SES employees had a higher salary for superannuation purposes than their actual Base Salary.

In examining the 2005 information in more depth, Mercer's view on the trends is that superannuation contribution rates have steadied through the year and are more broadly in line with movement trends noted in 2001 and 2002. We have also presented an in-depth analysis of all superannuation contributions (refer Table 2.9 to Table 2.14) in Section 2.

## Motor Vehicles

Mercer has separated vehicle costs from parking costs in the 2004 and 2005 surveys. As such, direct comparison can not be made between these years and previous years, where vehicle and parking costs were included as one item. However, for reference, Mercer has provided 'rolled-up' vehicle costs for 2004 and 2005 in the tables below.

Note also that the actual vehicle cost data collected in the 2004 and 2005 surveys was based on a more flexible costing methodology (tailored to the precise circumstances of the agency and the employee), than in previous years, and as such, year on year comparisons should be made with caution. Please refer to Appendix B, where the changes are detailed.

Table 3.3 presents median motor vehicle costs from 2000 to 2005 for each SES band. Table 3.4 provides the associated percentage increases over the same period.

Table 3.3 – Median Motor Vehicle Costs in 2000 to 2005 for SES 1, SES 2 and SES 3

Band	2000	2001	2002	2003	2004	2005
SES 1	\$17,934	\$18,000	\$18,500	\$21,592	\$20,716	\$21,592
SES 2	\$18,497	\$17,398	\$18,600	\$21,645	\$21,592	\$22,000
SES 3	\$19,252	\$20,500	\$20,000	\$22,735	\$23,592	\$23,493

Table 3.4 – Percentage Increase in Median Motor Vehicle Costs in 2000 to 2005 for SES 1, SES 2 and SES 3

Band	2000	2001	2002	2003	2004	2005
SES 1	6.8%	0.4%	2.8%	16.7%	-4.1%	4.2%
SES 2	7.0%	-5.9%	6.9%	16.4%	-0.2%	1.9%
SES 3	7.9%	6.5%	-2.4%	13.7%	3.8%	-0.4%

Tables 3.3 and 3.4 show that median motor vehicle costs since 2000 (using the individual agencies' method of valuation) have not moved in a consistent pattern, with year on year movements ranging from -5.9% to 16.7%. With most agencies now adopting an actual cost method, as well as many determining an actual budgeted amount, increases in leasing, petrol, maintenance and insurance costs should be reflected in car values in future surveys.

## Performance Bonuses

Overall, the percentage of SES employees eligible to participate in a performance bonus arrangement who actually received a performance bonus payment has varied from year to year, ranging from 71% in 2001 to 91% in 2003. These results are shown in Table 3.5.

Table 3.5 – Percentage of Eligible SES Employees Receiving a Performance Bonus in 2000 to 2005

Band	2000	2001	2002	2003	2004	2005
Overall	80%	71%	88%	91%	85%	84%

Table 3.6 shows the shifts in median actual bonus payments since 2001, while Table 3.7 shows the percentage increases for the same period. This data includes all valid \$0 records, meaning that non-payments to eligible employees have been included.

Table 3.6 – Median Performance Bonuses in 2001 to 2005 for SES 1, SES 2 and SES 3

Band	2001	2002	2003	2004	2005
SES 1	\$4,725	\$5,039	\$5,424	\$5,806	\$5,972
SES 2	\$8,147	\$7,610	\$8,219	\$8,718	\$8,863
SES 3	\$8,828	\$13,196	\$11,608	\$12,176	\$13,000

Table 3.7 – Percentage Change in Median Performance Bonuses in 2001 to 2005 for SES 1, SES 2 and SES 3

Band	2001	2002	2003	2004	2005
SES 1	1.5%	6.6%	7.6%	7.0%	2.9%
SES 2	2.9%	-6.6%	8.0%	6.1%	1.7%
SES 3	-44.4%	49.5%	-12.0%	4.9%	6.8%

Tables 3.6 and 3.7 show that payment of bonuses has varied significantly over the last few years. The relatively lower rate of increase for 2004 to 2005 in median performance bonuses for SES 1 and SES 2 employees is related to a larger number of zero or low payments. This recent trend is indicative of agencies becoming more discriminating in their application of performance bonuses to SES employees.

## Remuneration Movements by Agency

Movements in Base Salary, TRP and TR have been much more modest in 2005 than in the previous two years. Analysis in this section is provided to assess the extent to which such a slowdown is due to sampling changes from 2004 to 2005, or whether it represents a more conservative approach to SES remuneration management across agencies more generally.

In relation to sample size, there has been a significant increase in the number of records across all SES bands. There were also 15 new agencies in the 2005 survey. Table 3.8 shows the impact of additional records from the new agencies at each SES band.

Table 3.8 – SES Sample Sizes – Records from New Agencies in 2005

Band	Survey Total	Increase from 2004	No. from New Agencies	% of Increased Number from New Agencies	Percentage of Total from New Agencies
SES 1	1,335	181	82	45.3%	6.1%
SES 2	385	46	24	52.2%	6.2%
SES 3	91	22	6	27.3%	6.6%
Total	1,811	249	112	45.0%	6.2%

As can be seen from Table 3.8, records from new agencies account for 45% of the additional records in 2005, which means that 55% of the additional records are from agencies who participated in 2004 as well as 2005. Such cases will therefore be fitting in to each “repeat agency’s” existing SES remuneration structures.

A more telling statistic is the final column of Table 3.8, which shows that overall, records from new agencies accounted for 6.2% of the total SES records analysed in 2005. On this basis alone, the conclusion could be drawn that any influence on the outcomes of the 2005 APS Remuneration Survey due to changes in the sample from new agencies, would at best be slight.

Table 3.9 shows the Base Salary median and average values for “Repeat Agencies” and “New Agencies”.

Table 3.9 – Base Salary Median and Average Value for Repeat and New Agencies SES 1, SES 2 and SES 3

		Number of		Median	Average
		Agencies	Records		
SES 1	Repeat	37	1,253	122,000	122,540
	New	12	82	121,479	123,633
	Difference	-	-	0.4%	-0.9%
SES 2	Repeat	32	361	151,108	153,030
	New	9	24	148,341	151,287
	Difference	-	-	1.9%	1.2%
SES 3	Repeat	23	85	187,500	199,569
	New	5	6	183,735	181,332
	Difference	-	-	2.0%	10.1%

As can be seen from Table 3.9, the difference at the median between the repeat agencies and the new agencies are very small across all SES bands, although the new agencies are slightly lower. SES 1 and SES 2 average values are also quite close, however, as the few high SES 3 Base Salary values are all from repeat agencies, the SES 3 average from the repeat agencies is 10.1% higher than for the new agencies. It should also be noted that the sample size for all SES 3 employees was only 91 records, 6 of which were from the new agencies.

Finally, an analysis of the Base Salary movements within each agency from 2004 to 2005 is shown in Table 3.10. In creating Table 3.10, each agency's median TRP increase in percentage terms from 2004 to 2005 was calculated, then agencies were grouped according to the magnitude of their increase. Note that not all agencies employed personnel at each SES band.

Table 3.10 – Distribution of TRP Increases from 2004 to 2005 by Agency

SES Band	Movement of the Median 2004 to 2005				Total Number
	<0	0% to ≤5%	6% to ≤10%	>10%	
SES 1	0	24	6	6	36
SES 2	3	12	8	6	29
SES 3	4	6	9	2	21

As can be seen from Table 3.10, at SES 1, 24 of the 36 agencies recorded median TRP movement in the range of zero up to 5%. No agencies had a negative movement. Six agencies recorded median movements in the range 6-10% and six others were higher than 10%.

The majority of agencies at SES 2 also increased their TRP at the median in the range 0-5%.

At SES 3, 9 agencies had TRP increases at the median in the range 6-10%, compared with 6 agencies in the more modest 0-5% range. However, the four agencies recording a negative movement for SES 3 more than offset the 2 agencies whose median TRP increased by more than 10%. On balance, the conclusion can be drawn that agencies are generally showing restraint in managing their SES remuneration.

In looking at these agencies which record the highest TRP increases, the majority of them were from the lower-paying agencies who may have been seeking to improve the competitiveness of their SES remuneration.

## 4

## Remuneration Policy Findings

All 55 agencies that participated in the 2005 APS Remuneration Survey completed the HR Policies and Practices Questionnaire. The full list of participating agencies is shown in Appendix A, and the information and analysis presented in this section is based on responses from all participating agencies.

### Executive Remuneration Strategy

A well developed remuneration strategy for executive positions is an essential component of any organisation's human resource and management policy framework. Such policies need to flow from an organisation's broader business and HR strategies, and would typically include provisions to ensure that:

- executives are encouraged and motivated to achieve high levels of performance
- individual goals are aligned with key organisational goals and stakeholder interests
- executives model the organisation's values and desired behaviours.

In 2005, 83% of participating agencies reported that they had a formal SES remuneration strategy that was communicated to SES employees and used as a basis for program design and pay decisions. This figure is noticeably higher than the 78% of agencies who reported having a formal remuneration strategy in 2004, and marginally higher than the 2003 response level of 82%.

Within the APS, formal links between performance and reward have been a key element of SES remuneration strategy for some years, with 84% to 93% (depending on SES band), of agencies reporting the use of performance bonus arrangements; and 19% to 25% (depending on SES band) reporting the use of retention bonuses in 2005. The corresponding figures for 2004 were 82% and 23% respectively. This small increase in the use of performance bonuses is consistent with agency responses to other questions in the survey, where the eligibility of SES employees to participate in bonus arrangements has also increased slightly since 2004.

In terms of the *focus* of remuneration strategy, agencies are still managing remuneration at the TRP level, or a combination of TRP and TR. Trends for the past few years are shown in Table 4.1. 10% of agencies reported focussing on Base Salary for their SES remuneration strategy, and 21% reported focussing on Base Salary and performance bonuses. (This response option was not available in previous years).

Table 4.1 – Focus of Remuneration Strategy (Percentage of Agencies)

	2000 n=51	2001 n=50	2002 n=50	2003 n=44	2004 n=44	2005 n=52
Base Salary	N/A	N/A	N/A	N/A	N/A	10%
TRP	47%	44%	60%	32%	41%	33%
Base Salary and Performance Bonus	N/A	N/A	N/A	N/A	N/A	21%
Performance Bonus	20%	22%	26%	5%	0%	0%
TRP and Performance Bonus	65%	56%	48%	61%	59%	37%
Retention Bonus	10%	7%	6%	2%	0%	N/A

\*Note: Percentages reflect incidence; they may, but do not need to, sum to 100% vertically

As can be seen from Table 4.1, fewer agencies are focussing on TRP or TRP and performance bonuses than in 2004, and this has been replaced by a focus on Base Salary or Base Salary and performance bonuses. (Both of these response categories were new in the 2005 questionnaire as a result of agency feedback).

Although the focus for executive remuneration for the majority of agencies is both fixed remuneration (either Base Salary or TRP) **and** variable reward (i.e. performance bonuses), in terms of the *actual* mix of fixed reward and variable reward, TRP still remains an extremely high proportion of TR. As shown in Table 4.2, whilst performance pay is still important, on average, actual performance bonuses represent a slightly smaller proportion of TR in 2005 than in 2004. (As this question was not asked in 2005, responses were calculated on the basis of agencies' remuneration returns).

Table 4.2 – Average Reward Mix in 2005 and 2004

	SES 1			SES 2			SES 3		
	n	TRP	Perf Bonus	n	TRP	Perf Bonus	n	TRP	Perf Bonus
2005	47-53	96%	4%	37-44	96%	4%	25-29	95%	5%
2004	40-45	95%	5%	33-37	94%	6%	24-27	93%	7%

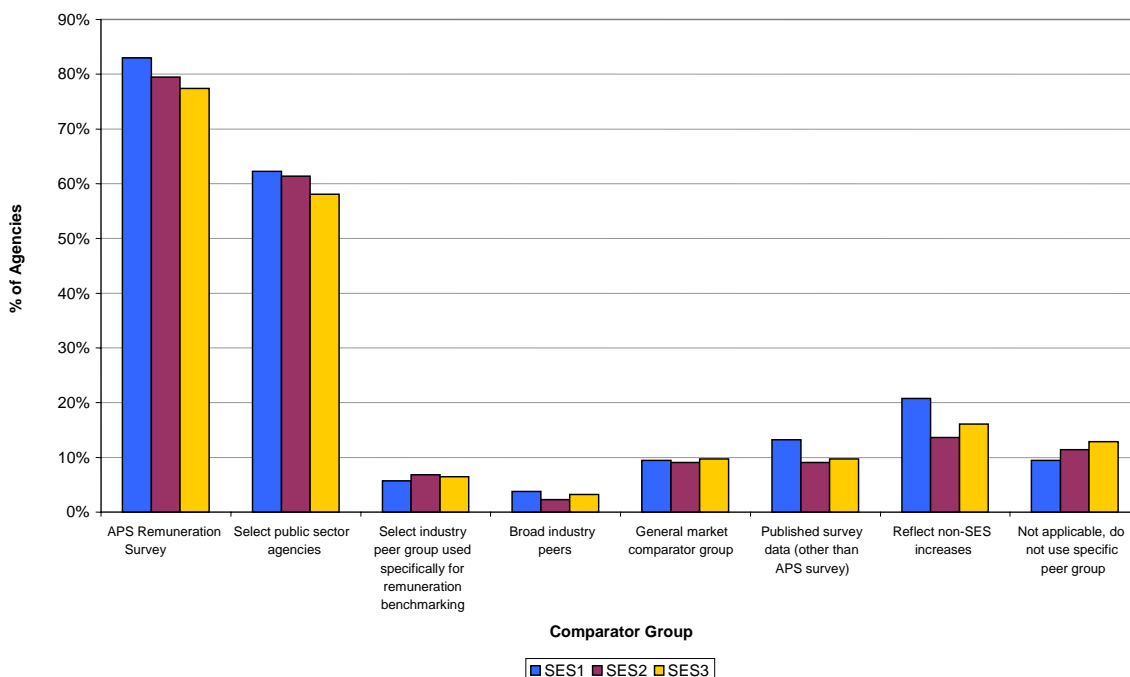
### Executive Remuneration Benchmarking

In terms of managing and reviewing remuneration, organisations generally have a policy that reflects:

- which groups or market sectors are used for comparison and benchmarking purposes
- the targeted pay policy position on competitiveness (e.g. Q1, median, Q3 etc).

The following chart shows the comparator groups used by agencies to benchmark their TRP payment levels for SES employees.

Chart 4.1 – TRP Comparator Groups



As can be seen from Chart 4.1, irrespective of SES band, APS agencies overwhelmingly benchmark their remuneration against the APS Remuneration Survey (around 80% do so), followed by other public services. Industry peers or the general market are used as benchmarks by less than 10% of agencies, but this is in contrast to the finding that GBEs and the private sector are generally reported to be key markets for the attraction and retention of staff (reported by 43% to 47% of agencies, depending on level). This is clearly shown in Table 4.3 and reflects a very similar pattern to last year.

Table 4.3 – Key Competitors for the Attraction and Retention of Talent

	SES 1 n=53	SES 2 n=44	SES 3 n=29
Federal public sector	98%	98%	93%
Other public sector (State or local government)	62%	58%	50%
Government Business Enterprises	46%	47%	43%
Private sector	46%	47%	43%
Other	8%	5%	7%

In terms of the level of desired remuneration competitiveness, Table 4.4 reports the desired level of competitiveness (at the median) across all responding agencies, for each benchmark category.

Table 4.4 – Remuneration Benchmarking Comparator Groups – Median Target Percentile Reported

	SES 1	SES 2	SES 3
<b>APS Remuneration Survey</b>	<b>63<sup>rd</sup>tile</b>	<b>75<sup>th</sup>tile</b>	<b>75<sup>th</sup>tile</b>
n	39	31	21
<b>Select public sector agencies</b>	<b>60%</b>	<b>75%</b>	<b>75%</b>
n	29	23	15
<b>Select industry peer group used specifically for remuneration benchmarking</b>	<b>50%</b>	<b>75%</b>	<b>n/a</b>
n	2	2	0
<b>Broad industry peers</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
n	0	0	0
<b>General market comparator group</b>	<b>63%</b>	<b>75%</b>	<b>63%</b>
n	4	3	2
<b>Published survey data (other than APS Remuneration Survey)</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>
n	6	3	2
<b>Reflect non-SES increases</b>	<b>75%</b>	<b>88%</b>	<b>75%</b>
n	11	6	5

As can be seen from Table 4.4, against the APS Remuneration Survey, the median level of competitiveness sought for SES 1 employees was the 63<sup>rd</sup> percentile, whereas for SES 2 and SES 3, the majority of agencies targeted the 75<sup>th</sup> percentile. Compared to 2004, agencies appear to be seeking a more moderate level of competitiveness for their SES 1 employees. However the intent of most agencies to benchmark SES 2 and SES 3 TRP levels at the 75<sup>th</sup> percentile, either against the APS or other public service agencies, has not moderated since last year. This is an important issue for the APS as a whole to consider, as it could influence the sustainability of SES remuneration movements in the future.

## Remuneration Management Practices

### Setting of Remuneration

Tables 4.5 and 4.6 show the minimum and maximum TRP amounts as defined by each agency at a policy level. As the data has been aggregated, these will not necessarily equal the actual amounts paid by any one agency. Not all agencies specify a maximum TRP level for their SES bands.

Table 4.5 – Minimum TRP Amounts as Defined in Agencies' Remuneration Policy

Band	Year	n	Q1	Median	Q3	Average
SES 1	2005	30	\$126,869	\$142,232	\$155,791	\$140,654
	2004	33	\$113,717	\$139,660	\$148,398	\$130,799
SES 2	2005	26	\$155,402	\$180,000	\$188,603	\$175,167
	2004	30	\$146,702	\$170,000	\$176,248	\$159,406
SES 3	2005	16	\$182,353	\$206,189	\$218,858	\$204,338
	2004	19	\$175,270	\$204,786	\$217,271	\$196,788

Table 4.6 – Maximum TRP Amounts as Defined in Agencies' Remuneration Policy

Band	Year	n	Q1	Median	Q3	Average
SES 1	2005	26	\$148,308	\$176,674	\$187,270	\$170,644
	2004	31	\$146,629	\$163,167	\$170,361	158,698
SES 2	2005	23	\$185,187	\$216,226	\$222,925	\$207,854
	2004	27	\$172,052	\$196,930	\$210,033	\$191,070
SES 3	2005	14	\$231,686	\$255,419	\$267,731	\$246,681
	2004	17	\$228,796	\$244,588	\$260,000	\$242,652

As can be seen from Tables 4.5 and 4.6, agencies have increased their stated minimum TRP levels, and the statistics summarising this for all SES bands are consistently higher this year than in 2004. For minimum TRP values, the median SES 2 TRP for 2005 was nearly \$10,000 higher than in 2004, but for SES 1 and SES 3, 2005 medians were higher than 2004 by \$2,572 and \$1,403 respectively.

A different trend was noted for maximum TRP levels. Across all SES bands, median maximum TRP values were approximately \$10,000 to \$13,000 higher in 2005 than 2004. Whilst this underlying trend shows an increase in the maximums, the modest actual TRP movements reported in Section Two indicates that agencies are not needing to use the increased flexibility they are building into their TRP structures.

Another important element of ongoing remuneration management involves agencies making decisions about starting salaries, both for new appointees, and/or for employees moving into a higher SES band.

As can be seen from Table 4.7, the clear message is that Agency Heads exercise their discretion, presumably on a case by case basis. The percentages shown for 2005 in terms of Agency Heads exercising their discretion are marginally higher in 2005 than for this method in 2004, particularly for SES 1 and SES 2. Nevertheless, in exercising their discretion, Agency Heads would be likely to be cognisant of their agency's minimum salary levels, where other executives are paid at each SES band, and may also seek a briefing on market data from salary surveys or other sources.

Table 4.7 - Setting SES Starting Salaries

	SES 1 <b>n=52</b>	SES 2 <b>n=43</b>	SES 3 <b>n=31</b>
At the discretion of the Agency Head	56%	49%	42%
Using market data from remuneration surveys	2%	0%	3%
In line with others in the agency in the same SES band	15%	21%	19%
Job evaluation	2%	2%	3%
At the minimum of the SES band	21%	23%	23%
Other	4%	5%	10%

In terms of SES remuneration structures themselves, Table 4.8 shows that most agencies use minimum and maximum points, although other methods are also well utilised. Compared with 2004, significantly more agencies use maximum and minimum points (39% in 2004, up to 47% in 2005), with only minor variations for the other two main categories. The category "Other" has decreased from 18% in 2004, down to 9% in 2005.

Table 4.8 - Setting SES Base Salary Bands

Structure of Base Salary Bands	Proportion of Agencies
Set salary points within each band	21%
Minimum and maximum points	47%
Minimum only	23%
Other	9%

## Review Mechanisms and Remuneration Increases

Scheduled remuneration reviews are an essential feature of keeping remuneration structures, and also the remuneration of individual executives current, competitive and commensurate with the performance, achievements and capability of the person concerned. Most agencies (82%) report having a regular remuneration review process in place for their SES employees. Of the 10 agencies which reported not having a regular remuneration review process, seven reported that increases were determined for the life of the employee's AWA, and two linked them to Certified Agreement increases within their agency.

Table 4.9 shows the timing of increases for the majority of agencies that reported having a regular review process. As can be seen, the vast majority (78%) of agencies review SES remuneration levels annually, at the same time for all their SES employees, which is a similar proportion to last year. The percentage of agencies performing 6 monthly reviews has also declined from 6% in 2004 to zero in 2005. The 11% of agencies following other practices included: timing specified in the AWA; the anniversary of the AWA; as dictated by the agency's CA; or at the discretion of the Agency Head.

Table 4.9 – Timing of Remuneration Reviews

	<b>n=54</b>
Yearly, at the same time for all or most SES employees	78%
Yearly, on employee's anniversary of commencement or birthday	6%
Half-yearly	0%
Every 18-24 months	0%
Irregularly	6%
Other	11%

For the 34 agencies who reported using set pay points for their SES bands, 15% reported that SES employees were advanced to the next pay point in addition to receiving the agency's global salary increase; with 85% reporting that the employee was not eligible for both forms of increase.

### SES AWAs

Table 4.10 shows the degree of similarity in relation to reward and other terms and conditions of agencies' SES AWAs. As can be seen, the vast majority of AWAs are based on a standard template with some variation allowed within a given framework.

Table 4.10 – Similarity of SES AWAs

	SES 1 <b>n=52</b>	SES 2 <b>n=43</b>	SES 3 <b>n=29</b>
All the same	12%	12%	7%
The same for particular job roles	4%	2%	0%
Standard template with some variations within a given framework	79%	81%	90%
Individually tailored	6%	5%	3%

The vast majority (93%) of agencies also reported having guidelines, policies and procedures that sat outside their AWAs.

## Total Remuneration Approach

A total remuneration approach exists where an organisation calculates the costs associated with employing an individual beyond simply their Base Salary. Calculating and communicating the total remuneration value enables the agency and its employees to understand the full value of remuneration and make valid comparisons between jobs of similar work value and classification.

As can be seen from Table 4.11, whilst remuneration packaging remains a key element of SES remuneration management for most agencies, the number of agencies utilising this approach has reduced across all SES bands. This is consistent with an increasing number of agencies focussing their remuneration strategy on Base Salary or Base Salary and bonuses as shown in Table 4.1.

Table 4.11 - Incidence of Total Remuneration Approach

	SES 1 n=53	SES 2 n=46	SES 3 n=32
2005	64%	62%	61%
2004	73%	76%	76%

## Motor Vehicles

Apart from superannuation where the major schemes apply to all SES bands irrespective of the employing agency, motor vehicles are the most significant benefit item in terms of their value from both a cost and psychological perspective. In 2005, 87% of agencies reported offering motor vehicles to SES employees.

In relation to motor vehicles, Mercer reported that during 2004, a significant policy shift had occurred in how vehicles were provided (particularly for SES 1 employees), whereby the majority of agencies had established a standard vehicle costing to cover all actual costs, with reconciliation at the end of the FBT year. This trend has been maintained for 2005, with fewer agencies using a formula, and the clear majority of agencies either using actual costs, or a predetermined budget amount for each SES band. (Note that this latter response category has been included this year based on feedback from agencies).

Of those agencies reporting providing vehicles to SES employees, Table 4.12 (overleaf) shows the methods used by agencies to determine vehicle costs.

Table 4.12 – Determining Motor Vehicle Costs (Percentage of Agencies)

	SES 1			SES 2			SES 3		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
	n=44	n=34	n=47	n=36	n=34	n=39	n=29	n=26	n=27
Using a formula or estimated value (e.g. Mercer car formula)	30%	21%	15%	29%	22%	13%	25%	22%	11%
Using the actual annual costs of the vehicle (lease costs) excluding running maintenance and other associated costs	11%	2%	2%	11%	3%	3%	11%	4%	0%
Using the actual annual costs of the vehicle (lease costs) including running maintenance and other associated costs	57%	70%	36%	57%	67%	39%	61%	63%	41%
Set a predetermined vehicle budget amount for each SES band	N/A	N/A	40%	N/A	N/A	41%	N/A	N/A	44%
Other	2%	7%	6%	3%	8%	5%	4%	11%	4%

The majority of SES employees are also able to choose a lower or higher cost vehicle and receive the balance or pay the difference of a pre-determined cash amount. This flexibility increases by SES band, with 48% of agencies reporting SES 1 employees could exercise this choice; 50% of agencies allowing SES 2 employees this choice; and 63% of agencies allowing SES 3 employees to exercise this choice. In terms of cash payments in lieu of receiving a motor vehicle, 92% of agencies allowed SES 1 employees to make this choice; 98% of agencies allowed SES 2 employees to make this choice, and 100% of agencies allowed SES 3 employees to make this choice.

In terms of the amount of cash in lieu payments, Table 4.13 shows that most agencies have the same amount whether the vehicle is taken as a benefit or as a cash value.

Table 4.13 – Cash in Lieu Payments Relative to the Remuneration Cost of the Vehicle

	SES 1	SES 2	SES 3
	n=48	n=44	n=29
Higher	8%	7%	3%
Same	77%	77%	83%
Lower	15%	16%	14%

The average percentage across agencies of SES employees who have elected to take cash in lieu of a motor vehicle, was 36% (SES 1); 28% (SES 2); and 20% (SES 3).

## Superannuation

Earlier sections of this report have examined the issue of superannuation in great depth. Particularly for employees closer to retirement, superannuation is a very important remuneration element. 44% to 47% of agencies (depending on SES level) report providing for SES employees to negotiate a superannuation salary which is different to their Base Salary.

Whilst the majority of SES employees are members of defined benefit schemes (CSS and PSS), where there are particular rules governing salary for superannuation purposes and also where the employer contribution is determined to be a fixed percentage; the newer schemes such as PSSAP and AGEST are more flexible. However, only 12% of agencies at SES 1, 11% at SES 2 and 13% at SES 3 reported providing for contribution rates in excess of the amount mandated in legislation. SES employees wishing to maximise their superannuation tend to negotiate a higher salary for superannuation purposes than their actual Base Salary. Evidence of this has already been outlined in Section 2.

## Performance and Reward Linkages

Developing systems and managing performance is a high priority for most agencies as evidenced by the relatively high proportion of SES performance-based contracts, and the efforts of many agencies to create a high-performance organisational culture. Depending on the SES band, 89% to 92% of agencies report having a formal goal setting and performance management system, which is similar to, but slightly lower than, last year.

As was reported in Table 4.1 earlier, nearly 60% of agencies focus their remuneration strategy on either TR or Base Salary and performance bonus. With regard to performance bonuses, eligibility levels remain high for SES employees. The number of agencies allowing SES employees to participate in performance bonuses has increased for SES 1 and SES 3 since 2004, but has reduced marginally for SES 2.

Table 4.14 – Agencies Providing Eligibility for SES Employees to Participate in Bonus Arrangements

	SES 1	SES 2	SES 3
	<b>n=52</b>	<b>n=44</b>	<b>n=30</b>
2005	89%	84%	93%
2004	82%	87%	86%

\*n is for 2005 only

The vast majority of agencies also use a rating scale for assessing their SES employees' performance and to determine their eligibility for performance bonuses. Table 4.15 shows that the most popular rating scale across all SES bands utilises 5 points.

Table 4.15 – Structure of Rating Scales for Performance Assessments

	<b>SES 1</b>	<b>SES 2</b>	<b>SES 3</b>
	<b>n=46</b>	<b>n=37</b>	<b>n=27</b>
2 points	0%	0%	0%
3 points	17%	22%	15%
4 points	26%	24%	22%
5 points	50%	49%	56%
More than 5 points	7%	5%	7%

Table 4.16 shows that the vast majority of agencies either require the SES employee to exhibit fully effective or superior/outstanding performance to receive a performance bonus.

Table 4.16 – Performance Level Required to Trigger a Performance Bonus

	<b>SES 1</b>	<b>SES 2</b>	<b>SES 3</b>
	<b>n=48</b>	<b>n=38</b>	<b>n=28</b>
Above satisfactory performance (e.g. superior/outstanding)	38%	40%	46%
Satisfactory performance (e.g. fully effective/effective)	56%	55%	50%
No rating specified	0%	0%	0%
Other	6%	5%	3%

A design feature of many agencies' SES performance bonus arrangements is that the actual payments made to individual employees are frequently determined as a percentage of the employee's remuneration. Depending on SES band, as can be seen from Table 4.17, well over 70% of agencies utilise this approach.

Table 4.17 – Determining the Performance Bonus Amount

	<b>SES 1</b>	<b>SES 2</b>	<b>SES 3</b>
	<b>n=48</b>	<b>n=38</b>	<b>n=28</b>
Percentage of bonus pool	2%	3%	0%
Percentage of employee's remuneration	73%	79%	82%
\$ value	10%	5%	7%
Discretionary	2%	0%	4%
Other	13%	13%	7%

Similar to last year, most agencies (87% to 89% depending on SES band) report that performance bonuses are paid as a cash lump sum. However, a surprising number of agencies (17% to 26% depending on SES band) also reported that they could pay the bonus as an increase to the individual's Base Salary for a defined period until the bonus is expended. The actual incidence of such arrangements as reported in Section 2 mirrors these figures almost exactly.

## Retention Bonuses

Retention bonuses are paid to some SES employees as a means of retaining that employee whilst a critical project is being completed, for their specialist skills or simply to keep them as an employee for a period of time. Table 4.18 shows that the percentage of agencies who reported that at least some SES employees could participate in retention bonuses has decreased marginally since 2004. However, it should also be noted that the actual incidence of such payments (refer to the detailed analysis in Section 2), is significantly less than the trend noted below across all SES bands.

Table 4.18 – Eligibility to Participate in Retention Bonus Arrangements

Band	n	2004	2005
SES 1	52	21%	19%
SES 2	44	24%	21%
SES 3	30	25%	23%

Tables 4.19 and 4.20 (overleaf) show the criteria which determine the offer of a retention bonus, and the basis on which the retention bonus is paid to SES employees. Note that the number of agencies responding to these questions is low.

Table 4.19 – Criteria for Offering a Retention Bonus

	SES 1 <b>n=10</b>	SES 2 <b>n=10</b>	SES 3 <b>n=9</b>
Critical to a project	80%	80%	86%
Specialist skills required	90%	90%	100%
Retain staff (e.g. pending corporatisation, sale or relocation)	30%	40%	29%
Other	0%	0%	0%

Compared to 2004, significantly more agencies reported that the criteria ‘Critical to a Project’ as a reason to offer a retention bonus, whilst the frequency of the other criteria has remained fairly similar.

In looking at the basis for making retention bonuses, fewer agencies report using the completion of a milestone than in 2004, whilst the percentage of agencies using a particular point in time as the basis for making a retention bonus payment has decreased for SES 1 and SES 3, but has increased at SES 2. The proportion of agencies reporting a more regular payment (such as fortnightly) have more than doubled in 2005 compared to 2004.

Table 4.20 – Basis of Payment of Retention Bonuses

	SES 1	SES 2	SES 3
	<b>n=11</b>	<b>n=11</b>	<b>n=8</b>
On completion of a milestone (e.g. project)	20%	20%	14%
At a point in time (e.g. 6 months continuous employment)	70%	80%	71%
Other (e.g. fortnightly)	30%	20%	29%

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## Summary of Key Findings

This section provides a brief summary of the key findings from Sections 2: Remuneration Data and Analysis and Section 4: Remuneration Policy Findings. Where relevant, Mercer's findings as identified in the APS non-SES and Broader Market Comparison reports have also been included.

## Main Remuneration Findings

### Base Salary

- Overall, the median 2005 Base Salary movement across all SES bands was 4.3%, with movements for each level being:
  - 4.7% for SES 1
  - 4.0% for SES 2
  - 4.2% for SES 3
- Overall median 2004 to 2005 SES Base Salary movements were significantly lower than last year, and were less than 1% higher than overall median non-SES Base Salary movements of 3.5% for the same period. This result is showing that SES Base Salary increases for 2004 to 2005 are much more in line with non-SES movements for the 2004 to 2005 period than they have been for the previous two years.

### Total Remuneration Package (TRP)

- Overall, the median 2005 TRP movement across all SES bands was 3.7%, with movements for each level being:
  - 3.3% for SES 1
  - 3.7% for SES 2
  - 4.1% for SES 3
- In contrast with the Base Salary results, the rate of TRP increase rises as the executive level increases
- Overall median SES TRP movements were significantly lower than last year, and were commensurate with median non-SES TRP movements for the same period which was 3.7% across all classifications; and ranged from 2.3% at APS 1 to 4.3% at EL 2

- The above movements are also comparable with SES movements in most State/Territory jurisdictions, which ranged from 3.5% to 4.5% (except Victoria and the ACT which were more than 6%)
- In the private sector, TRP movements for calendar year 2005 for senior executive roles on a 'same incumbent' basis were 4.2% at the median and 5.5% on average.

### Total Reward (TR)

- Overall, the median 2005 TR movement across all SES bands was 3.6%, with movements for each level being:
  - 2.6% for SES 1
  - 3.8% for SES 2
  - 4.4% for SES 3
- As with the TRP results, TR rises at a higher rate as the executive level increases
- Overall median SES TR movements were significantly lower than last year, and were of a similar magnitude to overall median non-SES TR movements for the same period
- The proportion of TR made up by Base Salary (69% to 70%) and bonuses (4% to 5%) is broadly the same across all SES bands. Note that agency policies provide for bonuses to make up 5% to 7% of TR, but as has been historically the case in the wider employment market, actual bonuses are often less than target bonuses
- The proportion of TR made up by superannuation ranges from 15% at SES 1 to 17% at SES 3
- The proportion of TR made up by motor vehicles ranges from 8% at SES 3 to 12% at SES 1.

### Major Benefits

#### Superannuation

- For SES 1 and SES 2 superannuation contributions have steadied considerably showing a small negative movement at the median (-2.6% for SES 1 and -0.2% for SES 2), and is associated with a reduction in the proportion of CSS members in 2005 (58%) compared to 2004 (62%)
- As a proportion of Base Salary, average SES superannuation contributions range from 21.0% to 24.2% dependent on SES band. These proportions are approximately 7% to 10% higher than for non-SES employees
- When broken down by fund, contributions under the CSS and PSS represent a greater proportion of Base Salary than contributions made under other schemes, for both SES and non-SES employees
- A number of SES employees have either a higher or lower salary for superannuation purposes than their actual Base Salary.

#### Motor Vehicles

- Incidence of motor vehicles remains high for SES employees, with between 67% and 80% of SES employees (dependant on SES band) receiving motor vehicle benefits, (excluding cash in lieu). Motor vehicles are not a traditional feature of non-SES remuneration, with less than 2% of non-SES employees receiving motor vehicle benefits at the EL 1 and EL 2 classifications
- Median vehicle costs are between \$19,913 and \$22,660 for all SES bands

- Car parking costs show little difference across the SES bands, though some high payments are being provided for a small number of employees at SES 1 and 2
- Cash in lieu of cars ranges from \$20,679 to \$23,500 at the medians, and there is a clear link between increase in value of this remuneration item and increase of SES band.

### Other Benefits

- Other benefits tend to be limited, with medians of \$2,070 for SES 1, \$3,000 for SES 2 and to \$3,743 for SES 3. There are a larger number of SES 1 employees (22%) receiving this benefit than SES 2 (15%) or SES 3 (only 8%).

### Bonuses

#### Performance Bonuses

- 87.2% of SES employees were eligible for a performance bonus in 2005, and of those eligible, 84.2% received a payment. These results are broadly in line with the results in 2004. By comparison, 36% of non-SES employees are eligible for bonuses (although this ranges from 20% for APS levels 1 to 6 to 52% for EL 1 and 2)
- Median SES bonus payments have increased by:
  - 2.9% (\$166) at SES 1
  - 1.7% (\$145) at SES 2
  - 6.8% (\$824) at SES 3
- For SES 1 and SES 2, the average performance bonus decreased by 4.9% and 4.8% respectively, due to slightly lower maximum payments, and a slightly higher proportion of eligible employees receiving either no performance bonus or a lower bonus in 2005 compared to 2004.

#### Retention Bonuses

- 5.6% of SES employees were eligible for retention bonuses in 2005 but, of those, only 14.7% actually received a payment (compared with 24.5% who received payments in 2004)
- The incidence of retention bonuses has steadily declined from 2003.

#### Other Bonuses

- 21 SES employees received other bonus payments, (mainly sign-on or skills-related) with the amounts provided varying significantly.

## Remuneration Policy Findings

### Executive Remuneration Strategy

- 83% of agencies have a formal remuneration strategy in place for SES employees, which was also communicated to employees and used as the basis for program design and pay decisions
- Depending on SES band 84% to 93% of agencies provide the opportunity for SES employees to access performance bonuses. There has been an increase in 2005 as 82% of agencies provided access to performance bonuses in 2004

- The majority of agencies, almost 80%, reference the APS Remuneration Survey and/or select public sector agencies to benchmark their remuneration and bonus payment levels. Very few agencies reference other markets or data sources, even though 43% to 47% of agencies surveyed view GBEs and the private sector as key markets for attraction and retention
- At the median, agencies reported the level of competitiveness sought against the APS Remuneration Survey and other public agencies for SES 1 was the 63<sup>rd</sup> percentile, whereas the level of competitiveness sought for SES 2 and SES 3 was the 75<sup>th</sup> percentile. This differs from 2004 where the 75<sup>th</sup> percentile was the reported level of competitiveness sought across all SES bands.

### Remuneration Management Practices

- The majority of agencies continue to use TRP or TR as the focus for their reward strategy, but a growing number focus on Base Salary or Base Salary and bonuses
- The majority of agencies reported that when setting salaries for new or promoted SES employees, Agency Heads exercise a degree of discretion though this may also include reviewing the agency's minimum salaries and internal relativities
- Most agencies continue to utilise a formal remuneration review/adjustment process (as distinct from a performance review) at the same time for all or most SES employees, with the percentage of agencies conducting 6-monthly reviews reducing from 6% in 2004 to 0% in 2005
- The number of agencies utilising a TRP approach to salary packaging has reduced across all SES levels from 2004, and can be explained by the fact that an increasing number of agencies are focussing on Base Salary or Base Salary and bonuses
- Other payments such as Foreign Language Proficiency Allowances or Intelligence Community Allowances are paid infrequently with between 8% and 22% receiving such payments.

### Total Remuneration

- Remuneration packaging remains a key element of remuneration for SES employees, with motor vehicles being the most significant benefit item offered to employees other than superannuation
- Most SES employees have flexibility in their choice of a higher or lower cost vehicle within a range, and receive or pay the balance
- The majority of agencies have established a standard vehicle costing covering actual costs rather than using a costing formula, or have a predetermined budget amount for each SES band
- 44% to 47% of agencies, depending on SES band, allow employees to negotiate a salary for superannuation which is different to their Base Salary.

### Performance and Reward Linkages

- Most agencies (89% to 92% depending on SES band), report having a formal goal setting and performance management system in place. There has also been a slight increase in the eligibility of SES employees to participate in bonuses since 2004

- Eligibility for non-SES employees to participate in performance bonuses is significantly lower, ranging from below 20% for employees under CAs (28% for EL 2); and from 27% (APS 3) to around 75% (EL 1 and EL 2) for employees under AWAs
- The majority of agencies continue to use a rating scale to assess SES employees' performance
- Between 19% and 23% of agencies provide eligibility for retention bonuses.

### Remuneration Outcomes by Various Parameters

- Agencies of 500 to 999 employees pay higher than smaller or larger agencies, across all SES bands, and the differences were statistically significant at SES 1
- At SES 1 and SES 2, Audit, Scientific, and Policy Development professionals are paid a significantly higher TRP than other job families
- At SES 3, Policy Development roles were clearly the highest paid job family.

## Appendix A

### Survey Participants and Sample Size

Altogether, 55 agencies participated in the 2005 APS Remuneration Survey. Of these, 40 participated in 2004, and fifteen were new. Four agencies that participated in 2004 did not participate in 2005.

Table A.1 – Survey Participants in 2005 (n=55)

Attorney-General's Department	Department of Finance and Administration
AusAID	Department of Finance and Administration - MAPS
Australian Bureau of Statistics	Department of Foreign Affairs and Trade
Australian Communications Media Authority	Department of Health and Ageing
Australian Competition and Consumer Commission	Department of House of Representatives
Australian Crime Commission	Department of Immigration, Multicultural and Indigenous Affairs
Australian Customs Service	Department of Industry, Tourism and Resources
Australian Electoral Commission	Department of the Prime Minister and Cabinet
Australian Film Commission	Department of the Treasury
Australian Industrial Registry	Department of Transport and Regional Services
Australian Institute of Family Studies	Department of Veterans' Affairs
Australian National Audit Office	Department of Family and Community Services
Australian Public Service Commission	Family Court of Australia
Australian Research Council	Geoscience Australia
Australian Securities and Investment Commission	Human Rights and Equal Opportunity Commission
Australian Taxation Office	Medicare Australia
Centrelink	National Blood Authority

Child Support Agency	National Library of Australia
Comcare	National Water Commission
Comsuper	Office of National Assessments
CrimTrac	Office of Parliamentary Counsel
CRS Australia	Office of the Australian Building and Construction Commission
Department of Agriculture, Fisheries and Forestry	Office of the Employment Advocate
Department of Communications, Information Technology and the Arts	Office of the Inspector-General of Taxation
Department of Defence	Office of the Privacy Commissioner
Department of Education, Science and Training	Productivity Commission
Department of Employment and Workplace Relations	Social Security Appeals Tribunal
Department of the Environment and Heritage	

Table A.2 – Participating Agencies in 2005 but not in 2004 (n=15)

Australian Film Commission	National Library of Australia
Australian Institute of Family Studies	National Water Commission
Australian Research Council	Office of Parliamentary Counsel
Child Support Agency	Office of the Australian Building and Construction Commission
CrimTrac	Office of the Inspector-General of Taxation
CRS Australia	Productivity Commission
Geoscience Australia	Social Security Appeals Tribunal
Medicare Australia	

Table A.3 – Participating Agencies in 2004 but not in 2005 (n=7)

AUSTRAC
Australian Broadcasting Authority*
Australian Centre for International Agricultural Research
Commonwealth Grants Commission
Defence Housing Australia
IP Australia
National Competition Council

\* Now part of the Australian Communications Media Authority

All participating agencies in 2005 provided all three data submission documents; their SES Remuneration data, non-SES Remuneration data and their HR Policies and Practices Questionnaire.

## Sample Size

Table A.4 shows the number of records provided for SES employees. Several agencies such as the AEC and the MAPS Division within the Department of Finance and Administration, provided SES records which were excluded from the APS wide remuneration database, because their SES employees are employed under a different legislation. Of the total 1,913 SES records, 1,811 of these were used in the APS SES sample, an increase of 15.9% over the number of records from 2004. All data submitted by agencies was used in the preparation of each agency's own Individual Agency Report.

Table A.4 - SES Sample Size

	SES 1	SES 2	SES 3	Total
Total for 2005 provided	1,424	392	97	1,913
Total for APS Sample	1,335	385	91	1,811
Total for 2004 sample	1,154	339	69	1,562

Of the 249 new records, 112 (45%) were from the 15 new agencies, and the other 137 (55%) were spread across the 40 agencies which participated in both the 2004 and 2005 surveys. Additional records from new agencies represented 6.1% of the total SES 1 records; 6.2% of the total SES 2 records; and 6.6% of the total SES 3 records.

## Appendix B

### Survey Methodology

In 2005, all APS agencies were invited by DEWR to participate in the 2005 APS Remuneration Survey. Agencies that indicated interest in participating were invited to attend a survey briefing in December 2005. The briefings informed agencies about the project and prepared them for the data collection phase. Detailed instructions and information booklets were distributed to all agencies, including those agencies unable to attend the briefing session.

#### Data Collection

Participating agency staff completed all of the following questionnaires:

- SES Remuneration Input Spreadsheet
- Non-SES Remuneration Input Spreadsheet
- HR Policies and Practices Questionnaire.

To ensure the accuracy of data collected from agencies, Mercer performed several integrity checks prior to including agency data onto the database. Checks were conducted for the following:

- **face validity** – to ensure the data was consistent and had no obvious errors or omissions
- **range validity** – to check that the data fell within realistic ranges
- **visual data checking** – for accuracy and consistency, using our detailed knowledge and experience acquired through many years of remuneration analysis in the public sector.

## Data Analysis and Validation

Agencies submitted a dataset on spreadsheets provided by Mercer. Each dataset was analysed and validated using the following steps:

1. each record was checked for valid input for each compulsory field
2. each field was checked for entry being in correspondence with instructions
3. outlier analysis was undertaken for Base Salary using *Boxplots (Tukey method)*.  
Note: Records were classified as outliers if they were greater than the *upper whisker* or less than the *lower whisker*. These ranges were set at 2.5 times the *inter-quartile range* either side of the median
4. records that were flagged as outliers or were outside expected ranges in other collection fields or data input errors were returned to the agencies for verification and/or correction
5. outliers that were verified or corrected by agencies were then included in the overall dataset for analysis
6. Mercer calculated the full value of each individual's remuneration package
7. Mercer submitted a sample of all key data to the Statistics Department of the University of New South Wales (UNSW) for review of all calculations performed. In total, over 3,200 calculations were checked, with 99.8% of calculations being confirmed as accurate to the precise dollar. The remaining 0.2% were correct within \$1, due to minor rounding differences
8. individual agencies were provided with basic agency-specific data tables for review and sign-off
9. the overall dataset was finalised only after all verifications and corrections were received.

The majority of the statistical analysis undertaken is descriptive in nature (i.e. frequencies, averages, medians, percentiles). Tests of significance between groups were also performed for the analysis of data by various parameters.

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.

Please note that where a range is provided for 'n' (the number of agencies or individuals providing data for a specific question/item) it reflects that not all respondents provided data for each possible option. This is most likely the result of some participating agencies not having staff at all bands, resulting in the non-applicability of particular response categories.

### 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.

## Motor Vehicle Calculations

Mercer has utilised two methods to determine vehicle costs. Where agencies have provided full costs, Mercer has used those figures in the analysis. Where agencies were unable to provide full vehicle costs, Mercer has costed the vehicles using the Mercer Car Formula 2004/2005, based on the purchase prices of the motor vehicles and the degree of usage the employee has of the vehicle. Mercer's 2004/2005 Car Formula is reproduced in Appendix C.

The Mercer Car Formula is a market-based methodology for valuing the package cost of a motor vehicle, taking into account purchase price, lease costs, running costs and FBT. The formula applies a number of consistent assumptions to all vehicles to enable data comparisons. Purchase prices were calculated by Mercer using the make, model and year as provided by each agency.

Mercer has costed each vehicle according to the level of availability of the vehicle to the employee to whom it is provided. For example, a car will only be costed to a package at full market value if the employee has full private and unrestricted usage of the car. Where an employee is required to make the car available for use by other employees at certain times, the car has been costed at less than the full market value.

## Revision of Superannuation Definition

In 2003 the definition of superannuation was refined to make it easier to understand. Both the previous and existing definitions are shown below.

Table B.1 – Definition of Superannuation for Remuneration Survey 2002 to 2003

2002 Survey Definition	2003 Survey Definition
<p>The dollar amount the agency contributes to the superannuation fund on behalf of the individual, including the superannuation guarantee and ESPC.</p> <p><b>Do not include any employee salary sacrifice superannuation.</b></p>	<p>The dollar amount paid in the 2003 calendar year for the employer contribution (based on your agency specific contribution rate as advised by DOFA) plus the productivity component (EPSC) OR the superannuation guarantee.</p>

We note that the particularly high increases in reported superannuation contributions in the 2003 and 2004 surveys (compared with previous years) suggest that this data may have been reported incorrectly in the past. Comparisons with previous years' data should be made with due caution. There were no changes to superannuation definitions in 2004 or 2005, but a new question on salary for superannuation purposes was included for the first time this year.

## Appendix C

### Additional Notes and Definitions

#### Confidentiality

Mercer is aware of the confidential nature of the information provided and stress that we appreciate and protect this. Under no circumstances do we disclose any specific information or data to any third party. Our commitment in this regard is exemplified by clearly by the following factors:

- Mercer's Global Information Survey group is a respected research facility that has been producing salary surveys for over 30 years
- there is no identification on the salary input sheets except an agency number. This is our only way of identifying agencies for administrative purposes
- to protect confidentiality, where fewer than three agencies provide a component, no data can be shown. In these circumstances, this is indicated by the symbol '--', while the 'n' column indicates the number of the sample provided with the component
- where only three agencies provide a component, only average values will be presented, regardless of the number of individual incumbents
- Mercer reserves the right not to change the names of recipients of our surveys unless authorised to do so in writing. This is to prevent confidential survey information being provided to unauthorised personnel.

#### Glossary

##### Remuneration Items

##### Base Salary

Base Salary represents full time equivalent annualised PAYG salary. It includes post-tax employee superannuation contributions and any additional 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 bonus payments.

## Total Reward (TR)

TR is TRP plus bonus payments.

## Bonuses

At a practical level, terms ‘bonus’ and ‘incentive’ are often interchangeably. For the purposes of consistency throughout the 2005 APS Remuneration Survey, performance-based payments have been referred to as ‘bonuses’ even though in the APS they are often related to achievement of key performance indicators and hence meet the defining criteria of incentives. Performance-based bonuses in the private sector would more likely be referred to as incentives.

## Statistical Terms

### First Quartile/Q1

The **first quartile** or 25<sup>th</sup> percentile (Q1) is the mid-point of the lower half of the sample. That is, the first quartile is the point 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.

### Third Quartile/Q3

The **third quartile** or 75<sup>th</sup> percentile (Q3) is the mid-point of the upper half of the sample. That is, the third quartile is the point 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.

## Mercer Car Formula

## CAR FORMULA – 2005/2006

$$\text{Purchase Price}^* \times .276 + \$3,474^{**} +$$

$$***[.084 \times (P^* - \$57,009)]$$

\* GST *inclusive* purchase price

\*\* GST *exclusive* running costs (i.e. after input tax credits)

\*\*\* Only use the second part of the formula if P (original purchase price) is greater than the depreciation limit

NB: This formula does not include FBT

**Assumptions:**

Cost of Funds	9.75%	Changeover	3 years
Depreciation	19.63%	Registration and Insurance	\$1,091**
Annual Kilometres	16,000	Corporate Tax Rate	30%
Depreciation Limit	\$57,009	Cost of Petrol (cents/litre)	103.06 (weighted average of 8 capital cities @ May 2005)

**Running Costs:**

CAR SIZE	ENGINE SIZE	CENTS/KM	TOTAL RUNNING COSTS****
Light	up to .5 litres <sup>1</sup>	10.10**	\$2,707**
Small	1.5 – 2.0 litres	13.84**	\$3,305**
Medium	2.1 – 3.0 litres	14.06**	\$3,340**
Large	Over 3.0 litres	4.90**	\$3,474**

\*\*\*\*Total running costs equal the sum of the running costs plus registration and insurance costs

### FBT Calculation = Purchase Price x 2.129 x 0.485 x Statutory Fraction

Total Kms Travelled in the FBT Year	Statutory Fraction
Less than 15,000	0.26
15,000 to 24,999	0.20
25,000 to 40,000	0.11
More than 40,000	0.07

**Appendix D**

## Remuneration Outcomes by Various Parameters

As has been the case in previous reports, along with all the remuneration information, data concerning department size, the employee's work location (by State) and the job family to which the employee belongs have also been collected.

Mercer has conducted a one-way analysis of variance (ANOVA) test to determine whether differences observed in the average TRPs for each of these groups was significant. The following tables reflect these analyses which essentially assess whether the null hypotheses *that all the averages are the same*, should be accepted or rejected.

The greater the 'F' value, the lower the probability that the observed differences could have occurred by chance. If the differences in the averages for each category could have occurred by chance in less than 1% of occurrences, ( $p \leq .01$ ) we could safely reject the null hypothesis.

## Agency Size

As can be seen in Table D.1, analysing TRP by size of agency (using employee numbers) shows that across all SES bands, the average TRP was higher for agencies employing 500 to 999 employees than for the other three size categories. For SES 1 and SES 2 where differences between agencies based on size were significant, smaller agencies with less than 500 employees have average TRPs of a similar, or slightly higher magnitude, than agencies with 1000 to 4999 employees, or the very large agencies with more than 5000 employees.

Table D.1 – Average TRP levels by Agency Size

Agency Size	Band		
	SES 1	SES 2	SES 3
Less than 499	\$169,656	\$212,739	\$259,054
500 to 999	\$182,494	\$222,085	\$298,232
1000 to 4999	\$169,317	\$209,252	\$263,199
5000 or more	\$170,182	\$207,081	\$282,612
% Difference from min to max	7.8%	7.3%	15.1%
F	20.02	5.45	1.95
p	<0.001	0.001	0.127
significance	sig	sig	ns

Although there were differences in average TRPs for SES 3, these were not statistically significant. This means that the differences noted *between* the different size categories for SES 3 were no more significant than the variation that naturally occurs *within* each group of similar sized agencies. Although the differences for SES 3 positions appear quite large, because of the smaller sample size and inherently higher variability, the observed differences are not statistically significant.

Results of comparisons using Base Salary show a similar trend.

Tables D.2 to D.4 show Q1, median and Q3 values for Base Salary and TRP by agency size, for each SES band. Agencies with 500 to 999 employees staff were the highest paying across nearly all the inter-quartiles for Base Salary and TRP, across all SES bands. Smaller agencies were typically ranked second or third of the four groups at the median for Base Salary and TRP across all SES bands. Agencies with 1000 to 4999 employees were often the lowest paying group.

It should be stressed, however, that leaving aside the highest paying group (500 to 999 employees), differences between the other three agency size categories were generally very small.

Table D.2 – SES 1 Base Salary and TRP by Agency Size

Agency Size		Q1	Median	Q3
Less than 499	Base Salary	\$118,950	\$122,072	\$127,000
	TRP	\$161,092	\$168,565	\$177,365
500 to 999	Base Salary	\$118,024	\$130,000	\$131,070
	TRP	\$167,259	\$181,861	\$201,129
1000 to 4999	Base Salary	\$115,000	\$121,204	\$125,435
	TRP	\$158,341	\$167,708	\$180,658
5000 or more	Base Salary	\$118,077	\$122,000	\$128,200
	TRP	\$160,589	\$171,582	\$179,323

Table D.3 – SES 2 Base Salary and TRP by Agency Size

Agency Size		Q1	Median	Q3
Less than 499	Base Salary	\$146,000	\$151,829	\$159,608
	TRP	\$201,610	\$213,223	\$219,928
500 to 999	Base Salary	\$150,787	\$152,370	\$167,226
	TRP	\$201,038	\$215,605	\$249,326
1000 to 4999	Base Salary	\$143,621	\$151,108	\$155,686
	TRP	\$194,119	\$209,755	\$219,090
5000 or more	Base Salary	\$145,000	\$154,331	\$158,282
	TRP	\$192,535	\$207,553	\$221,405

Table D.4 – SES 3 Base Salary and TRP by Agency Size

Agency Size		Q1	Median	Q3
Less than 499	Base Salary	\$177,000	\$185,469	\$197,194
	TRP	\$248,060	\$260,002	\$271,732
500 to 999	Base Salary	\$186,680	\$217,591	\$217,591
	TRP	\$266,828	\$316,256	\$321,494
1000 to 4999	Base Salary	\$182,000	\$187,078	\$205,786
	TRP	\$236,629	\$255,615	\$275,332
5000 or more	Base Salary	\$183,703	\$191,540	\$200,577
	TRP	\$243,873	\$264,763	\$279,997

## Location

APS agencies employ staff in a wide variety of locations across all States and Territories. Within each SES band, it could be expected that remuneration would vary to some extent by location, given the wide differentials in the labour market between different States, and also cost of living differences between capital cities and the main regional locations.

As can be seen from Table D.5, differences were observed in average TRP levels for different locations which are around 6.8% for SES 1 and 6.7% across SES 2. Because of the much larger sample size, this difference was statistically significant for SES 1, but not for SES 2.

Table D.5 – Average TRP Levels by Location

Location	Band		
	SES 1	SES 2	SES 3
ACT	\$169,280	\$209,734	\$265,260
NSW	\$176,521	\$215,697	--
NT	\$165,252	--	--
Queensland	\$176,084	\$204,022	--
SA	\$170,573	\$214,746	--
Tasmania	\$175,821	--	--
Victoria	\$172,229	\$202,179	--
WA	\$166,245	--	--
% Difference from min to max	6.8%	6.7%	
F	3.31	1.24	--
p	0.002	0.285	--
significance	sig	ns	--

As can be seen in table D.5, SES 1 employees based in New South Wales and Queensland earned marginally more on average than Tasmania, Victoria, South Australia, and the Australian Capital Territory. Western Australia and the Northern Territory were the lowest paying States at SES 1.

## Job Family

For the analysis shown below by SES band and job family, we have not included categories where there were too few respondents, and we have also excluded those coded as 'other' and 'missing'. A summary of ANOVA outcomes are shown below.

Table D.6 – Average TRP Levels by Job Family

Job Family	Band		
	SES 1	SES 2	SES 3
Audit	\$183,024	\$217,457	--
Communications	\$160,830	--	--
Corp Services	\$170,820	\$207,193	--
Economist	\$176,945	\$212,752	--
Finance	\$169,153	\$205,658	--
HR	\$175,376	--	--
IT	\$171,045	\$199,114	--
Legal	\$162,352	\$211,329	--
Medical	\$165,536	\$203,657	--
Management	\$167,896	\$205,618	\$252,817
Policy Development	\$177,649	\$215,480	\$295,211
Scientific	\$180,501	\$213,182	\$250,443
% Difference from min to max	13.8%	9.2%	16.8%
F	8.5	1.7	4.63
p	<0.001	0.073	<0.001
significance	sig	ns	sig

As can be seen, for SES 1 and SES 3 employees, average TRP values for the different job families are statistically significantly different. At SES 1, Generalist Managers were below other job families, and Audit, Scientific and Policy Development professionals were significantly higher. Although a large difference was also observed between different job family groups at SES 2, because of the smaller sample size, this was not significant. However, at SES 3 the 16.8% difference between Policy Development professionals and Scientific or Generalist Managers was statistically significant.

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