

# Victorian Secretaries Board Submission to the Victorian Independent Remuneration Tribunal

2024 Determination of remuneration  
bands for executives employed in  
public service bodies

March 2024

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# Background

## The Tribunal and the Determination process

In November 2023 the Victorian Independent Remuneration Tribunal (Tribunal) wrote to the Secretary, Department of Premier and Cabinet (DPC) inviting the Victorian Secretaries Board (VSB) to participate in the Tribunal's *2024 Determination of remuneration bands for executives employed in public service bodies* (2024 Determination). On 1 December 2023 the Tribunal published its notice of intention to make a determination.<sup>1</sup> The 2024 Determination is expected to take effect on 1 July 2024.

The Tribunal separately wrote to the Victorian Public Sector Commissioner (VPS Commissioner) and the Public Sector Gender Equality Commissioner (PSGEC) inviting submissions. While the VPS Commissioner is a member of VSB, the VPS Commissioner will make a separate submission to the Tribunal.

## Purpose and structure

The purpose of this submission is to present information and insights that the VSB considers relevant to the Tribunal's 2024 Determination, and in particular, relevant changes since the Tribunal made its 2020 Determination.

In this submission the VSB will consider questions posed by the Tribunal in its invitation. The submission is divided into three parts:

- Part 1: Operating context of the public service
- Part 2: Profile of public service executive officers (EOs)
- Part 3: The public service EO employment framework

Victorian public service (VPS) employees, including EOs, are employed under Part 3 of the *Public Administration Act 2004* (PAA). The VPS forms part of the broader Victorian public sector, which includes public entities and other bodies.

As the 2024 Determination relates to Victorian 'public service bodies' as defined by the PAA, this submission primarily considers departments, Administrative Offices (AOs) and the Victorian Public Sector Commission (VPSC). However, VSB acknowledges that some other public sector agencies and authorities also employ staff under Part 3 of the PAA. Some data used in this submission includes staff and EOs from other agencies who exercise VPS employment powers, as well as departments, AOs and the VPSC. As such, the scope of data may be broader than just the cohorts on which the 2024 Determination will focus.

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<sup>1</sup> Victorian Independent Remuneration Tribunal, [2024 Determination of VPS executive remuneration bands](#), 1 December 2023.

# Response

## About public service EOs

As senior leaders of the Victorian public service, EOs occupy a unique role in the Westminster system of government. They are at the forefront of government decision-making, working in highly complex and dynamic environments to effectively deliver government priorities and provide high-quality, trusted apolitical advice to Ministers. Because of this, EOs are appropriately subject to a higher degree of accountability and public scrutiny than non-EOs and, in some instances, their private sector counterparts.

EOs are employed under Part 3 off the PAA, like non-executive VPS staff. The PAA sets out particular employment conditions for EOs, including that they must be employed under contracts of no longer than five years in length. The PAA also provides that EO remuneration must fall within remuneration bands set by the Tribunal, unless an employer seeks and considers the Tribunal's advice on a proposal to pay an EO above the top of the relevant band.

Beyond the legislated requirements, key terms and conditions of an EO's employment are set out in an employment contract, rather than an enterprise bargaining agreement as for non-executive VPS staff. This means that some EO employment terms and conditions are more liable to change than non-executive VPS staff.

EOs oversee the delivery of critical services and are responsible for managing considerable risk on behalf of the State. EOs oversee significant budgets, including billions of dollars of assets, and manage substantial workforces.<sup>2</sup> EOs are generally expected to have a broad skillset and knowledge base, and hold well-developed leadership, stakeholder management, risk management, strategic change management and resource management skills. EO leadership is especially critical during times of change and emergencies.

In serving the government of the day, public service EOs work for the Victorian community to provide robust, considered and evidence-based advice to government, and deliver public value. As such, government and community members rightfully have high expectations of the performance of EOs.

## Part 1: Operating context of the public service

### The public service supports a greater number of Ministers and portfolios

The public service currently serves 22 Ministers across 61 portfolios.<sup>3</sup> The public service bodies to which the 2024 Determination will apply include 10 departments, 13 AOs and the VPSC,<sup>4</sup> noting some EOs in some public entities are employed under Part 3 of the PAA, and the remuneration for these EOs is currently based on the Tribunal's 2020 Determination.

Figure 1 and Tables 1 and 2 demonstrate how the total number of portfolios and number of Ministers cumulatively supported by departments rose over the past five years. The figures outline the Ministers and portfolios supported by departments as at 30 June of each year. Some Ministers holding multiple portfolios are supported by different departments for their different portfolios.

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<sup>2</sup> Victorian Public Sector Commission, [Number of Executives](#), 24 April 2023.

<sup>3</sup> Premier of Victoria, [New Cabinet To Keep Delivering For Victorians](#), 2 October 2023.

<sup>4</sup> Victorian Public Sector Commission, [List of public sector employers](#), August 2023.

The increase in the number of portfolios supported by departments requires EOs in the public service to support a broader range of initiatives, increasing the scope and variety of subject matter with which EOs are required to be familiar, particularly for senior EOs such as Secretaries and Deputy Secretaries.

As an example of this, the Department of Jobs, Skills, Industry and Regions (DJSIR) has supported up to 11 Ministers and 17 portfolios over the past five years. On 30 June 2019, DJSIR (then known as the Department of Jobs, Precincts and Regions) supported six Ministers and ten portfolios. By 30 June 2022 that increased to 11 Ministers across 17 portfolios. The remit of the department spanned a large breadth of policy areas such as resources, forestry, climate change, local government, jobs, business engagement, international trade, regional development, agriculture, and sport and recreation.

Such a wide scope of portfolio responsibility places distinct demands on senior EOs to not only have a broad range of subject matter expertise, but also to sustain high levels of engagement, administration and relationship building with multiple Ministers and their offices.

Tables 1 and 2 below show the number of Ministers and portfolios supported by each department, noting certain departments have been renamed to reflect machinery of government changes and the transfer of portfolios or functions (e.g. Department of Transport renamed to Department of Transport and Planning). Others are newly established departments (e.g. Department of Families, Fairness and Housing, Department of Government Services).<sup>5</sup>

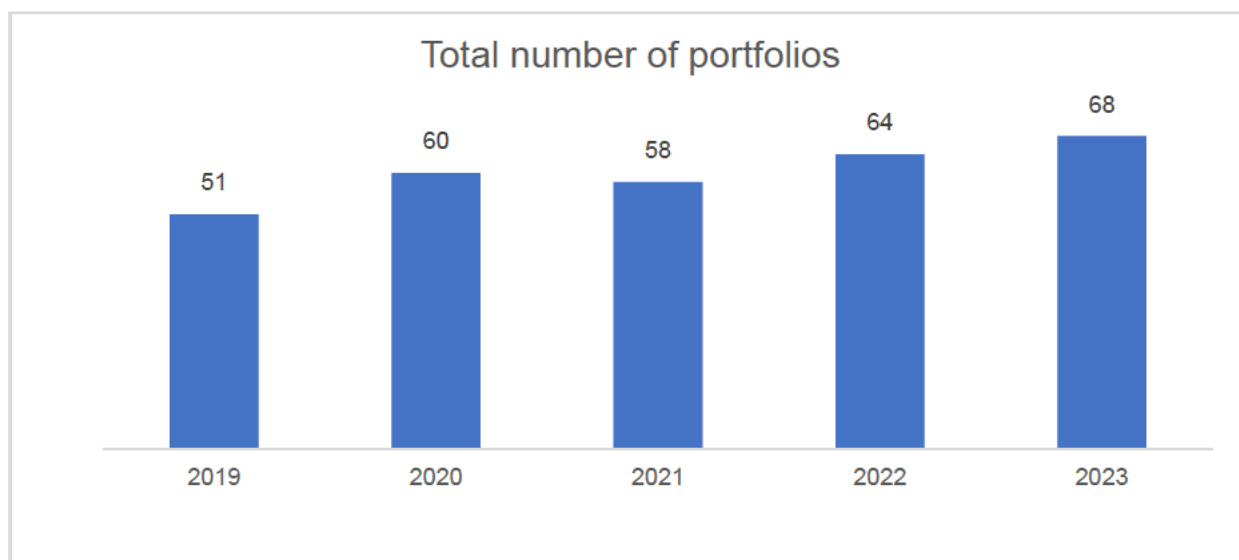


Figure 1: Number of portfolios supported by all departments as at 30 June each year. Source: Departmental annual reports.

	June 2019	June 2020	June 2021	June 2022	June 2023
<b>DPC</b>	7	7	4	4	5
<b>DTF</b>	2	2	2	2	2
<b>DELWP/DEECA</b>	4	4	3	3	4
<b>DOT/DTP</b>	3	3	3	3	5

<sup>5</sup> This aligns with the relevant Governor-in-Council order regarding whether a department was established or renamed.



DET/DE	2	2	3	3	2
DJPR/DJSIR	6	6	7	11	9
DJCS	4	4	5	5	4
DHHS/DH	5	5	3	3	3
DFFH			6	6	6
DGS					3
<b>TOTAL</b>	<b>33</b>	<b>33</b>	<b>36</b>	<b>40</b>	<b>43</b>

Table 1: Number of ministers per department as at 30 June each year. Source: Departmental annual reports.

	June 2019	June 2020	June 2021	June 2022	June 2023
DPC	9	10	4	4	5
DTF	3	4	4	4	3
DEWLP/DEECA	5	5	4	5	6
DOT/DTP	6	7	6	8	9
DET/DE	3	3	4	4	2
DJPR/DJSIR	10	14	15	17	15
DJCS	8	9	8	9	9
DHHS/DH	7	8	4	4	6
DFFH			9	9	9
DGS					4
<b>TOTAL</b>	<b>51</b>	<b>60</b>	<b>58</b>	<b>64</b>	<b>68</b>

Table 2: Number of portfolios per department as at 30 June each year. Source: Departmental annual reports.

## The size of the public service workforce has grown

Between June 2019 and June 2023, the public service grew by 15.9 per cent. In June 2023, public service FTE was 54,760 compared to 47,247 FTE in June 2019.<sup>6</sup>

VSB notes that, as part of its COVID Debt Repayment Plan, the government has committed to rebalancing the public service, bringing it back towards pre-pandemic levels, while not affecting frontline workers. This commitment includes reducing public service staffing by 3,000 to 4,000 roles in 2023-24.<sup>7</sup> VSB expects that continued implementation of the government's Workforce Transition Policy will result in a reduction in FTE in coming years and notes some changes have occurred since June 2023.

Between 2019 and 2022, the size of the whole Victorian public sector (which includes the public service) increased by 11.7 per cent.<sup>8</sup> Comparable public sectors in other Australian jurisdictions such as New South Wales, Queensland and Western Australia increased by 11 per cent, 15 per cent and 19 per cent respectively.<sup>9</sup> While these figures relate to the larger public sectors rather than just public services, public sectors encompass public service workforces and provide a useful comparison regarding Victoria's growth relative to other Australian jurisdictions.

<sup>6</sup> Victorian Public Sector Commission, [Employee numbers](#), 27 April 2023.

<sup>7</sup> 2023-24 Victorian State Budget, [Budget Information Paper: COVID Debt Repayment Plan](#), page 20.

<sup>8</sup> Victorian Public Sector Commission, [Employee numbers](#), 27 April 2023.

<sup>9</sup> Australian Bureau of Statistics, [Public Sector Employment and Earnings](#).

Part 2 provides additional detail regarding how the growth and activity in the public service relates to the number of EOs.

### **Attracting and retaining EO talent is an ongoing challenge**

VSB's overall impression is that public service EO roles are less attractive to VPS employees and external candidates than at the time of the last Determination. While the competitiveness of remuneration and employment conditions may be relevant factors, VSB considers there are likely other drivers for this change, some of which are outlined in this submission.

A tight labour market throughout 2022 and 2023 compounded existing recruitment and retention pressures associated with supporting a growing public service and EO cohort. In May 2019 Victoria's unemployment rate was 4.9 per cent, compared to May 2023 where it was at 3.7 per cent.<sup>10</sup> As in other sectors, this created a competitive labour market, with a low unemployment rate and increased demand for EOs with relevant skills.

Together with EO employment opportunities generated by significant government investment in large-scale initiatives, this created additional challenges for recruiting and retaining capable and talented EOs.

### **The fiscal and economic environment has changed**

Since 2020, the breadth and volume of work undertaken by the public service continued to grow in response to government priorities. The 2019-20 Budget, which was the last pre-COVID budget, contained \$11.4 billion in output initiatives, compared to the 2023-24 Budget which outlined \$15.4 billion in output initiatives.<sup>11</sup>

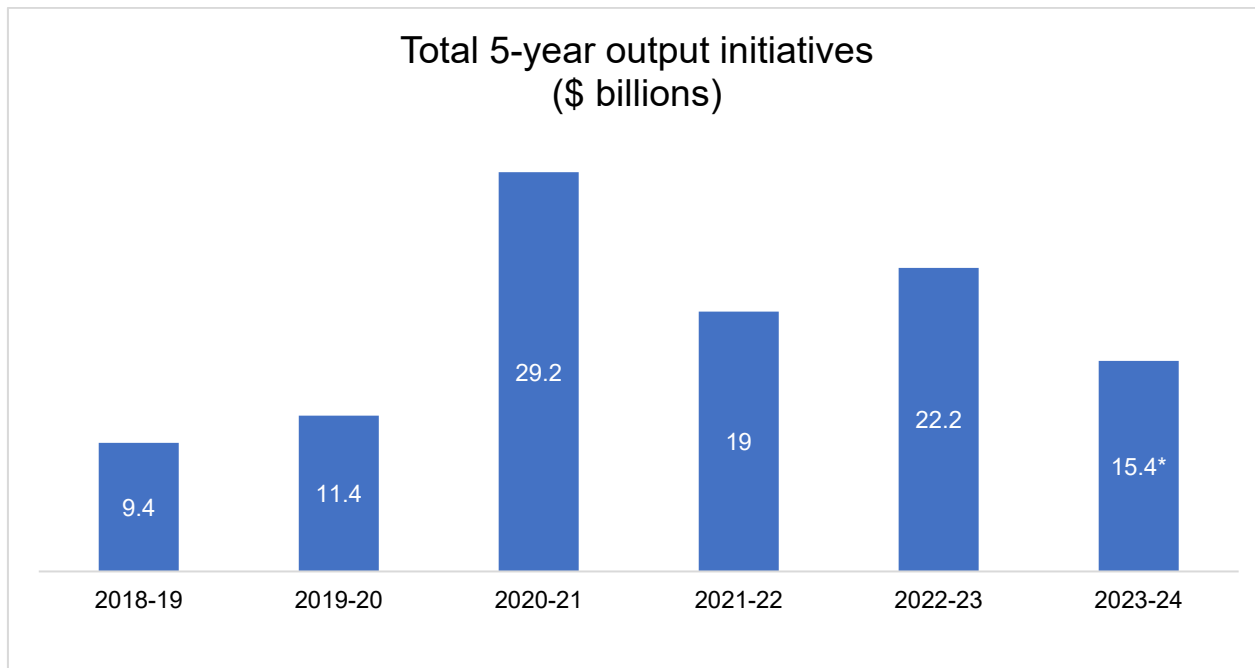
The 2023-24 Budget indicated that the \$31.5 billion in expenditure was incurred by the State for activities primarily delivered between 2019-20 and 2022-23 as one-off expenditure and tax relief to directly respond to the pandemic.<sup>12</sup> The public service required agility and responsiveness to efficiently and effectively implement COVID-19 support programs. In addition, the public service supported the progression of several significant initiatives since 2020, particularly a number of social and economic initiatives. Total government output spending increased significantly from 2020 (Figure 2), which is reflective of the increase in number and range of services and programs which EOs are responsible for overseeing, implementing and leading.

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<sup>10</sup> Victorian State Government, State of the Victorian Labour Market Report 2023, <https://www.vic.gov.au/state-victorian-labour-market-2023>

<sup>11</sup> Department of Treasury and Finance, [State Budget](#).

<sup>12</sup> 2023-24 Victorian State Budget, Budget Paper No. 2 Strategy and Outlook, page 7.



\* funding since the 2022 Victorian Pre-Election Budget Update.

Figure 2: Five-year output initiatives. Source: Budget Paper Number 3

The government also has a significant infrastructure pipeline, with comparatively high net infrastructure investment expected to continue in future years, as shown in Figure 3.

Market constraints including nationwide labour shortages and supply chain disruptions continue to impact the delivery of the infrastructure pipeline by the private sector entities contracted to deliver the projects. The 2023-24 Budget notes the government is using innovative approaches in procurement and construction to address these challenges. Talented EOs will be required to meet these challenges and deliver on the government’s infrastructure investments.

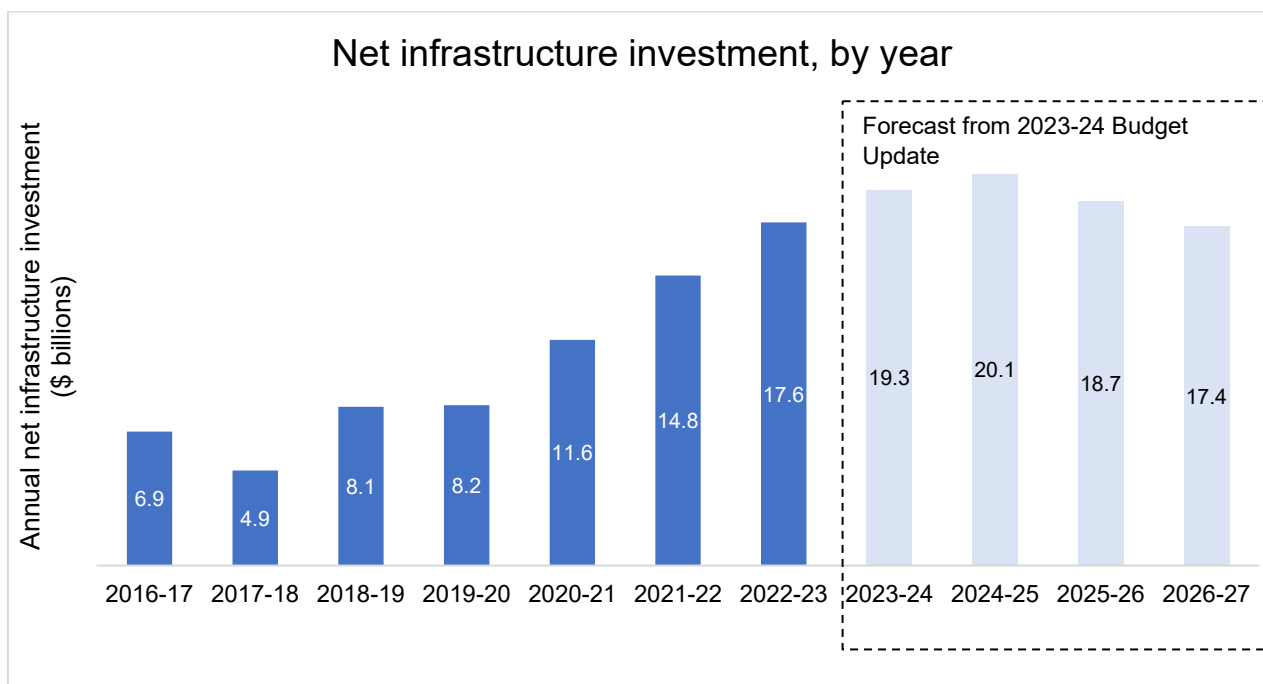


Figure 3: Five-year net infrastructure investment. Source: Department of Treasury and Finance, [Other Financial Aggregates](#)



Since the Tribunal’s 2020 Determination the government has introduced a four-step fiscal strategy with an aim to return Victoria’s finances to an operating cash surplus and stabilising debt levels.<sup>13</sup> This includes the abovementioned commitment to rebalancing the public service and bringing public service staffing levels back to pre-pandemic levels, without affecting frontline workers.<sup>14</sup>

As shown in Figure 4, government employee expenses between 2018-19 and 2022-23 increased 33 per cent.<sup>15</sup> Employee expenses constitute a significant proportion of government expenditure, and public service EO remuneration contributes to the total government employee expenditure. Consistent with the Victorian Government Wages Policy (Wages Policy), and noting negotiations for a new enterprise agreement covering non-executive public service employees are ongoing, wage outcomes for non-executive public service employees are expected to grow by three per cent per annum over the life of a four year agreement commencing in 2023. In addition to annual wage increases, a separate lump sum cash payment will be available, equivalent to an additional 0.5 per cent of overall agreement costs.

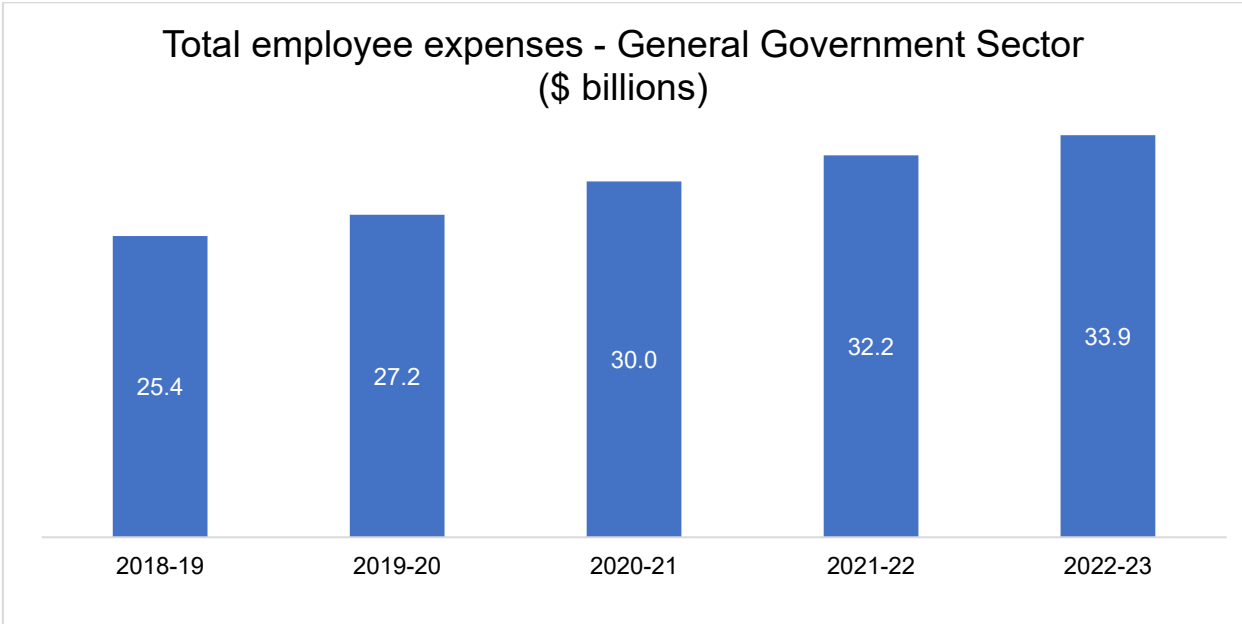


Figure 4: Government employee expenses. Source: [Department of Treasury and Finance Financial Report](#).

### There have been significant changes in ways of working across the public service

The public service has experienced a period of significant change since the Tribunal’s 2020 Determination, primarily although not exclusively due to the COVID-19 pandemic, which required the public service to adopt new ways of working.


Since 2020, hybrid and flexible working has been normalised,<sup>16</sup> embedding working-from-home and the office as a feature of public service employment. While hybrid-working opportunities are available across many industries, particularly within Victoria, the embedding of hybrid-working is a benefit of working in the VPS.

<sup>13</sup> 2023-24 Victorian State Budget, [Budget Information Paper: COVID Debt Repayment Plan](#), page 13.

<sup>14</sup> 2023-24 Victorian State Budget, [Budget Information Paper: COVID Debt Repayment Plan](#), page 20.

<sup>15</sup> Expenses for the General Government Sector include the public service, and some statutory entities and agencies controlled by the Government.

<sup>16</sup> Victorian Public Sector Commission, [Flexible Work Policy](#), page 5.



In practice, this shift has required EOs (and VPS staff more broadly) to be more technologically capable, and to be able to manage staff and deliver on priorities within the new hybrid environment. Key challenges of leading a hybrid workforce include finding new ways to stimulate connections and creativity, build trust and relationships within and across teams and organisations, and support critical cohorts such as new starters and younger workers.

VSB has observed that, since 2020, expectations that EOs will be available and responsive at all times have increased. This may be an unintended consequence of hybrid and flexible working, a hangover from the pandemic, or it may be the result of an overall increase in the pace and complexity of work the VPS delivers. EOs are also supporting non-executive staff who feel pressure to complete work or be available outside of normal working hours, which impacts staff stress levels, engagement and wellbeing, and turnover.

VSB also observes that machinery of government changes, which will always be a feature of working in the VPS, have placed significant demands on EOs since 2020. As senior leaders, EOs are responsible for ensuring that organisational changes are implemented effectively and efficiently, including managing the impacts of change on non-executive staff.

Finally, savings initiatives to rebalance the public service towards pre-pandemic levels and reduce workforce numbers have had a significant impact on the role of EOs. Planning, communicating and implementing workforce reductions, while supporting staff wellbeing and engagement and delivering on priorities, has been a core component of EO roles in recent years.

## Part 2: Profile of public service EOs

### The number of EOs in the public service has increased since 2020

As noted in Part 1, the pace and complexity of work undertaken by the public service grew markedly since 2020, and increased numbers of EOs in the public service were required to support this growth. Between June 2019 and June 2023 the EO cohort increased by 54 per cent from 1,241 FTE to 1,907 FTE. As noted in Part 1, increased activity generated by government commitments and investment creates greater demand for skilled EOs and may contribute to additional challenges for recruitment and retention of EOs.

As COVID-19 programs and services are wound down and the COVID Debt Recovery Plan is implemented, it is expected that the number of EOs will decline.<sup>17</sup> In addition, the 2023-24 Budget included a reduction of 3,000 to 4,000 VPS roles across corporate and back-office functions,<sup>18</sup> which will include reductions in EO numbers across the public service. These savings initiatives are expected to impact the size of the EO workforce in the coming years. The figure for June 2023 does not reflect some changes that have occurred since June 2023.

	June 2019	June 2020	June 2021	June 2022	June 2023
Total public service size (FTE)	47,247	47,395	55,735	53,639	54,760
Total EO cohort (FTE)	1,241	1,450	1,737	1,887	1,907

Table 3: Victorian public service and EO FTE figures. Source: Victorian Public Sector Commission, *State of the Public Sector Report 2022*.

Expressed as a percentage, EOs represented 2.5 per cent of the public service employees in 2019,<sup>19</sup> and by June 2023 represented 3.5 per cent of public service employees.<sup>20</sup> Since 2020, collectively EOs oversee and manage an expanded public service, and senior EOs in Senior Executive Service (SES)-2 and SES-3 positions particularly have greater oversight and people management responsibility.

VSB acknowledges that there are various non-monetary benefits of EO roles which attract and support retention of EOs to the public service. In VSB's observation, most EOs would not base a decision to work in the public service on remuneration alone. VSB expects that these broader motivations will be covered in greater detail in other submissions to the Tribunal, including from the VPS Commissioner.

As shown in Table 4, 55 per cent of EOs in the public service are classified at an SES-1 level, and Figure 5 demonstrates most EOs within this band are remunerated in the lower half of the SES-1 band. Part 3 of the Submission provides further information regarding the distribution of remuneration of EOs and relativities within bands.

<sup>17</sup> Victorian Public Sector Commission, [Number of Executives](#), 24 April 2023

<sup>18</sup> Victorian Budget 2023-24, [COVID Debt Repayment Plan](#), page 20.

<sup>19</sup> Victorian Public Sector Commission, [State of the Public Sector Report 2019](#), page 93,

<sup>20</sup> Victorian Public Sector Commission, [Number of Executives](#), 24 April 2023

	SES-1	SES-2	SES-3	Secretary
Number of EOs in the band at 30 June 2023 (FTE)	1,053	733	111	10
Value of total remuneration package value of the band at 1 July 2023	\$216,376-\$279,238	\$279,239-\$401,017	\$401,018-\$533,431	\$577,716-\$778,492
Value of total remuneration package value of the band at 1 July 2022	\$207,116-\$267,445	\$267,446-\$384,540	\$384,541-\$511,862	\$554,443-\$747,497

Table 4: TRP Values and number of EOs within bands. Source: Victorian Independent Remuneration Tribunal, Remuneration bands for executives employed in public service bodies; Victorian Public Sector Commission, Remuneration, pay bands and gender pay gap.

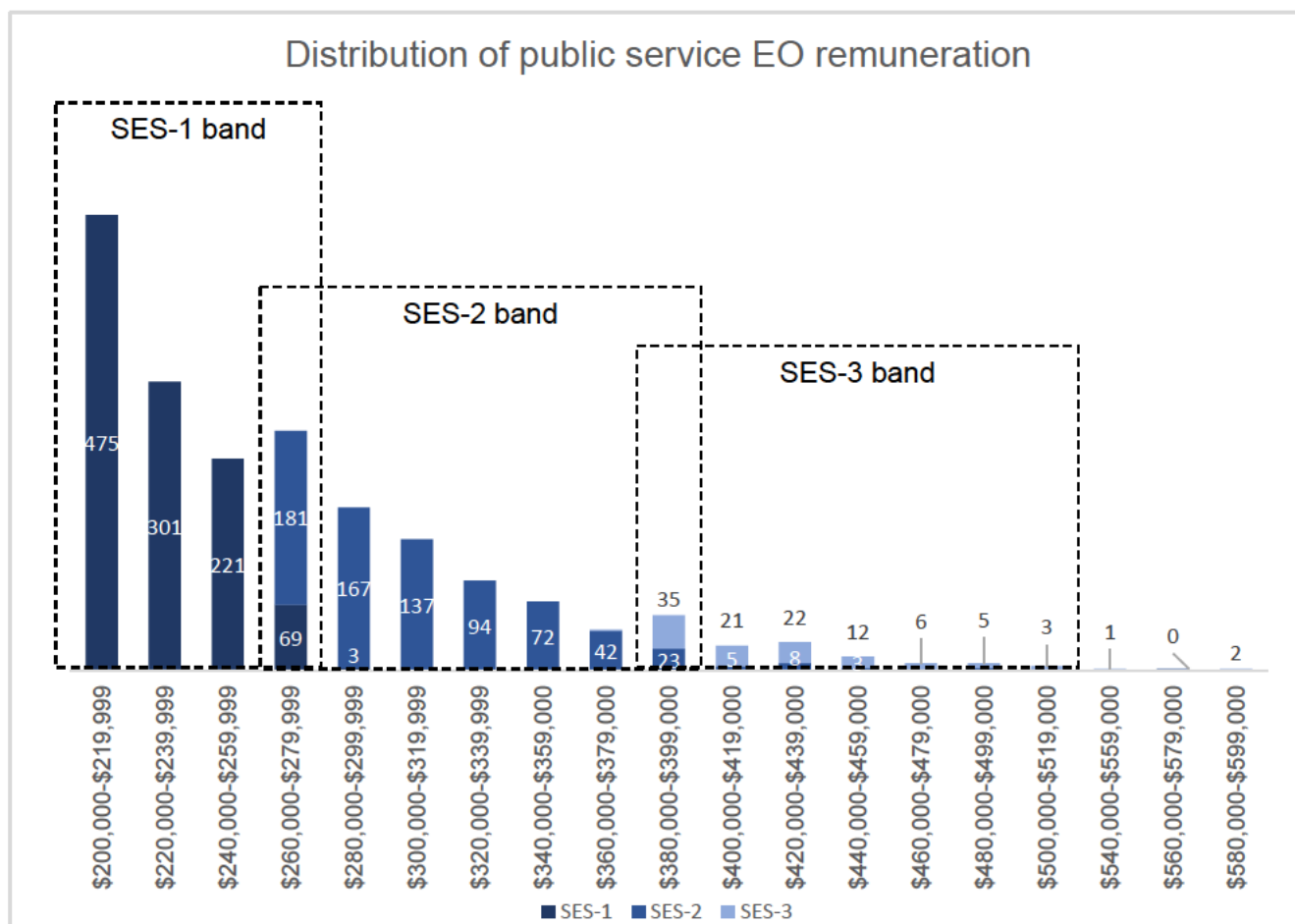


Figure 5: Distribution of EO remuneration at 30 June 2023. Source: Provided by Victorian Public Sector Commission..

## The government has committed to improve representation of women in the public service EO cohort

In 2016 the government published ‘Safe and Strong: A Victorian Gender Equality Strategy’ which set a target of appointing women to 50 per cent of public service EO positions.<sup>21</sup> Between July 2021 and June 2022, 53 per cent of appointees to public service EO roles were women.<sup>22</sup> As shown in Figure 6, between 2020 and 2022, the majority of SES-1 roles were occupied by women. However, women represented less than 50 per cent of SES-2, SES-3 and Secretary roles. Further, in 2023 the government published ‘Our equal state: Victoria’s Gender Equality Strategy and Action Plan 2023–2027’ which targets gender parity in senior leadership positions in each portfolio across the Victorian public sector within 5 years.<sup>23</sup> In addition, it further commits to exploring ways to improve public service working arrangements to reduce the impacts of unpaid care. This includes examining options to improve job security, job opportunities and greater flexible work.<sup>24</sup>

In September 2020, the government legislated the *Gender Equality Act 2020*, and established the PSGEC. The PSGEC provides best-practice advice and education to public service employers and supports public service employers improve gender equality and comply with the *Gender Equality Act 2020*.<sup>25</sup> VSB expects further gender equality matters will be covered in greater detail in other submissions, including submissions from the PSGEC and the VPS Commissioner.

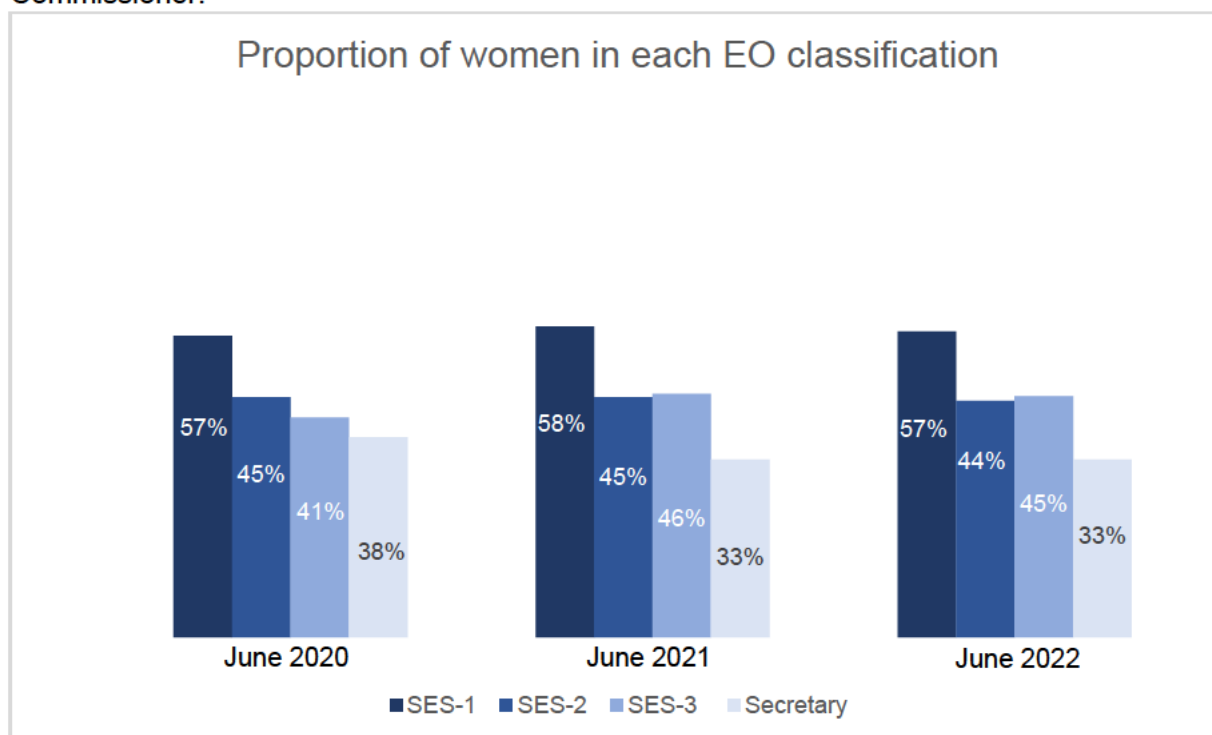


Figure 6: Proportion of women in each EO classification. Source: Victorian Public Sector Commission, [Age, gender and part-time arrangements](#).

<sup>21</sup> Victorian Government, [Safe and Strong: Victorian Gender Equality Strategy](#), 2016, page 17.

<sup>22</sup> Victorian Public Sector Commission, [Age, gender and part-time arrangements](#), 24 April 2023.

<sup>23</sup> Victorian Government, *Our Equal State: Victoria’s gender equality strategy and action plan 2023-2027*, 23 August 2023, page 55.

<sup>24</sup> Victorian Government, *Our Equal State: Victoria’s gender equality strategy and action plan 2023-2027*, 23 August 2023, page 69.

<sup>25</sup> The Public Sector Gender Equality Commissioner, [What is the Commissioner’s Role](#), 21 November 2023.

## The public service, including EO performance, is subject to a high-level of public and parliamentary scrutiny

Since the Tribunal made its first determination, the role of EOs in the public service has been the subject of increased public scrutiny and integrity reports.

Between August and October 2020, more than 15 public service EOs were required to appear before the COVID-19 Hotel Quarantine Inquiry.<sup>26</sup> Between April and May 2023, a number of senior EOs also appeared before the Yoorrook Justice Commission hearings.<sup>27</sup> These hearings were in addition to periodic Parliamentary hearings at which senior EOs appear, such as the Public Accounts and Estimates Committee's Inquiry into Financial and Performance Outcomes hearings and the Legislative Council's Inquiry into the 2026 Commonwealth Games Bid.

Providing account for public service actions before inquiries and parliamentary hearings is an important aspect of Victoria's system of government and an expected function of public service EOs. These hearings are demonstrable of the high-level of scrutiny and public examination to which public service EOs are rightly subject, but which also constitute a distinct responsibility of EOs within the public service.

Several media reports and a Victorian Ombudsman investigation also brought significant public focus on EOs in the public service. The Ombudsman's report, *Alleged politicisation of the public sector: Investigation of a matter referred from the Legislative Council on 9 February 2022 – Part 2* (Ombudsman Report) was released in December 2023. The Legislative Council's referral to the Ombudsman was itself the result of media reporting reflecting on the suitability, integrity and qualifications of multiple EOs across government. The report touches on the recruitment and employment of EOs, the relationship between EOs and Ministers and their offices, the provision of frank and fearless advice and the culture of the public service. The report did not find evidence of partisan political considerations in the employment of public service EOs, nor that EOs undertook inappropriate decision making. The Ombudsman Report nevertheless generated significant attention about the role of EOs in the public service, including commentary about individual senior EOs. Whilst names were redacted, in some cases it was possible for either members of the public or those within the public sector to identify the individuals concerned.

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<sup>26</sup> COVID-19 HOTEL Quarantine Inquiry, [Hearings Schedule](#), 30 November 2020.

<sup>27</sup> Yoorrook Justice Commission, [Yoorrook for Justice](#): Report into Victoria's Child Protection and Criminal Justice Systems, August 2023, page 11.



## Part 3: The public service EO employment framework

### Various organisations and guidelines constitute Victoria's EO employment and remuneration framework

The framework supports transparent, accountable and evidence-based decision making regarding the employment and remuneration of EOs and promotes efficiency and consistency in EO remuneration.

Under section 12 of the PAA, the Premier is the employer of Department Heads and Administrative Office Heads. Under section 43 of the PAA, the Governor in Council appoints the VPS Commissioner on recommendation from the Premier. Collectively, Department Heads, AO Heads and the VPS Commissioner are known as public service body Heads. Under section 24 of the PAA, the relevant public service body Head is the responsible employer for other public service EOs within the relevant department or AO.

The VPSC develops and issues the *Victorian Public Service Executive Classification Framework* (VPS ECF), which clarifies the expectations of EOs at different classification levels. It also sets out the methodology of a *Work Value Assessment*, a process of evidence-based methodical position analysis to allow EO positions to be assigned to one of the three classification levels. The *Victorian Public Service Executive Performance Management Framework* sets out the principles to achieve consistent EO performance management throughout the public service and ensure public service EO performance aligns with government priorities and public sector values.

The Tribunal is responsible for setting the remuneration bands for public service EOs, and adjusts the values of remuneration bands annually (Annual Adjustment). Public service EOs, must be paid at least the minimum of their relevant band, and can only be paid above the relevant band if the employer first requests advice from the Tribunal. Each year, the Premier issues an Annual Remuneration Adjustment guideline rate (guideline rate), and public service body Heads may increase EO salaries up to the guideline rate.

The Wages Policy sets out the government's expectations regarding the changes to wages and conditions that can be negotiated in public sector enterprise agreements covering non-executive employees.

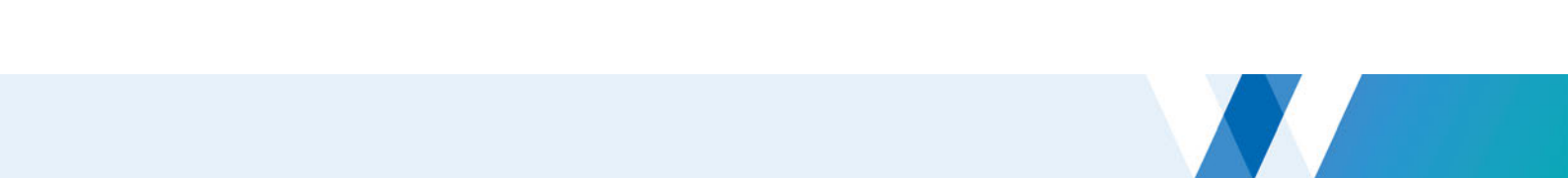
### Several reports made recommendations relating to the EO employment framework, some of which are still outstanding

The VPSC completed its Review of Victoria's Executive Officer Employment and Remuneration Framework (EO Review) in 2016. The EO Review made recommendations to improve the "transparency, fairness and rigour in relation to classifying and remunerating executives". The EO Review also found that Victoria's EO employment offer was uncompetitive with other jurisdictions at that time.<sup>28</sup>

Overall, the EO Review's recommendations led to the Tribunal's creation as well as the introduction of a more consistent and objective EO employment framework for the VPS. While the majority of the recommendations were implemented (either in full or in part) prior to VSB's

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<sup>28</sup> Victorian Public Sector Commission, [Review of Victoria's executive officer employment and remuneration framework](#), August 2016, page viii.



submission to the Tribunal's first determination in 2019, the implementation of some recommendations continued in the intervening period. For example, the VPS ECF has now been rolled out to all departments, with a similar framework also in place for public entities. As a result of this, the impact of the introduction of the VPS ECF may be of interest to the Tribunal, as it may impact the distribution of EOs across the bands and also how the work value score is considered under the Tribunal's Guidelines.

Some recommendations from the EO review have not yet been implemented, including recommendations 3.2 to 3.4. These relate to the removal of the 5-year limit on EO contracts and the right of return entitlement under the PAA, and increasing the standard 'at will' termination provision included in EO contracts from four months to nine months. Reforms to implement the first two of these recommendations were included in the Public Administration Amendment (Public Sector Redundancies and Other Matters) Bill 2018, which lapsed in the 58<sup>th</sup> Parliament in 2018 and has not been re-introduced.

Additionally, in December 2023, the Ombudsman Report made several recommendations relating to the recruitment and employment of EOs in the public service. These include:

- Recommendation 1, relating to the establishment of an independent public service head who will employ secretaries and oversee aspects of EO recruitment, and the removal of 'at will' termination of public service EOs;
- Recommendation 2, relating to the extension of the notice period for 'at will' termination of EOs to nine months pending the removal of the 'at will' termination clause; and
- Recommendations 4 to 6, regarding the amendment of standards around recruitment and selections processes for EOs.

As at February 2024, the government is considering the Ombudsman's recommendations.

### **The proportion of requests to the Tribunal to pay above the remuneration bands suggest the bands are generally appropriate**

Under section 37 of the VIRTIPS Act, the Tribunal must provide advice to employers proposing to pay an EO above the maximum of the relevant band. Between 2019-20 and 2022-23, the Tribunal provided advice on 59 public service EO roles per year on average regarding proposals to pay exceeding the maximum of the band.<sup>29</sup> The low number of requests compared to the size of the EO cohort in the public service suggests that the scope of the remuneration bands is appropriately flexible for the majority of public service EO positions. Fewer requests also suggests the scope of the bands are generally fair, equitable and competitive for EOs.

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<sup>29</sup> Victorian Independent Remuneration Tribunal, [Annual Reports](#).

	2019-20	2020-21	2021-22	2022-23
Number of public service EOs in relation to whom the Tribunal gave advice	57	82	62	36
Percentage of public service EOs about whom the Tribunal provided advice	3.8%	4.7%	3.2%	1.8%

Table 5: Payment Above the Band requests. Source: Tribunal annual reports.

## It is important to preserve an appropriate gap between SES and VPS6 remuneration, while also considering STS7 roles

Under section 25 of the PAA, EOs are employed on individual contracts on a fixed term. VPS6 and STS7 roles are governed under the *Victorian Public Service Enterprise Agreement 2020* (VPS Agreement), under which the majority of VPS roles are ongoing, attaching a greater level of job security to these roles. In comparison to VPS6 roles, EO roles have a greater focus on strategic and organisational leadership, greater personnel and budget oversight responsibility, increased interaction with Ministers and their offices, higher workload and lower job security.

The Tribunal's most recent annual adjustment, effective 1 July 2023, provided for an SES-1 remuneration band ranging from \$216,376 to \$279,238.<sup>30</sup> As at 1 December 2023, under the VPS Agreement, remuneration for a VPS 6 role ranges from \$145,047 to \$194,105, and remuneration for a STS7 role ranges from \$197,012 to \$267,940 (inclusive of superannuation). There is a 12.6 per cent gap between the maximum remuneration of a VPS6 role and the minimum remuneration of an SES-1 role, and some overlap between the remuneration of an STS7 and SES-1 role, noting these roles are more distinct. For example, an STS7 officer, as a Senior Technical Specialist, may lead highly specialised professional research or manage a significant specialist research institute, compared to an SES-1 EO who may be responsible for a wide range of activities relating to an area of responsibility.<sup>31</sup>

Of note, in certain circumstances individual VPS employees may be entitled to specific allowances and payments which may impact the total remuneration outlined above.

To ensure EOs receive an appropriate premium for foregoing an ongoing role, executive roles are attractive to VPS staff, from both a remuneration and non-monetary benefits perspective, and there is a sufficient pipeline of talent to fill executive roles, remuneration arrangements for the SES-1 remuneration band should preserve an appropriate gap between VPS6 and SES-1 remuneration levels.

<sup>30</sup> Victorian Independent Remuneration Tribunal, [Remuneration bands for executives employed in public service bodies – annual adjustment](#), 1 December 2023.

<sup>31</sup> Victorian Public Sector Enterprise Agreement, 2 October 2022, pages 177-180; [Victorian Public Service Executive Classification Framework](#), 3 October 2022, pages 12-17.

VSB notes that the current VPS Agreement nominally expires on 20 March 2024, and future projections for this gap will depend on the timing for finalising the 2024 VPS Enterprise Agreement, negotiations for which are expected to be concluded in the coming months.

## The implementation of the guideline rate and the Tribunal’s Annual Adjustment affects salary distribution within the remuneration bands

Under the VIRTIPS Act the Tribunal must make annual adjustments to the remuneration bands.

The Premier separately announces an annual adjustment guideline rate, which represents the maximum percentage remuneration increase public service employers may apply to their EOs (outside of, for example, contract renegotiation), and is principally aimed at offsetting the effects of inflation on market relativities in relation to remuneration. Public service employers have discretion to pass on increases to an EO’s remuneration up to the guideline rate. The guideline rate is set at the Premier’s discretion and has historically taken into account different considerations, including the government’s Wages Policy.

On the other hand, public service EOs are automatically entitled to receive a remuneration increase to the new base of their band following the Tribunal’s annual adjustment if they were previously paid below this figure. Eligible EOs are entitled to this automatic increase regardless of the Premier’s guideline rate.

In recent years, the guideline rate has been a lower value than the Tribunal’s annual adjustment. For example, in 2023-24, the Premier set the guideline rate at three per cent, and the Tribunal adjusted the remuneration bands by four per cent.<sup>32</sup>

	2020-21	2021-22	2022-23	2023-24
Guideline rate	0%	1.5%	1.5%	3%
Tribunal annual adjustment	See note	2.5%	3.6%	4%

Table 6: Comparison of the Premier’s guideline rate and the Tribunal’s annual adjustment. Source: [Remuneration bands for executives employed in public service bodies – annual adjustment](#).

Note: The Tribunal’s 2020 Determination increased the base and top of the remuneration bands by approximately:

- 3.8% (base) and 3.7% (top) for SES-1
- 16.2% (base) and 4.7% (top) for SES-2
- 15.3% (base) and 5.0% (top) for SES-3.

2021-22 was the first year the Tribunal was required to make an annual adjustment to the remuneration bands under its establishing legislation.

Over time, the cumulative impact of the guideline rate being lower than the Tribunal’s annual adjustments has resulted in more EOs being remunerated closer to the bottom of the remuneration bands. Relativities between EO salaries, which may reflect experience and high performance, are not maintained. This also means EOs may remain at the bottom of their respective bands for extended periods. The hypothetical scenario outlined in Figure 7

<sup>32</sup> Victorian Government, [Public service executive remuneration policy](#), 21 July 2023; Victorian Independent Remuneration Tribunal, [Remuneration bands for executives employed in public service bodies – annual adjustment](#).

demonstrates how the remuneration adjustments for two EOs in the same band may lead to inconsistent relativities and movement toward the bottom of the band.

Noting setting the guideline rate is a matter for the Premier, disparity between the annual adjustment and the guideline rate has led to concerns around pay relativity and equity between EOs within the same band.

If remuneration bands were to change as a result of the Tribunal's 2024 Determination, VSB and other public service employers would welcome advice from the Tribunal on managing salary relativities within the bands, to ensure consistency, fairness and competitive remuneration.

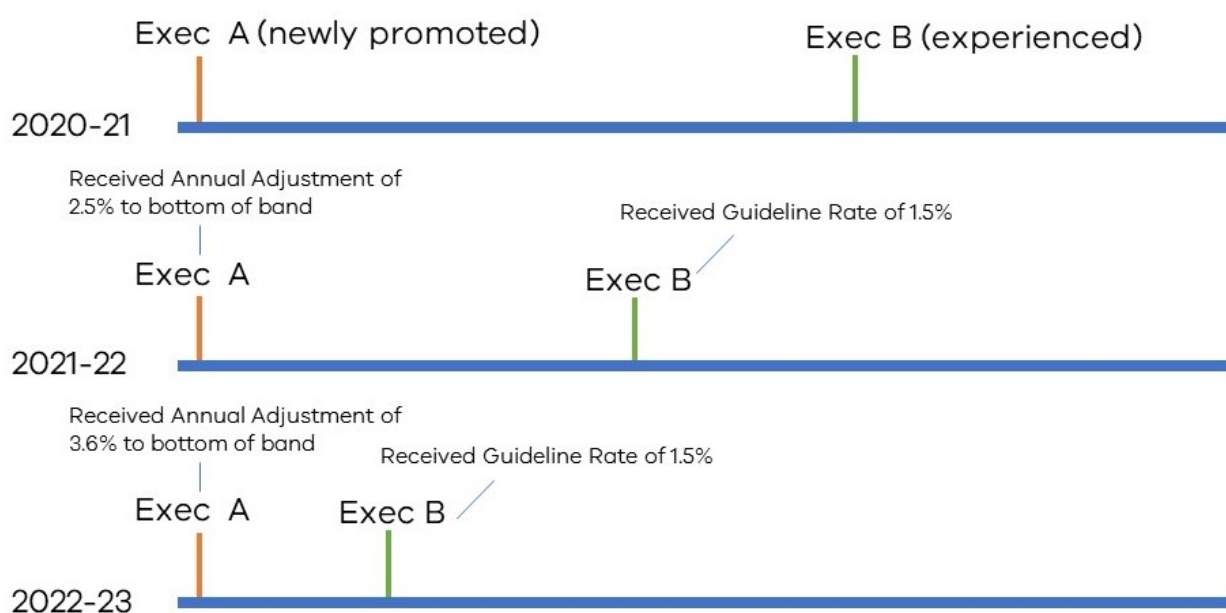


Figure 7: This hypothetical scenario demonstrates how remuneration adjustments lead to inconsistent relativities between EOs in the same band.

## Recommendations

In its consideration of the 2024 Determination, the VSB recommends the Tribunal take into account the factors outlined in this submission, including:

- the government's wages policy;
- the changes to the economic and fiscal environment of the State (noting VSB understands the Tribunal is undertaking its own analysis on this topic);
- the scope and complexity of activity undertaken by government;
- government commitments regarding the rebalancing of the public service and the EO cohort;
- the nature of the EO role including the public scrutiny to which it may be subject;
- non-monetary benefits of EO roles, including flexible work options
- the current gender balance of EO roles in the public service;
- the preservation of appropriate gaps between VPS and EO roles;
- how the interaction of the remuneration bands annual adjustment and the Premier's guideline rate may impact relativities within bands.

In particular, as part of its Determination, the Tribunal may wish to consider providing advice to public service employers about managing salary relativities within the remuneration bands.