

**Media Release**  
**2 July 2024**

### **Victorian Independent Remuneration Tribunal makes Determination for Victorian Public Service executives**

The Victorian Independent Remuneration Tribunal has today made a new Determination to increase the remuneration bands within which around 1600 executives employed in the Victorian Public Service (VPS) are paid by between 4 and 4.5 per cent.

It is important to note that this is a decision about remuneration bands across Victoria's public service. Individual executive remuneration will, as always, be at the discretion of the employer.

The increase includes Commonwealth Government changes to statutory superannuation entitlements. If these changes are excluded, the effective increase in the bands is between 3.5 and 4.3 per cent.

During deliberations the Tribunal examined the current labour market for public service executives and compared it with other jurisdictions and the private sector.

"It is important for VPS bodies to be able to offer competitive remuneration packages in order to attract and retain high calibre executives," Chair of the Tribunal, Warren McCann, said.

The Tribunal found compelling evidence of a significant change in the role of executives since the Tribunal's first Determination four years ago. While core responsibilities have more or less remained constant, workload, complexity and public scrutiny associated with the role have all increased.

The Tribunal also found that compared to four years ago, current executive remuneration — which is set at the lower part of the market — has fallen further below comparative roles. Moreover, real wages for executives have declined by 7.1 per cent over the past four years.

The Determination takes effect on 1 July 2024 by operation of the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019*.

The Tribunal was established in 2019 under an Act of Parliament and operates independently of Government. It is responsible for making impartial decisions on the remuneration for Members of Parliament, executives in the Victorian public sector and local government Mayors, Deputy Mayors and Councillors.

The Tribunal was required by law to not only review the existing remuneration of VPS executives but also conduct a review of their roles. It was also required to consider a range of other factors including:

- current Victorian Government wages policy
- the financial position and fiscal strategy of the State of Victoria
- current and projected economic conditions and trends
- submissions received in relation to the proposed Determination.

The Determination will not apply to public entity executives. The Tribunal will make a separate Determination for those executives later in the year.

The Determination and Statement of Reasons can be viewed here <https://www.vic.gov.au/victorian-independent-remuneration-tribunal>. An executive summary from the statement is attached.

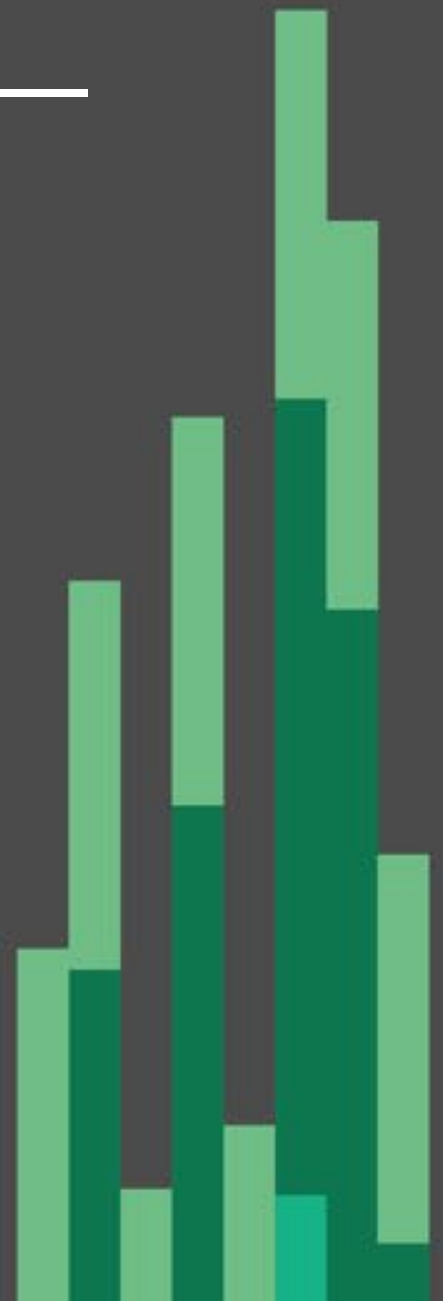
For further information please email [enquiries@remunerationtribunal.vic.gov.au](mailto:enquiries@remunerationtribunal.vic.gov.au)

---

Victorian  
Independent  
Remuneration  
Tribunal

---

# Remuneration Bands for Executives Employed in Public Service Bodies — Executive Summary



# Executive summary



The Victorian Independent Remuneration Tribunal is responsible for setting remuneration bands for executives employed in public service bodies. This Statement of Reasons relates to the Tribunal's second comprehensive Determination of remuneration bands for public service body Heads and the Senior Executive Service (SES) in the Victorian Public Service (VPS). A comprehensive Determination requires the Tribunal to review the roles and responsibilities of executives and provides an opportunity to reset the values of the remuneration bands in line with market conditions.

## **The Tribunal has increased the values of each of the remuneration bands**

In this Determination, the Tribunal has decided to maintain a remuneration band structure for the SES that consists of three distinct and contiguous remuneration bands that align with the executive classification framework administered by the Victorian Public Sector Commission (VPSC). The remuneration bands are expressed in terms of total remuneration package (TRP), including salary and employer superannuation contributions.

For public service body Heads, the Tribunal has also maintained a separate remuneration band to apply to department Heads (Secretaries) and the Victorian Public Sector Commissioner, and has continued to align the remuneration bands for Administrative Office (AO) Heads with the values of the SES remuneration bands.

The values of the remuneration bands that apply from 1 July 2024 are shown in Tables ES.1 and ES.2. The Tribunal's decisions result in an increase of between 4.0 and 4.5 per cent to each of the values of the remuneration bands.

It is important to note that the increases in the remuneration bands are inclusive of Commonwealth Government-legislated changes to statutory superannuation entitlements that take effect from 1 July 2024. In particular, the superannuation guarantee (SG) will increase from 11 per cent to 11.5 per cent and the maximum

superannuation contribution base (which caps the salary to which the SG applies) will increase from \$249,080 to \$260,280. Victorian Government policy is that VPS employers must bear the cost of such changes, which is reflected in an increase in each executive’s TRP. Once the impact of the superannuation changes are accounted for, the effective increase in the remuneration bands is between 3.5 per cent and 4.3 per cent.

It should be noted that an increase to the bands will not automatically result in a corresponding increase for all executives. The task of the Tribunal is to determine the value of the bands. Responsibility for what executives are paid resides with employers taking account of the Premier’s annual adjustment guideline rate.

**Table ES.1: Values of the remuneration bands for the SES and AO Heads from 1 July 2024**

Classification	Base of band TRP (\$ p.a.)	Top of band TRP (\$ p.a.)
SES-1 / AO Head-1	225,000	290,600
SES-2 / AO Head-2	290,601	419,000
SES-3 / AO Head-3	419,001	557,435

**Table ES.2: Value of remuneration band for department Secretaries and the Victorian Public Sector Commissioner from 1 July 2023**

Classification	Base of band TRP (\$ p.a.)	Top of band TRP (\$ p.a.)
Department Secretary / Victorian Public Sector Commissioner	603,713	813,524

Following is a summary of the matters the Tribunal considered, and the weight it gave to various factors, to reach a decision about the value of the remuneration bands.

The overall analytical framework is set by the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* (Vic) (VIRTIPS Act) which requires that, in making a comprehensive Determination, the Tribunal must consider the following:

- the existing remuneration provided to executives
- any statement or policy issued by the Government of Victoria which is in force with respect to its wages policy
- the financial position and fiscal strategy of the State
- current and projected economic conditions and trends
- submissions received in relation to the proposed Determination

- a comprehensive review of the roles of executives employed in public service bodies.

Detailed information and data supporting the analysis can be found in the various chapters of this statement. Chapter 2 discusses the roles and responsibilities of VPS executives, drawing on the Tribunal’s consultations and research. An overview of the existing employment and remuneration arrangements for executives is provided in Chapter 3.

Chapter 4 describes the executive labour market, including current demand and supply factors and presents the remuneration benchmarking analysis commissioned by the Tribunal. In Chapter 5, comparisons are made between executive remuneration arrangements across selected Australian jurisdictions. Chapter 6 details relevant macroeconomic and financial considerations. Submissions received by the Tribunal, including responses to the Tribunal’s executive questionnaire, are cited throughout the Statement of Reasons.

## **Factors supporting an increase in the level of the remuneration bands**

### **The changing nature of the role**

The first part of this section identifies a number of factors which, taken together, provide evidence for the appropriateness of a significant increase to the remuneration bands for VPS executives. The second part sets these considerations in a broader context including the government’s wages policy and the financial position and fiscal strategy of the State.

First, in support of an increase, there is compelling evidence of a significant change in the role of executives since the Tribunal’s first Determination four years ago. While core responsibilities have more or less remained constant, workload, complexity and public scrutiny associated with the role have all increased. While workload might suggest solutions other than remuneration, the latter two — and in particular public scrutiny — bear directly on considerations for setting remuneration bands.

A high degree of accountability and the public examination of executives in the VPS is, and has always been, highly appropriate. However, information provided to the Tribunal suggests that the shift in public scrutiny has been towards personal

targeting and the introduction of a political dimension and a level of aggressiveness not evident in the past.

The resultant increased risk of reputational damage, together with a limited capacity to respond and an associated damage to employment prospects, has had a significant impact on the number of people willing to serve in senior roles in the VPS. Moreover, those who are risk averse are discouraged leading to negative consequences for diversity.

Similar views were expressed in the submission from the VPSC which noted that, notwithstanding the importance of accountability, the frequency, intensity and often widely reported nature of this scrutiny can have a negative impact on executives' mental health and their future financial earning capacity.

It is the view of the Tribunal that this is not simply a passing phase but rather reflects structural changes in the system which are here to stay. The situation is not eased when the challenges of the near future are considered. There is an increasing tendency, for example, for personal responsibility to attach to big system failures including as the result of cyber-attacks, as well as to the management of natural disasters and to those functions involving the direct care of community members.

In each of these areas and others the level of exposure and risk for senior executives has increased dramatically leading some to not take up more senior roles or to contemplate whether a career in the private sector may be a more attractive option.

In terms of complexity, there are a number of challenges that arise from leading a hybrid workforce including finding new ways to stimulate connections and creativity, manage performance and to build trust and relationships within and across teams and organisations. These challenges include maximising productivity by redesigning work to focus on a 'digital-first' way of working and by managing the introduction of artificial intelligence.

There has been a major expansion in program and project delivery across all spheres of government co-existent with the implementation of savings initiatives and the re-setting of staffing levels. And there has been a significant growth in the number of portfolios serviced by the VPS along with a continued focus on cross-portfolio and social reform initiatives that touch on every aspect of public service activity.

## Market positioning and competitiveness

The second issue relates to the level of competitiveness of the VPS compared to the private sector and other public sector jurisdictions with which Victoria competes for talent.

The Tribunal engaged recruitment firm Mercer Consulting (Australia) to undertake a detailed analysis of the market for executives. Of particular relevance is the positioning of the VPS in the Australian General Market (AGM).

Pay practices for public sector executives in most Australian jurisdictions are generally closer to the 15<sup>th</sup> percentile of the AGM. This means that 85 per cent of all executives performing roles with the same work value are paid more than executives in the VPS — reflecting, in part, the value attached to the non-salary benefits of working in the public service — the satisfaction that comes from the opportunity to serve the community and make a difference for example.

The critical part of Mercer’s analysis is that, compared to four years ago, current executive remuneration — particularly for senior executives — has fallen further below the 15<sup>th</sup> percentile of the AGM. Given the importance of a high-performing public sector to the economic performance of the State, this decline in positioning and its impact on the State’s ability to compete for talent should be viewed with some concern.

This is not simply a theoretical observation. As part of the Tribunal’s questionnaire, executives who are involved in the recruitment of other executives were asked to identify the factors affecting the willingness of potential candidates to apply for executive positions or accept an employment offer. Around two-thirds reported ‘significant challenges’ attracting executives. Of these, approximately 90 per cent indicated that the main factor was that the TRP is too low. These are the people who have first-hand experience of executive recruitment and are more likely to have real knowledge of contemporary market realities.

In addition to the current remuneration bands, there is evidence that broader terms and conditions — such as the termination provisions of the employment contract — have also adversely affected recruitment and retention.

## Economic considerations

Although the economic outlook remains mixed, a number of indicators suggest a trend towards a more positive environment for wages growth over the coming



years. Nominal wages growth has picked up in response to the tight labour market and high inflation. Real wages are growing again but remain lower than they were a few years ago. For example, since the Tribunal's first comprehensive Determination four years ago, real wages for executives have declined by 7.1 per cent. Moreover, public sector wages are growing more slowly than private sector wages in Victoria.

Economic growth in both Australia and Victoria is expected to pick up in the latter part of this year again creating a more positive outlook for wages growth. Although not directly relevant to the public sector executive cohort, as an indicator of trends in the broader economy, of note is the Fair Work Commission's decision of 3 June 2024 to lift the minimum wage by 3.75 per cent slightly above annual inflation to March this year of 3.6 per cent (although it did warn of the inappropriateness of increasing the minimum wage significantly above inflation due to limited growth in labour productivity).

## **Factors suggesting restraint**

### **Views of the VPS leadership**

The first point to note is that submissions from the Victorian Secretaries Board and the VPSC expressed the view that the remuneration bands for public service executives are broadly appropriate.

Part of the reasoning can be found in the payment above the band provision in the VIRTIPS Act. Under this provision, an employer may pay an executive above the maximum of the relevant band but first must seek and consider the advice of the Tribunal. The employer is not bound to accept the advice. The fact that relatively few executives are paid above the band (less than 3 per cent) suggests that the bands are generally fair, equitable and competitive for the vast majority of executives.

The availability of this mechanism also enables employers, where there are competitive market pressures, to enter the realm of the general market and, together with the flexibility provided by the width of the bands (up to \$132,413 for the current SES-3 band), should equip them with the capacity to offer competitive remuneration in most cases.

## Wages policy and the financial position and fiscal strategy of the State

Although the government's wages policy is one of many factors the Tribunal is required to consider in making its decisions, in light of the current financial circumstances of the State and its strategies for dealing with net debt, the Tribunal felt it appropriate that the policy be given considerable weight in the decision-making process.

Prior to the making of this Determination, the Victorian Government and the Community and Public Sector Union announced that they had reached in-principle agreement on the terms and conditions for a new VPS enterprise agreement.

Relevant aspects of the proposed agreement, which applies to non-executive VPS employees, include annual salary increases of 3 per cent, a once-off lump sum payment of \$5,600 (pro-rated for part-time employees) and an increase in the lump sum progression payment available for employees at the top of their grade. The Tribunal notes that equivalent lump sum and progression payments are not typically available to VPS executives.

The Tribunal heard that maintaining relativities between non-executive and executive employees is important for attraction and retention of executives. It is also a matter of fairness that increases in non-executive remuneration should inform the Tribunal's consideration of the executive remuneration bands. For example, as a reference point, if the \$5,600 lump sum payment was amortised over the four-year term of the proposed VPS enterprise agreement and considered as forming part of salary, the effective salary increase for VPS employees on 1 July 2024 would range from 5.7 per cent at the lowest VPS grade to 3.6 per cent at the highest grade.

The Tribunal's rationale for giving some weight to wages policy is not related to the financial impact of any increase in the executive remuneration bands. Given the relatively small size of the executive cohort compared to total public sector employment, any increase in the executive remuneration bands will not have a significant impact on the budget's bottom line.

Rather, the challenges facing the State are considerable and a degree of discipline and a high level of adherence to policy objectives will be required to overcome them. If any group is seen to be given 'special treatment' it will inevitably weaken the collective effort.

## The social compact

In making this decision — and indeed all decisions — the Tribunal did so having weighed the impact that its decision may have on the level of trust between the community and the VPS if increases in remuneration for senior public servants are perceived as out of step with community standards and expectations and prevailing economic conditions.

## Jurisdictional comparisons

The comparison focussed on the Commonwealth, New South Wales and Queensland public services. They are the most comparable in terms of population and geographical location, as well as the number of public service departments, the size of the executive and non-executive workforce.

Although different structural arrangements make direct comparisons difficult, it appears that the disparities are not sufficient to suggest that weight should be given to jurisdictional comparisons in this analysis.

## The Tribunal's decision

As discussed earlier, the VPS has fallen behind movements in the AGM compared to where it was four years ago — for example, the top of the SES-3 band is now 8.4 per cent below where it would have been if it had been adjusted in line with market movements. In recognition of this Mercer recommended increases set out in Table ES.3 — a pay position which ‘references the 15<sup>th</sup> percentile’ and which is considered by Mercer to be affordable and a solution which would not drive a step change in executive remuneration.

**Table ES.3: Mercer recommendation compared to the current VPS remuneration bands**

Band	Description	Base of band	Top of band
SES-1 / AO Head-1	Current band (\$ p.a.)	216,376	279,238
	Mercer recommendation (\$ p.a.)	218,000	290,600
	<i>Change (%)</i>	<i>+0.8</i>	<i>+4.1</i>
SES-2/ AO Head-	Current band (\$ p.a.)	279,239	401,017
	Mercer recommendation (\$ p.a.)	290,601	419,000
	<i>Change (%)</i>	<i>+4.1</i>	<i>+4.5</i>
SES-3 / AO Head-3	Current band (\$ p.a.)	401,018	533,431
	Mercer recommendation (\$ p.a.)	419,001	578,300
	<i>Change (%)</i>	<i>+4.5</i>	<i>+8.4</i>
Department Secretary / Victorian Public Sector Commissioner	Current band (\$ p.a.)	577,716	778,492
	Mercer recommendation (\$ p.a.)	578,301	832,800
	<i>Change (%)</i>	<i>+0.1</i>	<i>+7.0</i>

Sources: Mercer (2024); Victorian Independent Remuneration Tribunal (Tribunal) (2023b).

The Tribunal is of the view that the remuneration structure recommended by Mercer is justified by the evidence and particularly if the significant changes to the role of executives is taken into account.

However, having weighed all of the factors discussed above and in particular the financial position of the State and the likely public reaction to significant increases in public service executive pay at this time, it has decided to make the following adjustments to Mercer’s recommended structure:

- changes to the band structure at the more senior levels have been capped at 4.5 per cent
- in response to submissions received by the Tribunal and matters raised in the executive questionnaire, the gap between the top of the VPS-6 band and the base of the SES-1 band has been increased from 11.5 per cent to 12 per cent to further encourage a flow of employees into the executive ranks
- the gap between the top of the SES-3 band and the Secretary/Commissioner band has been maintained at its current level to reflect the important differences between these roles, including the different level of responsibility, risk and scrutiny attached to Secretary roles.

Overall, the new remuneration bands set by the Tribunal result in an increase to the current bands of between 4 and 4.5 per cent.

The effect of the Tribunal’s decision is shown in Table ES.4:

**Table ES.4: Tribunal’s decision compared to the current VPS remuneration bands**

Band	Description	Base of band	Top of band
SES-1 / AO Head-1	Current band (\$ p.a.)	216,376	279,238
	Tribunal’s decision (\$ p.a.)	225,000	290,600
	<i>Change (%)</i>	<i>+4.0</i>	<i>+4.1</i>
SES-2/ AO Head-	Current band (\$ p.a.)	279,239	401,017
	Tribunal’s decision (\$ p.a.)	290,601	419,000
	<i>Change (%)</i>	<i>+4.1</i>	<i>+4.5</i>
SES-3 / AO Head-3	Current band (\$ p.a.)	401,018	533,431
	Tribunal’s decision (\$ p.a.)	419,001	557,435
	<i>Change (%)</i>	<i>+4.5</i>	<i>+4.5</i>
Department Secretary / Victorian Public Sector Commissioner	Current band (\$ p.a.)	577,716	778,492
	Tribunal’s decision (\$ p.a.)	603,713	813,524
	<i>Change (%)</i>	<i>+4.5</i>	<i>+4.5</i>

## Other factors

A number of submissions received by the Tribunal raised issues relating to conditions of executive employment — including contract length, termination provisions and the ‘right of return’. Employment conditions are not within the scope of the Tribunal’s Determination. However, such conditions — together with the remuneration offered — affect the attraction and retention of executives and for this reason are relevant to the Tribunal’s considerations.

Attention is drawn in particular to the termination provisions of the employment contract. Under the current provisions, four months’ notice of termination is required to be given. This is significantly less than other Australian jurisdictions considered by the Tribunal. It discourages potential candidates from seeking employment at the executive level in Victoria particularly in the light of the increased risk and reputational damage associated with executive employment referred to above.

The Tribunal has been told that previous recommendations to extend the period of notice to nine months have not been actioned. The Tribunal recommends that the Government give further consideration to this issue.