

SUPPLEMENTARY SUBMISSION TO
SENATE FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE
INQUIRY INTO REMUNERATION TRIBUNAL AMENDMENT (THERE FOR PUBLIC
SERVICE, NOT PROFIT) BILL 2025

Andrew Podger AO

Honorary Professor of Public Policy

Australian National University

In my submission of 17 March 2025 I made four specific recommendations, that the Committee:

1. Reject the Amendment Bill as it stands with its proposed cap on remuneration and the power of the Minister to vary such a cap.
2. Recommend that the Government develop a new Bill to amend the Remuneration Tribunal Act which would:
 - a. Establish strict merit-based appointment processes for Tribunal members with criteria including experience and expertise in public sector remuneration.
 - b. Include criteria the Tribunal must use in its determinations, including the level of responsibilities involved, evidence concerning attraction and retention, evidence from appropriate market comparisons, and expectations of non-financial rewards and public service motivation.
 - c. Require a major review of its methodology at least every five years through an open, public process including a public submission from the Australian Public Service Commissioner.
 - d. Require open, public processes for any significant change in a determination, and the Tribunal to provide written statements of reasons for all of its determinations.
3. Recommend employment of departmental secretaries be on the same basis as other APS employees with an appropriate downward adjustment to their pay determined by the Remuneration Tribunal (removing the 20% pay loading for loss of tenure).
4. Recommend that the APSC take a firmer APS-wide approach to APS remuneration, particularly for the SES.

I stand firmly by all these recommendations and urge the Committee not to limit its advice to the Senate to rejecting the Bill (the first recommendation) as the Senate Education and Employment Legislation Committee did in its 2017 inquiry into a broadly similar bill to place a cap on executive remuneration in the APS. The Senate and the Government should be strongly encouraged to take action to restore credibility and public acceptance of the remuneration of senior public servants and vice chancellors.

This supplementary submission adds to the fourth recommendation I made about the APS Commission's oversight of APS remuneration, particularly for the Senior Executive Service. Specifically, I recommend that the Committee:

5. Recommend that the Public Service Act be amended:

- a. To allow the APS Commissioner to set remuneration levels for SES employees with appropriate increments between the classification bands reflecting the increase responsibilities involved.
- b. To require the approval of the APS Commissioner to create a deputy secretary (Band 3) position.
- c. To require agency heads to consult with the APS Commission annually on the agency's SES profile and remuneration and for the APS Commissioner to report publicly on the profiles and costs, including on whether they are consistent with classification standards and efficient management of agencies.

SES Remuneration

While the Bill does not address SES remuneration, the remuneration of departmental secretaries and that of SES employees are inextricably linked. That is why my second recommendation above includes a requirement that the APS Commissioner provide a public submission to the recommended review of methodology by the Remuneration Tribunal. Moreover, SES remuneration is in even more of a mess than that of secretaries.

The latest APSC Remuneration Report reveals extraordinarily wide disparities in the remuneration of the SES across the APS within each of the three Bands, as shown in Table 1 below.

Table 1: Base pay, Total Remuneration Package, Total Reward

SES (males) at the 5 and 95 percentiles

		5 percentile	95 percentile
Base Pay	SES Band 1	\$213,637	\$275,376
	SES Band 2	\$279,045	\$366,054
	SES Band 3	\$362,157	\$565,942
TRP	SES Band 1	\$251,516	\$326,125
	SES Band 2	\$328,241	\$429,125
	SES Band 3	\$434,930	\$645,322
TR	SES Band 1	\$251,516	\$326,676
	SES Band 2	\$328,241	\$429,125
	SES Band 3	\$434,930	\$645,322

For deputy secretaries (Band 3), there is a variation of over \$200,000 despite the positions having the same classification. Even for branch heads (Band 1), the variation is over \$60,000.

It also seems that the over-generous increases in secretaries' remuneration agreed by the Remuneration Tribunal between 2011 and 2014 (highlighted in my earlier submission) have flowed on to a number of their senior executive subordinates. Indeed, for some, the margin between secretaries and their deputies may have narrowed. At the 95 percentile, the total reward for a deputy (\$645,322) is around \$300,000 less than that of most secretaries, but secretaries' remuneration includes a 20% loading in compensation for loss of tenure. Taking that into account, the margin is probably under \$150,000, or about 20%, less than the margins between SES bands (around 30%) and between Band 1s and their executive level staff (which is around 50%). (The margins between APS levels is generally around 12%.)

Certainly the correction to secretaries' remuneration I believe a proper review would lead to, would have consequences for SES remuneration which the APSC will need to address. In any case, it is clear

that the APSC needs to take a much firmer stance on SES remuneration than it has since responsibility for APS remuneration policy was transferred to the Commission over a decade ago.

But the problem with the SES goes beyond remuneration. There has also been a large expansion of positions over recent decades, particularly at Band 3.

In the 1980s when the Finance Department had the relevant authority, it used 'SES budgets' to assist its control of the resources involved. If agencies were allowed to increase the classification and pay for their SES, they were required to finance that by reducing the number of SES positions. In recent years, however, we have seen the direct reverse of such discipline with SES numbers and pay both increasing.

In the overall scheme of things, imposing appropriate discipline on executive remuneration and numbers (still ensuring appropriate rewards and executive management capability) may not have a major impact on the budget or even on agencies' total running costs, but it would send an important message consistent with the Government's stated desire to improve productivity.

Importantly, increasing the size of the SES relative to the size of the APS as a whole suggests some dilution of the average responsibilities of individual SES officers and the undermining of classification standards that are used for identifying work value and setting remuneration levels. It does not support the enhancement of remuneration that has occurred.

What is evident is that more fundamental review is needed not only of departmental secretaries' remuneration but also of APS senior executive remuneration more widely.

13 August 2025