

Secretary

Senate Finance and Public Administration Legislation Committee

Parliament House

CANBERRA ACT

Dear Secretary

I would like to make a brief submission on the Committee's inquiry on the Remuneration Tribunal Amendment (There for Public Service, Not for Profit) Bill 2025.

Background

Prior to the establishment of the Remuneration Tribunal in 1973, I was involved as a public servant in preparing advice on remuneration for those now in the Tribunal's jurisdiction. Through various hierarchies that advice would find its way to the Prime Minister who would decide remuneration for these categories.

The system was unsatisfactory. In particular, it was inevitably politicised and many decisions were made on the basis of politics rather than on judgments about what might be required by a rational remuneration policy.

Many involved, including the then Prime Minister, were keenly aware of their inadequacies and, as a result the Remuneration Tribunal was established to provide a better means of setting departmental Secretary and other senior salaries.

It has, however, been difficult to keep politics out of this territory, a development I was able to see up close as an SES officer for a time responsible for preparing advice to the government about the Remuneration Tribunal, including advice on Tribunal appointments and government submissions to it. It was not always a pretty sight as, for example, over the years determinations of the Tribunal were disallowed by the Parliament for reasons that have nothing to do with their essential merits. These episodes were often untidy and embarrassing. Then in the last 15 years the Tribunal has brought politics into its field by the extravagance of some of its decisions which have been unjustifiable in terms of proper policy. That is to say, the Tribunal has created the exact condition its existence was intended to avoid. And so the current Bill is on the Parliament's lists.

How did it come to this?

Around 15 years ago burgeoning exuberance in executive salaries in the private sector contributed to a feeling that Members of Parliament and the senior levels of

the public service within the Remuneration Tribunal's jurisdiction were being badly done by, relatively.

So the Tribunal began a large scale review to fundamentally reassess remuneration for Members of Parliament, Secretaries of departments and statutory officeholders.

The Tribunal's first mistake was to get in remuneration consultants to prepare a report on where those within its jurisdiction might stand in relation to the private sector executive remuneration. This was crazy. Hardly any Secretaries of departments are recruited from executive levels in the private sector and very few are recruited to that sector. That is to say, senior private sector executive remuneration is irrelevant to the remuneration of Secretaries of departments and, in the main, to other Commonwealth public sector jobs.

Further, the work of Secretaries of public service departments is fundamentally different from that of CEO's in private companies. That is to say, working for Ministers on a day to day basis has little in common with working for a part-time board of directors who have the interests of shareholders primarily in mind.

This penny might have half-dropped for the Remuneration Tribunal at the time but it now had the remuneration consultant's reports on how far Secretaries and others lagged behind private sector executives and it had created an expectation that something big should be done. The Tribunal gave in to that expectation and phased in very large increases for Secretaries and others. Members of Parliament did not fare so well and so Secretaries now have a large pay margin over the Prime Minister and other Ministers and over SES staff in the public service.

The Tribunal's decisions about these increases, still proudly on its website, are models of incomprehensibility, a matter Committee members could readily verify by trying to read a few pages of them. That is to say, there is no policy or practical justification for the levels of remuneration for departmental Secretaries and others and the indignation of Senator Lambie and others is wholly justified.

What could be done?

The proposals in Senator Lambie's Bill come very close to the right answers although there may be better ways of getting to them.

Linking the remuneration of public servants and Ministers has inherent attractions but also drawbacks.

In particular, it would re-politicise senior public sector remuneration while allowing for Ministers to make decisions outside the dollar limits proposed would take the system back to the unhappy pre 1973 regime.

Further, it is in general better for employment categories to have remuneration fixed on the basis of their individual circumstances and requirements. That is to say, on their merits rather than what might be meritorious for others. The experience of linkages of groups for remuneration purposes is not short of woe.

As Secretaries of departments are not a part of the private sector remuneration market but are almost entirely promoted to their positions from within the public

service, the rational (and indeed traditional approach before the Remuneration Tribunal got hold of it) was to fixed their remuneration on the basis of what made a sensible and practical distinction with the subordinate Deputy Secretary levels in their departments. According to the 2024 Public Service Commission remuneration report, the media base salary for SES Band 3s is \$416 000. That is to say, there is a gap of some \$600 000 between this rate and the general range of Secretary salaries. This is absurd.

If it were to be taken that a gap of \$100 000 rather than \$600 000 is more reasonable, that would put the base salary for a Secretary at around \$500 000, not far away from Senator Lambie's calculation with any such adjustment being moved towards with appropriate transitional arrangements.

In fixing a rate for departmental Secretaries, it would be sensible to consider comparable rates in State public services. If as is likely these rates have followed the Commonwealth Remuneration Tribunal's lead up, then they might be encouraged to follow it down to around the \$500 000 mark.

The Committee might like to consider, therefore, recommending that the Government make a submission to the Remuneration Tribunal asking for it to reconsider pay for departmental Secretaries on the basis of reasonable intervals between those rates and the generality of rates at the SES Band 3 level, while having secondary regard to Secretary remuneration in State public services. As a partial pay-off for such a step, the Government should put Secretaries on the same tenure as all others in the Public Service and so remove the present arrangement whereby they can be summarily dismissed for any or no reason as this is not conducive to public servants providing full and honest advice as was evident in the awful Robodebt case. When tenure was removed for Secretaries they were paid a 20% premium on their salaries. Thus, restoring Secretaries' tenure would, if consistency were to be observed, justify a 20% reduction in pay in itself.

The Government could also ask the Tribunal to consider rates for other categories in its jurisdiction in the light of its consideration of those for Secretaries, noting that in some cases, say ASIC, APRA and the ACCC, some greater weight might be given to private sector remuneration if recruitment from that sector is likely to be important for them.

SES Remuneration

SES remuneration is now a mess. The table below shows the range in base salaries for the three SES levels as indicated in the Public Service Commission's 2024 remuneration report.

SES 1	\$179758-468000
SES 2	\$237622-711630
SES 3	\$343340-783331

The total reward maxima by level is:

SES 1	\$521820
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SES 2	\$1083939
SES 3	\$1222037

While these figures speak ineloquently enough for themselves, it's worth noting that in a classification system that pretends to recognise relative worth and a staffing system in which promotion is meant to imply a reasonable increase in remuneration:

- ☐ The maximum base salary for an SES 2 is more than double that for the minimum for a SES 3.
- ☐ The minimum base salary for an SES 1 is \$603573 below the maximum for an SES 3.
- ☐ And each level which pretends to cover work of equal value contains spans in the hundreds of thousands of dollars.

On total reward, and SES 1 is getting about the same as the Prime Minister while an SES 3 officer is getting twice as much.

Responsibility for fixing up this undermining of the integrity and proper working of the classification and promotion systems in the public service should remain with those who have caused it – the Public Service Commission wielding a much firmer hand and Secretaries and other heads of public service agencies. Indeed, it would be wrong in principle not to allow these authorities to manage classification and remuneration for their senior staff and a reduction in their remuneration might provide an incentive for them to bring better order to SES pay structures. In no circumstances should responsibility SES remuneration be transferred to the Remuneration Tribunal which has shown itself to be more than adept at creating messes of its own.

The Remuneration Tribunal

It may be that the present misfortunes being considered by the Committee are in part due to institutional factors affecting the Tribunal.

First, its proceedings are held almost entirely in private. The Committee therefore might like to recommend that:

- ☐ The Tribunal prominently notify major reviews it intends to undertake, invite submissions and hold open public hearings where those making submissions could be examined.
- ☐ The Government be required to make submissions on all major matters the Tribunal considers.
- ☐ The Tribunal be required to provide full, written justifications for all of its decisions.

Second, for many years Tribunal members have essentially had backgrounds in the private sector and precious few have had any experience in public sector remuneration policy and practice. Would any major private sector firm get in a committee of public servants with no experience of that sector to advise it on remuneration for its Chief Executive Officer?

The lack of experience of Tribunal members in public sector remuneration shows up regularly. Thus, in its 2025 review for “holders of public office” the Tribunal said it considered, among other things, the unemployment and participation rates, interest rates, increases in the minimum wage and a Reserve Bank statement on monetary policy. None of these factors is remotely relevant to the decisions it had to make. Indeed, the Committee might like to summon the chair of the Tribunal and ask her why she thinks they are and how exactly such considerations affected the Tribunal’s decision.

More importantly, the Committee might like to recommend that an understanding or experience in public service remuneration be a prominent consideration in making appointments to the Tribunal.

Yours sincerely

Patrick Gourley

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