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Non SES Australian Workplace Agreements (AWAs)

Guidelines for National Program Managers on the application of non SES AWAs in the Tax Office



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For further information or
questions contact Remuneration
and Classification Team,
Employment Policy and Services

TABLE OF CONTENTS

Application of the Policy	3
Who is this Guide for?	3
When are Non SES AWAs used?	3
Key Considerations	4
Risk Assessment.....	4
How to Progress an Offer of a Non SES AWA	5
What Can Be offered?.....	5
How Long Does an AWA Operate?	6
What Happens When a Non SES AWA is Terminated?	7
Policy and Associated References	7
Contacts.....	7
Attachment A- Remuneration and Benefits Table.....	8
Attachment B - Scenarios.....	12

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APPLICATION OF THE POLICY

Non SES AWAs are primarily used to provide more flexible arrangements of existing terms and conditions to suit both employee and business needs. Except where there is a clear business case to do otherwise the Tax Office will continue to cover the salary and conditions of employment to the substantial element of its ongoing workforce through its two collective agreements; the ATO (General Employees) Agreement 2006 and the ATO (Executive Level 2) Agreement 2006.

SES and non SES employees engaged in a capacity other than ongoing will be covered under an individual AWA.

WHO IS THIS GUIDE FOR?

This guide is designed to assist National Program Managers and Line Executives in understanding the application of the **Tax Office Remuneration Policy** in relation to non SES AWAs. The guide is also a resource for employees who want to know more about non SES AWAs in the Tax Office.

In determining suitability for offer on a non SES AWA, National Program Managers should refer to these guidelines.

WHEN ARE NON SES AWAS USED?

Circumstances in which offer of an AWA may be considered fall into the following categories:

- Where the nature or pattern of the work and/or workforce dictate the need for flexibility in work arrangements;
- Where the labour market dictates that a premium should be paid to and and/or retain a person critical to the Tax Office workforce;
- Where the Tax Office wants to "lock in" critical employees for a period of time; and
- To prevent the loss of valuable employees whose skill/experience is widely known outside the Tax Office.

KEY CONSIDERATIONS

1. An offer of an AWA will only be made where there is a clear business need to differentiate the terms of employment. For example:
 - to attract and retain specific employees/skill sets;
 - to build a specific skills base in scarce skill areas to manage unique risks or challenges;
 - to link performance explicitly to 'at risk' rewards;
 - to recognise different conditions attached to unique work patterns; or
 - to retain and reward core skills through prolonged project based periods.
2. Any improvement in pay and/or conditions through offer of an AWA must be linked to productivity and performance.
3. AWAs will be funded within approved line budgets.
4. For the purposes of AWA salaries normally the amount of salary negotiated (including the value of non-cash benefits and retention mechanisms) should not exceed 20% above the salary of the relevant classification.

RISK ASSESSMENT

When considering an offer of an AWA, a risk assessment should be undertaken as part of the business case with reference to the following criteria:

- impact on business outcomes and/or reputation – what are the business risks associated with the loss of the employee in question, or failure to attract a particular capability if the position or role is not filled with a fully capable employee?
- uniqueness of capabilities- what is unique or specialist about the skills, knowledge, attributes or other characteristics, or are required for the role, and their significance in achieving business outcomes?
- availability of capabilities – how readily available are the required specialist capabilities in the internal and/or external employment market? What pressures make retention of the person or attraction of the skills difficult?
- work timeframes – how long will the work remain a priority?
- mitigation strategies – how else could risks be managed; eg restructure or redistribute the tasks, technology; outsource? What is already in place to mitigate risks?
- proven performance – what evidence indicates that the employee is a high performing contributor and/or that the role is critical to the business?

HOW TO PROGRESS AN OFFER OF A NON SES AWA

A **business case** must be prepared for any proposed AWA. This applies to all ongoing employment and non ongoing where terms of the offer vary from the standard corporate AWA template. Where lines are considering offer of an AWA pending outcome of a selection process and job vacancy notifications include reference to offer of an AWA, **Remuneration and Classification** should be advised prior to advertising.

Non SES AWAs that fall within the identified categories may be negotiated between an employee, or prospective employee, and the SES manager of the area in which the employee is employed or, in the case of non ongoing employees, by ATO Personnel and Appointments.

The content of every AWA must be in accordance with the Remuneration Policy and these guidelines.

The **business case** should outline:

- business need for offer of an AWA, including risk assessment;
- information in relation to the employee or potential employee;
- details of the offer including total remuneration and full costing; and
- expected positioning within the Tax Office classification structure of the employee or potential employee on termination of the AWA.

In some cases the business case may consider market pressure applying to outstanding performers in a particular skill group. In this instance, the recommendation should be supported by appropriate evidence, such as available market data; recent recruitment experience; attrition rates; and ability to compete with other agencies both in the public and private sectors.

All business cases are to be referred to **Remuneration and Classification** for consideration. This area will review the business case to ensure consistency with the Remuneration Policy; provide advice as required and progress approval of the AWA.

WHAT CAN BE OFFERED?

Remuneration and benefits packages should be tailored to the circumstance for which an offer is being made. Packages should also be structured to ensure ongoing employees will be appropriately positioned within the relevant classification on termination of the AWA; ie consideration needs to be given not only to the immediate business need but also to the overall outcome of the offer in achieving an effective balance between external market pressures and internal relativities.

Benefits or content which may be offered under an AWA are outlined at **Attachment A**. This document provides guidance in relation to offers for each of the identified categories, and presents some indicative scenarios. It is expected that offers will be consistent with these parameters.

Department of Finance and Administration (DoFA) has also set maximum limits on increases in salary for superannuation purposes in any one year beyond which may attract significant penalty to the organisation.

The way in which an offer would be structured would, in the main, be determined by the reason for offering the AWA. For example:

1. An offer to a current ongoing employee an offer aimed at preventing the loss of valuable employees might be structured in such a way as to provide for the greater benefit at the beginning of the agreement period. Any additional allowances would decrease in value over the life of the AWA to arrive at a base salary on termination which does not exceed the top of the range of the relevant APS classification. Accelerated advancement through the pay range may be appropriate in some cases.
2. A skills premium would typically be offered to attract and retain particular skills which are scarce in the internal and external markets.
3. A retention bonus might be considered where there is difficulty in recruiting for a specific position, retaining staff with particular skills and/or retaining valuable at-risk employees.

Attachment B provides scenarios showing how benefits may be applied. In framing an offer the most suitable benefit option should be considered. It is not the intention that an offer should provide multiple benefits, but this may be applicable in exceptional circumstances.

HOW LONG DOES AN AWA OPERATE?

The Workplace Relations legislation provides for a nominal expiry date of five (5) years from the date of commencement of the AWA.

All Tax Office AWAs will be for a fixed term with a specified nominal expiry date, typically 2-3 years.

WHAT HAPPENS WHEN A NON SES AWA IS TERMINATED?

The Workplace Relations Act 1996 describes the consequence of termination of a workplace agreement, including an AWA. In essence, on termination of an AWA an employee cannot be covered by another workplace agreement until such time as a new agreement, either individual or collective, comes into operation.

The effect of this provision is to deliver a set of terms and conditions of employment consistent with the Australian Fair Pay and Conditions Standard (AFPC) and relevant protected award provisions which are substantially below those available under the collective agency agreements.

In the event the business need which necessitated the offer of an AWA no longer applies and the original AWA has reached its nominal expiry date; on termination of that AWA, undertakings will be given to provide, at minimum, pay and employment conditions of the prevailing collective agreement. Apart from reducing the complexity in administering the employees pay and condition, the other advantage of this approach is that the terms and conditions of employment will remain equivalent to those available under the agency agreements as well as providing the opportunity for transition back to coverage under a collective rather than individual agreement.

POLICY AND ASSOCIATED REFERENCES

[Tax Office Remuneration Policy](#)

[Retention Options Information](#)

Workplace Relations Act 1996

CONTACTS

[Remuneration and Classification](#) can provide further advice on the application of these guidelines and can assist in the drafting of AWAs.

ATTACHMENT A- REMUNERATION AND BENEFITS TABLE

The following table provides an indication of what may be offered under an AWA. In framing an offer the most suitable benefit option should be considered. It is not the intention that an offer should provide multiple benefits, but this may be applicable in exceptional circumstances.

Benefit/Content	Nature of Work	Market Premium	Locking In	Valuable Employee	Considerations
Skills Premium Allowance (up to 20% of base pay)		✓		✓	Refers to the need to attract and retain particular skills which are scarce in both the internal and external markets. The benefit would typically take the form of an allowance to increase base salary. Consideration should be given to current classification level and position within the salary range and the amount negotiated should not normally exceed 20% above per annum salary in the relevant classification level.
Retention Bonus (up to 20% of base pay)	✓	✓	✓	✓	May be considered where there is difficulty in recruiting for a specific position, retaining staff with particular skills, and/or retaining valuable, at-risk, employees. The need for a retention bonus may be identified by past and/or prevailing attrition rates. The bonus would be paid as a lump sum on condition of remaining in the Tax Office employ for an agreed period. Retention bonuses should be the minimum amount necessary to retain an employee or class of employee.

REMUNERATION AND BENEFITS TABLE (cont.)

Benefit/Content	Nature of Work	Market Premium	Locking In	Valuable Employee	Considerations
<p>Sign on Bonus (up to \$20,000)</p>		<p>✓</p>		<p>✓</p>	<p>May be considered if the selected candidate will suffer a 'loss' of performance bonus or expected increase in leaving their current employer.</p>
<p>Incentive Bonuses paid at key milestones in project delivery (normally up to 15% of salary)</p>		<p>✓</p>	<p>✓</p>	<p>✓</p>	<p>May be considered where key staff are needed to ensure successful delivery of project outcomes. Lump sum payments may be negotiated for completion of key milestones and may be proportionately increased over the total life of the project. For example initial milestones may attract a lower value bonus, with higher value bonuses attaching to milestones towards the end of the project.</p> <p>These payments would not count as salary for superannuation purposes and be contingent on performance including appropriate behaviours. Payments may be withheld or discounted by an agreed percentage where set milestones are not reached.</p> <p>Amounts up to a total of 15% of substantive salary per annum may be considered based on skills and/or project criticality to Tax Office business outcomes. Team impacts – dependencies need to be considered before introducing individually based milestones bonuses.</p>

REMUNERATION AND BENEFITS TABLE (cont.)

Benefit/Content	Nature of Work	Market Premium	Locking In	Valuable Employee	Considerations/Scenarios
Accelerated Base Pay Advancement			✓	✓	For General Employees and EL2s a retention mechanism may take the form of a higher pay point within a classification level and accelerated advancement within the pay range.
Performance Pay (as per ATO Performance System) cont'd		✓	✓	✓	For General Employees, including EL1, consideration may be given to the business need for performance pay as an incentive and only where there is a clear and measurable contribution to business outcomes for the Tax Office. Payment of the bonus should be aligned to the Tax Office Performance System (both assessment and timing of payment) and be subject to pre-agreed key performance outcomes (What and How). Payment would also be subject to the employee fulfilling a specified period of service with the Tax Office which would normally equate with the life of the AWA. Performance pay will not count as salary for superannuation purposes.
Provision of private plated vehicle (approximately \$20,000)			✓	✓	May be used as an attraction/retention component of an AWA for critical staff. May be particularly attractive where staff are required to commute longer distances from their home and/or are periodically or regularly required to work beyond standard hours over a sustained period of time. This situation may include lower level staff contributing to a 'long lead' project or program.

Benefit/Content	Nature of Work	Market Premium	Locking In	Valuable Employee	Considerations/Scenarios
<p>Provision of Car Parking (approximately \$2,000.)</p>			<p>✓</p>	<p>✓</p>	<p>May be provided as a separate benefit or in conjunction with provision of private plated vehicle as above, or as a separate benefit.</p>
<p>Home Computing Support</p>			<p>✓</p>	<p>✓</p>	<p>Payment for purchase of laptops or broadband access may be considered where an employee undertakes additional work and/or research after hours. Laptop purchase would be one off and payment for access to broadband limited to not more than a two year period. ICT should be consulted for security and/or any other necessary assessment/sign off.</p>

ATTACHMENT B - SCENARIOS

The following scenarios are designed to assist managers in the use of non SES AWAs and application of the guidelines.

Scenario 1: Flexible working arrangements

Use of a different pattern of work where there is a need for additional flexibility

A Client Contact area employing a few hundred employees to cover Tax time workloads wishes to be able to vary the number of hours worked by non ongoing part-time employees within a contract period to suit business needs.

Specifically, there is a requirement that full time hours are worked during induction and training periods and for the employees to work hours as directed. The AWA will commence on 1 January 2007.

Example (Types of clauses that would address this requirement)

1.1 Hours of Duty

- 1.1.1 You are required to work your ordinary hours at times directed by the ATO between 7.00 am and 7.00 pm, Monday to Friday. This may take the form of a roster.
- 1.1.2 Where on any day you are rostered to work before 7 am or after 7pm you will be paid at 115% of your ordinary hour's rate for all hours worked that day.
- 1.1.3 During peak workload periods, and during induction and training periods, you may be required to work full time hours of 36.75 hours per week between 7.00 am and 7.00 pm Monday to Friday.
- 1.1.4 Where the ATO needs to vary your ordinary hours you will be advised of this requirement with at least 24 hours' notice. With your agreement, this 24 hours' notice may be waived.
- 1.1.5 You will not be required to work more than 10 hours of ordinary hours on any day or for more than five (5) hours continuously without a meal break. A meal break will be a minimum of 30 minutes.

What happens when the AWA is no longer required?

In the case of this non ongoing employee the AWA would cease to have effect once their non ongoing employment contract ceases.

If the employee is subsequently engaged the existing AWA may re-apply or be replaced by a new AWA.

Scenario 2: Skills premium

An area needs to retain current employees with particular skills scarce in the marketplace.

A business area involved in the provision of highly specialised advice across several Business Lines has been experiencing a high turnover of staff over an extended period of time. There is a high demand for these skills in the external market. The current market place remuneration is approx. 10% above the top of the EL2.1 range in the Collective Agreement.

Due to the high attrition rate there is a relatively low level of experience amongst team members and a heavy reliance on the remaining key senior staff in the area.

To address this retention issue an AWA is offered to two senior staff, both currently at the top of the EL2.1 pay range. The Agreement is for a period of 2 years from 1 January 2007 with a **Skills Premium**, payable as an annual amount of 10% of base salary.

Example (Types of clauses that would address this requirement)

1.1 BASE SALARY AND SKILLS PREMIUM

- 1.1.1 Your base salary will be \$99,969.
- 1.1.2 Your annual base salary will be subject to corporate pay rises providing that the Commissioner determines that the corporate outcomes have been met. This will be equal to:
 - a. 2.5% increase on 1 July 2007 taking your base salary to \$102,468
 - b. 2% increase on 1 January 2008 taking your base salary to \$104,518
 - c. 5% increase on 1 July 2008 taking your base salary to \$109,743
- 1.1.3 In addition to the annual base salary mentioned above, you will also be paid a skills premium allowance of \$9997 per annum being equal to 10% of your base salary.
- 1.1.4 Your skills premium allowance will be subject to corporate pay rises providing that the Commissioner determines that corporate outcomes have been met. This will be equal to:
 - a. 2.5% increase on 1 July 2007 taking your allowance to \$10,247 per annum
 - b. 2% increase on 1 January 2008 taking your allowance to \$10,452 per annum
 - c. 5% increase on 1 July 2008 taking your allowance to \$10,974 per annum

COSTINGS

Item	Item Description	• \$per annum and total cost over term of the AWA	Collective Agreement
Year 1 Salary	- Base salary \$99,969 plus Skills Premium of \$10,000 (counts as salary for superannuation)	\$54,985	\$49,985
	- 1 July 2007 corporate increase of 2.5%	\$56,608	\$51,485
	- 1 January 2008 corporate increase of 2%	\$57,485	\$52,259
Year 2 Salary	- 1 July 2008 corporate increase of 5%	\$60,359	\$54,872
<u>Total salary</u>	Total salary expenditure for two year contract	\$229,437	\$208,601
Performance Pay	EL2 Performance Pay up to 15%, calculated on base pay at 30 June each year	Maximum of \$15,216 in the first year and \$17,677 second year being a maximum of \$32,893 over the two year contract	Maximum of \$15,216 in the first year and \$17,677 second year being a maximum of \$32,893 over two years
Total Cost	Total cost over two years	\$262,330	\$241,494

What happens when the AWA is no longer required?

If as at 1 March 2009 (i.e. at the end of the 2 year AWA) the reasons for offering an AWA no longer exist then the AWA would be terminated and the employee's employment conditions would be covered by the Protected Award conditions; the Australian Fair Pay Conditions Standards; and an undertaking, given by the Tax Office, taking into account the following:

- their conditions of employment would be the same as those provided by the ATO (EL2 Employees) Agreement
- the individual would retain their base salary level as at the time of termination of the AWA
- the skills premium would cease at the termination of the AWA

This undertaking will allow the employee to vote and be covered by any new collective agreement commencing 1 July 2009. As the skills premium was removed at the termination of the AWA there is no difference in pay rates as the employee moves back to the Collective Agreement arrangements from 1 July 2009.

Scenario 3: Skills premium

Supporting recruitment of a valuable employee

A Change Program business area is completing a selection process to fill several technical specialist positions at the EL1 level. There were few suitable applicants for the position and the area wants to secure the services of a very well qualified, top of the order of merit candidate. As the individual is now in receipt of a higher salary with their current employer, the business area considers that the offer of an AWA would enable them to provide some additional incentive to secure this individual.

An AWA is approved for a period of two years, commencing 1st January 2007, with a Skills Premium of 15% over the two year period provided the individual remains in the job.

Example (Types of clauses that would address this requirement)

1.1 Base Salary

BASE SALARY AND SKILLS PREMIUM

- 1.1.1 Your base salary will be \$78,010.
- 1.1.2 Your annual base salary will be subject to corporate pay rises providing that the Commissioner determines that the corporate outcomes have been met. This will be equal to:
 - a. 2.5% increase on 1 July 2007 taking your base salary to \$79,960.
 - b. 2% increase on 1 January 2008 taking your base salary to \$81,559
 - d. 5% increase on 1 July 2008 taking your base salary to \$85,637
- 1.1.3 In addition to the annual base salary mentioned above, you will also be paid a skills premium allowance of \$11,702 per annum being equal to 15% of your base salary.
- 1.1.4 Your skills premium allowance will be subject to corporate pay rises providing that the Commissioner determines that corporate outcomes have been met. This will be equal to:
 - a. 2.5% increase on 1 July 2007 taking your allowance to \$11,994 per annum
 - b. 2% increase on 1 January 2008 taking your allowance to \$12,234 per annum
 - c. 5% increase on 1 July 2008 taking your allowance to \$12,846 per annum

COSTINGS

Item	Item Description	• \$per annum and total cost over term of the AWA	Collective Agreement
Year 1 Salary	- Base salary \$78,010	\$45,002	\$39,005
	- 1 July 2007 corporate increase of 2.5%	\$46,097	\$39,980
	- 1 January 2008 corporate increase of 2%	\$46,967	\$40,780
Year 2 Salary	- 1 July 2008 corporate increase of 5%	\$49,242	\$42,819
Total salary	Total salary expenditure for two year contract	\$187,308	\$162,584

What happens when the AWA is no longer required?

If as at 19 February 2009 (i.e. at the end of the 2 year AWA) the reasons for offering an AWA no longer exists then the AWA would be terminated and the employee's employment conditions would be covered by the Protected Award conditions, the Australian Fair Pay Conditions Standards; and an undertaking, given by the Tax Office, providing that:

- their conditions of employment would be the same as those provided by the ATO (General Employees) Agreement
- the individual would retain their base salary level as at the time of termination of the AWA
- the retention bonus would cease at the termination of the AWA

This undertaking will allow the employee to vote and be covered by any new Collective Agreement commencing 1 July 2009.

Scenario 4: "Locking in" a critical employee

Retaining a valuable employee whose skills and experience is widely known outside the ATO.

A business area has high risk of losing a highly valued technical officer to another agency with a higher remuneration offer. This employee departure would be a significant loss. Due to a national shortage of these skills, as evidenced by recent recruitment campaigns, the area anticipates great difficulty in replacing this critical employee in the short to medium term. The employee is at the top of the EL2.2 range.

An AWA is put in place from 5 March 2007 for a period of 2 years with a **Retention Bonus** totalling \$16,000 over a 2 year period. A percentage of the retention bonus is paid up front on lodgement of the AWA. This does not match the external offer but provides a sufficient incentive for the employee to remain. Payment of the bonus each year is dependent upon the employee remaining in the job and continuing knowledge transfer to other employees.

The business case for approval of the AWA included the standard requirement of a full risk assessment, considering criteria such as:

- the business risks associated with the loss of the employee in question
- what is unique or specialist about the skills, knowledge or other characteristics of the employee
- what evidence indicates that the employee is a high performing contributor
- the business risks associated with the loss of the employee in question
- mitigation strategies – how else could risks be managed. What is already in place to mitigate risks?

The AWA will commence on 1 January 2007.

Example (Types of clauses that would address this requirement)

1.1 **BASE SALARY**

1.1.1 Your base salary will be \$105,071.

1.1.2 Your annual base salary will be subject to corporate pay rises providing that the Commissioner determines that the corporate outcomes have been met. This will be equal to:

- a. 2.5% increase on 1 July 2007 taking your base salary to \$107,698
- b. 2% increase on 1 January 2008 taking your base salary to \$109,852
- c. 5% increase on 1 July 2008 taking your base salary to \$115,345

1.2 RETENTION BONUS

- 1.2.1 An initial bonus of \$6,000 will be paid at the commencement of this AWA, with recovery of the bonus amount on a pro rata basis if you cease your employment in the first year of this agreement.
- 1.2.2 A retention bonus of \$5,000 will be paid after the completion of the first 12 months of this AWA, with recovery of the bonus amount on a pro rata basis if you cease your employment in the second year of this agreement.
- 1.2.3 An additional retention bonus of \$5,000 will be paid at the end of this AWA, with a recovery of the bonus amount on a pro rata basis if the you have not remained in your job until the nominal expiry date of this AWA in March 2009.
- 1.2.4 All bonus payments will be conditional upon your performance throughout the life of this AWA being fully effective or higher in accordance with the ATO Performance System.

1.3 KNOWLEDGE TRANSFER

- 1.3.1 You will be required to participate in a knowledge transfer plan which will be developed with your manager and implemented during the term of your engagement under this AWA.

COSTINGS

Item	Item Description	• \$per annum and total cost over term of the AWA	Collective Agreement
Year 1 Salary	- Base salary \$105,071	\$52,536	\$52,536
	- 1 July 2007 corporate increase of 2.5%	\$53,849	\$53,849
	- 1 January 2008 corporate increase of 2%	\$54,926	\$54,926
Year 2 Salary	- 1 July 2008 corporate increase of 5%	\$57,677	\$57,677
<u>Total salary</u>	Total salary expenditure for two year contract	\$218,899	\$218,899
<u>Performance Pay</u>	EL2 Performance Pay up to 15%, calculated on base pay at 30 June each year	Maximum of \$15,958 in the first year and \$16,890 second year being a maximum of \$32,848 over the two year contract	Maximum of \$15,958 in the first year and \$16,890 second year being a maximum of \$32,848 over two years
<u>Sign on and Retention Bonus</u>	- Sign on bonus on 1 January 2007	- \$6000	N/A
	- Retention bonus on 31 December 2007	- \$5000	
	- Retention bonus on 31 December 2008	- \$5000	
Total Cost	Total cost of salary, performance pay and bonuses	\$267,747 (maximum)	\$251,747 (maximum)

What happens when the AWA is no longer required?

If as at 5 March 2009 (i.e. at the end of the 2 year AWA) the reasons for offering an AWA no longer exist then the AWA would be terminated and the employee's employment conditions would be covered by the Protected Award conditions; the Australian Fair Pay Conditions Standards; and an undertaking, given by the Tax Office, taking into account that:

- their conditions of employment would be the same as those provided by the ATO (EL2 Employees) Agreement
- the individual would retain their base salary level as at the time of termination of the AWA
- the retention bonus would cease at the termination of the AWA

This undertaking will allow the employee to vote and be covered by any new Collective Agreement commencing 1 July 2009.

Scenario 5: "Locking in" a critical employee

Use of accelerated pay advancement to support retention of a critical employee

A business area wishes to retain the services of a high performing EL2.1 tax specialist currently working on a major review program. As several other team members have already left to take up opportunities elsewhere the business area is keen to retain this individual's experience and expertise to help ensure project deadlines are met.

The retention strategy the NPM proposes is to provide **Accelerated Base Pay Advancement** to the top of the EL2.1 pay range over a 2 year period. The individual is currently at the bottom of the range on \$88,176.

An AWA is put in place with effect from 1 January 2007.

Example (Types of clauses that would address this requirement)

1.1 BASE SALARY

- 1.1.1 Your base salary will be \$88,167 per annum from commencement of this AWA.
- 1.1.2 Subject to at least fully effective performance assessed in accordance with the ATO Performance System, your base salary will be increased at the first anniversary of this AWA to \$94,072 per annum.
- 1.1.3 Subject to at least fully effective performance assessed in accordance with the ATO Performance System, your base salary will be increase at the second anniversary of this AWA to \$99,969 per annum.

Your annual base salary will be subject to corporate pay rises providing that the Commissioner determines that the corporate outcomes have been met. This will be equal to:
 - 1.1.3 a. 2.5% increase on 1 July 2007
 - b. 2% increase on 1 January 2008
 - c. 5% increase on 1 July 2008

COSTINGS

Item	Item Description	• \$per annum and total cost over term of the AWA	Collective Agreement
Year 1 Salary	- Base salary \$88,176	\$44,088	\$44,088
	- 1 July 2007 corporate increase of 2.5%	\$45,190	\$45,190
	- 1 January 2008 corporate increase of 2%	\$49,176	\$47,635
Year 2 Salary	- 1 July 2008 corporate increase of 5%	\$ 54,872	\$51,635
<u>Total salary</u>	Total salary expenditure for two year contract	\$193,326	\$188,549
<u>Performance Pay</u>	EL2 Performance Pay up to 15%, calculated on base pay at 30 June each year	Maximum of \$13,392 in the first year and \$15,607 second year being a maximum of \$28,999 over the two year contract	Maximum of \$13,392 in the first year and \$14,891 second year being a maximum of \$28,283 over two years
Total Cost	Total cost of salary and performance pay.	\$222,325 (maximum)	\$216,832 (maximum)

What happens when the AWA is no longer required?

As it is anticipated that after 2 years there will have been sufficient skills transfer to other employees as at the 12 April 2009 (at the end of 2 years) the AWA would no longer be required and would be terminated. The employee's employment conditions would be covered by the Protected Award conditions; the Australian Fair Pay Conditions Standards; and an undertaking, given by the Tax Office, providing that:

- their conditions of employment would be the same as those provided by the ATO (Executive Level 2) Agreement
- the individual would retain their base salary level as top of the EL2.1 range.

This will allow the employee to vote and be covered by any new Collective Agreement from 1 July 2009.

Scenario 6: Retaining a valuable employee

Use of performance pay to support retention of a valuable employee

A Change Program business area proposes the provision of performance pay to a high performing EL1 employee who is considering moving to another agency. The other agency is one which provides access to performance pay for employees below the EL2 level.

As the area wishes to retain this highly valued employee they propose an offer of a performance bonus in an AWA. The AWA is for a period of 2 years and includes access to the bonus to be assessed in accordance with requirements specified in an individual Performance Agreement, and with reference to the ATO Performance System. The AWA will commence on 1 January 2007.

Example (Types of clauses that would address this requirement)

1.1 BASE SALARY

- 1.1.1 Your base salary will be \$78,010 per annum from commencement of this AWA.
- 1.1.2 Your annual base salary will be subject to corporate pay rises providing that the Commissioner determines that the corporate outcomes have been met. This will be equal to:
 - a. 2.5% increase on 1 July 2007 taking your base salary to \$79,960
 - b. 2% increase on 1 January 2008 taking your base salary to \$81,559
 - c. 5% increase on 1 July 2008 taking your base salary to \$85,637

1.2 PERFORMANCE BONUS

- 1.2.1 Subject to an assessment of your performance in accordance with the ATO Performance System, you may be entitled to an additional amount of remuneration ("**Performance Bonus**").
- 1.2.2 Your eligibility for performance pay and the quantum of any performance pay will be determined in accordance with requirements documented in your individual Performance Agreement, and in accordance with the ATO Performance System as applicable.

COSTINGS

Item	Item Description	• \$per annum and total cost over term of the AWA	Collective Agreement
Year 1 Salary	- 1 January 2007 - \$78,010	\$39,005	\$39,005
	- 1 July 2007 corporate increase of 2.5% - \$79,960	\$39,980	\$39,980
	- 1 January 2008 corporate increase of 2% - \$81,559	\$40,780	\$40,780
Year 2 Salary	- 1 July 2008 corporate increase of 5% - \$85,637	\$42,819	\$42,819
	Total salary	Total salary expenditure for two year contract	\$162,584
Performance Bonus	Performance Bonus of 0, 5, 10 or 15%, calculated on base pay as at 30 June each year.	Maximum of \$11,848 in first year and \$12,540 in the second year - being a maximum of \$24,388 over the two year contract	N/A
Total Cost	Total cost over two years	\$186,972	\$162,584

What happens when the AWA is no longer required?

If as at the nominal expiry date of this 2 year AWA the reasons for offering an AWA no longer exist then the AWA would be terminated and the employee's employment conditions would be covered by the Protected Award conditions; the Australian Fair Pay Conditions Standards; and an undertaking, given by the Tax Office, providing that:

- their salary would be maintained at its current level until such time as their salary is absorbed by ATO pay rises
- their conditions of employment would be the same as those provided by the ATO (General Employees) Agreement. (i.e. Performance Pay would cease)

This will allow the employee to vote and be covered by any new Collective Agreement commencing 1 July 2009.