



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 12/03/2019

Proposal No: B418
Date Published: 18/03/2019

Proposal Title: Cutting waste - a leaner senior executive bureaucracy

Cluster: Whole of Government

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	(3,427)	(80,571)	(120,492)	(140,485)	(344,976)
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	3,427	80,571	120,492	140,485	344,976

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	3,427	80,571	120,492	140,485	344,976
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Total State Sector Impacts

Net Lending/(Borrowing):	3,427	80,571	120,492	140,485	344,976
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Notes and costing assumptions

The policy proposes to reduce the number of senior executives in the General Government sector by 10 per cent and implement a nominal wage freeze from the formation of government. The intended duration of the policy is to 30 June 2022. The policy specifies that the reduction is delivered through natural attrition where possible.

The policy also specifies that, unless required by existing contracts, there would be no nominal wage increases for senior executives in the General Government Sector for the duration of the forward estimates. Note that nominal salaries are defined as a senior executive's total remuneration package (i.e. salary and superannuation).

The PBO estimates that the total savings under this policy are \$345.0 million over the forward estimates (see table below).

(\$000s)	2018-19	2019-20	2020-21	2021-22	Total
Impact of nominal wage freeze	0	-17,438	-34,385	-52,224	-104,047
Impact of 10% reduction	-3,427	-63,133	-86,108	-88,261	-240,929
Total	-3,427	-80,571	-120,492	-140,485	-344,976

Notes and costing assumptions continued:

Reduction in senior executives

The Public Service Commission (PSC) has advised that the latest estimate of the size of the senior executives cohort is 2,745 and that a 10% reduction is 275 senior executives. This includes senior executives in the Public Service, Health Service, Police Force, Teaching Service, Transport Service and other Crown services (Sydney Trains and NSW Trains).

Band 4 senior executives are excluded from this policy. This is because cluster secretaries are typically appointed at the band 4 grade and the PBO assumes that the number of clusters and secretaries will remain constant.

The PSC advised that the average remuneration is around \$248,000 (including superannuation) per senior executive. The PBO has included an additional 20% for on-costs and corporate overheads e.g. IT and back office support functions.

The PBO assumes the:

- Reduction is through natural attrition (e.g. retirement and resignation). The PBO notes that the PSC's historical workforce data shows an annual turnover of 10% per year (excluding intra sector movement).
- Policy commences on 1 April 2019 and the 10 per cent reduction is phased in on a monthly basis from April 2019, so that the full 10 per cent reduction is realised by end of March 2020.

The policy states that Cluster Secretaries have the flexibility to manage the actual positions deleted and filled, provided that the overall 10% reduction in senior executives is achieved. The PBO assumes that Cluster Secretaries monitor the reduction in senior executives and will not renew term contracts or will terminate staff should natural attrition not provide the 10% reduction by 31 March 2020.

The policy maintains discretion for the government executive to reallocate senior executives across clusters and agencies to maintain staffing capability in areas of government priority.

Senior executive remuneration freeze

The estimated savings as a result of the wage freeze are based on the remaining cohort's annual remuneration costs as estimated by the PSC, plus salary on-costs and less indexation impacts of 2.5 per cent per year.

The PBO assumes that the relevant legislative and regulatory changes would be implemented to instruct the Statutory and Other Officers Remuneration Tribunal (SOORT) to incorporate the remuneration freeze in future remuneration determinations.

The Public Service Commission (PSC) advised that the above changes would require legal advice prior to implementation.