

Mr Warren McCann  
Chair  
Victorian Independent Remuneration Tribunal  
1 Treasury Place  
Melbourne, Victoria, 3002.  
Via email : [enquiries@remunerationtribunal.vic.gov.au](mailto:enquiries@remunerationtribunal.vic.gov.au)

14 February 2020

Dear Warren,

Thank you for the opportunity to provide a submission in relation to the upcoming determination in relation to remuneration in Victorian public entities.

ESTA broadly supports the establishment of more harmonised executive remuneration models between the public service and public entities. In particular, the benefits to be gained from greater clarity in relation to career portability and pathways are positive where they assist in the retention of talent within the Victorian public sector.

In ESTA's view, the following points should be included as considerations for the Tribunal in its deliberations ahead of a determination:

- While we appreciate the objective to provide restraint and certainty in relation to executive remuneration, as we have articulated above, this does result in some difficulties for organisations such as ESTA, operating in a highly skilled and technological environment. It would therefore also be helpful to have more guidance in relation to both the employee value proposition in relation to the benefits of a successful executive career in the public service, and clear direction on what might constitute acceptable non-remuneration benefits that are open to us in attracting and retaining key executives. These benefits might take the form of scholarships, secondments, advanced qualifications, additional leave, peer recognition and other innovative suggestions that give consideration to the overall executive offering that may place us better in the market.
- The relationship between existing agency Enterprise Agreements and centrally determined Executive remuneration bands. At ESTA there is pay compression currently being experienced between our Support Office Agreement and Executive remuneration – as of 4 January 2020 the highest range (band 7) in our Support Agreement is \$176,570 to \$208,796. A number of Executive roles are also paid within this range as a result of the caps placed on Executive remuneration relativities with the CEO. This can serve as a disincentive to take on more senior roles with greater accountability internally, and limits our ability to attract seasoned candidates from the market.
- Our recent experience has been that executive remuneration levels have generally limited the candidate pools for the CEO and other key executive roles at ESTA. This has compromised our ability to secure talented people in a critical service environment in a timely manner and also presents a retention risk.

- As a smaller and flatter organisation Executives are required to span strategic and operational activities often being quite 'hands-on'. Again, we find that limitations on remuneration can impact the strength of candidate pools in this regard given the preferences of senior candidates particularly, where we have a transformation agenda.
- There would be benefit from a clearer articulated preferred market position for the public sector. At least half of our Executives come from the private sector that often remunerates at the 50<sup>th</sup> market percentile or higher. Although un-stated there is a generally communicated view in the market and with the recruitment and search industry that the Victorian public sector pays at the 25<sup>th</sup> percentile. This is at odds with the vision for talent attraction to the public sector and leads to some candidate frustration with mixed messages.
- A new model should account for sector factors that may attract a premium. In our case the emergency services context can often deter candidates unless remuneration accounts for the 24/7 critical service nature of accountability.
- Transition provisions should adequately consider the significant variation of arrangements within discrete agencies and the need for appropriate change management activity with Executives who may be impacted by the implementation of a new model.

For the purposes of your benchmarking, at ESTA the average tenure of our Executive Leadership team is 3.2 years with a maximum tenure of 7.6 years.

Thank you for the opportunity to provide input into considerations ahead of your determination.

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Yours sincerely,



Flavia Gobbo  
Chair