Summary of remote round table discussions with public entities

In late June 2020, the Victorian Independent Remuneration Tribunal (Tribunal) held a series of remote round table discussions with nominated board Chairs and Chief Executive Officers (CEOs) of public entities.

The round tables were designed to seek feedback from entities regarding options for the remuneration structure for executives employed in prescribed public entities. Around 45 representatives from a range of public entities across industry segments attended the round tables, which were held over six sessions.

This is a summary of the themes raised during the round table discussions.

A band structure is generally supported

* Overall, there was general support among participants for a remuneration band structure to support employers making decisions about the remuneration of their executives.
* Some participants suggested that a band structure may support fairer remuneration outcomes at the individual, organisational and sectoral levels, for example, by reducing the gender pay gap and ensuring executives sourced from diverse backgrounds are remunerated appropriately. This is because remuneration bands provide a baseline level of remuneration according to the objective work-value of the role, rather than on personal or subjective factors.

Aligning the public entity remuneration bands with the Victorian Public Service (VPS) executive bands

* Several participants supported the notion of aligning the public entity remuneration bands with the VPS bands determined by the Tribunal (effective 1 July 2020). Many of those in support of alignment were from entities which typically recruit executives from the VPS, and noted:
  + alignment would support the movement of executives between the VPS and broader public sector
  + the fundamental aspects of the role of an executive are broadly similar across the VPS and the public sector, and as such, the remuneration arrangements should also be similar.

Establishing a common remuneration structure across all public entities that is not aligned to the VPS executive bands

* Participants in favour of this option considered that a common remuneration band structure across all entities would be preferable because banding according to industry sector would:
  + likely create, or reinforce, silos between industry segments
  + hinder mobility across the public sector
  + benefit larger, more commercial entities by having larger remuneration bands.
* Several participants were not in favour of alignment with the VPS bands, including some from entities traditionally aligned to the VPS. These participants noted that, in the future, the primary source of their executives is likely to be the commercial sector, rather than the public sector, and thus alignment with the VPS may encumber future recruitment activity.

Establishing industry specific remuneration bands

* A number of participants indicated that industry specific bands would be the most preferable outcome as:
  + the remuneration bands should reflect the complex operating environment for public entities and sector specific needs, such as industry pressure (e.g. high demand for specific roles, need to compete against private sector remuneration offerings) and the need to drive revenue and manage large sums of money
  + industry specific bands would ensure that the lower and upper remuneration rates would be appropriately benchmarked against the broader market to allow entities to compete with the private sector for talent.

The remuneration structure should provide flexibility to employers and be fit-for-purpose to attract and retain executive talent

* A majority of participants raised that the remuneration structure should be fit-for-purpose to attract and retain executive talent in their organisations and incentivise non-executive staff to take on higher roles.
* A common observation was that the remuneration structure should provide a greater level of flexibility to employers to set the remuneration for their executives in a way that suits their specific organisational needs (e.g. to account for budget pressures or to compete against the private sector).
* Many participants from regionally based public entities spoke about their difficulties in attracting and retaining executives. For example, there may be a smaller executive labour market in regional areas, or candidates may be required to relocate to take up roles. Some participants suggested that the remuneration structure needs to take into consideration these challenges.
* A common observation from entities, particularly those with non-executive staff covered by an enterprise agreement, was that compression between non-executive and executive remuneration levels is acting as a disincentive to non-executive staff taking up executive roles.
* Similarly, a few participants noted that relatively low remuneration may limit the incentive for executives to move into smaller entities which may be more aligned to the not-for-profit sector rather than the commercial sector.

Other observations

* Nearly all participants noted that there is greater diversity of organisations, roles and responsibilities across the public sector than in the VPS, and that it is important the Tribunal take this into consideration.
* Several participants said the draft public entity executive classification framework, which would be used to determine the relevant remuneration band for an executive, does not currently reflect the diversity of roles across the public sector, or the complexity, commerciality and risk profile of different roles.
* Participants also noted that some public entity executive roles may carry a high level of risk and that this should be reflected in the values of the remuneration bands. Risks identified included ensuring the personal safety of patrons, clients or customers (e.g. public transport users on train platforms), the general public (e.g. around construction sites) and staff (e.g. occupational health and safety).
* A number of participants discussed the likely impact of current COVID-19 working arrangements on their future workforce planning and recruitment activities, for example:
  + some participants believed that remote working will become a much more common feature of their organisation’s working arrangements, which may broaden the market for executives and allow entities to recruit talent from further afield without the costs of relocation
  + in contrast, some participants from regionally based entities noted that as community and stakeholder engagement is a core function of many of their executive roles, the need to offer competitive remuneration to incentivise executives to relocate will continue to be a priority for them
  + other participants believed that with many private sector organisations reducing staffing levels, there will be greater talent in the market which may put downward pressure on remuneration expectations.
* Some participants raised the importance of non-monetary benefits (e.g. the provision of a motor vehicle) in attracting and retaining executives, particularly for smaller entities where offering large remuneration packages may not be appropriate or possible. A few participants also noted that working-from-home may present an opportunity for employers to provide non-financial benefits, for example, through the provision of home office equipment such as desks, monitors, and teleconferencing tools.
* A number of participants also welcomed the flexibility to seek the Tribunal’s advice on payments above the remuneration bands, noting that this would assist entities when undertaking recruitment in highly competitive sectors or for specific or technical roles.