This guidance note aims to assist public sector employers to request advice from the Victorian Independent Remuneration Tribunal on a proposal to pay an executive above the relevant remuneration band.

This guidance note applies to proposals for executives employed in both Victorian Public Service (VPS) bodies and prescribed public entities (PEs). It should be read in conjunction with the Tribunal’s *Request for advice to pay an executive above the remuneration band* form.

Information about the process for submitting a request for advice is also available on the [Tribunal’s website](https://www.vic.gov.au/victorian-independent-remuneration-tribunal).

The Tribunal’s approach

In providing advice on what it considers to be an appropriate total remuneration package (TRP) for an executive position, the Tribunal is mindful of:

* enabling public sector employers to attract and retain executives to deliver the agenda of the government of the day
* ensuring the fair and equitable remuneration of executives across the public sector
* maintaining the integrity of the public sector executive employment and remuneration framework.

A request for advice should explain:

* why it is not possible to attract or retain an executive with the required skills, experience and qualifications within the relevant remuneration band
* why the employer’s proposed TRP or TRP range is considered appropriate.

Completing a request for advice

The Tribunal's advice can be sought in cases where:

* the executive is not known, such as prior to conducting a recruitment process for a new appointment
* the executive is known, such as following a recruitment process for a new appointment, a reappointment, a mid-contract remuneration review or a temporary appointment (e.g. a ‘higher duties’ arrangement).

Where an employer has sought the Tribunal’s advice prior to a recruitment process (i.e. when the executive was not known), they must seek further advice from the Tribunal if they propose to pay the executive more than the amount previously advised by the Tribunal. The reasons for the proposed remuneration should be explained in an updated form, including providing further information in the ‘Summary’ and ‘Market testing’ sections of the form.

A completed request for advice should include clear, logical and concise statements against each of the questions in the form and be supported by relevant evidence and data – but need not be lengthy or complex.

A request for advice must include the following information and attachments:

* a current position description and work value assessment[[1]](#footnote-2)
* the executive’s resume and evidence of current remuneration
* an organisation chart showing the executive position
* data on remuneration relativities, including for the manager and direct reports to the position and for comparable executive positions in the organisation.

The Tribunal is not able to advise on a request unless all mandatory information has been provided. The Tribunal must receive a completed form, including all mandatory information, before it will provide its advice on the TRP for an executive position.

Detailed guidance on completing *Part 3: Rationale for the proposed TRP* in the form is provided below.

Summary

The overview should clearly and succinctly summarise the key factors that:

* demonstrate why it is not possible to attract or retain an executive within the relevant remuneration band
* justify the proposed TRP or TRP range and explain how the specific TRP value/s were determined.

This section should explain how the information provided was used to establish the proposed TRP and explain the relative importance of, and trade-offs between, different factors.

Executive position

This section should outline the two or three critical functions and responsibilities of the position and the skills, capabilities and experience required to undertake them, drawing on the position description and work value assessment.

When referring to the critical functions and responsibilities of the position, the form can also include how the position contributes to the organisation’s strategic objectives and priorities and significant challenges or risks that the position will be responsible for managing.

This information should inform and align with the analysis of relevant market supply and demand conditions for the position.

Where applicable, the employer should summarise material changes to the position since a previous request to the Tribunal for the position.

Market conditions

Remuneration is generally influenced by the demand for and supply of executives with the skills, capabilities and experience required for the position.

This section should explain the employer’s assessment of relevant labour market conditions and how this has informed the proposed TRP.

Labour demand and supply conditions

The relevant labour market for a position may comprise:

* the ‘general market’, being all executives across Australia
* executives employed in similar organisations, for example, in terms of size, industry, function and geography.

High-level information on relevant labour demand and supply conditions may be publicly available from:

* government skills agencies, such as Jobs and Skills Australia (formerly the National Skills Commission) and the Victorian Skills Authority
* sector-focused government agencies, such as Infrastructure Australia, or industry peak bodies
* research and advisory bodies
* recruitment advisers.

While such analysis can have limitations — for example, due to the time taken to collect, evaluate and publish data — it can provide useful insights into labour market conditions.

Comparator organisations and remuneration

Employers may be competing with ‘talent market peers’ — being those organisations from which executive talent is most likely to be recruited from or lost to — and this may have implications for recruitment, retention and remuneration strategies. For example, where talent market peers are seeking to fill a comparable position, this may affect the employment decisions or remuneration expectations of executives.

Remuneration data may also be available for comparator organisations that could inform remuneration benchmarking. For example, public sector organisations in other Australian jurisdictions may publish remuneration information for comparable positions.

Remuneration benchmarking

Employers may choose to conduct remuneration benchmarking for an executive position, including via reports from external consultants. Benchmarking analysis typically involves establishing a credible remuneration range for the position, based on the remuneration paid for positions with a comparable work value.

Where benchmarking occurs, employers should state their ‘market positioning’ strategy, and explain how this strategy was developed and applied to the position.

In general, the aim of a positioning strategy is to choose the lowest possible remuneration that allows an organisation to compete in the market for talent, taking into account its ability to pay. In the public sector, the positioning strategy may also need to reflect relevant government policies.

Common market positioning strategies involve selecting a point on the remuneration distribution for the relevant labour market, such as the 15th percentile.[[2]](#footnote-3)

Employers should also consider market positioning in terms of the employee value proposition (EVP). The EVP is the total value to the individual of working for the organisation. It encompasses both monetary and non-monetary factors, where non-monetary factors may include job security, work-life balance, flexible working arrangements, career development, workplace culture and the reputation of the employer. In practice, market positioning may be ‘discounted’, on a case-by-case basis, to account for the non-monetary benefits of the position.

For a reappointment or mid-contract adjustment, employers may consider whether there is a ‘flight risk’ associated with the incumbent executive. Where applicable, the completed form should summarise the nature and extent of that risk and provide direct evidence where available.

Market testing

This section should describe:

* the market testing and appointment process proposed or used by the employer for a position
* the results of that process
* how that informed the proposed remuneration.

Employers may choose to test the market for a position through an open recruitment process, targeted search or other approach, which can provide insights on the appropriate remuneration for the position.

For a reappointment or temporary appointment, employers may consider that a recruitment process or targeted search is not appropriate. However, relevant insights may also be available from other sources — for example, from a recent recruitment process for a comparable position within the organisation.

Where a market testing process is proposed but has not been completed, the request for advice should include:

* a description of the proposed recruitment or other market testing process for the position
* relevant insights from a recent market testing or other process for a comparable position, where available.

Where a market testing process has been undertaken, the request for advice should include:

* the number of applications received
* the number of candidates considered at each stage of the process and key considerations in moving candidates to the next stage
* the remuneration expectations of suitable candidates
* evidence of the preferred candidate’s current, or immediately previous, remuneration.

Where an employer is requesting further advice from the Tribunal following a market testing process, they may wish to principally update the ‘Summary’ and ‘Market testing’ sections of the previously completed form for the position. Employers are also welcome to provide other supporting information for the Tribunal’s consideration.

Remuneration relativities

The Tribunal acknowledges the role of competitive remuneration in attracting and motivating public sector executives, while seeking to guard against outcomes that could lead to adverse recruitment or remuneration pressures in the public sector.

Comparable executive positions are generally expected to attract similar remuneration in order to maintain appropriate relativities both within organisations and across the public sector.

This section should describe how the proposed remuneration for the position compares to the remuneration for comparable positions in the organisation, and consider how paying above the band will affect fairness and equity within the organisation. This information will also assist the Tribunal to consider wider implications for recruitment, retention and remuneration across the public sector.

1. The work value assessment must be based on the [VPS Executive Classification Framework](https://vpsc.vic.gov.au/executive-employment/victorian-public-service-executive-employment/vps-executive-classification-framework/) or the [PE Executive Classification Framework](https://vpsc.vic.gov.au/executive-employment/victorian-public-entity-executive-employment/public-entity-executive-classification-framework/) [↑](#footnote-ref-2)
2. The 15th percentile or P15 is the position at which 15 per cent of organisations pay less for positions of equivalent work value, and 85 per cent pay more. The Tribunal’s remuneration bands for public sector executives were set in 2020 with reference to the 15th percentile of the Australian general market for positions of comparable work value. [↑](#footnote-ref-3)