# **ANZSOG**

TITLE: Senior Executive Service Case Study – New South Wales

AUTHORS: Brian Head, Linda Colley

SERIES: ANZSOG Research Insights

NUMBER: 15

DATE: 2021

PUBLISHER: Australia and New Zealand School of Government

ISSN: 2653-7281

DOI: 10.54810/LEFJ3007

CITATION: Head, Brian and Linda Colley. Senior Executive Service Case Study – New South

Wales: ANZSOG Research Insights No. 15. Melbourne: Australia and New Zealand

School of Government, 2021.

Senior
Executive
Service
Case Study –
New South
Wales

Australia & New Zealand School Of Government  $^{1}$   $\Lambda$  NZSOG

## SENIOR EXECUTIVE SERVICE CASE STUDY – NEW SOUTH WALES

By Professor Brian Head (UQ) and A/Prof Linda Colley (CQU)

## **PREFACE**

This ANZSOG Research Insights paper is one of a series of eight case studies which summarise how senior executive arrangements in the public service have evolved since the 1980s in Australia. The series includes the Commonwealth, all six states and the Northern Territory. The papers cover the legislative and policy changes that have influenced the work of each public service over recent decades, and provide a snapshot of recent arrangements for senior public servants in each jurisdiction through to around 2021.

The papers are being published as a resource that may assist students and researchers who want to understand more about the comparative arrangements across jurisdictions.

The papers were compiled by a research team led by Brian Head, Professor of Public Policy at the University of Queensland, and Linda Colley, Professor of Work and Employment at CQUniversity. Valuable research assistance was provided by Shelley Woods, Chris Salisbury and Prue Brown. The research team is grateful to a network of contact officers in each jurisdiction who assisted in checking the accuracy of the materials. They are not responsible for any errors or oversights that remain.

The production of these reports has been made possible by funding from the Australian Research Council (DP180102592).

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## Glossary

**DEOPE**: Director of Equal Opportunity in Public Employment

**GSE:** Government Sector Employment Act 2013

GSELA: Government Sector Employment Legislation Amendment Act 2016

**PSC**: Public Service Commission

**PSEM:** Public Sector Management and Employment Act 2002

PSSE: Public Service Senior Executives (does not include Health, Police, Transport and

'other Crown services').

**SE**: Senior Executive

**SOORT**: Statutory and Other Officers Remuneration Tribunal

## 1 NSW Governments

#### 1.1 Discussion

New South Wales (NSW) has been governed for lengthy stretches by either Labor or the conservative Coalition parties over the past 40-plus years, although Labor has held office almost twice as long as the Coalition during that time. All governments held power outright, except for the latter stages of the Greiner/Fahey Coalition governments in the early-mid 1990s after the 1991 state election left them governing in minority for a whole term in office.

In 1977, the NSW Labor Government of Neville Wran commissioned the first major public sector review since 1918, appointing Professor Peter Wilenski to recommend the future direction of the NSW Public Service. The review resulted in three reports to government (Wilenski, 1977; 1978; 1982).

The Public Employment Office was a body corporate with a Commissioner for Public Employment who managed the organisation. While it had extensive powers, these were curtailed by the *Public Service Act 1979* requirement that it 'comply with directions issued by the Government, except in its traditional personnel functions of salary determination, classification of work, grading of officers, recruitment and promotion'.

A dedicated Public Service Commission (and Commissioner) was established in 2011, when Graeme Head was appointed following a public sector restructuring. Prior to this, the public sector's management was largely overseen by the Director-General (or Secretary) of the Premier's Department and a dedicated office in that department going under a succession of different titles.

The NSW Senior Executive Service (SES) was established in 1989 under the Greiner Government "to raise the overall standard of management and leadership in the public sector and to assist in the achievement of continuing productivity increases" (APSC, 2003, pp 82–83). Labor governments in the late-1990s and early-2000s created a series of public sector management offices: the Public Sector Management Office, Public Employment Office and Public Sector Workforce Office. But there was a "widely held perception" that, in the absence of an independent regulator, the NSW public service was "almost uniquely vulnerable to institutionalised 'politicisation'" (Di Francesco, 2013, p. 391).

The public service featured prominently in the 2011 NSW election. Ahead of the election, the Opposition Liberal-National Coalition committed to "restore the highest levels of impartiality, ability, accountability and leadership in the NSW public service" (quoted by Di Francesco, 2013, p. 391). Elected after 16 years of Labor rule, Liberal Premier Barry O'Farrell said DPC would no longer act at the "poacher and gamekeeper" of public sector employment, arguing that "Westminster traditions and processes established in the nineteenth century are our strongest resource to take the New South Wales public service into a brand new era of innovation" (quoted by Di Francesco, 2013, p. 392).

O'Farrell "moved swiftly to make good on the Coalition's promise" of public service reform, with the "centrepiece" the creation of the Public Service Commission – an initiative that saw NSW "playing catch-up with the more general shift in Australia towards strengthened public employment regulators" (Di Francesco, 2014, pp 391). Graeme Head was appointed inaugural Commissioner, with Dr Peter Shergold as Chair of the Advisory Board.

In mid-2011, the newly elected O'Farrell government established a Commission of Audit, led by David Gonski, to develop a framework for the future of the public service. Reporting in May 2012, the Commission found that, in terms of expenditure, the public service had felt under fiscal pressure since 2005-06 (before the GFC) (Commission of Audit, 2012, p. 7). In 2014, Public Service Commissioner Graeme Head reflected on the significant reforms to the NSW public sector during his first three years (Dennett, 2014, Sep 18). These included the development of new legislation – the *Government Sector Employment Act 2013* – as well as new capability, performance management and recruitment frameworks. In 2016, the NSW Auditor-General reviewed the Public

Service Commission's role in public sector management reforms, noting that the PSC had made good progress on reforms in general, but more work could be done to track and evaluate the outcomes (Audit Office, 2016).

In April 2019, Premier Berejiklian announced machinery of government (MoG) changes, consolidating the NSW Public Service into eight 'clusters' (or super-departments), covering approximately 40 portfolios, to take effect from 1 July 2019 (Saulwick et al., 2019). These changes were described as radical (Podger quoted by Saulwick et al, 2019), and led to extensive disruption of senior executives as positions were spilled and filled (O'Sullivan, 2019, Nov 19).

A further major restructure of the NSW public service was announced in the 2019–20 State Budget, with \$3.3M in public service cuts, including the abolition of secretaries' bonuses and the loss of more than 3000 jobs (Clark, 2019). With a "world-class public service" as one of Premier Berejiklian's priorities, the government was hoping to "do more with less" (NSW Government, 2019, Jun 28).

In April 2020, Deputy Premier John Barilaro announced the establishment of the Department of Regional NSW (Barilaro, 2020). The new agency was to have a southern headquarters in Queanbeyan employing around 100 staff, with a further 300 jobs in Dubbo, Armidale and Coffs Harbour (Frost, 2020). Then in February 2021, Regional Workforce Principles were announced with a goal to base more public servants in regional areas, including a commitment to increase the proportion of senior positions in the regions by 2023 (Barilaro, 2021).

Table 1. NSW governments, public service institutions and commissioners

Took Office	Left Office	Premier	Party	Public Service Institution	Public Service Commissioner	Balance of power?
Re- elected Mar 2019 23 Jan 2017		Dominic Perrottet from 1/10/21 Gladys Berejiklian	Liberal	Public Service Commission	Kathrina Lo (from 8 April 2020) Scott Johnston (acting) Emma Hogan (May 2018 to Oct 2019) Catherine Grummer (acting) Graeme Head (until Dec 2017)	Majority (reduced after 2019 election)
17 Apr 2014	23 Jan 2017	Mike Baird	Liberal	Public Service Commission	Graeme Head	Majority
28 Mar 2011	17 Apr 2014	Barry O'Farrell	Liberal	Public Service Commission (created 2011)	Graeme Head (inaugural Commissioner, Oct 2011) Chris Eccles (DPC) from Apr 2011	Majority
4 Dec 2009	28 Mar 2011	Kristina Keneally	Labor	Public Sector Workforce Office (DPC)	Brendan O'Reilly (from Jan 2010)	Majority
5 Sep 2008	4 Dec 2009	Nathan Rees	Labor	Public Sector Workforce Office (DPC)	John Lee (from Oct 2008) Robyn Kruk (until Oct 2008)	Majority
3 Aug 2005	5 Sep 2008	Morris Iemma	Labor	Public Sector Workforce Office (DPC)	Robyn Kruk (Department of Premier and Cabinet) From May 2007 Col Gellatly (retired 2007)	Majority
4 Apr 1995	3 Aug 2005	Robert (Bob) Carr	Labor	Public Sector Management Office (Premier's Department) from 2003 Public Employment Office (from 5 Apr 1995)	Col Gellatly (Director- General, Premier's Department) from 1996 Ken Baxter (D-G) 1995–1996 Ken Cripps (Commissioner, Public Employment Office) until 1996)	Majority
24 Jun 1992	4 Apr 1995	John Fahey	Liberal	Office of Public Management (abolished Apr 1995)	Col Gellatly(Director- General) 1994–1995 Richard Humphry (until 1994)	Minority (with support of Independents )
25 Mar 1988	24 Jun 1992	Nicholas Greiner	Liberal	Office of Public Management (established Oct	Richard Humphry (Director, Premier's Office, Aug/Sep 1988; Director-General, Sep- Dec 1988; Director-General,	Majority (minority May 1991 – Jun 1992 with

				1988 in Premier's Office) Public Service Board (abolished Sep 1988)	Premier's Department from Dec 1988 Gerald (Gerry) Gleeson (Secretary, Premier's Dept/Premier's Office) until 1988)	support of Independents )
4 Jul 1986	25 Mar 1988	Barrie Unsworth	Labor	Public Service Board	John Ducker (1986–1988)	Majority
14 May 1976	4 Jul 1986	Neville Wran	Labor	Public Service Board	David Moore, Chairman (1979–1985) Harold "Jack" Dickinson (from 1971)	Majority

## 2 NSW Legislation

## 2.1 Historical background

The first public sector legislation in NSW was the *Civil Service Act 1884*, which prescribed the classification structure, salary and allowances, leave entitlements and grounds for dismissal, and created a Civil Service Superannuation Fund. This was followed by the *Public Service Act 1895*, which excluded married women from employment in the public service (s.36). This section was clarified in *the Public Service Act 1902*, which allowed for the employment of married women in the Department of Instruction, and for widows in special circumstances, but otherwise precluded the employment of married women if their husbands were public servants. These conditions were overturned by the *Public Service (Amendment) Act No. 64, 1969*, which allowed for the permanent appointment of married women to the NSW Public Service. Early public service legislation in the Commonwealth and other states was largely modelled on NSW's 1895 Act (McCarry, 1991).

#### 2.2 1970s to 1990s

The Statutory and Other Offices Remuneration Act 1975 established a remuneration tribunal to make annual determinations on executive and other public sector remuneration ranges. The Statutory and Other Offices Remuneration Tribunal (SOORT) has endured, still operating in June 2021.

The 1970s also saw the replacement of the 1902 Public Service Act with the *Public Service Act* 1979, which established the Public Service Board of NSW and formally established the title of "Department Head" to describe various positions including "Secretary", "Under Secretary", "Director-General" and "Director of the Department" (Division 2, Schedule 1).

The Public Service Board was dissolved within a decade via the *Public Sector Management Act* 1988, which also created a Chief Executive Service and Senior Executive Service (SES) with appointments for up to five years, and outlined rules for appointment, remuneration and removal (Divisions 2 and 3). The 1995 amendments also established a right of return for some executives or up to 38 weeks compensation for removal for those with no right to return (Schedule 3). In the meantime, the *Public Sector Management Executives (Amendment) Act* 1989 had amended the PSM Act to clarify the selection, appointment and termination of Chief and Senior Executives, including that selection should be on merit (s. 26).

The PSM Act dissolved the Public Service Board and created the Office of Public Management, which operated within the Premier's department from February 1989 until 1995, when it was replaced by Public Employment Office under the *Public Sector Management Amendment Act 1995*.

#### 2.3 A new millennium

A full century after the *Public Service Act 1902*, the *Public Sector Employment and Management Act 2002* created the Public Employment Office as a statutory body, outlining its constitution, management and general functions. The Act stipulated that its affairs be managed by the Director-General of the Premier's Department, "subject to the control and direction of the Minister" (except for remuneration and employment conditions, and industrial disputes) (s. 123).

Subsequent amendments to the PSEM Act 2002 contained in the *Public Sector Employment and Management Amendment (Ethics and Public Service Commissioner) Act 2011* created an ethical framework and core values for the public sector and established the Public Service Commission. It specified the appointment, principal objectives and general functions of a Public Service Commissioner (Part 1.3) and the membership and procedures for the Public Service Commission Advisory Board (Schedule 2B). It specified that the Commissioner be appointed by the Governor on recommendation from the Premier (s. 3D) and that the Chair of the Advisory Board plus four other members be appointed by the Premier (s. 3Q).

The following year, the *Public Sector Employment and Management Amendment Act 2012* made provisions relating to excess employees and performance management.

The Government Sector Employment Act 2013 (GSE provided the current statutory framework for the public sector employment and workforce management, with the Public Service part of the Government Sector.

The Government Sector Employment Regulation 2014 and the Government Sector Employment Rules 2014 form part of the framework for employment under the GSE Act. The GSE Rules have been amended 11 times since 2014, including in 2019 to improve merit-based employment provisions (PSC, 2020b). This led to the development of an online Merit Assessment Program for hiring managers (PSC, 2019).

An independent review of the *GSE Act 2013* was commissioned by the Minister for the Public Service and Employee Relations, the Hon. Don Harwin MLC, in August 2020 (Pearce et al., 2021). The Review Panel was asked to examine:

- (a) Whether the policy objectives of the Act remain valid;
- (b) Whether the terms of the Act remain appropriate for securing those objectives;
- (c) Any legislative or regulatory issues or inconsistencies requiring amendment; and
- (d) Any other related matter.

Recommendations of the review included some relating to remote and regional employment; reforms to employment structures (including opportunities for recruitment from other jurisdictions); that the PSC take a lead in requiring agencies to report on professional development activities; and that the PSC address "misunderstanding and confusion" about the application of the Capability Framework (Recs. 1, 2, 5, 10).

In its report, the review panel noted that the GSE Act had "established new rules and procedures for merit-based recruitment across the NSW public service" which had resulted in "significant changes to the recruitment methods and practices of agencies in a reasonably short time frame" (Pearce et al. 2021, p. 27).

Recommendations related to senior executives are discussed below in Section 4.

## 3 The public service during global crises

This section outlines measures in response to the Global Financial Crisis (GFC) and the COVID-19 pandemic.

#### **GFC**

While governments in every jurisdiction pursued some form of quantity adjustment to the size of their public service, partisan preferences were evident whenever governments changed (Colley, 2012). In NSW, while the Labor government had contained public service growth through a recruitment freeze, the Liberal government elected in 2011 announced a four-year plan for 5000 redundancies, including 3500 in the first year (Colley, 2012). In 2010, the Labor government had committed to a 20% reduction in SES positions (Colley, 2012).

#### COVID-19 pandemic

The NSW Liberal government's efforts to pause public servants' pay had a difficult road. Intending to pause wage increases for 12 months across the board (including executives), it claimed this would protect and save jobs (Berejiklian, 2020) but attempts to implement the pause via regulation were blocked in the Legislative Council (Mayers, 2020). As in Queensland, the major unions challenged the wage rise deferral (PSA, 2020a; 2020c). The 2.5% pay increases had been in place since 2011 (Berejiklian & Perrottet, 2021). The proposal was also challenged in the Industrial Relations Commission, which ruled in October 2020 that NSW public servants be awarded a 0.3% pay rise instead of the proposed wage freeze (Skatsoon, 2020). The government responded with a new wages policy in the State Budget in November 2020 to save \$4.3 billion over four years, with wages growth capped at 1.5% and SES salary increases paused for 12 months (NSW Govt, 2020). The Public Service Association described the wages policy as both 'unethical' and 'economically irresponsible' (PSA, 2020b).

The new Public Sector Wages Policy was formalised in April 2021, noting that employee-related costs were the largest component of expenditure, consuming almost half of government expenses (DPC, 2021). The 2021–22 State Budget restored the annual public sector pay rise to 2.5% pa (Berejiklian & Perrottet, 2021).

The remuneration tribunal, SOORT, determined there would be no increase in remuneration packages for the SES from 1 July 2020 (PSC, 2020a).

In March 2020, the *GSE Rules* were amended to enable agencies to rapidly recruit additional staff or retain people in roles to assist with the COVID-19 response.

In April 2020, the Premier had announced an additional 1000 jobs for Service NSW (PSC, 2020b: 58). The government gave a commitment in May 2020 to no forced redundancies for non-SES staff for 12 months, tied to the proposed 12-month pause on pay rises (Berejiklian, 2020). Given that the proposal was overruled by the Industrial Relations Commission, it was unclear if the promise would be honoured. By April 2021, extensive cuts were afoot, with the PSA expressing concerns about the impacts on vulnerable families and children (Coade, 2021).

The following table illustrates public service austerity measures during these two global crises.

Table 2. NSW public service measures during the GFC and COVID-19 pandemic

Crisis	Party	Pay approach	Recruitment	Downsizing (approx numbers)	SES
GFC	Labor	4% maintained	Freeze on non- frontline positions	No forced redundancies policy	20% reduction (171 positions)

Crisis	Party	Pay approach	Recruitment	Downsizing (approx numbers)	SES
	Liberal (from 2011)	Cap 2.5%, and PS wage decisions removed from NSW Industrial Tribunal.		2011 plan for 5000 redundancies (incl 3500 in 2011).	
COVID	Liberal	Attempted deferral of 2.5% increase, but IRC awarded 0.3% pay rise. 1.5% cap imposed in November 2020 Budget 2.5% annual increase restored June 2021 Budget		June 2020: Commitment to no forced redundancies for 12 months (removed 2021), except for SES, subject to wage freeze.	SES salary increases paused for 12 months (Nov 2020)

## 4 NSW Senior Executive policy changes

## 4.1 Description

The NSW Public Service Senior Executive is employed under Division 4 of the *Government Sector Employment Act 2013*. Unlike the APS and some other states, agency heads (Secretaries) are included in the Senior Executive Service. The following band structure was determined by the O'Farrell government in February 2021 (SOORT, 2019):

Band 1 - Directors

Band 2 - Executive Directors

Band 3 - Deputy Secretaries

Band 4 - Secretaries.

Senior executives of the NSW Health Service, Transport Service and Police Force are employed under different legislation (*Health Services Act 1997*; *Transport Administration Act 1988*; *Police Act 1990*), although their employment arrangements were aligned with those of the Public Service through amendments to the GSE Act in 2016 (PSC, 2019a; 2019b). The main changes were as follows:

## <u>1970s</u>

During the 1960s and '70s, there was a handful of legendary tenured heads who were powerful and fearless enough to overturn decisions made by their ministers.... In NSW, during the '70s and '80s, Gerry Gleeson, Neville Wran's most trusted and feared mandarin, ruled NSW with an iron will (Power behind the throne, SMH 2004).

Since then, reforms to the public sector, including fixed-term contracts and performance agreements, along with the imperatives of modern pragmatic politics, have spawned a completely new breed of departmental heads (Power behind the throne, SMH 2004).

The Statutory and Other Offices Remuneration Act 1975 established a Statutory and Other Offices Remuneration Tribunal (SOORT) which has since determined SES and other public sector remuneration ranges annually.

#### 1980s

The Senior Executive Service was introduced in New South Wales in 1989 under public sector reforms begun by the Greiner Coalition government (legislated first in the *Public Sector Management Act 1988* and subsequent amendments). The PSM Act (s.77) created

a new chief and senior executive service whose hallmark was flexibility: fixed term contract appointments replaced permanence, outside appointments were encouraged (although never achieved in numbers) and highly-prized generic management skills were to be deployed any-where across government (Di Francesco, 2013: 392–3).

Appointments to the SES were made by the Governor on the recommendation of the relevant Department Head for up to five years, with the Governor granted "an absolute right to dismiss an executive officer at any time without notice or cause" (McCarry, 1991, pp 513–514).

#### 1990s

As 'new managerialism' "swept through" the public sector, the traditional concept of 'seniority' "virtually disappeared, to be replaced by what have proved to be rather more elusive concepts of 'merit'" (McCarry, 1991: 501–2). By April 1991, just 8% if the 1554 members of the NSW SES had been recruited from the private sector, a practice that was broadly perceived as largely unsuccessful (Lamond, 1991). An evaluation conducted in 1990 found that three-quarters of Cabinet Ministers and chief executives interviewed considered private sector appointments were unlikely to be successful due to lack of understanding of government processes, lack of policy experience, and inexperience in dealing with ministers (Lamond, 1991).

Westminster principles of neutral impartiality had also lost clarity, becoming "blunted and confused" (McCarry, 1991, p. 503). The Greiner government (1988–1992) had criticised 'political appointments' to senior bureaucratic positions made by the former Labor government and stated a commitment to merit appointments. Yet by 1991, more than 30 senior appointees had connections with the Liberal Party or close associations with either the Premier or ministers (Lamond, 1991, p. 512). As an article in the *Sydney Law Review* pondered at the time:

A serious question arises as to whether criteria and procedures have become so diffuse and discretionary as to be almost meaningless and so easily able to be circumvented or turned to partisan use (McCarry, 1991, p. 521).

In 1995, NSW Labor Opposition leader Bob Carr expressed concern that implementation of the SES had been inefficient, vacancies had been filled by Ministerial direction without advertising, and the effectiveness of the SES had been hampered by Executive Government control. Carr announced the Labor Party's intention to "revive the principle of an independent, non-political public service" (quoted by NSW Audit Office, 1998: 2). In government, NSW Labor reaffirmed that it did not want SES officers to be appointed according to their capacity to meet political objectives (NSW Audit Office, 1998).

In 1998, the NSW Audit Office reviewed the effectiveness of the SES (NSW Audit Office, 1998). The Performance Audit report found that the Senior Executive Service was "riddled by a type of 'personality management' that might only be neutralized by an independent employment body monitoring protective 'no fault' termination provisions" (Di Francesco 2013; Johnston, 1999).

#### 2000 - 2010

The same year that the Commonwealth introduced performance pay for the APS SES, the NSW Cabinet of Liberal Premier John Fahey determined in August 2000 that performance pay was no longer available to its chief and senior executive service officers (DPC, 2000).

The *Public Sector Employment and Management Act 2002* included a part dedicated to "public sector executives" (Part 3.1), which outlined the composition of the Chief Executive Service and Senior Executive Service and their employment conditions – including contracts, remuneration, and removal or termination provisions. Part 3.2 focused on staff mobility, within and between public sector agencies.

## 2011 - 2020

Prior to the creation of the Public Service Commission in 2011 (a Public Service Board had been established in 1895 and abolished in the 1980s) the NSW senior public service was perceived to be "almost uniquely vulnerable to institutional 'politicisation'" (Di Francesco, 2013, p. 393). One of the first tasks of the new Public Service Commissioner was to review the executive structure of the public service, taking advice from an Expert Panel and recommending major reform (Head, 2014).

The Government Sector Employment Act 2013 introduced by the O'Farrell Coalition government replaced the PSEM Act 2002, streamlining the former eight-level Chief Executive Service (CES) and Senior Executive Service (SES) into a single executive structure (Di Francesco, 2013). Executive Bands (Secretary and 3 bands) replaced the former SES levels and SO grades, with Directors-General renamed as Departmental Secretaries (Division 2) and the Minister responsible for the Act, being at the time the Premier, authorised to determine SES salary bands (s.35). For Public Service Senior Executives (PSSEs), the GSE Act provided for both ongoing and fixed-term employment in place of the previous five-year renewable employment contracts.

Section 41 of the GSE Act allowed for senior executives to be sacked "for any or no stated reason and without notice" (McCarthy, 2018, Nov 30). The new Act confirmed that the Right of Return provision only applied to those who had qualified for (and had nominated it at their appointment) prior to 13 October 1995. Recruitment and selection of PSSEs are subject to merit-based employment under *GSE Rules 2014*. Executive search services for the recruitment of Secretaries and heads of departments have on occasion been outsourced to the private sector.

2014 saw the launch of the NSW Leadership Academy to develop the skills and capabilities of existing and emerging leaders, with the Secretaries Board acting as the Leadership Academy Board. There were 330 participants in Leadership Academy programs in 2019-20 (PSC, 2020b).

In 2014–15, the NSW Government commissioned a review of public service remuneration (Mercer, 2015) and a report on progress of the implementation of the GSE reforms (Deloitte, 2015). The Mercer review found NSW senior executives were paid less than the APS or WA SES and considerably less than general market counterparts. Also, unlike other jurisdictions, executive remuneration did not include a car allowance benefit. Premier Mike Baird flagged the reintroduction of performance bonuses if re-elected in March 2015 (PSA, 2014).

Reform to senior executive policy continued with implementation of the *Government Sector Employment Legislation Amendment Act 2016* (GSELA Act), aligning the senior executive employment arrangements of the NSW Health Service, Transport Service and NSW Police Force with those of the Public Service (PSC 2018). The amendments also facilitated senior executive mobility (s. 38).

A 2018 Review of NSW Public Service Recruitment Reforms found that agencies had developed Senior Executive Implementation Plans to transition to new arrangements, but had less success in implementing those plans, and as a result 'the reforms have not reached the level of maturity that might have been expected after four years (Briggs, 2018, p.5). The Briggs Review strongly endorsed the development of in-house executive recruitment "to replace the more costly and not always effective process led by external executive research firms" (p. 31).

Just over half (53%) the respondents in the 2020 People Matter Employee Survey agreed that "senior managers provide clear direction for the future of the organisation", while just less than half (49%) thought "senior managers listen to employees", and only 41% thought change was managed well (PSC, 2021a, p. 11).

A number of high-profile contract terminations attracted media comment and action. In 2019, the NSW Industrial Relations Commission rejected the view that senior executives could not legally challenge their terminations, and one executive challenged a termination on the grounds of victimization (Clayton Utz, 2019). In early 2020, as bushfires ravaged the state, the senior public

<sup>&</sup>lt;sup>1</sup> https://leadershipacademy.nsw.gov.au/vision

servant in charge of NSW environmental agencies was sacked while on leave (Jenkins, 13 Jan 2020). In November that year, the Transport Secretary was terminated without reason or notice and replaced with a former Virgin Australia CEO (Jenkins, 26 March 2021). A former ICAC legal counsel has called for an investigation into the dismissal (Jenkins, 2 June 2021).

The independent review of the *GSE Act 2013* commissioned in 2020 recommended that the Premier, the Minister for the Public Service, and the Secretary of Premier and Cabinet "examine the mechanisms and effectiveness of current arrangements for the implementation of government policies by the Public Service senior executives" (Pearce et al, 2021, Rec. 3). Further recommendations related to the PSSEs included:

- that portfolio ministers be included in the appointment of senior executives and in 360-degree performance reviews (Rec. 4).
- "The PSC should consider the validity of concerns expressed to the Panel in relation to the complexity, cost and delays in the recruitment process for senior executives" (Rec. 10).

The panel noted that Senior Executive mobility had increased from 2.1% in 2014 to 4% in 2020 (Pearce et al., 2021, p. 26)

## 4.2 Summary comparison of 1999 and 2021

This summary table draws on the 1999 position identified by Corbett et al in their review of Senior Executives across Australian jurisdictions.

Table 4. Senior Executive Officers - New South Wales

Employmen t Practices	1999 position	Interim changes	Current position (2021)
Recruitment			
Advertised internally	Yes, as for permanent positions	GSE Act 2013 reformed PS recruitment and mobility processes; reforms were reviewed in 2018 for NSW PSC ('Briggs Review') with the PSC implementing the recommendations (State of the Sector 2019, p. 59).	Yes, can access specialised PS 'talent pools'
Advertised externally	Yes, although approval for exemption may be sought from Premier's Department.	External recruitment to PS was suspended (except for 'critical positions') by Rees Labor government in Nov 2008; full staffing freeze introduced in Jun 2009, remained in place until lifted by Baird Liberal government in May 2014.	Yes, in keeping with GSE Rules re 'principles-based approach' to recruitment and selection, and application of merit principle especially
Search Agency	Sometimes (e.g. specialist needed)	Briggs Review (2018) supports the development of in-house executive recruitment capability.	As needed, can utilise PSC 'Executive Search' panel of external suppliers.
Selection body	CEO or delegate convenes appointment committee. At least 3 people on committee. Makes recommendation to CEO on appointment.		More than one assessor must be involved in a comparative assessment (GSE rule 17)
Role of Portfolio Minister	No formal involvement, but informally Portfolio Minister or Minister's office is involved.	Public Sector Employment and Management Act 2002 Confirmed the right of ministers to appoint Department Heads.s. 23(4) of the GSE Act 2013 prescribes that "appointments to the office of Secretary of a Department	No formal involvement

		are to be made by the Minister".	
Role of Premier	None (except only own department).		The Minister responsible for the Act is the employer of all Secretaries. This function has been delegated by the Premier to the Secretary of the Department of Premier and Cabinet for all Secretary roles with the exception of that role.
Role of Cabinet	No involvement		Executive Council Minutes require Cabinet approval.
Role of Dept. Head	Recommends statutory appointment to Executive Council. Appointed by Governor-in-Council.	S. 17 (3) Public Sector Employment and Management Act 2002 states that appointments are made by the Department Head, subject to Part 3.1 of the Act.  GSE Act 2013 s. 26 (1) prescribes that Secretaries of Departments are the employers of Public Service senior executives.	Recommends statutory appointment to Executive Council. Appointed by Governor- in-Council.  Ministers employ Secretaries and Secretaries employ PSSEs.
Employment	Conditions		
Contract	Yes	Schedule 1 of the GSE (General) Rules 2014 provide model contracts of employment for PSSEs under s. 39 of the GSE Act	Yes
Contract timeframe	Up to 5 years	GSE Act 2013 replaced renewable 5-year SES contracts with ongoing or fixed-term appointments	Ongoing, or fixed term
Contract Extension	Yes		Yes, in the case of an appointment on a fixed-term basis (see GSE Rules 2014 – Model contract sect. 8.1)
Redundancy/ Termination provisions	Act provides for compensation to be determined by SOORT	s. 77 of PSEMA states: "The employer of an executive officer may remove the executive officer from an executive position at any time	S. 41 (1) confirms that senior executives may be terminated "at any time, for any or no stated reason and without notice".

Process re extension	Extension subject to rigorous performance review 6 months before the end of contract.	for any or no reason and without notice."  s. 78(4) rules that the maximum compensation payable is 38 weeks.	Termination and compensation arrangement are outlined in s. 41 of the GSE Act, cl. 39 of the GSE Regulation and Schedules 1, 2 &3 of the GSE Rules.  In the case of extension to a fixed-term appointment, candidate's initial performance assessment is relied upon; further assessment prior to contract extension not deemed necessary
Performance	Management	L	1
Program in place	Yes	Performance Development Framework v 2 released 2018	Yes
Frequency of assessment	Annual, based on annual performance agreement		Annual, based on annual performance agreement
Types of measures	Key result areas, individual responsibilities linked to Dept corporate plan.		
Purpose	Performance management and remuneration/bonuses		Performance management and remuneration/promotion
Who makes assessment	CEO		CEO
Remuneration	n	L	1
	SOORT sets remuneration in an annual process.	Review of Remuneration Frameworks (Mercer, 2015)	The Statutory and Other Offices Remuneration Tribunal (SOORT) sets remuneration in an annual process.  2020–2021 NSW Public Service Senior Executive Remuneration Management Framework provides administrative advice to Department and agencies on executive remuneration arrangements.
Performance	Pay		

Availability	Yes	Cabinet decision in 2000 removed the availability of performance pay.  Baird Government commits to restore bonuses if re-elected in 2015.	No Abolition of secretaries' bonuses announced in 2019–20 State Budget
Basis	Bonus for better than satisfactory performance		N/A
Who makes assessment	CEO		N/A
Right of Retu	rn		
	Only available to those officers who were appointed before October 13, 1995 and who had elected right of return.	s. 78 (1) of PSEMA notes that terminated executive officers are "not entitled to compensation if the person is entitled to an engagement in the public sector in the exercise of a right of return, unless the person elects to take the compensation instead of the engagement".	Available to those officers who were appointed before 13 October 1995 and who had elected right of return; remains current for 'transitional' former senior executives who had a right of return on 23 February 2014 (eve of GSE Act 2013 commencement). But s.41(3) notes that a public service senior executive whose appointment is terminated "is not to be employed in the public sector during the period specified in the contract of employment unless arrangements have been made for a refund of the proportionate amount of the compensation".

## 5 Workforce data

#### 5.1 Discussion

The 2019 Workforce Profile Report noted that the NSW public sector is the "largest employer in Australia", with almost one in 10 (9.8%) employed people in the state working for the NSW public sector (PSC, 2020c, Foreword).

In 2020, the NSW Government was described as "the largest employer in the southern hemisphere" (PSC, 2020b, p. 58). In NSW workforce reporting, the Government Sector is a sub-set of the Public Sector, with the Public Service a sub-set of the Government Sector (State of the Public Sector Report 2019, p. 8). Health, Police, teaching staff and "other Crown Services" are considered part of the Government Sector, but not the Public Service. In 2020, there were 348,508 Public Sector employees, including 66,631 FTE public service employees, of which 51,153 held ongoing positions (PSC, 2021c, pp 7; 9). The 1999 and 2009 NSW Public Sector Workforce Profile reports do not separate the public service from the government sector, nor include SES data nor discrete gender data. As such, a decade-by-decade comparison is not possible. 2020 figures were affected by extensive MoG changes introduced on 1 July 2019 following the re-election of the Berejiklian government.

## 5.2 Public Service Senior Executives (PSSEs)

In 2019, there were 2139 senior executives employed under the four-band structure of the GSE Act as Public Service Senior Executives (PSSEs), accounting for 99.95% of senior public service executives (PSC, 2019b –Ch. 3).

Workforce data shows an 11% reduction in the number of PSSEs between 2014 (n= 2178) and 2016 (1938), coinciding with major public sector reform. Remaining stable in 2017, numbers increased in 2018 and 2019, but are likely to drop again in 2020 due to major MoG changes in 2019. PSSEs comprised less than one per cent (.06%) of the total NSW public service as at 30 June 2019 (n = 2139). Of these, four out of five (79.4%) were classified as Band 1 (PSC, 2020c).

In 2020, of the 3637 senior executives in the NSW public sector, there were 2098 PSSEs, with 78% classified as SES1, 17.6% in Band 2 and 4.3% in Band 3 (PSC, 2021c, pp 12, 13). At June 2021, there were only nine Band 4 PSSEs (data provided by PSC). The number of PSSEs declined by 2% from 2019 figures. Despite a marked increase between 2017 and 2019, numbers remain lower than in 2014 (PSC, 2021b, p. 10).

## Gender profile

The gender make-up of the NSW SES has transformed significantly since the 1990s. In 1993, only 15% of the SES were women, with the highest proportion in the lower ranks (17% Band 1) and very few (2.5%) at the top (Band 3) (Hall-Taylor, 2000). In 2014, 33.4% were women, 38.7% in 2018, with a target of 50% by 2025 (PSC, 2018 – *State of the Sector*, Figure 5.2). In March 2016, Liberal Premier Mike Baird announced flexible working arrangements (such as job-sharing or working from home) would be open to all senior executives by 2019 to help increase the representation of women in senior roles (Robertson, 2016, Mar 8). Nonetheless, in 2019 – when women made up two-thirds (65.4%) of public sector employees but only 40% of senior leaders – it was estimated that reaching the 2025 target would require an estimated 1000 additional women at the upper levels of the NSW public service (NSW Government, 2019, Jun 28; PSC, 2020c). The PSC and agencies were exploring ways to dismantle the barriers to career progression among women (Jenkins, 17 Dec 2019).

A pay equity audit was conducted in 2020, revealing that the gender pay gap of government sector senior executives had increased and that "the forces maintaining the gender pay gap persist and will require ongoing attention" (PSC, 202b, p. 45). The PSC is assisting to "better integrate employment and career development initiatives for women into the broader inclusion agenda" (PSC, 2021b, p. 45).

The *Women in Leadership Strategy* includes a target of SES gender parity by 2025, with at least one woman to be included on all executive recruitment shortlists (PSC 2020b, p. 50). In 2020, 41.1% of senior leaders in the government sector were women, up from 33.4% in 2014 (PSC, 2021c, p. 14). At the highest levels (Bands 3 and 4 combined), only 36.2% were women (p. 15).

The NSW Public Sector Aboriginal Employment Strategy 2019–2025 includes a target to double the number of Aboriginal people in senior leadership roles (from 57 to 114) (PSC, 2020b).

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## 7 APPENDIX – NSW SUMMARY OF LEGISLATION, POLICY, AND ANNUAL REPORTS

Date	Public Service Commission/ Board Annual Report	Public Service Commissioner Directions and Amendments or Policy	Legislation
1884			Civil Service Act 1884
			Prescribes the classification structure, salary and allowances, holidays, dismissal etc. Civil Service Superannuation Fund
1895			Public Service Act 1895  An Act to provide for the better regulation of the Public Service. S36 excludes married women from employment in the Public Service – exact wording as in 1902 Act.
1902			Public Service Act 1902  Under s42, no married woman (except for Department of Public Instruction and/or widows and/or in special circumstances) was eligible for appointment to any office in the Public Service if her husband is already in the employment of the State.
1969			Public Service (Amendment) Act No 64, 1969  Amended the PSA 1902 to allow married women to be permanently appointed to the NSW PS
1975			Statutory and Other Officers Remuneration Act 1975. Establishes a Remuneration Tribunal (SOORT) to determine SES and other public sector remuneration ranges annually

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1979	Public Service Act 1979		Replaced PSA 1902
1988		Dissolution of the Public Service Board	Public Sector Management Act 1988  • Replaced PSA 1979
1989			Public Sector Management (Executives) Amendment Act 1989 No. 103 Amendments relate to appointment and other arrangements for chief and senior executives
1993		Premier's Department Circular C1993-03 Restructure of Office of Public Management  The new structure aimed to forge a strong link between the government's public sector reform program and agencies.	
1995		Premier's Dept: G1995_001, Flexible Work Practices	Public Sector Management Amendment Act 1995 No 36 Established the Public Employment Office and the Commissioner for Public Employment.
1998		EEO for Senior Executives & Directors of Employment Equity  Summary document for Senior Execs as to what EEO is and their obligations.  Premier's Department: G1998_004, Mature Workforce, Policy and Guidelines  To assist agencies to eliminate unlawful age discrimination and to ensure that agencies develop strategies to optimise employment and career	Public Sector Management Amendment Act 1998 No 65 Amendments include allowing long-term departmental temporary employees to be appointed to officer positions.

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		development opportunities for mature-aged people in the New South Wales public sector.	
2000	Dept of Premier & Cabinet Annual Report 1999–2000	Premier's Department: Guideline G2000_001, Strategies for Flexible Workplace Arrangements	
	Reviewed SES Framework, focusing on attraction, retention, development and performance management.	Premier's Dept: Aboriginal Employment in Practice for the NSW Public Sector	
	Developed performance pay models for the SES as part of the 1999 annual review of remuneration by SOORT.		
	Managed the SES Mobility Scheme to broaden the experiences of SES officers across the NSW public sector		
2001		Premier's Department Circular C2001–38 Manual of Delegations to Department Heads	
		Advising that the Public Employment Office has been delegated five additional functions to the existing 18 delegated functions.	
		Premier's Department Circular C2001–39 Reforming the Public Sector	
		Sets out the major reforms undertaken in recent years.	
2002		NSW DEOPE: What is Equal Employment Opportunity	Public Sector Employment and Management Act 2002
			Confirmed the right of ministers to appoint Department Heads.

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2003		Impact of the Ageing Population, NSW DPC	
2004	The Public Employment Office (PEO) was established from 1 July 2003, incorporating the Public Sector Management Office (PSMO), the Office of the Director of Equal Opportunity for Public Employment (ODEOPE), and the Workforce Profile and Planning responsibilities of the former Review and Reform Division (p. 27).  Objective of the PEO was: To support the public sector to deliver Government objectives through leadership and provision of advice	Aboriginal Employment in Practice Support Strategy 2004-06	
	concerning reform, employee relations, equal employment opportunity and superannuation policy (p. 72).		
2005		Public Employment Office: Workforce Planning Agency Survey	
		Main aims of survey were to identify extent of skill gaps and labour shortages, and other workforce issues in the sector.	
2006		P2006_003, From Awareness to Action  Mature Workforce Retention Project	Public Sector Employment Legislation Amendment Act 2006 No 2  Various amendments to the Public Sector Employment and Management Act and other employing legislation

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			Created the <b>Director of Public Employment</b> "to be held by the Director-General of the Premier's Department" (instead of the Public Employment Office created in 1995).
2007	April 2007, Premier's Department and The Cabinet Office amalgamated (p. 2)		
	On 31 August 2006, the Public Employment Office (PEO) was restructured as the Public Sector Workforce Office with equity and diversity just part of its responsibilities		
2008	Refers to separate EEO report for Premier (for 1st time?), p21 – refer to Director of Equal Opportunity in Public Employment reports below.	DPC: Issues Paper and Report: Review of the <i>Public</i> Sector Employment and Management Act 2002	Public Sector Employment and Management Amendment Act 2008
		Developed as part of a consultative process to review the Public Sector Employment and Management Act 2002 (NSW).	Public Sector Employment and Management Amendment Act 2008 No 16
		NSW Public Sector Workforce Strategy 2008–2012	Amendments to appointment of long-term temporary employees and secondees.
		Making the Public Sector Work Better for Women – Strategy 2008-2012	
		M2008-21 Filling and Advertising of Public Sector Vacancies	
		Initial 'restraint' on advertising and filling vacancies	
		DPC: Report: Review of the Public Sector Employment and Management Act 2002,	
		Report to NSW Parliament on the review undertaken by DPC on the <i>Public Sector Employment and Management Act 2002.</i>	

Date	Public Service Commission/ Board Annual Report	Public Service Commissioner Directions and Amendments or Policy	Legislation
		DPC: G2008_004, NSW Public Sector Workforce Strategy 2008-2012	
		DPC: G2008_002, Making the public sector work better for women - Strategy 2008-2012	
		DPC: Managing Excess Employees in the NSW Public Sector	
		Outlines how to manage excess employees, including redeployment and redundancy.	
2009	DPC Annual Report	M2009-15 Staffing freeze	Public Sector Employment and Management
	Statutory functions of the Director of Equal Opportunity in Public Employment are vested in the Deputy Director General, Public Sector Management Reform (p.30)	Instigated the staffing freeze on all non-front-line jobs, contingent labour, labour hire for temporary jobs and Executive Search hire.	Regulations 2009
		DPC and DAA: G2010_001, Making It Our Business, the NSW Aboriginal Employment Action Plan 2009-2012	
		DPC: D2009_016, Instrument of Delegation, Appointment of a person from a disadvantaged group - youth	
2010	Amendments to PSEM Act creating a	DPC: C2010-18 Staffing Freeze	Public Sector Employment and Management
	Public Service Commissioner not until October 2011, so statutory function of DEOPE still existed	Updates staffing freeze requirements and exemptions	Regulations 2009  These regulations will be replaced once
		DPC: D2010_002, Strengthening Aboriginal Employment Opportunities and Community Partnerships	regulations for new Government Sector Employment Act 2013 are put in place.
		DPC: C2010-04, Making It Our Business: The NSW Aboriginal Employment Action Plan 2009-2012	

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2011		DPC: SES Guidelines, October 2011	Public Sector Employment and Management Act
		Detail the employment guidelines for Chief and Senior Executives in NSW Public Sector	(PSEMA) 2011 Establishes Public Service Commission
		DPC: Directive D2011_014: Agency Change Management Guidelines	Public Sector Employment and Management Amendment (Ethics and Public Service
		To assist NSW Government Service agencies with the management of organisational change, including redeployment, redundancy and termination.	Commissioner) Act 2011  Amendments established an ethical framework for the public sector, created the office of Public
		PSC: Bulletin announcing commencement of the Public Service Commission	Service Commissioner and established the Public Service Commission Advisory Board.
		Advises the legislative basis under which PSC is created as well as its primary responsibilities and how it will operate.	
		D2011_024 Implementing the 2011 SOORT	
		Determination for the remuneration of Chief and Senior Executive Services Officers	
		Administrative guidelines to implement the Statutory and Other Offices Remuneration Tribunal (SOORT) determination for CEO and SES remuneration	
		Workforce Information Project Information Model Version 1, 19 August 2011	
		DPC: Managing Excess Employees Policy, D2011_07	
		Explains how excess employees are managed in the NSW Government Service. Supersedes 2008 policy	
		Women in politics & public leadership Briefing Paper No 6/2011	

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		PSC: Directive D2011_025, Transfer of functions to the Public Service Commission	
		Directive to confirm that the PSC now has responsibility for Executive staffing arrangements	
		DPC Pay Equity Audit Report 2011, Public Sector Workforce	
		Audit of pay rates in the NSW public service was undertaken to investigate whether there was a gender pay gap and to identify and provide a detailed analysis of any discrepancies between the pay rates of men in the public service and women in the public service.	
2012		Directive D2011_023: Voluntary Redundancy Program Guidelines November 2011	Public Sector Employment and Management Amendment Act 2012 No 19
		Explains how DGs may approve the implementation of a voluntary redundancy program and to whom the guidelines apply.	Amendments to Public Sector Employment and Management Amendment Act 2012 relating to excess employees and performance
		Treasury: NSW TC 12/01, 13 January 2012, Funding for Redundancy Payments	management.
		Details funding arrangements to assist agencies meet specific one-off costs of redundancies.	
		List of SES positions under S65 of PSEM Act 2002	
		PSC B2012_001 Public Sector Employment and Management Act 2002 Amendments (April 2012)	
		Provides information on the amendments to the Public Sector Employment and Management Act 2002, assented 11 April 2012.	

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		PSC: P2012_003, Model EEO Management Plan	
2013		PSC Directive April 2013: Public Sector Reform Interim Executive Arrangements  Advises of interim executive arrangements pending implementation of the new executive structure in each cluster.  PSC Circular PSCC2013- 02 Public Sector Reform – Executive Interim Arrangements  Circular to accompany the above directive.  PSC Circular PSCC-2013-10 Interim guidelines on requirements for NSW public sector executive restructures and assessments to align with the intent of the senior executive reforms  Outlines the design principles for executive structures under the GSE Act  NSW PSC: Public Sector Reform, Reforming the Public Sector to  Deliver Improved Services to the NSW Community, Government Sector Employment Bill 2013 (June	Government Sector Employment Act 2013  Replaced the Public Sector Employment and Management Act 2002 and streamlined employment structures for chief and senior executives  Commenced Feb 2014  s.41 allows senior executives to be sacked "for any or no stated reason and without notice" (McCarthy 2018, Nov 30).
2014		The executive structure reforms commence, consolidating the Senior Executive Service, Senior Officers and other executives into a single group and establishing a separate structure for cluster Secretaries.	Government Sector Employment Regulation 2014 Factsheet on Reg and Rules. Includes provisions relating to the compensation on termination of senior executives. GSE Rules

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		Government Sector Employment (Senior Executive Bands) Determination 2014	govern senior executive contracts, employment conditions and performance management.
		Executive Bands (Secretary – Band 4 and three other bands) replace former SES levels and SO grades (Head, 2014)	
		Launch of NSW Leadership Academy	
		PSCC-2014-01 – NSW Public Service Senior Executive Work Level Standards	
2015		Review of Remuneration Frameworks (PSC engaged Mercer)	
		PSC engages Deloitte to report on implementation of the workforce reform agenda, based on GSE principles	
		Circular PSCC-2015-08 requires senior executives to make annual declarations of interests.	
2016			Government Sector Employment Legislation Amendment Act 2016
			Aligned the Senior Executive employment arrangements of the NSW Health Service, Transport Service and NSW Police Force with those of the Public Service (PSC 2019 – Workforce Profile Report).
2017		PSCC–2018–04 – Increase in Executive Remuneration: Determinations of the Statutory and Other Offices Remuneration Tribunal	

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2018		Guideline: 2018–2019 NSW Public Service Senior Executive Management Remuneration Framework  PSCC-2018-5 NSW Performance Development Framework – second edition  Reflects the progression of performance management practices and systems in the NSW government sector four years on from the first publication in 2013.  PSCC–2018–04 – Increase in Executive Remuneration: Determinations of the Statutory and Other Offices Remuneration Tribunal	
2019	NSW Public Service Commission Annual Report State of the NSW Public Sector Report	PSCC-2019-02 Increase in Executive Remuneration  – Determinations of the Statutory and Other Officers Remuneration Tribunal	Government Sector Employment (General) Rules (Amendment No 10—Miscellaneous) 2019  Amendments to the Government Sector Employment (General) Rules 2014 came into effect on 2 Sep 2019.
		2019 – 2020 NSW Public Service Senior Executive Remuneration Management Framework	
2020		Guideline: 2020-2021 NSW Public Service Senior Executive Remuneration Management Framework PSC-2020-01 - Executive Remuneration: Determinations of the Statutory and Other Offices Remuneration Tribunal	Independent Review of the GSE Act 2013