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Private & Confidential

4 January 2010

Mr Mal Wauchope
Public Sector Commissioner
Public Sector Commission
Governor Stirling Tower
197 St George's Terrace
PERTH WA 6000

Subject: Recommended Remuneration Arrangements - Chief of Staff

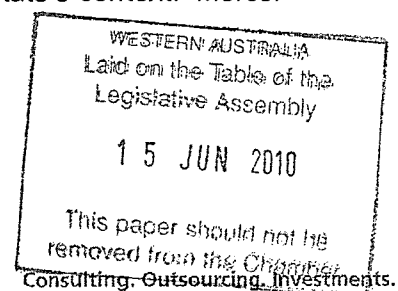
Dear Mal

Further to our recent discussions with Mr Dan Volaric of the Commission, and with the Director-General of the Department of Premier and Cabinet, Mr Peter Conran, Mercer is pleased to offer the following commentary regarding the recommended remuneration arrangements for the position of Chief of Staff within the Department of Premier and Cabinet in Western Australia (the Department).

Mercer has considered the remuneration levels which generally apply across other jurisdictions to similar roles and the varying scope of the role as it is applied in those different circumstances. There is significant divergence in remuneration package values evidenced across the various States and Territories. In late 2007, Mercer surveyed these positions and observed packages between \$150,000 and \$350,000 per annum. In light of Mercer's difficulty in sourcing updated package data in a timely way for the purposes of this advice, a conservative aging factor of 5% has been applied to suggest likely packages for these positions would now range between \$157,500 and \$367,500 per annum.

Prior to completing a work value assessment of the role as it is proposed within the Western Australian context, Mercer had noted two different schools of thought around the purpose of a Chief of Staff appointment.

Anecdotally, Mercer had elsewhere observed two distinct levels of contribution associated with similar Chief of Staff roles. The actual expectations regarding contribution, and therefore the model deemed most appropriate for Western Australia are largely a matter for the Premier to determine after considering needs within the State's context. Mercer provides the following brief notes around the two models.





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1. The Operational Management model, where the Chief of Staff:
 - provides administrative and operational management for the Office
 - ensures that there is a high degree of coordination between Advisors and that quality standards are met, but would typically not be held accountable for the actual content of advice
 - monitors flow of correspondence, and production of reports and documents required by and/or for the Premier
 - manages staffing, recruitment, and staff performance management
 - advises the Premier on matters of process
 - administers the expenditure budget for the Office.
2. The Primary Advisor Model, where the Chief of Staff generally delivers the accountabilities described above, but will in addition:
 - assume accountability for the content, quality and effectiveness of policy advice sourced within the Office
 - participate in strategic decision making processes with the Premier and Director-General, as a primary source of policy and tactical advice
 - provide high order policy context advice to the Premier.

The second model will sometimes go as far as viewing strategic policy decisions as coming from what is almost a triumvirate arrangement where the Premier determines broad strategic policy direction, the Director-General determines the feasibility and most effective means of delivery through the bureaucracy, and the Chief of Staff will advise tactics, timing and be across contingency planning. In some ways this role aims to provide advice related to ensuring the long term sustainability of the elected administration to, in turn, underpin delivery of the strategic agenda.

Mercer understands from its discussions that the Premier has articulated that the proposed role in Western Australia aligns well with the second, and more strategic model. Our work value profiling, based upon this model and the contextual understanding arising from recent discussions, derives the outcome summarised in the following table.

Table 1: Job Evaluation Profile – Chief of Staff, Department of Premier and Cabinet

Position	Impact	Expertise	Judgement	Accountability	Total
Chief of Staff	Advice	G-5-e- 541	E+5 373	F+3d 541	1455

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It is clear that the major driver for remuneration revolves around the high order of knowledge and experience that are prerequisite to competent delivery across a broad set of accountabilities. It is unlikely that a substantial field of plausible candidates would be sourced from within the Western Australian Public Service. Any recruitment activity would need to cast a much wider net, or would certainly be limited to a very small number of internal candidates.

The table below provides a brief summary of current general market remuneration data for roles at this work value level, current to October 2009.

Table 2: Work Value Remuneration Data as at October 2009

Work Value	Aggregate	General Market		
		25 th %ile	Median	75 th %ile
1455	Base Salary	\$185,300	\$264,400	\$325,600
	Employment Cost	\$305,800	\$374,600	\$459,400

It is also relevant to examine total package values observed to apply within a public service context at similar work value. Mercer facilitates the annual Australian Public Service SES Remuneration Review, and it is noted that, as at 31 December 2008 (survey published July 2009), the following package values described the SES Band 3 level with the Commonwealth.

Table 3: Total Package Distribution for Commonwealth's SES Band 3

Year	n	Minimum	Q1	Median	Q3	Maximum	Average
2008	104	\$243,552	\$300,525	\$315,007	\$335,523	\$646,126	\$323,446

By way of interpretation, Mercer would propose that consideration be given to targeting the third quartile of the public service market, in which case the range from Median to Upper Quartile (Q3 or 75th %ile) of the above APS data could form a useful benchmark range for determining a level of remuneration.

It is also reasonable to consider a level of remuneration which is at least conservatively competitive with the general market. Mercer would propose achieving a position which results in remuneration within the second quartile for this purpose. That is to say, a range from Lower Quartile (Q1 or 25th %ile) to Median values provided in Table 2.

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In summary, a remuneration range (representing total remuneration package value) of between \$305,000 to \$350,000 would be indicated. Mercer would regard such a range as competitive yet conservative.

It might be argued that such a benchmark is high, but we would note that for positions at this level within the general private sector, additional variable performance based payments would typically apply. For example, in the case of roles at 1455 points, our database indicates that the Median value of "Total Reward" (fixed plus performance based components) is \$428,900. In a Commonwealth public sector context, Table 3 suggests that some 25% of SES Band 3 executives attract total fixed remuneration above \$335,500.

Should the Department succeed in attracting and recruiting below this suggested remuneration range, this would be considered an achievement to be applauded.

Mercer has reviewed the current remuneration rates which apply within the WA Special Division, and would consider a benchmark which would require alignment with the current Western Australian Special Division remuneration rates at Group 3 Maximum 4 to achieve appropriate remuneration within the suggested range

By way of illustration, Mercer notes that current remuneration levels can be taken to equate to the following private sector equivalent values. In determining these values, Mercer has relied on published salaries for non-tenured officers, assumed employer superannuation at 9 percent of salary, and applied a private sector motor vehicle value of \$26,500. While this vehicle value is higher than that applied for cashout purposes in WA it ensures that an appropriate like with like comparison if made against the benchmarks which have been cited in this correspondence.

Table 4: Special Division Equivalent Benchmark Rates

	Work Value	Minimum	Maximum
Group 1	1000-1249	\$210,785	\$221,994
Group 2	1250-1649	\$236,631	\$252,213
Group 3	1650-2249	\$287,042	\$311,775
Group 4	2250-3250	\$363,015	\$396,311

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Mal, I trust the above advice will assist in your decision making around remuneration arrangements for the Chief of Staff position. Although this recommendation suggests an outcome which is inconsistent with typical applications of work value, Mercer recognises that the role of Chief of Staff in this context is highly specialised and requires a set of capabilities which are extremely high demand within both the public sector market and labour market more generally. Please feel free to contact me on 07 3234 4810 should you wish to discuss the matter further.

Yours sincerely

Rob Bebbington
Principal

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