

# **SALARIES AND ALLOWANCES AMENDMENT (DEBT AND DEFICIT REMEDIATION) BILL 2017**

## **SECOND READING SPEECH**

### **Background**

In May this year, the McGowan Labor Government announced a new wages policy for the public sector. This policy provides a flat increase of \$1,000 per year for public sector workers. It is one of several important measures the Government has had to undertake to ensure the state's finances are sustainable. However, if the Government is asking nurses, doctors, teachers, police officers, prison officers and other public sector workers to help with budget repair, then it is only fair that we as members of parliament also contribute.

Justifiably, the pay of politicians, bureaucrats and senior public servants often comes under scrutiny by the public - particularly during times of fiscal constraint. There is a misconception among some that Ministers and Members of Parliament are regularly granted extravagant pay rises with no regard to community expectations.

The Salaries and Allowances Amendment (Debt and Deficit Remediation) Bill 2017 intends to give the community confidence that this will not occur while the McGowan Labor Government undertakes the job of budget repair.

The Bill imposes a pay freeze for the most senior members of government, in line with what is occurring in the private sector. Currently we are seeing wages growth in Western Australia at historic lows. In fact, wage increases in this state continue to be the lowest in the country. And anecdotally, many workers in the private sector say they have not received a pay rise in years.

### **Principal features of the Bill**

The Salaries and Allowances Amendment (Debt and Deficit Remediation) Bill 2017 will freeze the remuneration that is paid to the following offices:

- the Governor;
- offices identified in s. 6 of the *Salaries and Allowances Act 1975* (SA Act), including:
  - Ministers, the Parliamentary Secretary of Cabinet, and other parliamentary secretaries;
  - officers and members of the Parliament, including members of parliamentary standing and joint standing committees;

- the clerks and deputy clerks of the Legislative Council and Legislative Assembly;
- officers of the Public Service holding offices included in the Special Division of the Public Service;
- persons holding other offices that are prescribed for the purposes of s. 6(1)(e);
- judicial office holders, including masters of the Supreme Court and magistrates;
- the Parliamentary Inspector of the Corruption and Crime Commission; and
- executive officers of Government Trading Enterprises that are prescribed for the purposes of the SA Act.

The freeze will be effective from the date of commencement of the amending Act until 30 June 2021.

The freeze does not impact on remuneration which is determined by the Tribunal for the following types of positions, as remuneration for these positions has no impact on the State's debt and deficit:

- chief executive officers of local governments;
- elected council members of local governments; and
- members of governing councils of WA public universities, which are not yet within the jurisdiction of the Tribunal, but will be brought within its jurisdiction on proclamation of the *Universities Legislation Amendment Act 2016*.

Additionally, the freeze does not impact on the following kinds of remuneration:

- the payment or reimbursement of travel for members of Parliament as approved by the Treasurer;
- determinations in relation to the *Parliamentary Superannuation Act 1970*;
- redundancy benefits for members of Parliament; and
- entitlements of former Premiers, Ministers and members of Parliament.

All types of "remuneration" (as broadly defined by the SA Act) will be captured, excepting those already mentioned as not captured. However, the Bill provides for the capacity for the Regulations made under the SA Act to prescribe kinds or classes of remuneration which are outside the ambit of the pay freeze. This will ensure that there is flexibility if the need arises.

It may be appropriate to prescribe remuneration of a kind or class which has variable elements that are dictated by external requirements, for example:

- Fringe Benefits Tax (FBT) arrangements for office holders may fluctuate from year to year, depending on the fringe benefits payable in practice. The variation in FBT

may result in an increase in remuneration which cannot be prevented or anticipated.

- Superannuation contributions made to office holders are directed by the Commonwealth Government's decisions regarding the superannuation guarantee. Increases to superannuation contributions as determined by the Commonwealth cannot be prevented.
- The current base allowance for accommodation for members of Parliament is linked to the Australian Taxation Office (ATO) daily travel allowance, and accommodation allowances for judicial officers are paid in accordance with ATO reasonable benefit reimbursement limits. Should this nexus continue, increases to these allowances cannot be prevented.

Where the Tribunal determines (or reports, in the case of judicial office holders) individual amounts of remuneration, it will be prevented from making a determination under which remuneration is more than that paid to the office holder immediately before the day of commencement. That is, the day on which the provisions which give effect to the pay freeze commence their operation.

In that regard, provision is also made for cases where the office was vacant immediately before the day of commencement.

In the case of new offices, the Tribunal will be required to take into consideration the remuneration that was paid or provided to comparable offices immediately before the day of commencement.

Nothing will prevent the Tribunal from adjusting the classification of a position, either upwards or downwards, based on the application of the standard work value assessment principles and methodologies that it used immediately before the day of commencement. Generally, this would occur where the functional nature of the position significantly changes. Where the Tribunal adjusts the classification, nothing prevents a consequential increase or decrease in the remuneration for the office.

Where the Tribunal sets classification ranges or bands, the number of bands and their minimum and maximum remuneration ranges are not to differ from those that were in place immediately before the day of commencement.

Remuneration for executive officers of Government Trading Enterprises (GTE, or to use the terminology in the SA Act, "Government entity") is currently set by the GTE board of management on the recommendation of the relevant Minister. Where an entity is prescribed for the purposes of section 7C(1) of the SA Act, section 7C(2) provides that the Tribunal is to determine the minimum and maximum amounts of remuneration for executive officers of the GTE.

Where prescription of an entity occurs during the freeze, the Tribunal is to determine an individual amount (rather than a range) for its executive officer or officers, and the amount for an executive officer position is not to exceed the amount that was paid or provided to the person who held the position immediately before the day of commencement.

Once the freeze period is over, the discretion of the GTE board of management to set an amount within a range determined by the Tribunal will be activated.

During the freeze, the requirement for the Tribunal to issue annual determinations in respect of the offices which are impacted by the freeze will be suspended. Its capacity to make determinations when it considers the circumstances require, within the constraints provided for in the freeze provisions, will remain.

The provisions of the Bill which give effect to the freeze will no longer have effect from 1 July 2021. Once the freeze concludes, the Tribunal may not make compensatory determinations of remuneration to recover amounts that may have been paid to offices but for the freeze.

## **Conclusion**

It is the Government's intention to declare the Bill urgent and deal with it expeditiously to ensure no offices captured by this Bill are granted a pay increase before the Bill comes into effect.

The job of budget repair will not be easy. Since coming to Government, it has been made clear that all parts of the community will have to help in getting the State's finances back on track.

This Bill gives the community confidence that the burden of budget repair will indeed be shared by everyone including the most senior members of Government. This Bill makes it clear Members of Parliament are not exempt from this important task.

Pursuant to Standing Order 126(1), I advise that this Bill is not a uniform legislation Bill. It does not ratify or give effect to an inter-governmental or multilateral agreement to which the Government of the State is party, nor does this Bill by reason of its subject matter introduce a uniform scheme or uniform laws throughout the Commonwealth.

I commend the Bill to the House and table a copy of the explanatory memorandum.