

Submission concerning the reform of Australian Government Administration

This submission is directed to the use of performance pay within the public service, and asks the question: how can performance pay function as an effective motivational tool when it is either practically guaranteed or virtually impossible to receive? What other legitimate function does performance pay serve?

The recently released annual report of the Department of Innovation, Industry, Science and Research showed that performance payments were made in the following proportions:

Classification	% receiving performance pay	Av. Performance pay (nearest \$100)
APS 1-6	0.7%	\$4,600
EL1	3.3%	\$4,500
EL2	22%	\$5,400
Band 1 SES	100%	\$12,500
Band 2-3 SES	100%	\$18,300

It seems remarkable that every SES officer be deserving of performance pay. It is hard to believe that every manager is performing above average, considering the high expectations that attach to the substantially higher salaries they receive.

It appears that when performance pay is not awarded to middle management and lower level employees, then that pool of performance pay is automatically received by the senior managers. This gives an incentive for senior managers not to rate their staff as “outstanding” (silver or gold) and therefore withhold performance pay when it may well be deserved. (This has been admitted by SES off the record.)

Is this in accordance with government policy given that shortly after the GFC Rudd announced that executive bonuses should be limited?

Should there be a mechanism so that when performance pay is not merited, then this pay returns as revenue, rather than simply being claimed by the SES band?

It appears that the managers are taking all the rewards for the work of others. This is gradually being noticed by the people who are actually doing the work and the inevitable effects on morale will eventually undermine a performance system of this type. How can this encourage long-term loyalty within the ranks of APS staff?