



Te Kawa Mataaho

Public Service Commission

2 May 2024

9(2)(a) privacy

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Official Information Request

Our Ref: OIA 2024-0085

I refer to your official information request received on 12 April 2024 where you have asked for:

- 1. how many current chief executives are members of the GSF*
- 2. any substantive analysis providing evidence as to the extent to which chief executives pay is below market rates and how that has varied over time (the period of time I am interested in is 1984 to currently - I am not asking for all information related to this time period, but only substantive analysis, particularly that related to the trend over time).*

Our Response

There are currently no public service chief executives who are members of the GSF. We are therefore refusing this part of your request under section 18(e) of the Official Information Act 1982 on the grounds the information does not exist.

Analysis

The approach to setting chief executive remuneration balances two things — the need to maintain public trust and confidence in the public sector, and the need to attract and retain chief executives with the requisite skills and experience. There are a range of reasons why public sector remuneration — particularly at the senior executive level — is and needs to be lower than the private sector.

Te Kawa Mataaho Public Service Commission (the Commission) has been providing analysis comparing remuneration between public service CEs, Crown entity CEs and private market CE's since 2016. This information is updated annually and publicly available on the Commission's website at the following link: <https://www.publicservice.govt.nz/system/leaders/appointing-leaders/leader-pay/chief-executive-remuneration>.

Crown Entity and Public Service chief executives earn significantly less than private sector senior executives and have received much smaller average increases over the past year. The discount for Public Service Chief Executives ranges between approximately 40% and 71% (and approximately 60% on average) on comparable roles in the private sector.

For ease of reference, we have enclosed excerpts of the graphs comparing total remuneration by job size and sector for CEs for the period 2016/17 to 2022/23.

Item	Date	Document Description	Decision
1	2016/2017	Graph comparing total remuneration by job size and sector for CEs	Released in full
2	2017/2018	Graph comparing total remuneration by job size and sector for CEs	Released in full

3	2018/2019	Graph comparing total remuneration by job size and sector for CEs	Released in full
4	2019/2020	Graph comparing total remuneration by job size and sector for CEs	Released in full
5	2020/2021	Graph comparing total remuneration by job size and sector for CEs	Released in full
6	2021/2022	Graph comparing total remuneration by job size and sector for CEs	Released in full
7	2022/2023	Graph comparing total remuneration by job size and sector for CEs	Released in full

There is also information on comparison between CE pay in the public and private sector as part of the Commission's workforce data on senior leader remuneration/pay which can be found under the heading 'Average salary ratios' at the following link: [Workforce data - Senior leader remuneration/pay - Te Kawa Mataaho Public Service Commission](#).

If you wish to discuss this decision with us, please feel free to contact Ministerial.Services@publicservice.govt.nz.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Please note that we intend to publish this letter (with your personal details removed) and enclosed documents on the Te Kawa Mataaho Public Service Commission's website.

Yours sincerely



Nicky Dirks
Manager – Ministerial and Executive Services
Te Kawa Mataaho Public Service Commission

Comparison with other public and private sector CEs

CEs in the broader public and private sectors (where the Commissioner has no direct influence) had an average increase of 3.1% in fixed remuneration packages in 2016/17, compared with 2.7% for 2015/16.

The following table shows the average increases in remuneration for different types of public and private sector CEs (last year's changes are shown for comparison).

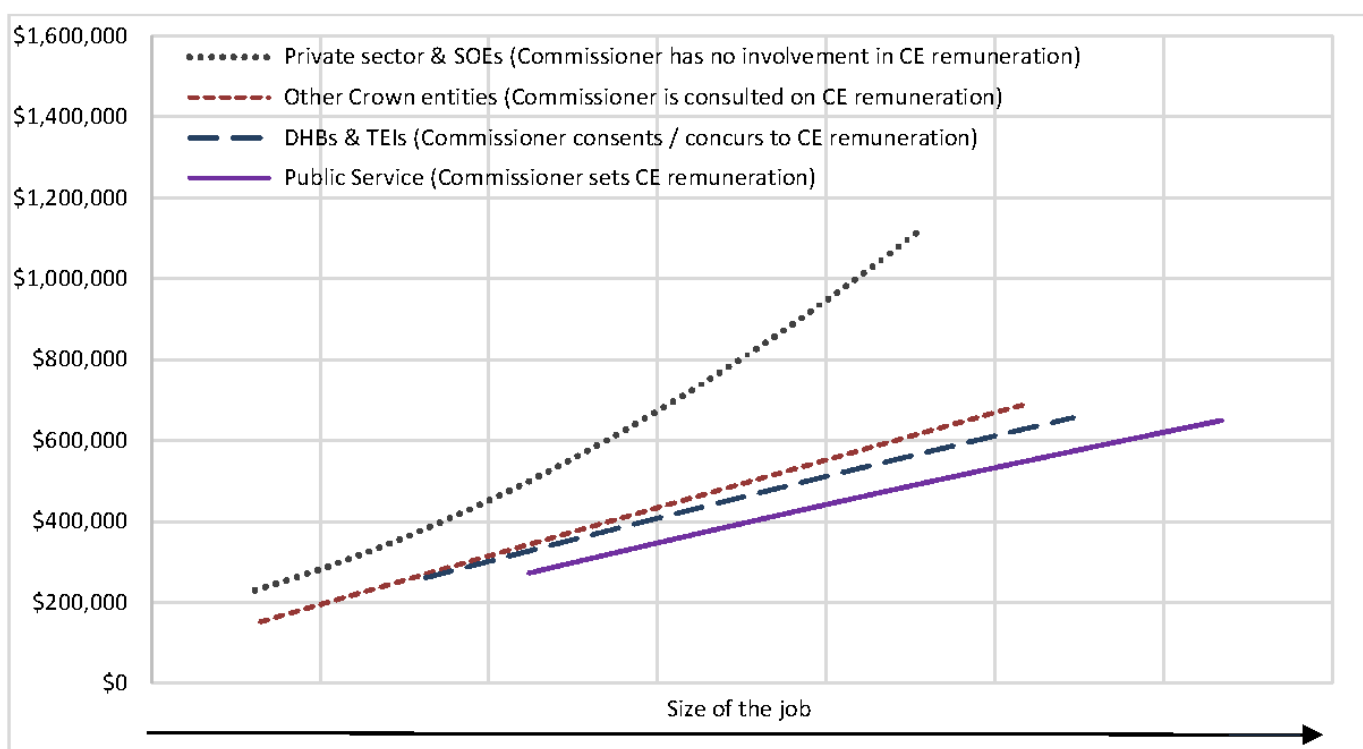
Type of organisation	Average percentage change 2016/17 from 2015/16	Average percentage change 2015/16 from 2014/15
Public Service CEs	2.0	1.3
TEIs & DHBs CEs	2.7	2.8
Other Crown entities CEs	4.1	3.8
Other public & private sector CEs	3.1	2.7

Note that pay structures are different across these groups. Remuneration actually received will also be influenced by such factors as the level of performance-related pay, and the timing of payments.

Levels of remuneration in 2016/17

The graph below plots remuneration against job size for the same groups of CEs as shown in the table above.

Figure 1: Total remuneration received by job size and sector for CEs in 2016/17.



These trend lines are based on data for the year to 30 June 2017. As expected, the graph shows a clear relationship between remuneration and job size – the ‘larger’ the job, the higher the pay.

The graph shows each group for which the Commissioner has a different role with respect to influencing senior pay. The Commissioner has no influence over private sector and state-owned enterprises. The greater his influence, the lower the levels of pay (for the same size of job). Accordingly, the bottom line is for Public Service CEs, whose pay is set by the Commissioner.

Comparison of average increases with other public and private sector CEs: 3.0%

CEs in the broader public and private sectors (where the Commissioner has no direct influence) had an average increase of 3.0% (June 2018) in fixed remuneration packages for 2017/18, which is slightly lower than the 3.1% seen in 2016/17 (Source: Korn Ferry New Zealand Market Context Report June 2018).

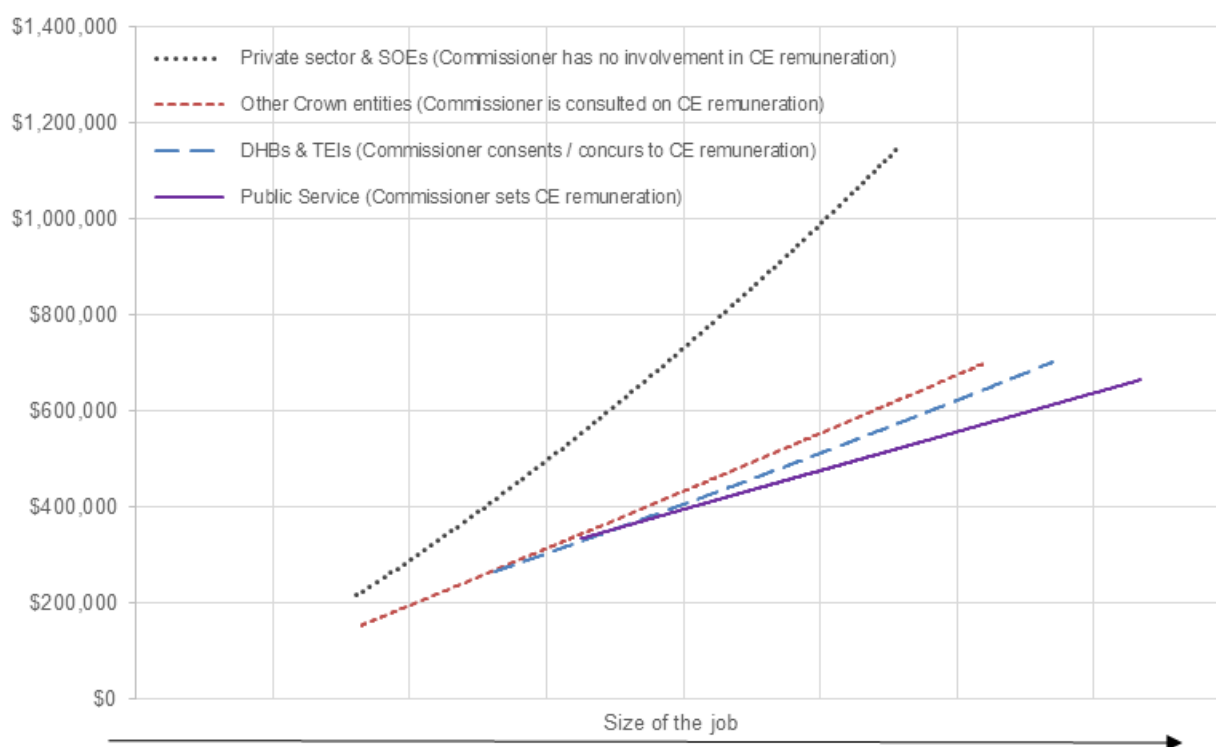
The following table shows the average increases in remuneration for different types of public and private sector CEs (last year's changes are shown for comparison). Remuneration is structured in different ways across these groups.

Type of organisation	Average percentage change 2017/18 from 2016/17	Average percentage change 2016/17 from 2015/16
Public Service CEs	0.9	2.0
TEIs & DHBs CEs	1.8	2.7
Other Crown entities CEs	3.1	4.1
Other public & private sector CEs	3.0	3.1

Levels of remuneration in 2017/18

The graph below plots remuneration against job size for CEs in different sectors.

Figure 1: Total remuneration by job size and sector for CEs in 2017/18.



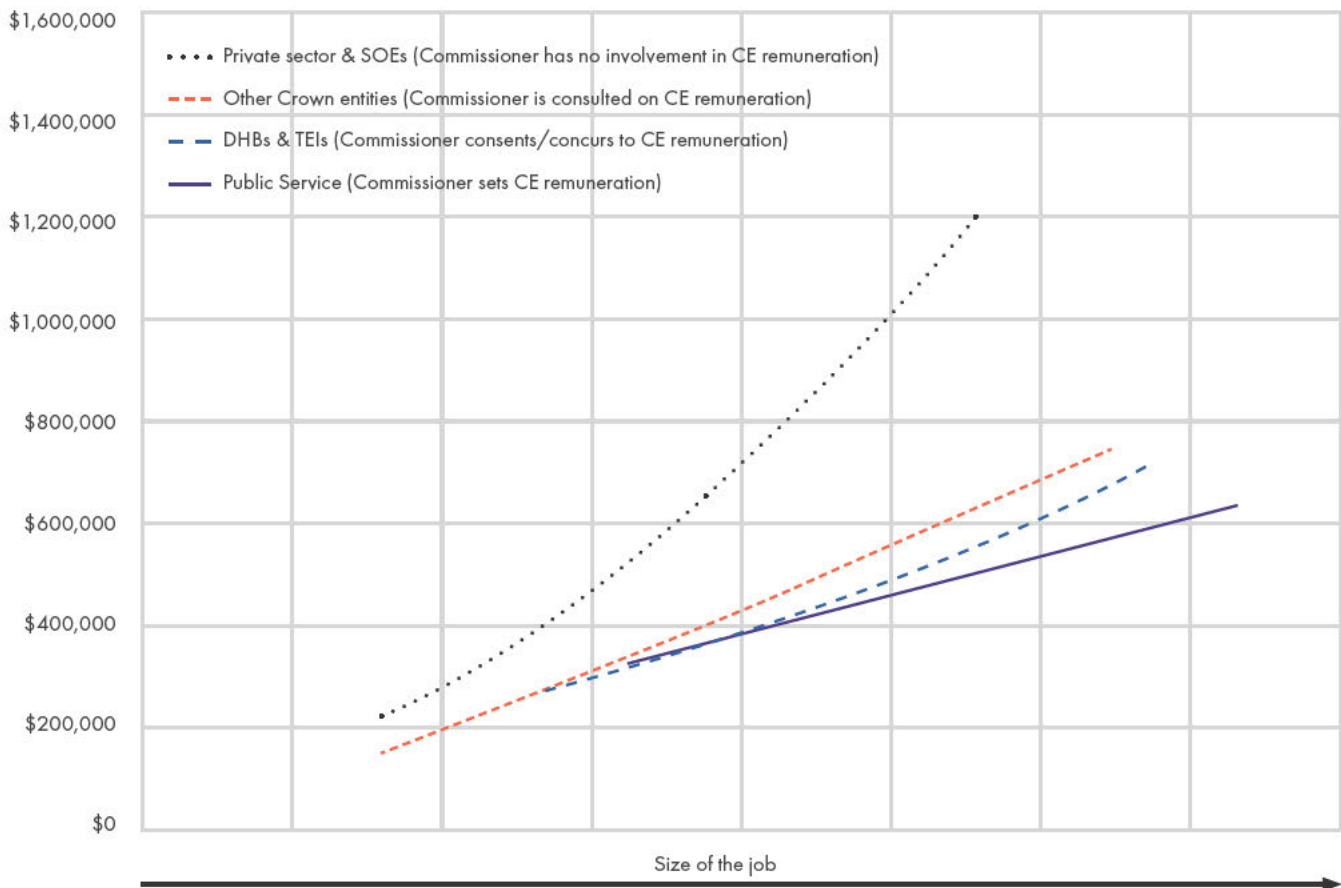
These trend lines are based on data for the year to 30 June 2018. Remuneration lines are based on data from SSC (for Public Service, DHBs and TEIs, and other Crown entities) and Korn Ferry New Zealand Market Remuneration Report June 2018 (for private sector and state owned enterprises (SOEs)).

The graph shows a clear relationship between remuneration and job size – the ‘larger’ the job, the higher the pay.

The graph shows the varying degrees of influence the Commissioner has over senior pay. The Commissioner has no influence over private sector and state-owned enterprises. The greater his influence, the lower the levels of pay (for the same size of job). Accordingly, the lowest line is for Public Service CEs whose pay is set by the Commissioner.

Comparison of levels of remuneration across sector

The graph below plots remuneration against job size for CEs in different sectors.



These trend lines are based on data for the year to 30 June 2019. Remuneration lines are based on data from SSC (for Public Service, DHBs and TEIs, and other Crown entities) and Korn Ferry New Zealand Market Remuneration Report June 2019 (for private sector and state-owned enterprises (SOEs)).

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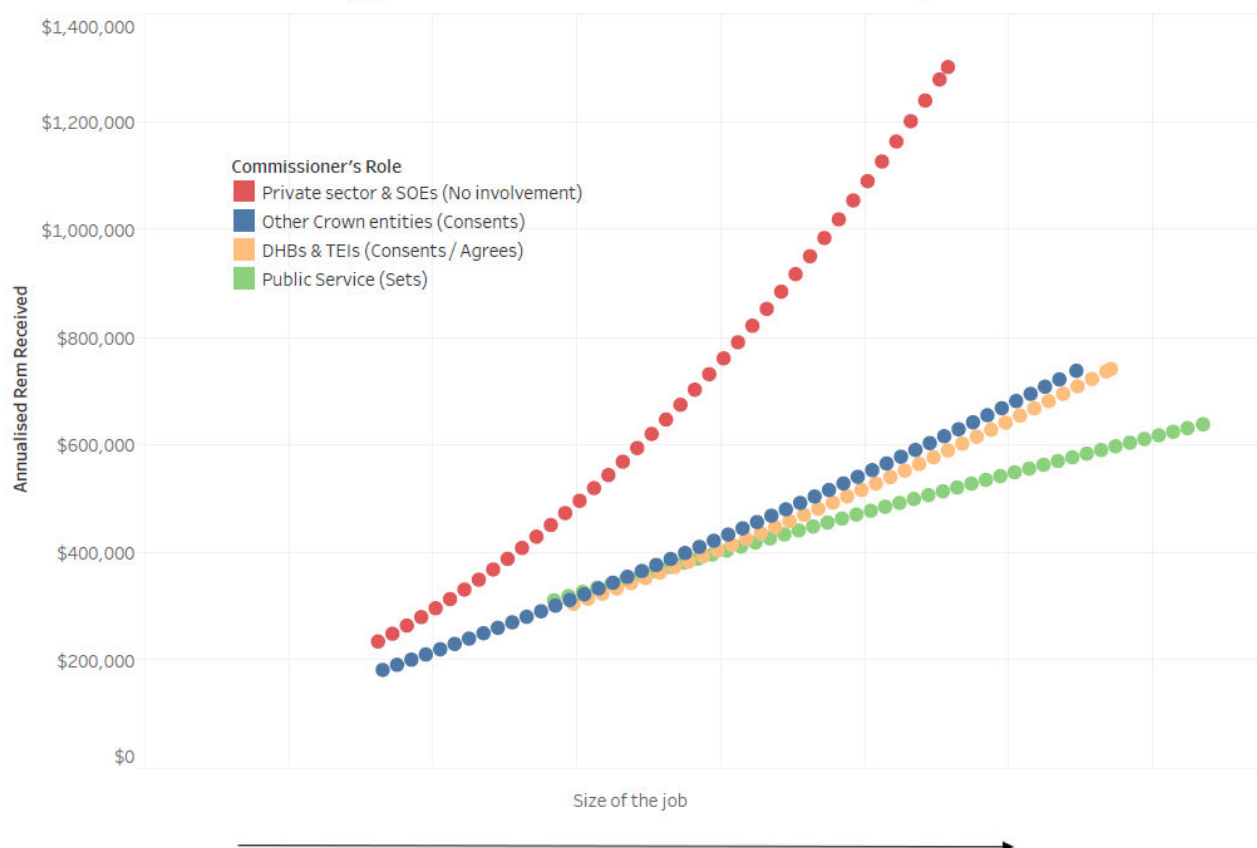
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Comparison of levels of remuneration across sector

The graph below plots remuneration against job size for chief executives in different sectors.

Total remuneration by job size and sector for CEs in 2019/20

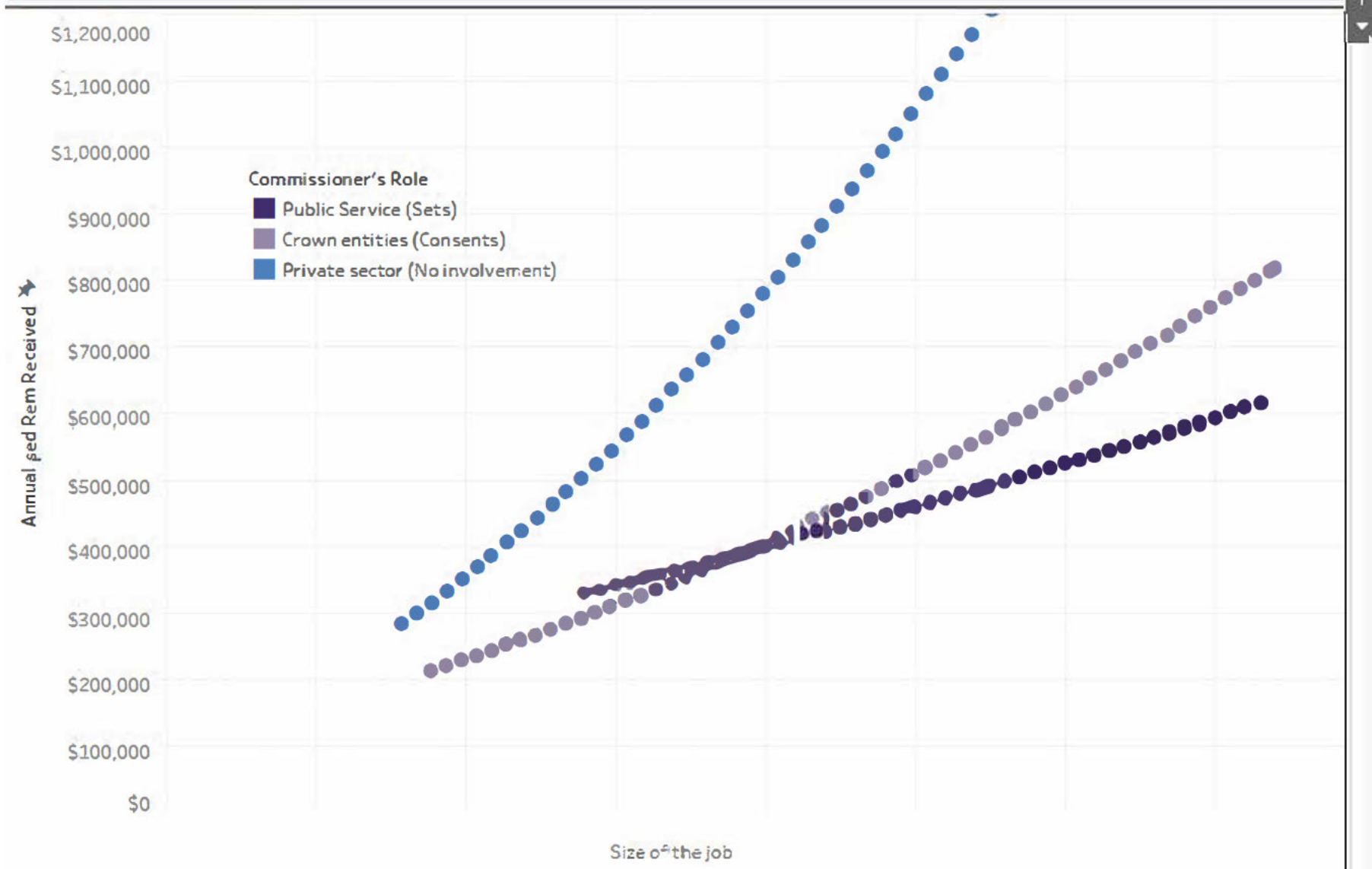


These trend lines are based on data for the year to 30 June 2020. Remuneration lines are based on data from Te Kawa Mataaho (for departments and departmental agencies, DHBs and TEIs, and other Crown entities) and Korn Ferry New Zealand Market Remuneration Report June 2020 (for private sector and state-owned enterprises (SOEs)).

The graph shows a clear relationship between remuneration and job size – the ‘larger’ the job, the higher the pay.

The graph shows the varying degrees of influence the Commissioner has over senior pay. The Commissioner has no influence over private sector and state-owned enterprises. The greater his influence, the lower the levels of pay (for the same size of job). Accordingly, the lowest line is for chief executives of departments and departmental agencies whose pay is set by the Commissioner.

Total remuneration by job size and sector for CEs in 2020/21



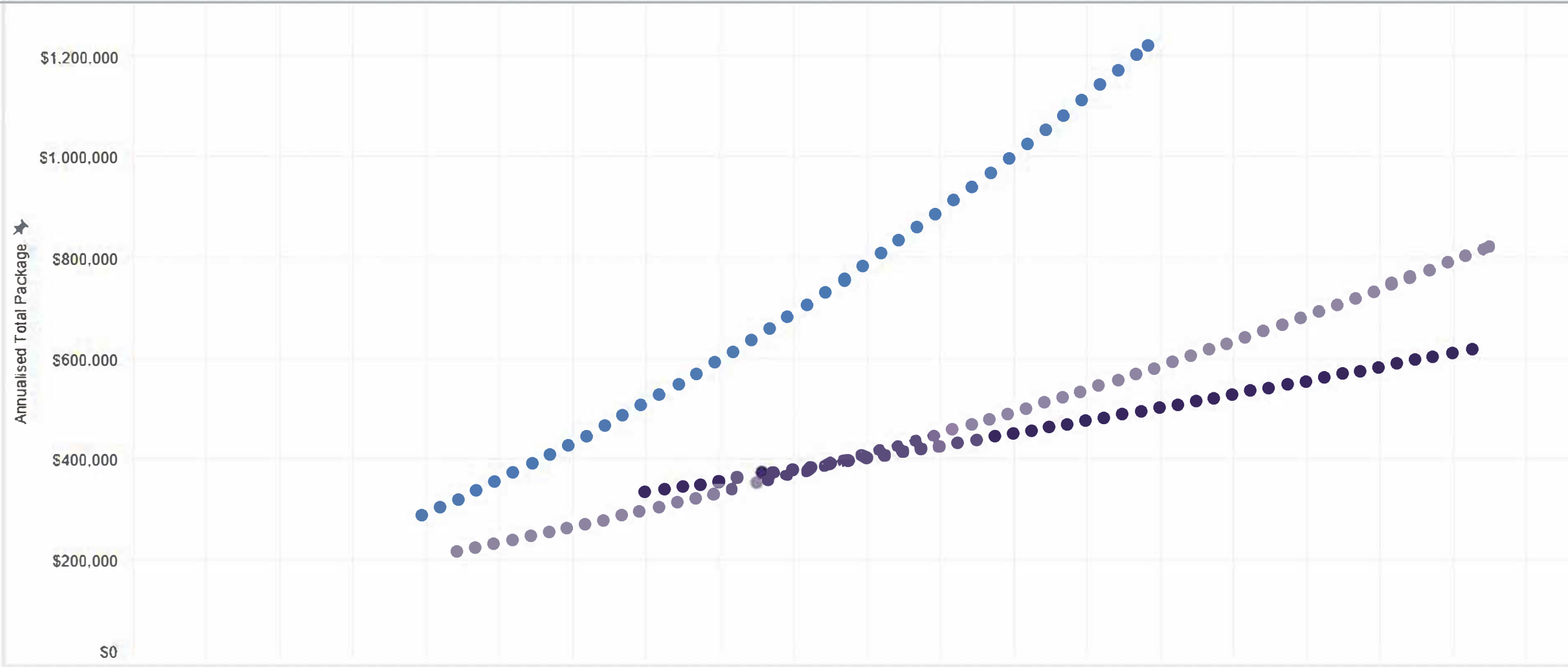
Total remuneration by job size and sector for CEs in 2021/22

Commissioner's Role

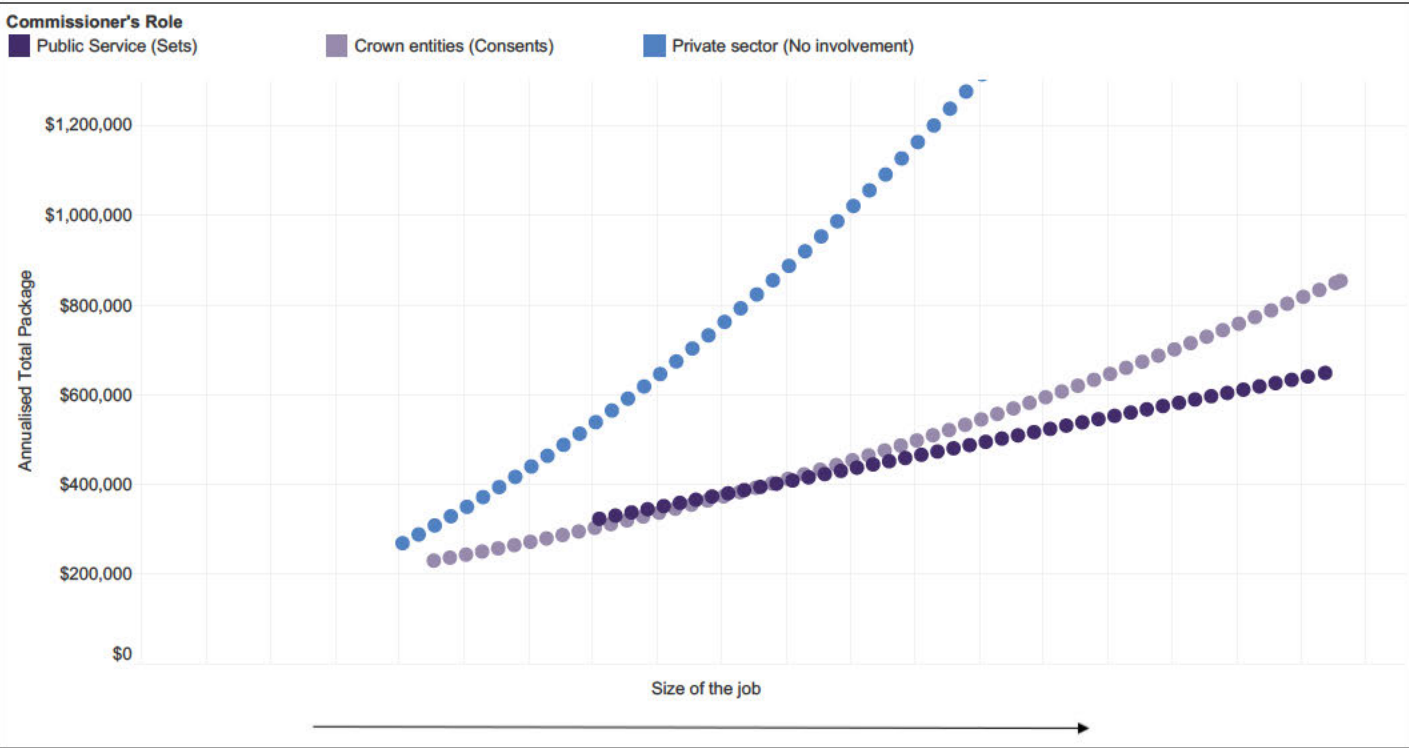
Public Service (Sets)

Crown entities (Consents)

Private sector (No involvement)



Total remuneration by job size and sector for CEs in 2022/23



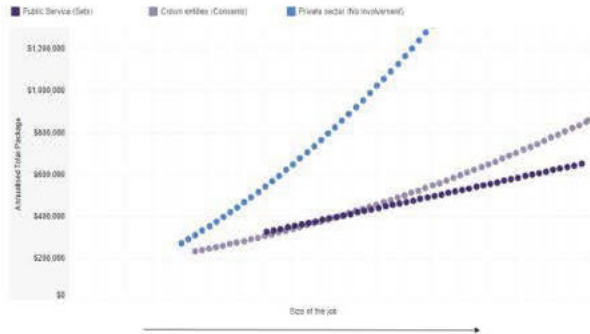
Public Service Chief Executive remuneration remains significantly below comparable Private Sector roles

Crown Entity and Public Service chief executives earn significantly less than private sector senior executives and have received much smaller average increases over the past year.

The **discount for Public Service Chief Executive** ranges between approximately 40% and 71% (and **approximately 60% on average**) on comparable roles in the private sector.

9(2)(i) prejudice to negotiations

The **total cost of Public Service Chief Executive remuneration** is around **\$18m**.



Average remuneration for Public Service Chief Executives has remained largely static

The average remuneration package paid to secretaries of departments and chief executives of departmental agencies (set by the Commissioner) **decreased from \$500,000 in FY2017/18 to \$489,000 in FY22/23**.

Year	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18
Average remuneration (\$)	\$489,000	\$479,000	\$485,000	\$482,000	\$475,000	\$500,000

Average movements for Public Service Chief Executives have been constrained relative to Private Sector movements

Chief Executive Remuneration Movements:
Average % Change, 2019 - 2023

21%

PRIVATE SECTOR

Increased by an average of 21%, with a range between 16% and 22%. (In comparable job sizes to the Public Service Chief Executive role)

2.3%

PUBLIC SECTOR

Increased by average of 2.3%.

