

NSW Public Service Senior Executive Remuneration Management Framework

2022 – 2023



Enabling a world class
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2022 - 2023 NSW Public Service Executive Remuneration Management Framework

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|-----------------------------------|--|
| Status | Active |
| Document number | G2022 - xx |
| File number | A5937695 |
| Application | <input checked="" type="checkbox"/> Public Service Departments <input checked="" type="checkbox"/> Public Service Executive Agencies related to Departments <input checked="" type="checkbox"/> Public Service Separate Agencies |
| Category | Senior Executives |
| Summary | <p>This 2022-2023 NSW Public Service Senior Executive Remuneration Management Framework is a guide for all Public Service agencies as listed in Schedule 1 of the <i>Government Sector Employment Act 2013</i> (GSE Act). The Framework outlines the approach for determining where within a Public Service senior executive band a senior executive role or group of roles is to be placed for the purpose of calculating their base remuneration point and discretionary remuneration range. It also outlines the considerations for the Secretary or head of an agency in paying above the discretionary range and, separately, how a senior executive can progress along the discretionary range. The NSW Health Service, NSW Transport Service and NSW Police Force may also use the Framework.</p> |
| Publication date | |
| Review / Cancellation date | 28 July 2023 |
| Author | Public Service Commission |
| Previous Reference | A5278650 |
| Contact for enquiries | enquiries-psc@psc.nsw.gov.au or (02) 9272 6000 |

Revision History

| Version | Date | Summary of changes |
|---------|------------|---|
| 1 | 21/07/2022 | Discretionary ranges and the formulas for each job evaluation methodology updated to reflect the 2022 SOORT determination of 2.0 per cent per annum inclusive of the superannuation guarantee contribution. |

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1. Introduction

1.1. Purpose

The NSW Public Service Senior Executive Remuneration Management Framework ('the Framework') provides a fair and transparent approach to determining executive remuneration. The intention of the Framework is to:

4. Provide design principles for executive structures which can support Secretaries and heads of agencies to deliver on their strategic and corporate objectives.
5. Ensure that all decision-making processes relating to executive remuneration support the principle of equal remuneration for men and women doing work of equal or comparable value.
6. Outline the approach, using an approved role evaluation methodology (Mercer/CED, OCR or Hay), for determining where within a senior executive band a role (or group of roles) is to be placed for the purpose of calculating its base remuneration point and discretionary remuneration range.
7. Provide the formulas needed to calculate the base remuneration point and discretionary remuneration range for a senior executive role (or group of roles) based on the Statutory and Other Offices Remuneration Tribunal (SOORT) Determination for senior executives, which is effective 1 July each year.
8. Provide guidance in the form of a Remuneration Decision Matrix about matters the Secretary or head of a separate agency may take into consideration when determining the remuneration of a senior executive upon assignment to a senior executive role.
9. Outline the limited circumstances in which the following actions may be appropriate:
 - the remuneration of a senior executive to progress along the discretionary remuneration range applying to the senior executive role
 - the Secretary or head of a separate agency to approve remuneration beyond the discretionary remuneration range
 - the Secretary or head of a separate agency to seek remuneration above the band.

1.2. What does remuneration mean?

Senior executives receive a total remuneration package (TRP), of which salary will be one component. Any reference to remuneration throughout the Framework is to a TRP, as defined in Appendix 3 Glossary of terms.

1.3. Who does the Framework apply to?

The Framework is a guide for all Public Service agencies as listed in Schedule 1 of the GSE Act in respect to GSE Act senior executives (bands 1-3).

The NSW Health Service, NSW Transport Service and NSW Police Force may use the Framework as guidance provided by the Public Service Commissioner in respect to:

- Health Service senior executives (see Section 121D (1) and (2) of the *Health Services Act 1997*)
- Transport Service senior executives (see Section 68F (1) and (2) of the *Transport Administration Act 1988*)
- NSW Police Force senior executives (see Section 36 (1) and (2) of the *Police Act 1990*).

1.4. When is the Framework applied?

The Framework should be implemented as and when Secretaries and heads of separate agencies create senior executive roles in bands 1 to 3 in order to determine the remuneration for those new roles. The Framework is also to be implemented when applying the annual SOORT determination increases and when considering progression over time within the discretionary remuneration range in accordance with the requirements of the agency's formal performance management system.

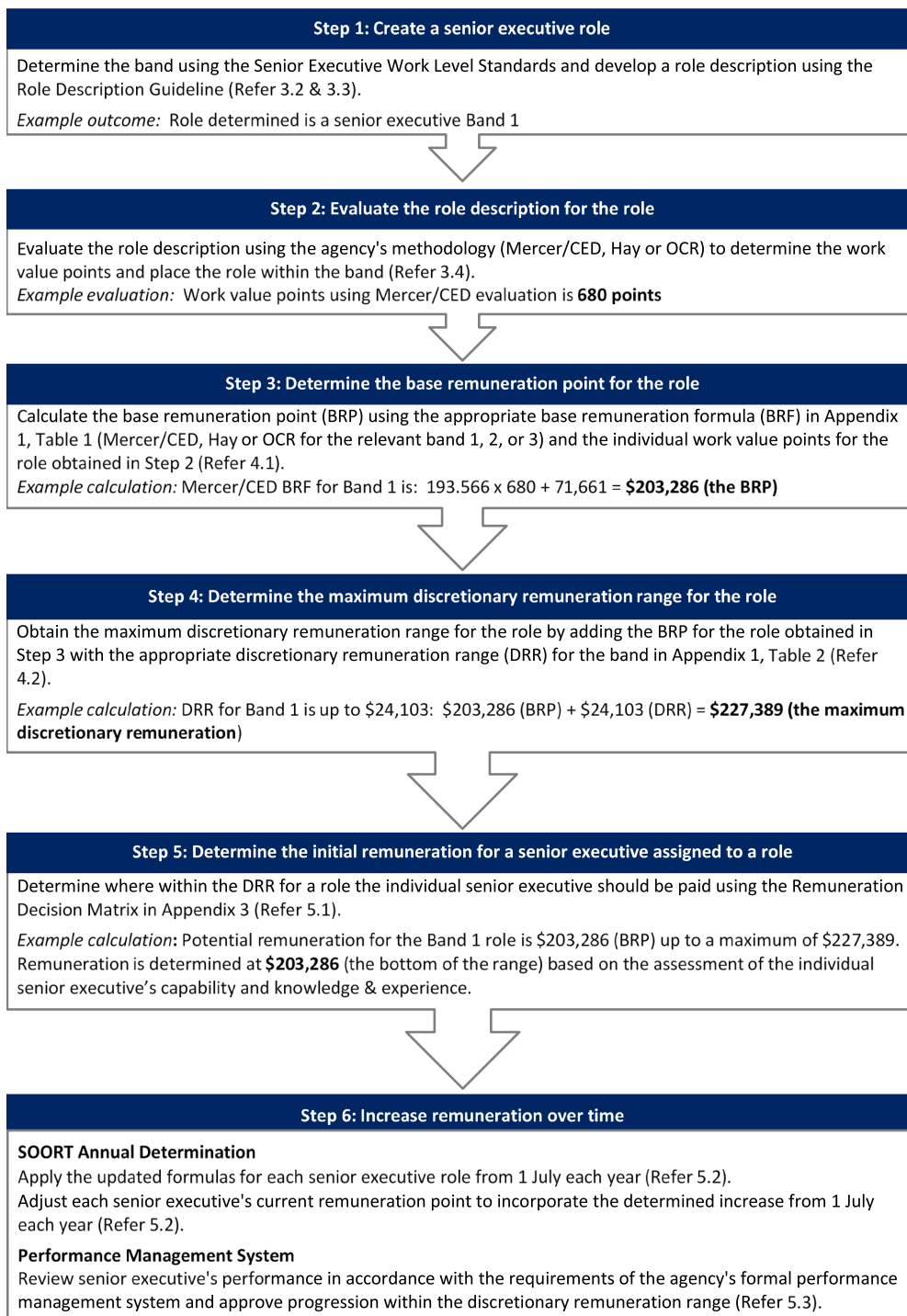
1.5. Key Features

The Framework outlines the process for determining executive remuneration. The process is summarised in section 1.6 How to use the Framework – business case.

More detailed information on creating roles, determining the band, the base remuneration point, and remuneration adjustments are outlined in parts 2 to 5.

The relevant formulas for determining the discretionary remuneration ranges and a remuneration decision matrix are provided in Appendices 1 and 2.

1.6. How to use the Framework – business process



2. Key principles for band structure and remuneration

2.1. Band structure

The GSE Act executive reforms introduced the following simpler executive structure comprising a Department Secretaries band and three broad bands:

- Band 4 – Secretary level
- Band 3 – Deputy Secretary level
- Band 2 – Executive Director level
- Band 1 – Director level

The intent under the GSE Act reforms is that the above role titles will be used across the Public Service to improve consistency and create a clearer, shared understanding of the nature of roles found in each band. Exceptions might be needed in rare cases, for example if the role is of a kind commonly referred to by another title (for example Chief Finance Officer).

2.2. Design principles

The design principles for new executive structures under the GSE Act executive reforms were outlined in the *Interim guidelines on requirements for NSW public sector executive restructures and assessments to align with the intent of the senior executive reforms* (Circular PSCC-2013-10). The principles continue to be relevant and are summarised below.

2.2.1 Executive structures based on strategic and corporate objectives

Design of a new structure and roles should be approached in terms of the functions and roles required by the department or agency to deliver on its strategic and corporate objectives.

2.2.2 Minimal executive layers

As a principle, there should be no more than three executive reporting layers below the Secretary. Departments/agencies should begin their design process based on this principle, then adjust where warranted. Proposals for intra-band reporting should be closely scrutinised in terms of their added value, particularly where they involve managers reporting to managers. They may be warranted where, for example, a specialist or a State-wide role with an 'outward' focus in terms of its responsibilities and expertise is employed to report to a manager in the same band. The model can

accommodate a mixture of band 2 and 3 senior executives reporting to a Secretary or combination of band 1 and 2 senior executives reporting to a band 3.

2.3. Equal pay for equal work

One of the key principles of the Government's Wages Policy is equal remuneration for men and women doing work of equal or comparable value.

Unintended gender biases in hiring, promotion, performance and pay decisions can lead to incidences of pay inequity. Employers should identify where gender pay gaps exist within their organisation and develop and implement strategies to close the gap.

The Framework provides a methodology for determining fair remuneration for each role based on work value and a methodology and processes for determining adjustments over time.

In applying the Framework and determining organisation wide executive remuneration policies, employers should ensure there is a consistent approach to decision making in respect of commencing remuneration, salary negotiation, movements within and/or above the discretionary range and adjustments, if any, based on the annual performance review cycle.

Departments and agencies should be open with executives about their processes, policies and criteria for decision making in respect of executive remuneration. Introducing transparency to promotion, pay and reward processes may reduce pay inequalities.

3. Creating a Public Service senior executive role

3.1. Employer

Under the GSE Act, unless otherwise provided in legislation, a Secretary is the employer of senior executives in their Department and in executive agencies related to the Department while the head of a separate agency is the employer of senior executives in their agency.

As the employer of senior executives, the Secretary and heads of separate agencies should ensure that senior executive roles:

- are classified according to the *NSW Public Service Senior Executive Work Level Standards* (WLS)
- have a role description developed in accordance with the *NSW Public Sector Capability Framework* (Capability Framework) and the *Role Description Development Guidelines* (RD Guidelines)
- have remuneration determined in accordance with the Framework as updated from time to time.

3.2. Determining the band using the Work Level Standards

The WLS are the classifying tool for determining the band for a new Public Service senior executive role. The WLS indicate, in broad terms, the work expected to be performed at senior executive bands 1 to 3.

3.3. Creating the role description

The role description for a sector or agency-specific senior executive role is to comply with the following principles:

- be developed in accordance with the [Role Description Development Guidelines](#)
- describe the role in terms that are consistent with the WLS descriptors for the selected band
- incorporate the relevant levels for all capabilities from the Capability Framework including any relevant occupation-specific capabilities. The focus capabilities should be identified prior to recruitment action. The set of focus capabilities can change for subsequent recruitment based on current priorities and/or team mix.

3.4. Placing the senior executive role at a point within the band using role evaluation methodology

Once the band is determined for a new senior executive role using the WLS and the role description finalised, a role evaluation (Mercer/CED, Hay or OCR) is used to determine the work value points (WVP) and place the role within the band.

In the event that the WVP for a role falls above or below the points range for the band, the role does not get reclassified to the higher or lower band. Rather the outcome of the role evaluation indicates only that the remuneration for the role would be at the higher or the lower end of the band range.

The WVP is used in the Framework formulas to calculate the base remuneration point for each senior executive role or group of roles (see part 4).

3.5. Re-evaluation of roles within a senior executive band

Roles within a band may be re-evaluated where there is a substantial change in the work value. This can be initiated by either the employer or the senior executive.

Many factors influencing work value include, capabilities required for the role; budget/employee management responsibility; decision making authority; scope/breadth of the role; and complexity of the role. Changes in any of these areas, or a combination, could potentially constitute a substantial change.

Agencies may use their discretion as to whether a change in the role is such that it warrants a re-evaluation. A consistent policy and approach should be adopted across the agency regarding when and in what circumstances a senior executive role should be re-evaluated. The policy should also factor in the potential impact of the re-evaluation in the context of other senior executive roles in the particular work area or in the agency as a whole.

The employer will need to determine the most appropriate approach to filling the re-evaluated role which could include subsequent assignment of the incumbent or another senior executive, transfer, secondment, agency EOI or external advertising.

4. Remuneration for a new Public Service senior executive role

4.1. Determining the base remuneration point

The base remuneration point for each senior executive role or group of roles is calculated using the WVP outcome in the appropriate formula for the methodology used by the agency. There are different formulas for each methodology and for each methodology a different formula for each band (see Appendix 1, Table 1).

4.2. Applying the discretionary remuneration range

In addition to the base remuneration point, each senior executive role has an individual discretionary remuneration range (see Appendix 1, Table 2). Effective 1 July 2022, the discretionary remuneration ranges for bands 1 to 3 are as follows:

- Band 1: up to \$24,103
- Band 2: up to \$36,154
- Band 3: up to \$48,205

The maximum discretionary range for a senior executive role is obtained by adding the amount of the discretionary remuneration range for the relevant band to the base remuneration point for a senior executive role.

The maximum base remuneration point for a senior executive role is equal to the maximum remuneration for the band minus the maximum discretionary remuneration range for that band.

If the WVP for a role falls above or below the points range for the band, the following will apply:

WVP is above the band range

The base remuneration point for the role is set at the point equal to the maximum remuneration for the band minus the maximum discretionary remuneration range for the band.

WVP is below the band range

The base remuneration point is set at the minimum for the band. For example, a senior executive role classified under the work level standards as band 1 with a Mercer/CED job/role evaluation outcome of 660 would have the remuneration associated with a role evaluated at 670 of which is the bottom of the range for band 1.

5. Remuneration for a Public Service senior executive assigned to a role

5.1. Initial remuneration within the role's discretionary range

An individual's initial remuneration point within a role's discretionary remuneration range upon assignment is based on individual merit factors, including demonstrated knowledge, experience and assessed levels of capabilities. In exceptional cases, labour market factors can also be taken into account but only if based on verifiable evidence (see 5.4).

The Remuneration Decision Matrix (see Appendix 2) provides a methodology to determine where within the discretionary remuneration range for a role a senior executive should be paid. Secretaries and separate agency heads can choose to adopt the Decision Matrix when making individual senior executive remuneration decisions.

5.2. Applying annual SOORT remuneration increases

This increase, if any, is effective from 1 July each year and is separate from any progression within the range based on performance assessment as provided in 5.3 below.

5.2.1 Base remuneration point for a role

The annual SOORT determination increase, if any, is to be applied to each role's base remuneration point (through application of the updated formula for calculation of base remuneration points) and its discretionary range (through application of the percentage increase to the discretionary ranges for bands 1, 2 and 3).

5.2.2 Senior executive's current remuneration point

Generally, each senior executive's current remuneration point, within the discretionary range for their role, or above the discretionary range for their role but within the band (for a former transitional executive to whom clause 8B(3) of the GSE Act has been applied), will also be adjusted to incorporate the increase.

There may be circumstances where a Secretary or head of a separate agency may choose not to adjust a senior executive's current remuneration point. For example, this may occur if the senior executive has been re-assigned to a role with a lower work value, in order to bring the senior executive's remuneration within the discretionary range for the role over time. Where a SOORT increase is not passed on, a consistent approach should be adopted across the agency, and agency heads should consider affording procedural fairness before deciding not to pass on the increase.

5.3. Progression within the discretionary remuneration range over time – based on assessed performance

Progression within the discretionary remuneration range should not be automatic.

Once assigned, the senior executive may progress over time within the discretionary remuneration range in accordance with the requirements of the agency's formal performance management system.

5.4. Within band or above-band remuneration adjustments due to labour market factors

5.4.1 Within band adjustments

The Secretary or head of separate agency may approve within band remuneration adjustments – for a particular senior executive role or group of senior executive roles – subject to verifiable market-based evidence to support an increase to remuneration.

Within the band adjustment for a particular senior executive role or group of senior executive roles can occur outside of the agency's performance management system and can be either:

- within the applicable discretionary remuneration range
- outside the applicable discretionary remuneration range, up to the maximum of the band.

Verifiable market-based evidence should consist of an independent assessment of market remuneration. The verifiable market remuneration evidence should include, but need not be limited to, available market data for like roles (with equivalent work value point scores, where known) in employment sectors comparable to the NSW Public Service. The submission to the Secretary or head of a separate agency recommending the approval of a within band adjustment should demonstrate the market evidence.

The Secretary or head of the separate agency should consider the impact any recommended increase will have on the reporting of average remuneration of senior executives within a band for their Department or agency when making a decision to approve an adjustment in remuneration within the band (see Part 4 for further information).

When a senior executive role is advertised or other recruitment action undertaken, the Secretary or head of separate agency should decide on the need for higher remuneration based on the following three factors:

- verifiable market remuneration evidence
- the strength of the preferred candidate
- clear evidence of lack of alternative suitable candidates from the field.

For existing executives, within band adjustments should only occur where there has been a change in the labour market in relation to a particular senior executive role. Under these circumstances, progression within the role's discretionary remuneration range or above the discretionary range may be used as mechanism to retain the senior executive.

5.4.2 Above-band adjustments

Remuneration above the range for a band must be in accordance with a determination by the SOORT, pursuant to a special determination under section 24P or as provided for in the annual determination under section 24O of the SOOR Act. The Premier must direct the SOORT to make an above-band determination.

The Secretary or the head of a separate agency should seek a SOORT determination only where there is clear market-based evidence to support the application for such a determination and in line with guidance issued by the Public Service Commission.

The determination would be made in accordance with the provisions of 24R (3) for one of the following:

- a particular senior executive named in the determination (s24R (3) (a))
- a particular role, office or position specified in the determination (24R (3) (b))
- a particular class of senior executives specified in the determination (s24R (3) (c)).

The SOORT determination should be sought prior to advertising or other recruitment action commencing for the senior executive role. However, in exceptional circumstances a SOORT determination can be sought during the recruitment process but prior to employment.

If the determination is sought prior to advertising or other recruitment action the determination can be made under either s24R (3) (b) or (c). If the determination is to be made following the identification of the successful candidate, it should be made under section 24R(a). It should be noted that a special determination for a named senior executive is a determination that is personal to that executive and is not a determination that applies to the office or role concerned or to other individuals who may have that role or office in the future.

5.5. Assignment of senior executive to roles in bands across Public Service

Senior executives may be subsequently assigned to other roles within the band in which they are employed under section 38 of the GSE Act, for any number of reasons, and are entitled under section 38(8) to maintain their level of remuneration. The senior executive's remuneration level can be reduced on subsequent assignment but only with the senior executive's consent.

Further information on the assessment and remuneration considerations for assignment and subsequent assignment of senior executives can be found in the Guidelines on assignment to role of Public Service senior executive and non-executive employees 2015.

5.6. Remuneration transitional arrangements

Schedule 4 to the GSE Act includes transitional arrangements relating to the remuneration of executives. Although the deadline for transition to the new senior executive arrangements was 24 February 2017, transitional provisions continue to apply to some individuals.

6. Reporting requirements

The *Annual Reports (Departments) Regulation 2015* (see clause 7) and the *Annual Reports (Statutory Bodies) Regulation 2015* (see clause 12) include requirements in relation to inclusion in annual reports of the numbers and remuneration of senior executives.

7. Authorities

Set out below is a list of the legislation, determinations and resources referred to in this document.

- *Government Sector Employment Act 2013*
- *Government Sector Employment Regulation 2014*
- *Government Sector Employment (General) Rules 2014*
- *Government Sector Employment (Senior Executive Bands) Determination 2014*
- *Statutory and Other Offices Remuneration Act 1975*
- *Annual Reports (Departments) Regulation 2015*
- *Annual Reports (Statutory Bodies) Regulation 2015*
- *SOORT Public Service Senior Executives Annual Determination 2022*
- *NSW Public Sector Capability Framework*
- *NSW Public Service Role Description Guidelines*
- *NSW Public Service Senior Executive Work Level Standards 2013*
- *Performance Development Framework v2*
- *Guidelines on assignment to role of Public Service senior executive and non-executive employees 2015*
- *Transition to the Public Service Senior Executive – Guidelines for the administration of a financial disadvantage allowance for former senior officers*
- *Interim guidelines on requirements for NSW Public Sector executive restructures and assessments to align with the intent of the senior executive reforms*

Appendix 1: Senior executive base remuneration formulas and discretionary remuneration ranges (effective 1 July 2022)

| Methodology | Band | Points range | Base remuneration formula (BRF) |
|-------------|--------|--------------|--------------------------------------|
| Mercer/CED | Band 3 | 1475 to 2549 | 92.871 x work value point + 224,316 |
| | Band 2 | 990 to 1474 | 78.399 x work value point + 209,586 |
| | Band 1 | 670 to 989 | 193.566 x work value point + 71,661 |
| Hay | Band 3 | 1651 to 2800 | 86.809 x work value point + 217,979 |
| | Band 2 | 1241 to 1650 | 92.788 x work value point + 172,062 |
| | Band 1 | 731 to 1240 | 121.311 x work value point + 112,671 |
| OCR | Band 3 | 1851 to 2475 | 159.846 x work value point + 65,426 |
| | Band 2 | 1251 to 1850 | 63.348 x work value point + 207,953 |
| | Band 1 | 780 to 1250 | 131.378 x work value point + 98,875 |

Table 1: Base remuneration formulas – Mercer/CED, Hay and OCR

| Band | Discretionary remuneration ranges (DRR) | SOORT remuneration ranges |
|--------|---|---------------------------|
| Band 3 | Up to \$48,205 | \$361,301 - \$509,250 |
| Band 2 | Up to \$36,154 | \$287,201 - \$361,300 |
| Band 1 | Up to \$24,103 | \$201,350 - \$287,200 |

Table 2: Discretionary remuneration ranges

Notes on applying the formulas

1. The BRFs are based on the remuneration ranges contained in the annual SOORT determination. The SOORT remuneration ranges are rounded so there may be slight differences when increasing each senior executive's current remuneration point (CRP). Should the increased CRP exceed the maximum of the SOORT remuneration range for the band the CRP should be rounded down to be equal to the maximum of the band.

-
2. The BRP for a role is calculated using the above formulas for the relevant band. The DRR for each senior executive role starts from the BRP. Should the maximum remuneration (BRP + DRR) exceed the maximum of the band the TRP should be rounded down to the maximum amount for the band.
 3. It is assumed that there is a constant relationship between work value and remuneration value for each band. Based on this assumption a simple linear regression has been applied using the minimum and maximum levels for both work value and base remuneration. The formula derived from the regression is then able to be applied to any work value assessment between the minimum and maximum levels to calculate the corresponding remuneration value.
 4. In the event that the WVP for a role falls above or below the points range for the band, the role does not get reclassified to the higher or lower band. Rather the outcome of the role evaluation indicates only that the remuneration for the role would be at the higher or the lower end of the band range. If the role's WVP is above the band range, the BRP for the role is set at the point equal to the maximum remuneration for the band minus the maximum discretionary amount for the band. In the case of roles evaluated below the range for the band, the base remuneration is set at the minimum for the band.

Appendix 2: Remuneration Decision Matrix

Note: The Remuneration Decision Matrix is discretionary. Secretaries and heads of separate agencies can choose to adopt the Remuneration Decision Matrix when making individual senior executive remuneration decisions.

Senior Executive Band X Role – evaluated at XXX work value point
 Total remuneration package range \$xxx to \$xxx
 (Mercer/CED, Hay or OCR point range for band X is XXX to XXX)

**Discretionary
Remuneration
Range**

Decision Matrix

(Note: Work value is not a variable in the decision matrix)


| | | |
|--|--|--|
| <p>Top of the discretionary remuneration range</p>  | <p>Assessment of capability</p> <ul style="list-style-type: none"> Assessed as above the required level for <u>four or more of the focus capabilities</u> identified for the role and at least at the required level for all other capabilities, AND <p>Assessment of knowledge & experience</p> <ul style="list-style-type: none"> Where identified as an essential requirement for the role, is assessed as <u>exceeding</u> the knowledge and/or experience requirements | <p>TOP</p> <p>Remuneration is toward the top of the discretionary remuneration range for the role</p> |
| | <p>Assessment of capability</p> <ul style="list-style-type: none"> Assessed as above the required level for <u>two or more of the focus capabilities</u> identified for the role and at least at the required level for all other capabilities, AND <p>Assessment of knowledge & experience</p> <ul style="list-style-type: none"> Where identified as an essential requirement for the role, is assessed as meeting the knowledge and/or experience requirements | <p>MIDDLE</p> <p>Remuneration is toward the middle of the discretionary remuneration range</p> |
| | <p>Assessment of capability</p> <ul style="list-style-type: none"> Assessed as at the required level for all focus capabilities identified for the role. Some development may be required to reach the required standard for one or more of the other capabilities, AND <p>Assessment of knowledge & experience</p> <ul style="list-style-type: none"> Where identified as an essential requirement for the role, is assessed as meeting the knowledge and/or experience requirements | <p>BOTTOM</p> <p>Remuneration is toward the bottom of the discretionary remuneration range</p> |
| <p>Bottom of the discretionary range</p> | | |

Table 3: Upon assignment in Band X

Note: Labour market competitiveness may also be taken into account but only if based on verifiable evidence.

Appendix 3: Glossary of terms

| Terms | Definition |
|---|---|
| Band remuneration range (BRR) | Range between the minimum and maximum remuneration rates for the band as set by the SOORT. |
| Base remuneration point (BRP) | The fixed minimum remuneration point for a particular role. Calculated based on the work value point using a band-specific formula. Cannot be below the minimum remuneration range for the band. |
| Discretionary remuneration range (DRR) | The discretionary remuneration range for each senior executive role starts from the base remuneration point. The discretionary range is up to the amounts specified in Appendix 1. |
| Job/role evaluation methodology | <p>A systematic process for determining the relative work value of roles in an organisation. The three systems that have been accredited for use in grading NSW public sector roles are:</p> <ul style="list-style-type: none">• Mercer/CED Job Evaluation System• Hay Job Evaluation System• OCR Job Evaluation System* <p>*Mercer now owns the Mercer/CED and OCR systems and no longer provides updates or training for OCR system. Public sector agencies using the OCR system may continue to do so. Agencies implementing job evaluation for the first time or considering changing systems should select either the Mercer/CED or Hay job evaluation system.</p> |
| Job/role work value point (WVP) | A role's evaluated work value level based on role evaluation using an accredited methodology. |

| Terms | Definition |
|---|--|
| Remuneration | Is for the purposes of the Framework a reference to a TRP, that is the total amount which is to be paid to a senior executive out of which the senior executive is required to pay the employer contributions to superannuation. |
| Remuneration Decision Matrix | Guideline for determining where within a role's discretionary remuneration range a senior executive should be paid. |
| SOORT | Statutory and Other Offices Remuneration Tribunal. |
| Total Remuneration Package (TRP) | The total amount paid to a senior executive out of which the executive is required to pay the employer contributions to superannuation. Section 39(4)(d) of the GSE Act provides that the TRP of a Public Service senior executive is comprised of monetary remuneration and employment benefits. See also the definition of 'remuneration package' in section 24M of the <i>Statutory and Other Offices Remuneration Act 1975</i> . |
| Work Level Standards (WLS) | The NSW Public Service Work Level Standards broadly indicate the work expected to be performed in Public Service senior executive bands 1 to 3. They are the tool for determining the band for a new Public Service senior executive role. |

Table 4: Glossary of terms

Enabling a world class
public service

NSW Public Service Senior Executive Remuneration Management Framework

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