

40/35 Burkitt St
PAGE ACT 2615

22 January 2001

The Secretary
Senate Select Committee
Parliament House
CANBERRA ACT 2600

Dear Sir

I submit herewith my working papers concerning an alleged shortfall of P.S. salaries over the past 25 years or so for your committee's perusal.

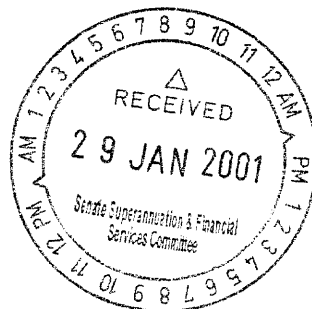
Study will show the shortfall to be in the area of 3 - billion dollars, after allowing for interest at a modest rate, say 5%.

I look forward to receiving the published details of your enquiry and report which are presently pending.

Yours faithfully,



Mr D. Callaghan



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Page ACT 2614
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PS has been underpaid for years

RECENTLY I have been re-examining the underpayment of public-service salaries which I allege is inherent in the existing formula used for pay calculation.

The formula sets out to provide for payment of PS salaried employees according to their pay scales and levels. It fails to do so by reason that the formula has long since passed its "use by" date and is no longer suitable in its present form, having failed to keep pace with the work and pay conditions of these later years.

In effect all employees are short-paid annually as the salaries negotiated at commencement cannot be and are not delivered to the full amount, which position will persist until improved data, eg, 5, 10, 260, 261, 262 work days are substituted for the now obsolete timeframe of 6, 12, 313 work days. When this is done salaries will be delivered to the last cent.

Fundamental to an understanding of the problem and its solution is a recognition that only one of three variant years 260, 261 or 262 can operate for any particular pay year. A suitably sectionalised reckoner-type read-out should be sufficient for the record.

Some 25 years ago, I made similar allegations per the medium of the *ACOA Magazine* (May 1972). No serious rebuttal of my claim was received. The shortfall at the time of my reckoning was about \$6 million.

The amount of short payment has ballooned out to a figure which could now be put as high as one billion dollars. The estimates aforementioned were calculated on the basis of median average figures covering the period spanned by my examination.

Since that amount is not inconsequential and in view of other related factors, for example budget, taxation and public-service employees compensation, I feel action should be taken to regularise matters.

How is Mr Howard going to fund his tax-reform bonanza when he is already in the red to the tune of \$1 billion?

Noted also of recent date was a press ad inviting expressions of interest to be submitted to the Commonwealth Government for the selection of a successful tenderer who would undertake the provision of pay services.

Presumably the Auditor-General will have some interesting comments to make.

D. CALLAGHAN
Hackett

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EXAMPLE OF EMPLOYEE SALARY PAYMENT

(A) EXISTING FORMULA BASIS

ASSUME SALARY OF \$ 37000 P.A.

$$\therefore F/N = \frac{37000 \times 12}{313} = 1418$$

$$\therefore SAL FOR YR = 26 \times 1418 = 36868$$

$$\therefore UNDERPAYMENT FOR YR = 37000 - 36868 \\ = 132$$

(B) PROPOSED FORMULA BASIS

• ILLUSTRATION OF A 262 WDY SAL PAYT

$$SAL FOR YR = 26 F/N + 2ND = 262 WD$$

$$\therefore F/N \dots \dots = \frac{37000 \times 10}{262} = 1412$$

$$\therefore ANN SAL \dots = 26 \times 1412 + 282 * \\ = 37000 \dots \dots (ROUNDED)$$

Q.E.D.

NOTES

- (1) ASSUMING \$ 37,000 IS AVERAGE, AND P.S. POPULATION SALARIED ON ABOVE BASIS IS 400,000 - THEN THE RESULTANT UNDER PAYT IN THAT YR W/B IN THE ORDER OF 52,800,000
- (2) COMPENSATION, BUDGET AND TAX WILL REQUIRE CONSIDERATION.

* 1 F/N = 10 ND = 1412

\therefore 2 WD = 282



Inexact payments

SIR,

According to my arithmetic salaries paid in accordance with the existing formula (salaries ready reckoner basis) result in underpayment

for duty worked in any work-period.

Study shows that the reason for this is that the formula itself is based on false premises viz.

1. It provides only for a work-day year of 313 days whereas the work-day year alternates through 260, 261 or 262 work-days depending on the year in question.

2. It further presumes a 12 day work fortnight whereas actually 10 days are worked.

Taking the year to 30th June, 1973, as the subject year and calculating for an employee on (say) a salary of \$5,413 p.a. it will be found that he will be underpaid \$17.22 in that year.

For the sake of argument, if it be assumed that \$5,413 is an average salary and that the PS and Government instrumentalities employ some 400,000 employees, then in 1972/73 Treasury stands to gain approximately \$6,000,000 and public servants are by corollary the losers by a like amount.

Some woolly (and false) reasons have been advanced in explanation for this state of affairs, e.g., that —

(a) it is recognised the formula is imperfect but it is the

best possible and is "near enough";

(b) accrued days at the year-end account for the difference and the first pay packet in the new year will restore the position;

(c) leap years give rise to the discrepancy — this is partly true in effect, but is not the real cause;

(d) it will be found that (say) over some 4 or more years, on balance, underpayments and overpayments are equated.

The proposition described at sub-paragraph (d) above, though sound enough to an extent, is obviously absurd in the present context where exact accounting is essential. One can picture a situation where an alert new starter on 1st July, 1972, challenges a personnel officer on this score and is counselled as follows — "don't be overly concerned about your short-payment of \$17.22 for the year to 30th June, 1973, as you will find that over a period of 4 or 5 years annual differences will cancel each other out and you will break-even, provided you don't die or resign in the interim, especially at or close to 30th June, 1973".

Patently then a more accurate basis must be adopted to solve the dilemma. May I humbly suggest the problem could be overcome by the introduction of a flexible formula to pay the three variable work-day years, e.g.

$$\text{Annual Salary} = \frac{F/N \times 260 \text{ (or 261 or 262)}}{10}$$

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This could be done simply by compiling three separate reckoners or by sectionalising one rechner into three requisite parts.

By this means the employee will be paid his annual salary exactly to the cent in any particular year, whereas if the present system is allowed to continue unchecked the discrepancy gap will widen in proportionate measure to salaries geared to an inflationary economy.

AUDITOR
Canberra

TO CORRESPONDENTS

Letters containing opinions and debate on topics of concern to Association members and the CPS generally are invited.

Letters should normally be of no more than 400 words. Pseudonyms will be published on request subject to each letter bearing the identification of the writer, marked "not for publication."

The Editor is not bound to publish any letter received.

Opinions expressed in published letters are not necessarily those of the Association.

$$\begin{aligned}
 F/N &= 5413 \times 12 \\
 &\quad \quad \quad 313 \\
 &= 207.53 \\
 \text{ANN PAY} &= 26 \times 207.53 \\
 &= 5395.78 \\
 \therefore \text{U/PD} &= 5413 - 5395.78 \\
 &= 17.22
 \end{aligned}$$



BULLETIN

Secretary: Peter Paramore 733655

NATIONAL WAGE DECISION

ACOA members will receive a pay increase of 3% from the first pay period following 13 October. The money should be in your pay packet on either 9 November or 23 November.

A further increase of \$10 per week will be paid from 13 April 1989.

It has been agreed that the increase will flow through the majority of ACOA's awards. While some of the Statutory Authorities Awards will be heard as separate claims, no problems are expected with achieving the same date of effect.

In addition to these increases ACOA is pursuing a further claim within the wage fixing guidelines. This claim is based on the differing movements between private and public sector wage rates. Until proper surveys are completed this measurement of parity cannot be quantified.

ACOA has allocated funds for a survey of comparable wage rates to be conducted. This survey is to be completed by the end of 1988 to enable the claim to be pursued in early 1989.

Consequently, as with the Two Tier Wages system, ACOA will now receive the full increases payable within the existing wages system.

FORTNIGHTLY SALARY

ANNUAL SALARY

	OLD	FORTNIGHTLY SALARY			ANNUAL SALARY					
		from 13/10/88	INCREASE	from 13/4/89	TOTAL INCREASE	OLD	from 13/10/88	INCREASE	from 13/4/89	TOTAL INCREASE
ASO 1										
Under 18	382.16	393.62	11.46	405.62	23.46	9968	10267	299	10580	612
At 18	445.84	459.22	13.38	473.22	27.38	11629	11978	349	12343	714
19	515.92	531.37	15.45	547.55	31.63	13457	13860	403	14282	825
20	579.60	596.97	17.37	615.18	35.58	15118	15571	453	16046	928
21*	636.92	656.01	19.09	676.03	39.11	16613	17111	498	17633	1020
(1)	658.01	677.75	19.74	697.76	39.75	17163	17678	515	18200	1037
(2)	679.09	699.45	20.36	719.46	40.37	17713	18244	531	18766	1053
(3)	700.18	721.19	21.01	741.20	41.01	18263	18811	548	19333	1070
(4)	721.26	742.89	21.63	762.90	41.61	18813	19377	564	19899	1086
(5)	742.35	764.63	22.28	784.64	42.29	19363	19944	581	20466	1103
* Age 21 CST entrant for age 21 CAT entrant: from 13/10/88, salary will be \$16,545 per year (\$634.31 per fortnight) from 13/ 4/89, salary will be \$17,067 per year (\$654.33 per fortnight)										
ASO 2	763.44	786.33	22.89	806.34	42.90	19913	20510	597	21032	1119
ASO 2(1)	786.44	810.02	23.58	830.03	43.59	20513	21128	615	21650	1137
ASO 2(2)	809.44	833.71	24.27	853.73	44.29	21113	21746	633	22268	1155
ASO 2(3)	832.45	857.41	24.96	877.42	44.97	21713	22364	651	22886	1173
ASO 2(4)	855.45	881.10	25.65	901.11	45.66	22313	22982	669	23504	1191

FORTNIGHTLY SALARY

ANNUAL SALARY

365 - 52 = 313

	OLD	from 13/10/88	INCREASE	from 13/4/89	TOTAL INCREASE	OLD	from 13/10/88	INCREASE	from 13/4/89	TOTAL INCREASE	
ASO 3	880.37	906.79	26.42	926.80	46.43	22963	23652	689	24174	1211	26 1/2 x 918 = 25513
ASO 3(1)	905.29	932.43	27.14	952.45	47.16	23613	24321	708	24843	1230	
ASO 3(2)	930.21	958.12	27.91	978.13	47.92	24263	24991	728	25513	1250	26 x 918 =
ASO 3(3)	955.13	983.77	28.64	1003.78	48.65	24913	25660	747	26182	1269	26 x 918 =
ASO 4	984.27	1013.79	29.52	1033.80	49.53	25673	26443	770	26965	1269	
ASO 4(1)	1010.53	1040.86	30.33	1060.87	50.34	26358	27149	791	27671	1313	26 x 918 =
ASO 4(2)	1036.79	1067.88	31.09	1087.90	51.11	27043	27854	811	28376	1333	= 26431.31
ASO 4(3)	1063.05	1094.95	31.90	1114.96	51.91	27728	28560	832	29082	1354	
ASO 5	1095.07	1127.92	32.85	1147.94	52.87	28563	29420	857	29942	1379	U/P =
ASO 5(1)	1127.66	1161.47	33.81	1181.48	53.82	29413	30295	882	30817	1404	26 x 918 =
ASO 5(2)	1160.24	1195.05	34.81	1215.07	54.83	30263	31171	908	31693	1430	25431
ASO 6	1192.83	1228.60	35.77	1248.61	55.78	31113	32046	933	32568	1455	
ASO 6(1)	1219.67	1256.24	36.57	1276.26	56.59	31813	32767	954	33289	1476	
ASO 6(2)	1246.51	1283.88	37.37	1303.90	57.39	32513	33488	975	34010	1497	
ASO 6(3)	1309.00	1348.26	39.26	1368.27	59.27	34143	35167	1024	35689	1546	
ASO 6(4)	1359.03	1399.78	40.75	1419.80	60.77	35448	36511	1063	37033	1585	
ASO 7	1415.77	1458.25	42.48	1478.26	62.49	36928	38036	1108	38558	1630	
ASO 7(1)	1465.61	1509.58	43.97	1529.60	63.99	38228	39375	1147	39897	1669	
ASO 8	1522.35	1568.01	45.66	1588.03	65.68	39708	40899	1191	41421	1713	
ASO 8(1)	1572.38	1619.54	47.16	1639.55	67.17	41013	42243	1230	42765	1752	
ASO 8(2)	1639.48	1688.66	49.18	1708.68	69.20	42763	44046	1283	44568	1805	
ASO 8(3)	1706.57	1757.75	51.18	1777.76	71.19	44513	45848	1335	46370	1857	
SES 1	1962.32	2021.21	58.89	2041.22	78.90	51184	52720	1536	53242	2058	
SES 2	2150.49	2215.02	64.53	2235.03	84.54	56092	57775	1683	58297	2205	
SES 3	2338.70	2408.86	70.16	2428.87	90.17	61001	62831	1830	63353	2352	
SES 4	2526.90	2602.70	75.80	2622.71	95.81	65910	67887	1977	68409	2499	
SES 5	2715.11	2796.58	81.47	2816.59	101.48	70819	72944	2125	73466	2647	26 x 3010.31
SES 6	2903.27	2990.38	87.11	3010.39	107.12	75727	77999	2272	78521	2794	= 78470.14
CSO 1	880.37	906.79	26.42	926.80	46.43	22963	23652	689	24174	1211	U/P =
CSO 1(1)	913.92	941.33	27.41	961.34	47.42	23838	24553	715	25075	1237	18521
CSO 1(2)	950.15	978.63	28.48	998.65	48.50	24783	25526	743	26048	1265	78470
CSO 1(3)	986.38	1015.97	29.59	1035.99	49.61	25728	26500	772	27022	1294	251
CSO 1(4)	1022.61	1053.28	30.67	1073.29	50.68	26673	27473	800	27995	1322	
CSO 1(5)	1058.84	1090.62	31.78	1110.63	51.79	27618	28447	829	28969	1351	
CSO 1(6)	1095.07	1127.92	32.85	1147.94	52.87	28563	29420	857	29942	1379	
CSO 2	1160.24	1195.05	34.81	1215.07	54.83	30263	31171	908	31693	1430	
CSO 2(1)	1194.75	1230.59	35.84	1250.61	55.86	31163	32098	935	32620	1457	
CSO 2(2)	1223.50	1260.19	36.69	1280.20	56.70	31913	32870	957	33392	1479	
CSO 2(3)	1252.26	1289.83	37.57	1309.84	57.58	32663	33643	980	34165	1502	
CSO 3	1359.03	1399.78	40.75	1419.80	60.77	35448	36511	1063	37033	1585	
CSO 3(1)	1415.77	1458.25	42.48	1478.26	62.49	36928	38036	1108	38558	1630	
CSO 3(2)	1465.61	1509.58	43.97	1529.60	63.99	38228	39375	1147	39897	1669	
CSO 4	1522.35	1568.01	45.66	1588.03	65.68	39708	40899	1191	41421	1713	
CSO 4(1)	1579.09	1626.48	47.39	1646.49	67.40	41188	42424	1236	42946	1758	
CSO 5	1639.48	1688.66	49.18	1708.68	69.20	42763	44046	1283	44568	1805	
CSO 5(1)	1706.57	1757.75	51.18	1777.76	71.19	44513	45848	1335	46370	1857	

Calculations

Annual - October pay
 = (old pay) x 1.03
 For nightly = (equivalent
 annual pay) x 12/313

Peter Paramore

Peter Paramore
 SECRETARY