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FINANCE AND ADMINISTRATION COMMITTEE
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CROP SALARY MARKET DATA REVIEW

**WCPFC7-2010-FAC4/10
09 November 2010**

Introduction

1. Following from the Preparatory Conference decisions on the structure of the Secretariat the Commission's Staff Regulations together with its administrative policies and practices link its staff employment benefits to the harmonised range of benefits of the Council of Regional Organisations in the Pacific (CROP)¹. The adoption of the relationship to the CROP system of salaries and allowances was a compromise by the Commission between the higher UN based conditions understood to apply in other t-RFMOs and the lesser remuneration levels of Pacific Regional Organisations. In order to retain consistency with CROP harmonised practice and retain the integrity of the Secretariat's structure it is important that Secretariat conditions remain harmonised, comparable and competitive with those of the CROP agencies.

2. In addition to comprehensive triennial reviews of CROP remuneration packages independent annual surveys are undertaken to assess movements in the comparator employment market(s)² to enable CROP salaries to remain currently and relatively competitive. The Commission's professional staff salaries scales were last adjusted in 2007 by WCPFC4 with the adjustment taking effect from 01 January 2008. As well as the annual salary survey a triennial review of support staff conditions against the Pohnpei employment market was required in 2010. This paper reports on the outcomes of the triennial review of support staff salaries and the annual 2010 market data review of professional staff salary scales.

2010 Market Data Review

Professional salaries

3. In recent years CROP has engaged the New Zealand firm Strategic Pay to undertake annual employment market salary surveys. In order to harmonise with CROP practice the Commission Secretariat also arranged for Strategic Pay to review

¹ These include: Pacific Islands Forum Secretariat, Secretariat of the Pacific Community, Pacific Islands Forum Fisheries Agency (FFA), South Pacific Applied Geosciences Commission, South Pacific Board for Education Assessment, and the Secretariat of the Pacific Regional Environment Programme; but not the Western and Central Pacific Fisheries Commission.

² The comparator for CROP salaries is the average of three markets: Fiji All Organisations; the New Zealand public sector; and the Australian public sector.

and report on professional staff salaries utilising the information obtained from the 2010 CROP annual survey. Strategic Pay's report is attached. The report shows that Commission professional salaries are significantly below the comparator market and those of CROP Agencies. The report also notes that CROP agencies are considering adopting a new salary scale banding model³ in 2011.

4. The survey details, findings and methodology are set out in the attached Strategic Pay Report. The report's table E and Executive Summary show that Commission Salaries⁴ for Grades J to M are below the benchmark average adopted by the Commission as follows:

- Grade M is 74.3% of the benchmark;
- Grade L is 74.8% of the benchmark;
- Grade K 79.4% of the benchmark;
- Grade J is 84.8% of the benchmark.

5. A summary comparison that includes the salary scales of the Pacific Islands Forum Fisheries Agency (FFA) as at 01 January 2009 for reference and the recommended transitional grade increases is tabled below:

WCPFC Salary Grade	WCPFC Salary Grade midpoint (SDR) ⁵	Current survey: CROP Employment Market midpoint (SDR)	FFA Salary Grade midpoint (SDR) effective 01/01/2009	WCPFC salary movement required to reach employment market mid point	Recommended movement for WCPFC salaries by Grade
I	28,682	30,188	29,470	5.3%	3%
J	38,877	45,868	44,303	18%	4%
K	47,881	60,308	54,595	26%	10%
L	56,951	76,162	65,039	33.7%	15%
M	68,494	92,139	79,090	34.5%	15%

6. As indicated by the table above the Strategic Pay report (refer report pages 8 & 9) recommends that rather than adopt the full pay increase suggested by the survey figures which ranges from 5.3% to 34.5% a modest transitional approach (3% to 15%) be adopted in consideration of the budgetary impact of full pay increases and to position the Commission in the event it may wish to adopt the new salary banding model under consideration by CROP agencies. The cost of the proposed increases in 2011 is estimated as USD124,469 (refer WCPFC7-2010-FAC4/12 and its salary cost estimates attachment) and without prejudice to the Committee's recommendations this figure has been included in the proposed 2011 budget figures.

³ Individual CROP agencies are expected to consider adoption of a new salary banding model in 2011, as each governing body holds its annual meeting.

⁴ The Commission's full salary scales are included as an attachment to WCPFC7-2010-FAC4/12.

⁵ SDR is the acronym for Special Drawing Rights. CROP and WCPFC salaries are denominated in SDR

Support staff conditions review

7. An internal review of the Pohnpei employment market was undertaken in consultation with support staff during 2010. Major employers including the FSM Telecommunications Corporation, the FSM Development Bank, the Community of the South Pacific and UNDP were surveyed. The findings were that Commission support staff salaries and conditions remain competitive. However subsequent to the review the FSM Government changed the statutory contribution rates for employers and employees by increasing each by 1% point of base salary, from 6% each to 7% each. Accordingly the Committee will be requested to endorse an increase to the employer contribution rate paid by the Commission by 1%. It is estimated this increase will cost USD2,068 in 2011.

Recommendations

6. The Committee is invited to:
- (i) Recommend to the Commission it adopt base salary increases as follows:
 - 3% for salary grade I
 - 4% for salary grade J
 - 10% for salary grade K and
 - 15% for salary grades L and M; and.
 - (ii) Recommend to the Commission that the employer contribution to support staff superannuation be increased by 1% in line with the statutory increase approved by the Congress of the Federated States of Micronesia.

Western and Central Pacific Fisheries Commission (WCPFC)

Market Data Review August 2010

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1 Executive Summary

- This report, compiled by Strategic Pay, details the development of a midpoint scale for the I-M grades used by WCPFC, and which has been historically aligned with the CROP Agencies' scale.
- Market data for Grades I-M, covering positions advertised regionally or internationally, has been sourced from:

Country	Survey	Quartile	Operative survey date
New Zealand	Strategic Pay Central Govt Survey	Median	March 2010
Australia	APS Remuneration Survey	Median	Dec 2008, with 4% projection
Fiji	PwC Fiji All Organisations	Upper Quartile	April 2010

- The following table (shown as Table E, page 8) summarises the current market levels and overall average, as per CROP practice, as the basis for developing an updated scale within WCPFC:

Grade	CED Points			Base Salary SDR March 2010			Average	Existing Scale	Existing Scale as % of Average
	Min	Midpoint	Max	NZ Public Service	Aust Public Service	Fiji General Mkt UQ			
M	1050	1180	1310	118,799	108,136	49,481	92,139	68,494	74.3%
L	840	945	1049	93,537	95,044	39,905	76,162	56,951	74.8%
K	630	735	839	70,717	81,313	28,890	60,307	47,881	79.4%
J	470	550	629	52,052	65,300	20,253	45,868	38,877	84.8%
I	260	365	469	35,555	41,822	13,186	30,188	28,682	95.0%

- The following movement has occurred in the three reference markets since March 2008:

Grade	Average 2008	Average 2010	% Change Averaged Markets
M	79,747	92,139	15.5%
L	66,839	76,162	13.9%
K	56,332	60,307	7.1%
J	45,093	45,868	1.7%
I	30,115	30,188	0.2%

- Assuming that the Commission may at some point wish to move to the new CROP banding model in order to retain more direct alignment with that scale, we recommend the following midpoints as from January 2011:

Grade	Current Midpoint	Suggested Increase	Resulting Midpoint	Indicative Market Midpoint SDR	New Midpoint as % of Market
M	68,494	15.0%	78,768	92,139	85.5%
L	56,951	15.0%	65,494	76,162	86.0%
K	47,881	10.0%	52,669	60,307	87.3%
J	38,877	4.0%	40,432	45,868	88.1%
I	28,682	3.0%	29,542	30,188	97.9%

2 Background

The Staff Regulations within the Western and Central Pacific Fisheries Commission (WCPFC) provide for the linkage of salary scales for Professional staff to the I-M scales formerly within use within the five agencies now constituting the CROP. While the CROP has flagged its intention to move away from the I-M scales, and intends to adopt a new 18 band model (11 of which are professional bands), WCPFC requires access to market reference data aligned to the former CROP format.

This report provides an analysis of the three reference markets as at March 2010 as a basis for the review of the WCPFC salary scales.

This report documents the market research process conducted by Strategic Pay, including market data from PricewaterhouseCoopers Fiji.

3 Job Evaluation

In order to align the Mercer CED points which were the basis of the CROP (and still remain the basis of the WCPFC) remuneration systems, Strategic Pay developed the following alignment between the Mercer CED job points and Strategic Pay job points. The Strategic Pay system was formerly developed by PriceWaterhouse and remains the central core of the Strategic Pay NZ and PricewaterhouseCoopers Fiji databases.

The correlation, undertaken by Strategic Pay as early as 2004 and still in use today, is as follows:

Grade	Mercer CED points (at band midpoint)	Strategic Pay/PwC Fiji points
M	1180	1214
L	945	975
K	735	798
J	550	629
I	365	457

This alignment was reviewed for the 2009 CROP triennial Review and was left intact.

4 Reference Markets

4.1 New Zealand Public Service

The New Zealand public service is based on the Strategic Pay database and in particular the March 2010 Central Government survey, released in March and published annually. This covers 50 Government departments and ministries/agencies and a sample of 14,657 employees. This survey is now a pre-eminent source of data on Central Government remuneration levels. It uses stratified sampling to avoid the skewing of data by large organisations with multiple jobholders in the same job family. The data is extensively screened before being entered into the database.

4.2 Australian Public Service

Benchmarking of Australian data is dependent on Australian public service (APS) rates using publicly available information, based on the annual APS Remuneration Survey.

Australian public service remuneration is related to a series of banded remuneration scales, three at SES level and nine non-SES classifications, including a graduate classification. The salary levels for SES and non-SES employees are benchmarked annually both within the public service and compared with the private sector in research commissioned annually by the Department of Employment and Workplace Relations. Research of this data has identified that the SES and non-SES scales have Mercer “work value” (Mercer CED) points as the point of comparison for survey purposes.

While this survey is conducted annually in December, the published survey data is generally not available until August/September of the following year. Hence we have had to base this report on the December 2008 survey report in response to the requirement for 2009 comparative Australian data. Because the December 2009 APS Remuneration Survey was still not available at the time of this report, we have applied a 4% projection to the 2008 median data to provide an indication of likely Australian public service median rates.

We have based our projection factor on average levels of movement in the preceding three years, with a discounting to allow for a likely drop in 2008-2009 wage growth as a function of the slowing Australian economy in 2008.

4.3 Fiji General Market

As in earlier years, data on the Fiji All Organisations market has been sourced from the PwC Fiji database, or more particularly the April 2010 All Organisations survey.

[It should be noted that the CROP Agencies have retained the market mechanism for deriving band midpoints (i.e. the average of the NZ, Australian and Fiji markets as detailed in this report), applying the median of the Australian and New Zealand public service markets and the upper quartile of the Fiji general market (all organisations).]

5 Market Data Analysis

We are advised that the WCPFC salary scale midpoints as at 1 January 2008 are as follows:

Grade	CED Points			Current Midpoint SDR
	Min	Midpoint	Max	
M	1050	1180	1310	68,494
L	840	945	1049	56,951
K	630	735	839	47,881
J	470	550	629	38,877
I	260	365	469	28,682

The average SDR rates for March 2010 were:

- Australian dollar - 1.675723 (source: http://www.imf.org/external/np/fin/data/param_rms_mth.aspx)
- New Zealand dollar - 2.175308 (source: http://www.imf.org/external/np/fin/data/param_rms_mth.aspx)
- Fiji dollar - 2.951594 (source Fiji Reserve Bank as supplied by S. Jones, PIFS)

The raw market data sourced from the reference markets has been analysed to produce the following tables.

Table A: Current Scale of New Zealand Public Service, March 2010

Grade	CED Points			Current Midpoint SDR	Base Salary SDR NZ Public Service	Current Midpoint of NZ Market
	Min	Midpoint	Max			
M	1050	1180	1310	68,494	118,799	57.7%
L	840	945	1049	56,951	93,537	60.9%
K	630	735	839	47,881	70,717	67.7%
J	470	550	629	38,877	52,052	74.7%
I	260	365	469	28,682	35,555	80.7%

Table B: Current Scale of Australian Public Service, March 2010

Grade	CED Points			Current Midpoint SDR	Base Salary SDR Australian Public Service	Current Midpoint of Aust Market
	Min	Midpoint	Max			
M	1050	1180	1310	68,494	108,136	63.3%
L	840	945	1049	56,951	95,044	59.9%
K	630	735	839	47,881	81,313	58.9%
J	470	550	629	38,877	65,300	59.5%
I	260	365	469	28,682	41,822	68.6%

Table C: Current Scale of Fiji General Market, March 2010

Grade	CED Points			Current Midpoint SDR	Base Salary SDR Fiji General Mkt Upper Quartile	Current Midpoint of Fiji Market
	Min	Midpoint	Max			
M	1050	1180	1310	68,494	49,481	138.4%
L	840	945	1049	56,951	39,905	142.7%
K	630	735	839	47,881	28,890	165.7%
J	470	550	629	38,877	20,253	192.0%
I	260	365	469	28,682	13,186	217.5%

Table D: Summary Movements 2008-2010

Grade	Base Salary SDR NZ Public Service			Base Salary SDR Aust Public Service			Base Salary SDR Fiji General Mkt UQ		
	2008	2010	% change	2008	2010	% change	2008	2010	% change
M	96,016	118,799	19.2%	96,511	108,136	10.8%	46,715	49,481	5.6%
L	79,317	93,537	15.2%	83,006	95,044	12.7%	38,193	39,905	4.3%
K	65,609	70,717	7.2%	71,372	81,313	12.2%	32,015	28,890	-10.8%
J	51,239	52,052	1.6%	61,358	65,300	6.0%	22,683	20,253	-12.0%
I	35,451	35,555	0.3%	39,556	41,822	5.4%	15,338	13,186	-16.3%

To summarise, the following overall movement has occurred in the three reference markets since March 2008:

Band	Average 2008	Average 2010	% Change Averaged Markets
M	79,747	92,139	15.5%
L	66,839	76,162	13.9%
K	56,332	60,307	7.1%
J	45,093	45,868	1.7%
I	30,115	30,188	0.2%

The variability in market movement is a function of

- Higher levels of inflation for senior executives across all three countries surveyed
- Impact of global financial crisis and resulting recession on exchange rates
- Impact of 20% devaluation of the Fiji dollar in 2009.

6 Proposed New WCPFC Scale

Remuneration practice in the CROP Agencies, both with the former grades derived from the Mercer CED system and with the new banding model developed in conjunction with Strategic Pay, has been to derive grade midpoints from the average of the three reference markets, as in Table E below:

Table E: Averaged Reference Market Rates, March 2010

Grade	CED Points			Base Salary SDR March 2010			Average	Existing Scale	Existing Scale as % of Average
	Min	Midpoint	Max	NZ Public Service	Aust Public Service	Fiji General Mkt UQ			
M	1050	1180	1310	118,799	108,136	49,481	92,139	68,494	74.3%
L	840	945	1049	93,537	95,044	39,905	76,162	56,951	74.8%
K	630	735	839	70,717	81,313	28,890	60,307	47,881	79.4%
J	470	550	629	52,052	65,300	20,253	45,868	38,877	84.8%
I	260	365	469	35,555	41,822	13,186	30,188	28,682	95.0%

Should the Commission move to adopt the above market median data as the basis for the salary scales to apply from January 2011, then the following salary scale and steps would apply:

Table F: Fully Market-Based WCPFC Professional Staff Salary Scale 2011

Grade	Annual Salary SDR as from 1 January 2011									Current Midpt	% Incr to move to Mkt
	Point 1	Point 2	Point 3	Point 4	Point 5	Point 6	Point 7	Point 8	Point 9		
I	25,155	26,414	27,672	28,930	30,188	31,446	32,704	33,962	35,220	28,682	5.3%
J	38,988	40,708	42,428	44,148	45,868	47,588	49,309	51,029	52,749	38,877	18.0%
K	51,261	53,522	55,784	58,045	60,307	62,568	64,830	67,091	69,353	47,881	26.0%
L	60,930	64,738	68,546	72,354	76,162	79,970	83,778	87,586	91,394	56,951	33.7%
M	73,711	78,318	82,925	87,532	92,139	96,746	101,353	105,960	110,566	68,494	34.5%

Alignment with CROP

This data would suggest that the current scales are in need of review. The CROP Agencies undertook such a review in 2009 and this led to substantial movements (around 12%) for Professional staff which the Commission did not adopt. However, we would recommend that if the Commission's intention is to regain the alignment with CROP, including by moving to the new banding model at some stage in future, then modest pay movement at this stage would position the Commission for a staged transition to the new midpoints in a broader-banded scale in future. The I-M scales are relatively broad in remuneration practice and hence the midpoints are more generous in some cases than might apply with a scale allowing 11 bands instead of the current 5.

Consultant Proposal for Grade Midpoint Movements

Without wishing to pre-suppose the Commission’s view on what might be an appropriate level of movement, our experience with helping the CROP Agencies transition to the new bands, and in particular the effect on Band I and J staff who make up the majority of the Professional staff for CROP but not for the Commission, would suggest market movements along the following lines:

Table G: Current and Potential WCPFC Midpoints of New CROP Midpoints

Grade	Current Midpoint	Suggested Increase	Resulting Midpoint	Indicative Market Midpoint SDR	New Midpoint as % of Market	Comments
M	68,494	15%	78,768	92,139	85.5%	The current scale is well behind market and warrants sizeable movement. This would still be behind CROP scale for Band 17
L	56,951	15%	65,494	76,162	86.0%	The current scale is well behind market and warrants sizeable movement. This would still be behind CROP scale for Band 15
K	47,881	10%	52,669	60,307	87.3%	The current scale is well behind market and warrants sizeable movement. This would not compromise relativity with new CROP scale
J	38,877	4%	40,432	45,868	88.1%	New midpoints would be above CROP scale for Bands 11-12, hence modest increase
I	28,682	3%	29,542	30,188	97.9%	Even at this level, new midpoints would be above CROP scale for Bands 8-9

The staggered movements are necessary because the WCPFC midpoints may become progressively more out of kilter with the market movement and applying an across-the-board increase will be inequitable in relation to the market rates of pay for WCPFC grades. This suggested approach would need to be modelled by reviewing where WCPFC staff currently sit in the range for their grade, and the potential cost implications for the Commission, however, we do consider this to be a “modest” proposal.

Timing of Market Data

We note that there is a delay of nine months from when the survey data that underpins the CROP/WCPFC midpoints is collected and when it is applied to employee remuneration. Indeed, the Australian data is already almost two years old when the new scale becomes effective (although a projection factor equivalent to one year’s movement has been applied). Moreover, this delay may work to the advantage or disadvantage of staff in that March exchange rates are applied to calculate SDR levels.

The drawback of this approach is that while the CROP Agencies, and WCPFC by association, are striving to be market-related, inevitably they lag the market given the delayed implementation of the new scale (effective 1 January).

One way some organisations counter this delayed response to the market is to apply a projection factor to the scale, a small % movement, in effect second-guessing what market movement might occur in that nine month period. If market movement is running at 2% per annum, for example, then the midpoints would be adjusted upwards by say 1% or 1.5%.

Traditionally, the average March exchange rates have been applied to the market data sourced from the three surveys to derive SDR midpoint levels for reporting purposes. The survey data is thus captured at a point in time as are the exchange rates. The last two years has proved that exchange rate fluctuations can mean that the salary scale adopted in January, based on market data and exchange rates nine months earlier, is no longer aligned to prevailing market rates.

Appendix A: About Strategic Pay Limited

Strategic Pay is a market leader in strategic remuneration and performance management. We help organisations improve their performance by ensuring remuneration and rewards are closely linked to business objectives, and by providing a compelling proposition that attracts, retain and motivates the best people.

Strategic consultancy

The highly experienced consultancy team at Strategic Pay offers clients a depth of remuneration and performance expertise unmatched in the New Zealand market. Our team uses a sophisticated set of proprietary tools designed to help organisations achieve constant improvement by integrating remuneration, performance and rewards management.

This includes:

- + Remuneration and reward strategy
- + Executive remuneration and performance
- + Incentive schemes, including STIs and LTIs
- + Base pay systems, including points, grades, bands or benchmarks and using our proprietary job evaluation systems SP5[®], SP10[®] and BAND-IT[®]
- + Salary review management, including processes, tools and training
- + Performance management systems, including customised design and implementation
- + Remuneration audit tools and processes
- + Company benefits, including valuations, policy development and transitions

New Zealand's largest data services offering

Strategic Pay offers an unrivalled suite of nation-wide and specialist industry sector market surveys, based on a database of pay information for over 120,000 New Zealand employees. This rich data source gives our clients access to better and broader comparative information to effectively benchmark their remuneration and rewards packages.

Our key nation-wide surveys include:

- + Directors' Fees Report
- + CEO and Top Executive Remuneration Report
- + NZ Remuneration Report
- + Corporate Services and Executive Management
- + NZ Benchmark Report

Our specialist industry sector surveys include:

- + Association of Consulting Engineers NZ
- + Accounting Firms
- + Central Government
- + Financial Services
- + HRINZ HR Practitioners
- + Medical Technology Association of NZ
- + Pharmaceutical
- + Retail
- + Energy Sector
- + Wine Industry

Smart technology

We understand the needs of busy HR practitioners and have developed a range of smart automated tools to manage your remuneration and survey submission needs.

- + RemWise[®] – salary management software for managing every aspect of remuneration management
- + spectREM[®] – Strategic Pay's Web-enabled database
- + PayCalculator – survey data at your fingertips

Building client capability

We offer a suite of educational programmes designed to help you build your organisation's management capability and understanding in reward management.