



**TENTH REGULAR SESSION
FINANCE AND ADMINISTRATION COMMITTEE
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SALARY MARKET DATA REVIEW

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Introduction

1. Upon the establishment of the Secretariat, the Commission linked the professional staff employment benefits to a harmonised range of benefits of the Council of Regional Organisations in the Pacific (CROP). 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.
2. Under Staff Regulation 19, the Secretariat is required to review professional staff salaries every three years. The last survey was conducted in 2010 and implemented in 2011. At that time, the Commission approved an increase of roughly 50% of the amount required to align with the employment market used in the survey.
3. In 2011, CROP agencies moved away from the Bands I-M system to a new Strategic Pay SP10 system. The Commission has retained the Bands I-M. In order to keep some parity with CROP, the Commission contracted Strategic Pay to review and report on professional staff salaries. Strategic Pay's report is attached.

2013 Market Data Review

4. The survey details, findings and methodology are set out in the attached Strategic Pay Report. The report's Executive Summary show that Commission's professional salaries for Bands I to M are below the benchmark average:
 - Band M is 77.33% of the benchmark;
 - Band L is 81.13% of the benchmark;
 - Band K 82.08% of the benchmark;
 - Band J 83.02% of the benchmark; and

- Band I is 84.22% of the benchmark.
5. A summary comparison that includes the proposed salary scales of the CROP agencies as of January 2011. Table 1 shows that for Bands M-J, the Commission's salary scale is behind other CROP agencies by roughly 14%. For Band I the salary is relatively equivalent. Table 2 show the potential CROP salary scale as of January 2014.

Table 1

Band	CROP equivalent January 2011	WCPFC January 2011	Comparator
M	89,892	78,768	88%
L	76,519	65,494	86%
K	59,124	52,669	89%
J	47,770	40,432	85%
I	30,220	29,542	98%

Table 2

Band	Current Midpoint	Suggested Movement in WCPFC scale	Suggested Scale January 2014	Potential CROP Scale January 2014	Jan 2014 WCPFC Scale as % of CROP	Jan 2014 WCPFC Scale as % of Market
M	78,768	20%	94,522	107,411	88%	77%
L	65,494	20%	78,593	87,618	90%	81%
K	52,669	20%	63,203	68,423	92%	82%
J	40,432	20%	48,518	55,281	88%	83%
I	29,542	10%	32,496	34,603	94%	84%

6. As indicated by Table 2 above, the Strategic Pay report recommends that rather than adopt the full pay increase suggested by the survey figures, a 20% increase be applied to Bands M-J and a 10% increase be applied to Band I.
7. The Secretariat sought further clarification from Strategic Pay on the effect of the exchange rate of the SDR versus the AUD on the market survey. Since the USD is a major component of the SDR, a weak USD and a strong AUD may have a strong impact the survey of labour market in Australia. Strategic Pay responded that there has been strong wage inflation in Australia but that the markets changes in Fiji and New Zealand have been quite modest over time. This suggests a 3-3.5% movement over the last three year on average across the bands compared to the average 9% movement annually based on the SDR.
8. Between 2004 and 2013, the average annual market movement has been:

Table 3

Annual Mkt Movement 2004-13				
Band	Fiji \$	NZ \$	Aust \$	Average
M	8.00%	7.00%	4.50%	6.50%
L	7.70%	5.40%	4.60%	5.90%
K	6.60%	4.00%	4.40%	5.00%
J	5.80%	3.00%	3.40%	4.07%
I	5.20%	2.60%	3.20%	3.67%

Conclusion

9. As in 2010, the current survey recommends a relatively large increase that may not be financially feasible. Considering the strong impact of the AUD relative to the SRD on the market survey, it is suggested that an increase of 7%-10% to be applied to Bands M-J and a 4%-5% increase be applied to Band I. Providing this level of increase may result in an increasingly large gap between the market and professional staff salaries in the 2016 salary survey if the AUD rebounds against the SRD over the next three years.
10. In addition, the Commission may want to consider providing smaller annual increases in years when the survey is not conducted to professional staff salaries. Providing an annual increase of around 2% based on the historical annual movements in the market and make adjustments to those increases every three years would alleviate large increases in the budget every three years.

Costs

11. The costs of a 10% increase to Bands M-J and a 5% increase to Band I – USD129,402.

Recommendations

12. The Committee is invited to:
 - (i) Make the appropriate recommendations to the Commission.

Western and Central Pacific Fisheries Commission (WCPFC)

Market Data Review August 2013

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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 2013
Australia	APS Remuneration Survey	Median	December 2012
Fiji	PwC Fiji All Organisations	Upper Quartile	April 2013

- ∅ 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 2013			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	157,516	148,404	60,772	122,231	78,768	64.4%
L	840	945	1049	115,987	128,893	45,756	96,879	65,494	67.6%
K	630	735	839	88,885	108,547	33,583	77,005	52,669	68.4%
J	470	550	629	65,303	85,574	24,443	58,440	40,432	69.2%
I	260	365	469	44,776	55,338	15,645	38,586	29,542	76.6%

- ∅ The following movement has occurred in the three reference markets since March 2010:

Grade	Average 2010	Average 2013	% Change Averaged Markets
M	92,139	122,231	32.7%
L	76,162	96,879	27.2%
K	60,307	77,005	27.7%
J	45,868	58,440	27.4%
I	30,188	38,586	27.8%

- ∅ Assuming that the Commission wishes to retain a similar level of relativity to the CROP Agency scale adopted in January 2011, we recommend the following midpoints as from January 2014:

Grade	Current Midpoint	Suggested Increase	Resulting Midpoint	Indicative Market Midpoint SDR	New Midpoint as % of Market
M	78,768	20.00%	94,522	122,231	77.33%
L	65,494	20.00%	78,593	96,879	81.13%
K	52,669	20.00%	63,203	77,005	82.08%
J	40,432	20.00%	48,518	58,440	83.02%
I	29,542	10.00%	32,496	38,586	84.22%

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 replaced the I-M scales with 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 2013 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 2013 Central Government survey, released in March and published annually. This covers 37 Government departments and ministries/agencies and a sample of 29,930 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.

This survey is conducted annually in December. The published survey report for December 2012 has just become available and this report incorporates that data.

We note, however, that the APS medians typically move around 4-5% annually (and even higher in the past 12 months) and the application of December 2012 data to a scale that becomes operative in January 2014 means that at that point the I-M scales are already lagging the market at that point.

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 2013 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 2011 are as follows:

Grade	CED Points			Current Midpoint SDR
	Min	Midpoint	Max	
M	1050	1180	1310	78,768
L	840	945	1049	65,494
K	630	735	839	52,669
J	470	550	629	40,432
I	260	365	469	29,542

The average SDR rates for March 2013 were:

- Australian dollar - 1.454357 (source: http://www.imf.org/external/np/fin/data/param_rms_mth.aspx)
- New Zealand dollar – 1.816226 (source: http://www.imf.org/external/np/fin/data/param_rms_mth.aspx)
- Fiji dollar - 2.7027 (as supplied by B McClean, SPC)

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 2013

Grade	CED Points			Current Midpoint SDR	Base Salary SDR NZ Public Service	Current Midpoint of NZ Market
	Min	Midpoint	Max			
M	1050	1180	1310	78,768	157,516	50.0%
L	840	945	1049	65,494	115,987	56.5%
K	630	735	839	52,669	88,885	59.3%
J	470	550	629	40,432	65,303	61.9%
I	260	365	469	29,542	44,776	66.0%

Table B: Current Scale of Australian Public Service, December 2012

Grade	CED Points			Current Midpoint SDR	Base Salary SDR Australian Public Service	Current Midpoint of Aust Market
	Min	Midpoint	Max			
M	1050	1180	1310	78,768	148,404	53.1%
L	840	945	1049	65,494	128,893	50.8%
K	630	735	839	52,669	108,547	48.5%
J	470	550	629	40,432	85,574	47.2%
I	260	365	469	29,542	55,338	53.4%

Table C: Current Scale of Fiji General Market, March 2013

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	78,768	60,772	129.6%
L	840	945	1049	65,494	45,756	143.1%
K	630	735	839	52,669	33,583	156.8%
J	470	550	629	40,432	24,443	165.4%
I	260	365	469	29,542	15,645	188.8%

Table D: Summary Movements 2010-2013

Grade	Base Salary SDR NZ Public Service			Base Salary SDR Aust Public Service			Base Salary SDR Fiji General Mkt UQ		
	2010	2013	% change	2010	2013	% change	2010	2013	% change
M	118,799	157,516	32.6%	108,136	148,404	37.2%	49,481	60,772	22.8%
L	93,537	115,987	24.0%	95,044	128,893	35.6%	39,905	45,756	14.7%
K	70,717	88,885	25.7%	81,313	108,547	33.5%	28,890	33,583	16.2%
J	52,052	65,303	25.5%	65,300	85,574	31.0%	20,253	24,443	20.7%
I	35,555	44,776	25.9%	41,822	55,338	32.3%	13,186	15,645	18.6%

To summarise, the following overall movement has occurred in the three reference markets since March 2010:

Band	Average 2010	Average 2013	% Change Averaged Markets
M	92,139	122,231	32.7%
L	76,162	96,879	27.2%
K	60,307	77,005	27.7%
J	45,868	58,440	27.4%
I	30,188	38,586	27.8%

The variability in market movement is a function of

- Higher levels of inflation for senior executives across all three countries surveyed
- Impact of exchange rates

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 2013

Grade	CED Points			Base Salary SDR March 2013			Averaged Markets	Existing Scale	Existing Scale as % of Average
	Min	Midpoint	Max	NZ Public Service	Aust Public Service	Fiji General Mkt UQ			
M	1050	1180	1310	157,516	148,404	60,772	122,231	78,768	64.4%
L	840	945	1049	115,987	128,893	45,756	96,879	65,494	67.6%
K	630	735	839	88,885	108,547	33,583	77,005	52,669	68.4%
J	470	550	629	65,303	85,574	24,443	58,440	40,432	69.2%
I	260	365	469	44,776	55,338	15,645	38,586	29,542	76.6%

Should the Commission move to adopt the above market median data as the basis for the salary scales to apply from January 2014, then the following salary scale and steps would apply:

Table F: Fully Market-Based WCPFC Professional Staff Salary Scale 2014

Grade	Annual Salary SDR as from 1 January 2014									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		
M	30,869	32,798	34,728	36,657	122,231	40,516	42,445	44,374	46,304	78,768	55.2%
L	46,752	49,674	52,596	55,518	96,879	61,362	64,284	67,206	70,128	65,494	47.9%
K	65,454	68,342	71,230	74,118	77,005	79,893	82,781	85,668	88,556	52,669	46.2%
J	82,347	85,980	89,613	93,246	58,440	100,512	104,145	107,777	111,410	40,432	44.5%
I	101,855	106,949	112,043	117,137	38,586	127,325	132,419	137,513	142,607	29,542	30.6%

Clearly, however, there is no likelihood of the WCPFC governing body adopting movements of the level identified in the final column in Table F. The governing body must weigh up the key principles involved in making a decision on scale movement and their relative importance. For example,

- Parity with market would suggest a new scale along the above lines – Table F
- Parity with the CROP might suggest move modest but still sizeable movements as in table H below
- Affordability might mean that neither of the above principles can be achieved.

Alignment with the CROP Agencies

We note that the adoption of the current scales in January 2011 resulted in the following relativity of the Commission scale with the CROP Agency scale at that time:

Table G: Relativity of CROP and WCPFC Scales January 2011

Band	CROP equivalent January 2011	WCPFC January 2011	Comparatio
M	89,892	78,768	88%
L	76,519	65,494	86%
K	59,124	52,669	89%
J	47,770	40,432	85%
I	30,220	29,542	98%

The CROP Agencies moved their scales in line with market in January 2012, with movements in the scale ranging from 7.8% at Band 8 to 13.1% at Band 18. The WCPFC scale remained at 2011 levels.

Faced with the challenge of significant upward SDR movement in the 2012 market benchmarking, the CROP Agencies chose not to move their scales in January 2013, with the consequence that the CROP midpoints are now on average 16.9% behind the market median SDRs for Bands 8-18. The governing bodies are currently debating how to respond to market pressures as well as employee expectations of sizeable movement for January 2014. The midpoints may end up moving by around 5-6% but that will still leave them well short of the market median reference levels of earlier years.

Should alignment with the CROP Agencies remain a key principle for the WCPFC Council, then the current scales would need to move significantly to achieve that goal. The following table analyses how that might look in practice:

Table H: Suggested Scale for January 2014 and Associated Relativity

Band	Current Midpoint	Suggested Movement in WCPFC scale	Suggested Scale January 2014	Potential CROP Scale January 2014	Jan 2014 WCPFC Scale as % of CROP	Jan 2014 WCPFC Scale as % of Market
M	78,768	20%	94,522	107,411	88%	77%
L	65,494	20%	78,593	87,618	90%	81%
K	52,669	20%	63,203	68,423	92%	82%
J	40,432	20%	48,518	55,281	88%	83%
I	29,542	10%	32,496	34,603	94%	84%

Wider Implications of Scale Movement

One of the major advantages of the new CROP banding model is that changes to the band midpoints do not automatically equate to the same changes in employee pay. This is because the CROP Banding model has a band midpoint, a minimum (80% of the midpoint) and a maximum (120% of the midpoint) but no intermediate points or steps. Management has complete flexibility around where staff are paid on the scale, but the broad principle is that staff developing competence should be paid in the lower part of the range; competent staff should be paid around the middle or be moving to that point, with the top part of the range reserved for genuine high performers.

One of the implications of any scale movement along the lines proposed in Table H is that staff will not only derive the % movement indicated in the final column (e.g. 20% for most bands) but in addition may well be entitled to a point-based increment.

Strategic Pay would contend that the Commission is locked into an entitlement-focussed approach to pay with dramatic effects when the scale is moved as it probably needs to if the Commission is to retain any form of parity with the CROP Agencies, let alone with the market for positions advertised internationally.

It may well be time for the Commission to consider the following steps:

- 1) Have all Band I-M roles re-sized in the Strategic Pay SP10[®] system in the same manner as the CROP Agencies and also Vital-FSM Petrocorp
- 2) Develop a revised banding model – either the same as the CROP Agencies – which would mean you could potentially coat-tail directly on the annual Market Reference updates we do for them as a group, or one that gives better effect to internal relativities and career structures within the Commission, or use the standard banding model Strategic Pay have now developed for the NZ-Australia market.
- 3) Review and amend the current remuneration policy to bring it more into line with modern remuneration practice, with open ranges, greater Management discretion, performance-based progression in range etc.
- 4) Ensure that WCPFC's current performance appraisal system is able to differentiate levels of performance and hence link to performance-based progression through the salary range
- 5) Transition staff across to the new bands and ranges on their existing salary and transition to the appropriate part of the pay range over time based on sustained performance and affordability.

The CROP Agencies have been progressively, and each at their own pace, addressing the latter three steps, having all moved as one to re-size the roles and develop a new banding model in 2010.

Consultant Proposal for Grade Midpoint Movements

Without wishing to pre-suppose the Commission's view on what might be an appropriate level of movement, Table I below outlines the indicative scale based on the midpoint move suggested above in table H.

Table I: Indicative WCPFC Scale January 2014

Band	Annual Salary SDR as from 1 January 2014									Current Midpt	% Change Current Scale
	Point 1	Point 2	Point 3	Point 4	Point 5	Point 6	Point 7	Point 8	Point 9		
M	75,617	80,343	85,069	89,796	94,522	99,248	103,974	108,700	113,426	78,768	20.0%
L	62,874	66,804	70,734	74,663	78,593	82,522	86,452	90,382	94,311	65,494	20.0%
K	53,722	56,092	58,463	60,833	63,203	65,573	67,943	70,313	72,683	52,669	20.0%
J	41,241	43,060	44,880	46,699	48,518	50,338	52,157	53,977	55,796	40,432	20.0%
I	27,079	28,433	29,788	31,142	32,496	33,850	35,205	36,559	37,913	29,542	10.0%

Appendix A: About Strategic Pay Limited

Strategic Pay is at the leading edge of developments in strategic remuneration and performance management solutions, offering a powerful combination of resources to help organisations improve their performance, ensuring remuneration and rewards are closely linked to business objectives.

Ensuring business success

Superior organisation performance is having a future proof strategy, an organisational model and structure that supports the strategy and the right people matched to the accountabilities best designed to deliver the strategy. Strategic Pay's PLUS⁺ business consists of experienced consultants delivering the PLUS⁺ suite of change management tools.

Strategic pay 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 integrate remuneration, performance and rewards management.

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- + Executive remuneration and performance
- + Incentive schemes, including STIs and LTIs
- + Base pay systems, including points, grades, bands or benchmarks using our proprietary job evaluation systems SP5[®], SP10[®] and JobWise[®]
- + Salary review management, including processes, tools and training
- + Performance management systems, including customised design and implementation
- + Remuneration audit tools and processes

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Our key nation-wide surveys and reports include:

- | | |
|---|---|
| + NZ Remuneration Report (<i>published 6 monthly</i>) | + Corporate Services and Executive Management |
| + CEO and Top Executive Remuneration Report | + Directors' Fees Report |
| + NZ Benchmark Report | + HR Metrics Survey |

Our specialist industry sector surveys include:

- | | |
|--|---|
| + Association of Consulting Engineers NZ | + Law Firms |
| + Central Government | + Local Government (<i>published 6 monthly</i>) |
| + Chartered Accounting Firms | + Medical Technology Association of NZ |
| + Electricity Transmission, Distribution and | + Not for Profit Sector |
| + Asset Management | + Patent Attorney |
| + Financial Services | + Pharmaceutical |
| + HRINZ HR Practitioners | + Property |
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| + Institutes of Technology and Polytechnics | + Wine Industry |

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