



SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

Eighteenth SPREP Meeting

Apia, Samoa

11-14 September 2007

Agenda Item 7.1: Annual Reference Market Data Review (Professional Staff)**Purpose of Paper**

1. To put before the Meeting the results of the annual tracking of the reference market data survey and analysis and propose for approval adjustments agreed by the CROP Heads at their recent meeting as deserved and reasonable compensation for CROP professional staff given upward movement in all 3 reference markets over the past year.

Background

2. The governing councils of SPREP and other participating CROP agencies have for some two decades, institutionalised triennial remuneration reviews of the salary, terms and conditions of their secretariat staff to ensure their remuneration is performance based and affordable and that agencies have remuneration systems that are fair, competitive and enable the recruitment and retention of talented, skilled and motivated staff focused and committed to the vision of the members and the goals of their agencies. For over a decade and a half, CROP agencies have harmonised their terms and conditions and therefore have conducted these reviews jointly using a single consultant.

3. Members would recall that when the 3 yearly review of CROP salaries, terms and conditions took place in 2003, the approved market comparator was the mid point of the Australian public sector (APS) market. The Reviewer found, that to maintain parity and consistency with that market, CROP salaries would have to be adjusted upwards by between 14% and 32% over the 5 grade CROP scale.

4. The reviewer's report was then referred to a revived CROP Remuneration Working Group of Suva based members, who, in a report to the various CROP governing bodies, including the SPREP Meeting, recommended that:

- *The median of the APS no longer be used as the comparator market for professional staff and instead CROP professional staff be awarded a 5% across-the-board increase. The Australian (public service sector) markets be established as reference markets;*
- *Annual tracking of the reference market data and analysis of CROP recruitment, retention and other data for monitoring CROP salary scales should be undertaken;*

- *Data from all three markets should be reviewed by a CROP agency working group annually and submitted to the CROP Heads meeting. If a recommendation for a salary increase is the result of this annual review, the recommendations should be presented to Pre-Forum FOC and subsequently other CROP Governing Bodies;*
 - *In future any increases to the salary scale should be applied differentially across the grades.*
5. The above was adopted.
6. Accordingly, after the survey and analysis of movements in the 3 reference markets in 2005 (compared to 2004), the CROP Heads agreed that the participating agencies all recommend to their governing councils the following increases based on the average movements in the 3 reference markets.

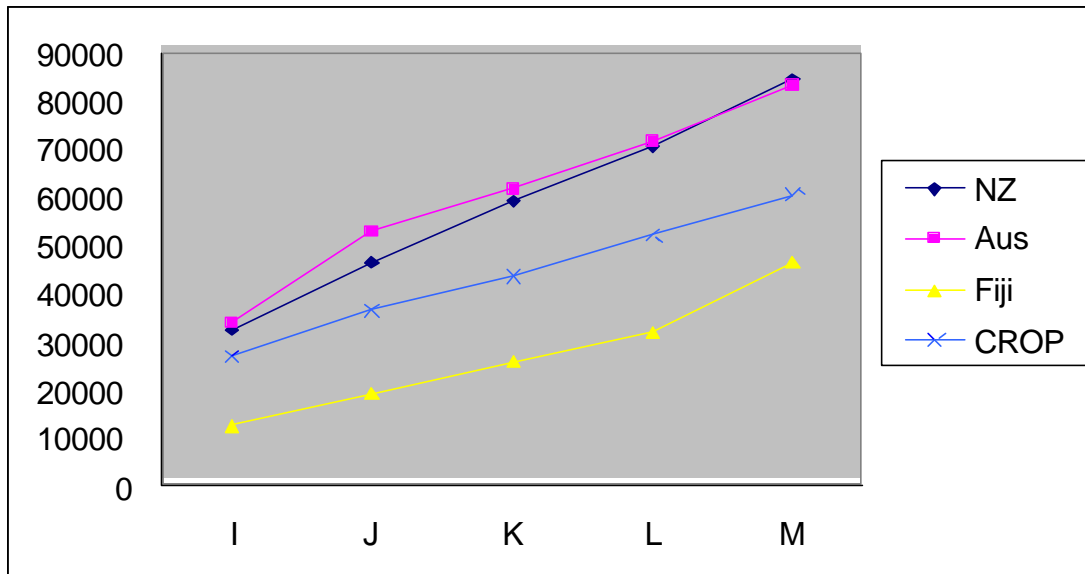
<i>Grade</i>	<i>Proposed Increase</i>
<i>I</i>	<i>5.1%</i>
<i>J</i>	<i>7.2%</i>
<i>K</i>	<i>10.6%</i>
<i>L</i>	<i>10.3%</i>
<i>M</i>	<i>9.4%</i>

7. The above was approved for implementation on 1 January 2006.
8. In the 2006 annual tracking of the reference markets, after a thorough review and analysis of the data from the reference markets, it was shown whilst the CROP Grade I was above the average of the 3 reference markets the other grades were respectively 6.6, 14.8, 9.1 and 14.6% below the average of the markets. This result notwithstanding, the CROP Heads after extensive consideration agreed that for affordability, participating CROP agencies recommend to their respective governing councils that rather than the differential and full application of the increases as adopted in 2004 by governing councils, a flat 6.6% increase (the lowest) be applied to all grades of the scale except for Grade I that was above the markets average.
9. This was approved by the SPREP Meeting and most of the participating CROP organisations for application from 1 January this year.

2007 Annual Reference Markets Review

Comparison with the Reference Markets

10. Figure 1 compares the 2007 data for the CROP professional salary scales with those from the three reference markets. It is clear from this graph that the CROP payline continues to sit below those of the Australian and New Zealand public service sector markets but above that of the Fiji market. The gap between the CROP payline compared with the Australian and New Zealand paylines is larger at the higher scales.



11. Comparing market data, there had been some shift between the 2007 and 2006 figures. Table 1 below shows the CROP salary scale as a percentage of the reference markets by grades. Taking Grade J for instance, for the NZ market it is 79.2% compared to 79.6% last year; for the Australian market, it is 69.2%, compared to 70.9% last year, and for the Fiji market it is 194.3% compared to 188.4% last year. The detailed information can be found in Table D in Attachment 1 to this paper.

Table 1: CROP salaries relative to reference markets: Crop salaries expressed as a percentage of the salaries paid in the reference markets

Range	NZ market	Aust. market	Fiji market
I	82.9%	78.8%	213.6%
J	79.2%	69.2%	194.3%
K	73.5%	70.8%	169.2%
L	73.9%	72.9%	163.0%
M	71.5%	72.5%	138.6%

Movements in the Reference Markets

12. Movements in the reference markets in 2007 compared to 2006 are not uniform across the various grades ranging from a low of 1.7% (Fiji market grade L) to a high of 9.8 (NZ market, grade K) as shown in Table 2 below.

Table 2: Percentage movements in reference markets between 2006 and 2007

Range	NZ market	Aust. market	Fiji market
I	7.7%	7.7%	2.5%
J	7.0%	9.2%	3.3%
K	9.8%	8.9%	2.0%
L	8.7%	9.1%	1.7%
M	9.5%	9.1%	5.3%

Alignment with the Reference Markets

13. Based on the analysis of the movements in the three reference markets as discussed in this paper (full details in Attachment 1) and applying the Mercer recommended methodology of ‘setting the CROP payline at the average of the quantum of the remuneration of the three reference markets’ Table 3 below shows how much the CROP salaries would need to be adjusted by to be on par with the reference market salaries. The final column in the table, “average of the three markets” provides the percentages by which each professional grade (except Grade I) needs to be adjusted to bring the salary scale in line with the approved methodology for setting the CROP payline.

Table 3: Percentage Adjustment in CROP salaries required to reach salaries in reference markets

Range	NZ market	Aust. market	Fiji market	Average of the three markets
I	20.6%	26.9%	-53.2%	-1.9%
J	26.2%	44.5%	-48.5%	7.4%
K	36.1%	41.2%	-40.9%	12.1%
L	35.2%	37.2%	-38.7%	11.3%
M	39.9%	37.9%	-27.9%	16.6%

CROP CONSIDERATION

14. As its second session on 27 August 2007, the CROP Heads were presented with these results of the annual reference market tracking. It noted that its decision last year to have participating organisations seek adjustment based on the lowest increase of 6.6% would be partly responsible for the widening margins at the higher grades of the scale and agreed that participating agencies, as was adopted in 2004 (para. 4 dot point 4 above), seek differential rates in order to be fair to all levels and to more accurately reflect the market movements.

Affordability

15. On the issue of affordability, it was appreciated that this would vary from organisation to organisation with the larger ones facing greater difficulty because of staff numbers. There has also been the reluctance from Member countries and territories to meet necessary market determined salary adjustments from increased membership contributions. There was also the concern that although affordability varies among the participating agencies, it would be absolutely necessary, that for harmonisation to continue to apply, all agencies must agree on one measure to recommend to their respective governing bodies for implementation. The CROP Heads therefore agreed that the participation CROP agencies recommend to their governing bodies that they consider and approve applying only 80% of the necessary adjustments required in Grades J to M to be on the average of the quantum of the 3 markets recommend by the last triennial review consultant. This is shown in the Table 4 below. The adjustments if approved would become effective from 1 January 2008.

Table 4

Range	Increase required to align the CROP Agencies salary Scale to the average of the three markets		Recommended Increase to the CROP salary Scale to be effective from 1 January 2008
H-I	Nil	80%	Nil
J	7.4%	80%	5.9%
K	12.1%	80%	9.7%
L	11.3%	80%	9.0%
M	16.6%	80%	13.3%

Financial Implication

16. To apply 80% of the average of the reference markets as in Table 4 above to the SPREP professional staff effective 1 January 2008 would require an additional sum of US\$84,782 broken down into US\$38,628 for the Core budget and US\$46,154 for the Programme budget. The proposed work programme and budget for the 2008 financial year has already been sent and has been with members for some 4 weeks now and the financial implications of this annual review and recommendation had not been factored into those figures and calculations.

17. The sums are very modest in the context of the organisation and the performance of its staff.

Denomination for CROP Professional Staff Salaries

18. All CROP salaries as in the harmonized salary scale are expressed in Special Drawing Rights (SDR) a type of international money unit made up of a 'basket' of currencies (USD, EURO, YEN, GBP) and paid to staff in the currency of the host country.

19. Monthly salaries in local currencies are determined by multiplying the total monthly SDR salary by the average daily exchange rate between the SDR and the local currency for the previous month. As a result, salaries paid to employees in local currencies are subject to variations relative to the SDR from time to time. Over the past six years, the SDR monthly rate applied to staff salaries had been on a downward slide. The impact of this is that the salaries of staff had been consistently reducing, so that even with the market salary adjustments awarded to professional staff since 2004, the nett impact of losses on SDR to WST conversions has meant minimal improvement in salaries paid to professional staff. This is illustrated by Figure 4.

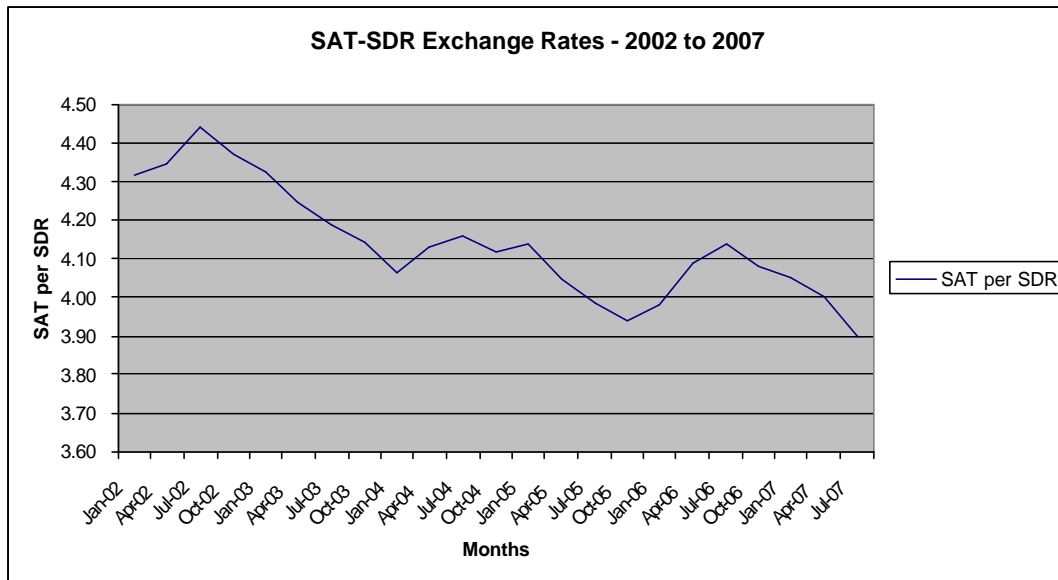


Figure 4

20. In an effort to achieve some form of salary stabilization with a continuing downward trend of the SDR, driven primarily by the weaker United States dollar which comprises more than forty percent of the total value of the SDR basket of currencies, Mercer recommended and governing bodies approved, the application of a 'floor and ceiling' arrangement with a 5 percent margin on either side of the exchange rate that is agreed upon to be used by all participating CROP agencies. The effect of the floor and ceiling approach is that the floor and the ceiling set the boundaries within which monthly payments are made.

Budgeted Salaries versus Actual Salary Payments

21. Although for harmonisation among participating CROP agencies, the salaries for professional staff is denominated in SDRs (but paid in the local currency) for SPREP this is budgeted in US\$. Because of the relationship of the US\$ to the SDR for 2006 and so far this year, the actual payments made to professional staff on salaries are less than budgeted amounts so that the organisation gains while staff have suffered reduced payments.

Secretariat View

22. Given the various considerations discussed above and the modest amounts involved. Given also the professed position of the SPREP Meeting at previous sessions to ensure that remuneration is performance based and is affordable and that remuneration systems in place in CROP are fair, competitive and ensure recruitment and retention of talented, motivated and skilled staff, the SPREP Meeting is commended to favourably consider the CROP Heads recommendation. It can be financed without requiring increased membership contributions.

Recommendation:

23. The Meeting is invited to:
- **consider** the paper and **approve** the application of 80% of the average of the 3 reference markets as depicted in Table 4 and addressed in paragraph 15 in accordance with the CROP consensus;
 - the adjustments be effective from 1 January 2008; and
 - the adjustments be not passed on to members via additional membership contributions.