

CROP Agencies

Market Data Review

Updated Report for CROP Working Group

**Prepared by Dennis O'Callaghan
Strategic Pay Limited
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Executive Summary

- This report, compiled by Strategic Pay, provides an analysis of the market movement in the CROP pay structure to take effect from 1 January 2012. This report replaces our interim report, issued in May 2011, in that we are now able to incorporate details of the PwC Fiji All Organisations Survey.
- Market data for Bands 8 -18, covering positions advertised regionally or internationally, has been sourced from:

Country	Survey	Quartile	Operative survey date
Fiji	PwC Fiji All Organisations	Upper Quartile	April 2011
Australia	APS Remuneration Survey	Median	Dec 2009, with 5% projection
New Zealand	Strategic Pay Central Govt Survey	Median	March 2011

- The data has been averaged, as per CROP practice, to derive the following SDR midpoint values as at March 2010 and March 2011:

Band	Average 2010	Average 2011	% Change Averaged Markets
18	105,825	119,729	13.1%
17	91,207	101,331	11.1%
16	81,348	88,145	8.4%
15	70,117	75,836	8.2%
14	59,124	64,550	9.2%
13	50,547	55,182	9.2%
12	44,090	48,136	9.2%
11	38,298	41,699	8.9%
10	31,996	34,611	8.2%
9	28,443	30,677	7.9%
8	25,449	27,432	7.8%

Bands 1-7 are covered by local market scales and the SDR values above do not currently apply to these bands.

- The new scale for Bands 8-18 is set on page 11 of this report.
- For Suva, the market data for locally advertised roles bands 1-7 are set out on page 9.
- The current scales for locally advertised roles in Apia, Noumea and Honiara are still being confirmed by the relevant CROP Agencies. Strategic Pay will liaise with these Agencies to prepare 2011 scales if required.

1 Background

This report provides the second market referencing for the CROP scale agreed by the CROP executives in Noumea in February 2010. In common with past reports, it is designed to obtain and analyse comprehensive comparative data on remuneration from Fiji, New Zealand and Australia. We document the process used to analyse that data.

This report details the market benchmarking of the new CROP bands.

This report has been completed by Strategic Pay, including market data from PricewaterhouseCoopers Fiji.

2 Job Evaluation

All roles across the five participating CROP Agencies have been job evaluated using Strategic Pay's SP10[®] job evaluation methodology. The salary bands were endorsed by the CROP executives in February 2010:

Because SP10[®] forms the core sizing mechanism in both the Strategic Pay Central Government (public service) database and also the PricewaterhouseCoopers Fiji database, the survey outcomes from these databases can be compared directly with the current CROP scale and used to inform the 2012 scale.

The Australian data is sourced from the Australian public service (APS) rates using quartile data in the publicly available 2009 APS Remuneration Survey, prepared by Mercer Australia. This annual survey of federal public service rates relies on data collected in December 2009, with the full report published in August 2010. It is set out as a series of broad bands, each derived from job sizing using the Mercer Cullen Egan Dell job evaluation system as far back as 2001.

In order to access and analyse this data for the current study, Strategic Pay applies a correlation for comparing the job evaluation data from the Mercer CED job evaluation system with the Strategic Pay SP10[®] format. That correlation has formed part of our reports in previous years, but is no longer directly relevant now that the Agencies are all on a common SP10[®] scale. It is available on request from Strategic Pay.

3 Reference Markets

The CROP salary scale for positions advertised regionally or internationally (bands 8-18) is currently calculated on the basis of the average of three reference markets:

- Median of the New Zealand Public Service
- Median of the Australian Public Service
- Upper quartile of the Fiji All Organisations sector.

This mechanism was adopted by the CROP agencies in 2007.

3.1 New Zealand Market Data

Data on the New Zealand public service is based on the Strategic Pay database, and in particular the March 2011 Central Government survey, released in April and published annually. This covers 48 State Sector organisations, primarily Government departments and ministries/agencies, and a sample of 18,806 employees. This survey is now a pre-eminent source of data on Central Government remuneration levels. It uses stratified sampling and extensive screening to avoid the skewing of data by large organisations with multiple jobholders in the same job family

3.2 Australia Market Data

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 and undertaken by Mercer (Australia).

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.

The timing of the APS Remuneration Survey is always an issue for the CROP Agencies. While the data is collected as of December each year, it is not formally or publicly available until July/August the following year. Hence, for the purposes of this report, we are reliant on the 2009 APS Remuneration Survey, even though data collection will have been undertaken and analysis is under way for the 2010 Survey. The 2010 report would have provided the most up-to-date data on the Australian federal public service rates.

We do check the accuracy of our projections, but were surprised by the level of movement between 2008 and 2009. While the global financial crisis has already plunged most Western economies into recession, and its associated wage restraint, the medians across the APS levels moved on average by 7.1%, well ahead of our 4% projection. While our estimate was guided by average annualised wage increase (AAWI) in all public sector wage agreements in the September 2009 quarter, clearly actual pay levels moved at much high levels.

Given the non-availability of the December 2010 APS Survey, we have updated the 2009 APS data on the basis of estimated movement in the median data to December 2010. Our estimate is guided by information from the Department of Education, Employment and Workplace Relations (DEEWR), who reported an average annualised wage increase (AAWI) in all public sector wage agreements concluded in the September 2010 quarter of 4.7%.

In the absence of the December 2009 APS Remuneration Survey, and for the purposes of this report, an increase of 5.0% has been applied to the 2009 APS Remuneration survey data.

3.2 Fiji Market Data

As in earlier years, data on the Fiji All Organisations market has been sourced from the PwC Fiji database, or more particularly the April 2011 All Organisations survey.

4 Market Data Analysis

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

Figure 1: Market Data for PAI Bands as at May 2011

(all figures expressed in base salary)

Strategic Pay SP10 Points				March 2011 Market Data - SDR			
Band	From	To	Midpoint	NZ Central Govt Median as at Mar 11	Australia APS Median as at Dec 2009	Fiji All Orgs UQ as at April 2011	Average
18	1302	1520	1411	156,352	130,105	72,731	119,729
17	1131	1301	1216	128,735	120,580	54,678	101,331
16	966	1130	1048	105,911	113,852	44,672	88,145
15	841	965	903	86,928	103,878	36,701	75,836
14	729	840	785	71,943	91,472	30,236	64,550
13	643	728	686	60,585	80,404	24,556	55,182
12	575	642	609	51,750	72,519	20,139	48,136
11	513	574	544	44,740	63,084	17,275	41,699
10	456	512	484	38,612	50,462	14,760	34,611
9	407	455	431	33,870	45,621	12,538	30,677
8	357	406	382	29,743	41,932	10,622	27,432

SDR Exchange Rates 2011

Source; http://www.imf.org/external/np/fin/data/param_rms_mth.aspx

Australian dollars:	1.565181	0.638904	(based on SOPAC applicant info for Deputy Dir role April 2011)
New Zealand dollars:	2.136024	0.46816	
Fiji dollars:	2.936834	0.340503	

Figure 2 below summarises the market movements in the average reference markets including exchange rate movement. Appendix B shows, for each surveyed country the actual market movement:

Figure 2: Market Movements 2010-2011 after SDR exchange

Band	% Change 2010-11 NZ Median	% Change 2010-11 Aust Median	% Change 2010-11 Fiji UQ	Average 2010	Average 2011	% Change Averaged Markets
18	12.4%	15.3%	10.9%	105,825	119,729	13.1%
17	8.2%	14.9%	10.1%	91,207	101,331	11.1%
16	4.1%	14.7%	3.6%	81,348	88,145	8.4%
15	3.2%	14.5%	3.6%	70,117	75,836	8.2%
14	3.8%	14.5%	7.1%	59,124	64,550	9.2%
13	3.8%	14.7%	6.0%	50,547	55,182	9.2%
12	3.8%	14.8%	4.7%	44,090	48,136	9.2%
11	3.1%	14.9%	4.2%	38,298	41,699	8.9%
10	2.2%	14.8%	3.6%	31,996	34,611	8.2%
9	1.4%	14.7%	3.0%	28,443	30,677	7.9%
8	0.9%	14.9%	2.5%	25,449	27,432	7.8%

The above table is marked by the diversity in exchange rate performance of the three currencies. The recession in NZ has been marked by Government restrictions on salary movement (although the Strategic Pay database provides clear evidence that this has occurred anyway), while there has been a marked strengthening of the Australian dollar against the United States dollar, achieving and exceeding parity. Australia's strengthening currency, as in our May 2010 analysis, has played a major role in the above conversion. The increases in market rates for 2010-11 for each country surveyed are detailed in Appendix B.

Suva-based staff Bands 1-7

The following indicative midpoints are based on 10% above the PwC Fiji All Organisations upper quartile. Strategic Pay has extrapolated the current A-H scales to the new Band 1-7 scale and applied the "upper quartile plus 10%" principle to the PwC Fiji All Organisations base salary data for April 2011.

We draw to your attention the drop in median values for Bands 1-3 in the Fiji data. PwC Fiji has confirmed that while there have been changes to their participant database, nevertheless the data reported accurately reflects the pay levels of jobs in the 130-200 points range. Their view is that the reported data more accurately reflects what they believe to be typical pay levels for similarly sized roles in the Suva market.

Figure 3: Market Movement Fiji

The indicative 2011 scale for **Suva** on this basis would read as follows:

Band	2010 Market	2011 Market	% Change
1	11,696	9,751	-16.6%
2	12,517	11,376	-9.1%
3	13,450	13,223	-1.7%
4	15,667	15,953	1.8%
5	19,347	19,714	1.9%
6	23,460	23,918	2.0%
7	28,331	28,895	2.0%

* Currency unit: Fiji dollars

We understand that where the midpoint data has declined in the past, then the CROP Agencies have retained the existing midpoint. This would be necessary for Bands 1-3. However, it may be time to review the "upper quartile plus 10%" formula and consider options that would reduce the annual variability of data for jobs at this level. Collecting and reporting on data by benchmark job, rather than job points alone, may provide a more reliable indication of market rates for the types of jobs employed by the CROP Agencies in this geography. The Strategic Pay database has been set up to report market data using either approach.

Non-Suva-based staff Bands 1-7

Strategic Pay has not been asked to update the scales below for support staff employed by SPC, SPREP and FFA in Noumea, Apia and Honiara respectively. We understand that market data is being sourced locally in order to inform the updating of these scales. Strategic Pay will be pleased to provide additional assistance in that regard should that be required.

SPREP

The existing 2010 scale for staff based in **Apia** is as follows:

Figure 4: Market Movement Western Samoa

Band	2010 Midpoint*	Rationale
1	11,491	equivalent old SPREP B/C
2	12,900	derived midpoint
3	14,550	equivalent old SPREP D/E
4	16,900	derived midpoint
5	25,421	equivalent old SPREP F1
6	31,731	equivalent old SPREP F2
7	39,285	equivalent old SPREP F3

* Currency unit: Samoan tala

To be updated June 2011

SPC Noumea

The existing 2010 scale for staff based in **Noumea** is as follows:

Figure 5: Market Movement New Caledonia

Band	2010 Midpoint (Monthly)	Rationale
1	139,000	equivalent old SPC A/B
2	159,683	equivalent old SPC C
3	187,239	equivalent old SPC D
4	212,700	equivalent old SPC E
5	262,470	equivalent old SPC F
6	316,509	equivalent old SPC G
7	370,473	equivalent old SPC H

* Currency unit: South Pacific francs

FFA

FFA data for local support staff is based on the market research of Honiara organisations by Ken Firewood Consulting.

The 2010 scale for **Honiara** is as follows:

Figure 6: Market Movement Solomon Islands

Band	2010 Midpoint	Rationale
1	16,400	derived from old FFA A
2	20,497	equivalent old FFA B
3	37,091	equivalent old FFA C
4	45,176	equivalent old FFA D, some E
5	58,176	equivalent old FFA E
6	68,000	derived midpoint
7	77,982	equivalent old FFA F

* Currency unit: Solomon Islands dollar

5 Proposed Scale Bands 8-18

Based on the reasoning and recommendations in Section 4 of this report, the Consultants recommend the following scale for discussion and adoption by the CROP Agencies.

Figure 7: Recommended CROP Scale Bands 8-18

Band	Indicative Scale Proposed Model SDRs	Minimum 80%	Maximum 120%	% Difference from 2010 Market Midpoint
8	27,432	21,946	32,918	7.80%
9	30,677	24,542	36,812	7.90%
10	34,611	27,689	41,533	8.20%
11	41,699	33,359	50,039	8.90%
12	48,136	38,509	57,763	9.20%
13	55,182	44,146	66,218	9.20%
14	64,550	51,640	77,460	9.20%
15	75,836	60,669	91,003	8.20%
16	88,145	70,516	105,774	8.40%
17	101,331	81,065	121,597	11.10%
18	119,729	95,783	143,675	13.10%

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 | + Corporate Services and Executive Management |
| + CEO and Top Executive Remuneration Report | + NZ Benchmark Report |
| + NZ Remuneration 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
- + Not for Profit Sector
- + 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.

Appendix B: Market Movements by Survey 2010-2011

Figure a: Market Movement Fiji All Organisations Upper Quartile Data

Band	May 2010	May 2011	% Change
18	193,524	213,598	10.4%
17	146,529	160,581	9.6%
16	127,254	131,194	3.1%
15	104,531	107,784	3.1%
14	83,310	88,797	6.6%
13	68,376	72,117	5.5%
12	56,761	59,144	4.2%
11	48,948	50,734	3.6%
10	42,032	43,347	3.1%
9	35,922	36,822	2.5%
8	30,577	31,196	2.0%
7	25,755	26,268	2.0%
6	21,327	21,743	2.0%
5	17,588	17,922	1.9%
4	14,242	14,503	1.8%
3	12,227	12,021	-1.7%
2	11,379	10,342	-9.1%
1	10,633	8,864	-16.6%

* Currency unit: Fiji Dollar

Figure b: Market Movement New Zealand Public Service Median Data

Band	May 2010	May 2011**	% Change
18	302,543	333,972	10.4%
17	258,873	274,980	6.2%
16	221,250	226,229	2.3%
15	183,246	185,680	1.3%
14	150,707	153,672	2.0%
13	126,924	129,410	2.0%
12	108,425	110,540	2.0%
11	94,416	95,565	1.2%
10	82,219	82,476	0.3%
9	72,649	72,348	-0.4%
8	64,124	63,532	-0.9%
7	56,154	55,658	-0.9%
6	49,181	48,934	-0.5%
5	44,097	44,433	0.8%
4	39,548	40,405	2.2%
3	35,358	36,263	2.6%
2	31,418	31,943	1.7%
1	27,951	28,141	0.7%

* Currency unit: NZ Dollar

Figure c: Market Movement Australian Public Service Median Data

Band	May 2010	May 2011**	% Change
18	189,039	203,639	7.7%
17	175,885	188,729	7.3%
16	166,269	178,198	7.2%
15	151,985	162,588	7.0%
14	133,831	143,170	7.0%
13	117,513	125,847	7.1%
12	105,900	113,506	7.2%
11	92,008	98,738	7.3%
10	73,649	78,981	7.2%
9	66,628	71,405	7.2%
8	61,177	65,631	7.3%
7	56,567	60,853	7.6%
6	51,510	55,523	7.8%
5	48,102	52,422	9.0%
4	45,019	49,603	10.2%
3	42,558	46,839	10.1%
2	40,589	44,627	9.9%
1	38,866	42,692	9.8%

* Currency unit: Australian Dollar