
AGENDA ITEM 9.3

CROP Harmonisation on Remuneration

Purpose of Paper

1. To advise the SPREP Meeting (SM) of the status of CROP Harmonisation on Remuneration; and
2. To seek approval in principle of a staff salary movement over the next 12 months, subject to funding availability.

Background

3. For ease of reference of current Members of the SM, Attachment 1 provides the SM paper and decision on Harmonisation on Remuneration of the 27th SM in Niue in 2016. Attachment 2 provides the SM paper and decision of the following 28th SM in Samoa in 2017.
4. A summary of all relevant decisions on the topic made by the CROP CEOs and Deputies meetings is attached as Attachment 3.
5. The Secretariat has made substantive efforts and invested a lot of time and resources in implementing the decision of the SM to continue to support the principles of harmonisation of remuneration and to participate in the Joint Sub-Committee proposed by PIFS at the time. These efforts are summarised in Attachment 4.
6. To date, as noted from the CROP CEOs decision, no firm way forward has been agreed other than a Deputies Meeting discussion and recommendation, and a Working Group for Corporate Services/Finance established to explore other areas of harmonisation.
7. In the last Corporate Services/Finance meeting in May 2019, the issue of CROP remuneration was tabled again. The Secretariat pursued with PIFS the firm decision from the CROP CEOs on the recommendation by the Deputies in November 2018, that no further work be done on Remuneration, however, the issue remains unresolved and in July 2019, PIFS requested views from the participating CROP agencies on a PIFS submission to FOC for the issue of remuneration to be considered by the Finance and Economic Ministers with the Secretary General to table a paper for each CROP agency's Governing Council regarding any action to be taken. The Secretariat advised PIFS on this proposal ***that the matters raised need to be first discussed by our governing council which shall meet in September - before any position can be agreed to or conveyed on behalf of SPREP.***

8. Meanwhile, in light of the above situation the participating CROP agencies have progressed their own terms and conditions as they see fit. Each agency has its own particularities in terms of growth, mandates, staff numbers and financial affordability.
9. The Secretariat, however, would like to seek the endorsement of the SM, to pursue staff terms and conditions that would maintain competitiveness as an employer in the local and international markets. In the meantime, without there being a firm CROP position on a way forward for remuneration, the Secretariat will continue to employ existing CROP remuneration methodology and systems, and use the past Triennial Reviews and recommendations as references for market conditions, until such time that there is clear agreement for each CROP agency to pursue its own remuneration system. In the event of such an outcome, the Secretariat would seek a qualified independent consultant to review its systems.
10. The last salary movement for the Secretariat was in 2014, which was based on 2012 market data. The Secretariat at the time was the only agency that was able to implement 50% of the recommended increases, which equated to an average increase of 6.7% for the International Salary Scale. The following table shows where each of the participating agencies sit on the same market data at the present time:

2019 (SDR)				
	SDR - midpoints			
BAND	SPREP	PIFS	SPC	FFA
18	129,731	131,505	124,502	132,924
17	108,962	111,298	106,299	111,705
16	94,096	96,814	93,551	96,487
15	80,783	83,295	80,558	82,818
14	68,667	70,898	68,299	70,413
13	58,503	60,609	58,352	59,972
12	51,002	52,871	50,898	52,286
11	44,300	45,800	44,128	45,421
10	36,874	38,015	36,760	37,809
9		33,694	32,615	

11. In summary PIFS and FFA remuneration are above SPREP by an average of 2.9% and 2.5% respectively with SPC being 1% lower. There has been no further CROP CEO discussion or decision on these matters or where the benchmark should be. As a consequence, each agency has progressed their own remuneration scales as they see fit. However, as noted, the market data currently used is from 2012 and the Secretariat is already feeling the impact of this outdated data in recruitment and retention challenges for both local and international positions.

12. Organisational Goal 5 in the 2017-2026 SPREP Strategic Plan identifies recruitment and retention of good staff as a key priority however, many positions, both international and local, have had to be readvertised 2 to 3 times, before an appointment can be made, and the number of applications for some key positions has declined dramatically in recent years. Where the Secretariat used to receive on average 50-60 applications for one role, the average over the past 2-3 years has dropped to 10-20. Retention rates have also declined from 85% in 2014 (when the last salary movements were implemented) to 69% in 2018. Several factors have been identified contributing to this trend with the overwhelming majority of these relating to staff terms and conditions.
13. the Secretariat has been able to deliver services to members over recent years, but it has not been able to keep its obligations to staff including salary movements in line with the prevailing market rates. The Secretariat recognises the importance of striking a balance between doing the right thing by its staff (maintaining a market aligned salary structure, and affordability. (responsibility as a CEO to the Governing Council).
14. For the last 3 years, the Secretariat has focused on restoring its financial viability through the elimination of its deficit and building its reserves. Whilst it has been challenging given the many demands of Members, the Secretariat has remained deficit-free for the last 3 years.
15. The Secretariat therefore, seeks the SM's approval for a way forward to address the large discrepancy in data being used to assess salary movements for Internationally recruited staff. In October 2018, the CROP HR Working Group sourced the annual market data as usual for consideration by each agency, however, there was no commitment by the participating agencies to collectively consider the market data as had been done in the past, because of their own particular circumstances.
16. SPREP Secretariat's objective is to update its salary scale to the latest market data from 2018. Full implementation of this salary movement would cost approximately US\$250k with 31% of this being for the Core/Programme Fees funded roles and the rest for the project funded roles including AusAID XB and NZAID XB. This will equate to an average of 5% increase from the 2012 data.
17. For the local salary scale, the Government of Samoa implemented a 10% general increase in January 2019 with incremental increases over the next 3 years as follows (2019 – 5%; 2020 – 3%; 2021 – 2%). The Secretariat therefore needs to consider this increase in the local market within the next year to ensure it continues to remain competitive in the local employment market. The Samoa Public Service continues to drive remuneration standards across the local market as the leading and largest employer. This will be approximately USD\$40k over the next 3 years.
18. The Secretariat has no funding available at this time to implement any of these planned salary movements. It therefore seeks the SM's consideration of an approval in principle to implement salary movements for all categories of staff of up to a total of USD\$300k, subject to availability of funding. If SPREP is to remain competitive in the current employment market, both locally and internationally, and to be a more responsible employer, the Secretariat needs the support of its Members to address the outdated salary scales with which it is obliged to operate. If a movement is considered affordable, a report will be tabled for endorsement at the next Executive Board meeting.

Recommendation

19. The Meeting is invited to:

1. **note** that there has been no progress at all for the work of the CROP Harmonisation on Remuneration;
2. **note** that in the absence of a clear position from the participating CROP agencies and the CROP CEOs, the Secretariat will continue to employ the CROP remunerations systems and methodology until such time that it is clear that harmonisation of remuneration is no longer possible to pursue and maintain;
3. **approve** the engagement by the Secretariat of an independent qualified consultant to review its remuneration system to ensure it remains competitive in the local and international employment markets;
4. **approve** in principle the adoption of a salary movement of up to USD\$300k for all staff subject to clear availability of funding; and
5. **note** that the Secretariat will provide a report to the 2020 Executive Board Meeting on the way forward for remuneration and implementation of any of the above decisions with financial implications

9 August, 2019