

2009 Market Data Survey - Professional Staff

Purpose of Paper

1. To present to the SPREP Meeting the outcomes of the 2009 market data review for professional staff.

Background

2. The following conditions for reference markets for professional staff salary scales, adopted by the Governing bodies of the participating CROP agencies in 2004, continue to be observed as the guidelines for annual market data reviews:

- *Australia (public service sector), Fiji (all organisations) and New Zealand (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;*

3. The 2006 triennial review, undertaken by Mercer HR Consultants, recommended that the mid-points of each grade of the CROP salary scale should be calculated as being the average of the three reference markets¹. In June 2007, the CROP Executives approved this in principle, *'pending availability of the data for these three reference markets. They also agreed that this methodology should be reassessed at the next triennial review of CROP professional staff terms and conditions of service'*. The 2009 Triennial Review recommended that this practice be retained as the guiding policy for a harmonised CROP payline and is attached as Attachment 3.

4. As in previous years, the 2009 market data was collated and presented to the participating CROP agencies by Strategic Pay Ltd (NZ). The Report for the Annual Market Data Review for professional staff is attached as Annex 1.

¹ The reference markets are the median of the Australian public service sector, median of the New Zealand public service sector and the upper quartile of the Fiji all organisations market.

Comparison with the 2009 Market

5. Figure 1 compares the 2009 market data for the CROP professional salary scale with those from the three reference markets and the average of the three markets. The CROP payline sits below that of the Australian market for most grades; above that of the New Zealand market for Grades I, J and K; and well above the Fiji market. The CROP payline also sits above the benchmark of the average of the three markets.

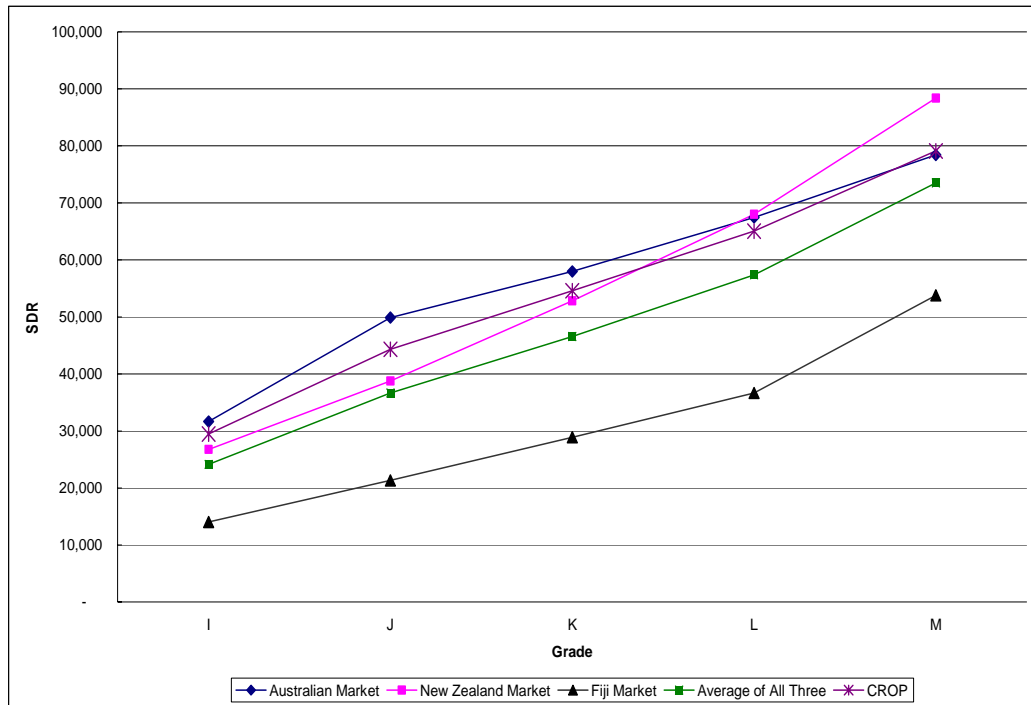


Figure 1: Comparison of the CROP Professional Salary Scale with the Reference Markets

6. Table 1 below shows the CROP salary scale as a percentage of the reference markets by grade. The CROP salary for Grade I, for instance, is 110.2% of the NZ market, 93.1% of the Australian market and 210.3% of the Fiji market.

Range	NZ market	Aust. market	Fiji market
I	110.2%	93.1%	210.3%
J	114.3%	88.8%	207.8%
K	103.4%	94.1%	189.0%
L	95.6%	96.5%	177.5%
M	89.5%	100.9%	147.1%

Table 1: CROP Salaries Expressed as a Percentage of the Reference Markets

Movements in the Reference Markets

7. Movements in the 2009 reference markets compared to 2008 are not uniform across the various grades ranging from a low of -24.6% (New Zealand market Grade I) to a high of 20.0% (Fiji market Grade M) as shown in Table 2 below. The very large negative movements in the markets between 2008 and 2009 are due to the large changes in the SDR to reference market currency exchange rates as illustrated in Table 3 (next section).

Range	NZ market	Aust. market	Fiji market
I	-24.6%	-20.0%	4.8%
J	-24.3%	-18.7%	5.1%
K	-19.5%	-18.7%	8.0%
L	-14.2%	-18.8%	11.5%
M	-7.9%	-18.8%	20.0%

Table 2: Percentage movements in reference markets between 2008 and 2009.

Denomination for CROP Professional Staff Salaries

8. CROP salaries are expressed in Special Drawing Rights (SDR) a currency unit of the International Monetary Fund made up of a 'basket' of currencies (USD, EURO, YEN, GBP). The reference market data are collected in local currency and converted to SDR in order to make the necessary comparison. All national currencies have exchange rates that fluctuate relative to the SDR. Movements in the SDR exchange rates for the three reference markets for the 12 months up to March 2009 are shown in Table 3. The Secretariat cautions that there have also been major adjustments to exchange rates in the months that have elapsed since the report was finalised. Depending on the trend these adjustments take, any impacts on the CROP payline should be reflected in the next annual market data review.

New Zealand			Australia			Fiji		
2008	2009	% Change	2008	2009	% Change	2008	2009	% Change
2.0178	2.8008	38.8%	1.7276	2.2339	29.3%	2.4474	2.7203	11.2%

Table 3: Movements in the SDR exchange rates for the three markets

Alignment with the Reference Markets

9. Based on the analysis of the movements in the three reference markets, and applying the current methodology of 'setting the CROP payline at the average of the quantum of the remuneration of the three reference markets' Table 4 shows how much the CROP salary scale would need to be adjusted to be on par with the reference markets. The final column in Table 4, the average of the three markets, provides the percentages by which each grade needs to be adjusted to bring the salary scale into line with the approved methodology.

Range	NZ Market	Australian Market	Fiji Market	Average of the three Markets
I	-9.2%	7.4%	-52.4%	-18.1%
J	-12.5%	12.6%	-51.9%	-17.3%
K	-3.3%	6.2%	-47.1%	-14.7%
L	4.6%	3.7%	-43.6%	-11.8%
M	11.8%	-0.9%	-32.0%	-7.0%

Table 4: Percentage adjustment in CROP salaries required to reach salaries in reference markets

Attracting and Retaining Staff

10. Table 4 suggests that the CROP remuneration should not be a limiting factor (except for recruitment from the Australian market) in attracting suitably qualified, skilled and experienced staff for positions, and that other factors, such as scarcity of skills or security of location are more likely to be the drivers. The 2009 Triennial Review makes a number of recommendations under the heading of 'Retention Programmes' that could be considered on a case-by-case basis by each of the participating CROP agencies.

Conclusion

10. The analysis of the 2009 market data shows that the CROP salary scale, as of January 2009 (SPREP is still operating on the January 2008 salary scale as it has yet to adopt the salary increases recommended for 2009), sits above that of the benchmark, and as a result, no upward adjustment is required to align the CROP salary scale to that of the benchmark. CROP Executives agreed there was no need to increase professional salary scales at their meeting in June 2009.

11. Because the salary scale was found to sit above that of the benchmark, one response could be to adjust the CROP salary scale downward to align it to the benchmark. However, due to the likely impact this would have on morale, productivity and retention and the ongoing fluctuations in currency exchange rates, the Secretariat would prefer to continue the historical CROP-wide practice to retain the CROP payline at its current position and wait until the market catches up.

Financial Implications

12. In light of the above, no salary increase for professional staff is recommended, therefore there will be no impact on the 2010 budget.

Recommendation

13. The Meeting is invited to

- **note** the outcomes of the Professional Staff 2009 Market Data Survey.
-

Council of Regional Organisations (CROP)

Annual Comparison of Reference Markets 2009 Update

Prepared by Dennis O'Callaghan
Managing Director
Strategic Pay Limited

29 May 2009



Level 4, Telco Building
16 Kingston Street, Auckland 1010
PO Box 5313, Wellesley Street
Auckland 1141
tel 09 303 4045
fax 09 303 4045

Level 1, 85 The Terrace
Wellington 6011
PO Box 10 503, The Terrace
Wellington 6143
tel 04 473 2313
fax 04 472 1693

40 Filleul Street
Dunedin 9016
PO Box 188
Dunedin 9054
tel 03 479 0637
fax 03 477 7938

info@strategicpay.co.nz
www.strategicpay.co.nz

Annex 1

Strategic Pay

Contents

1	BACKGROUND	2
2	JOB EVALUATION	2
3	NEW ZEALAND DATA	3
4	AUSTRALIAN DATA	3
5	FIJI ALL ORGANISATIONS DATA	4
6	MARKET DATA ANALYSIS	5
7	PROPOSED NEW CROP SCALE	9
8	COMPARISON CHARTS	10
9	STRATEGIC PAY	15

1 Background

This report summarises the 2009 update of annual benchmarking studies conducted on behalf of the CROP participating agencies since 2004, and with the objective of obtaining comprehensive comparative data on remuneration from Fiji, New Zealand and Australia.

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

2 Job Evaluation

Mercer to Strategic Pay/PwC Fiji

The assumptions used in our 2004 and 2005 reports have been replicated in the current study. In that study Strategic Pay constructed a correlation framework for comparing the job evaluation data from the Mercer HR job evaluation system with the Strategic Pay format. This was a necessary step in order to access Fiji local rates for technical/support staff employed by the agencies.

That analysis has identified the following alignment between the points totals which are the outcome of the two evaluation methodologies.

CED	SP/PwC	CED	SP/PwC
50	142	700	773
100	192	750	808
150	242	800	846
200	292	850	887
250	342	900	934
300	392	950	979
350	442	1000	1028
400	492	1050	1077
450	532	1100	1124
500	571	1150	1182
550	629	1200	1234
600	690	1250	1287
650	732	1300	1339

In the course of the work undertaken for the 2009 Triennial Review, Strategic Pay consultants reviewed the alignment of the CED points with Strategic Pay (PwC) points for the professional bands. In each case the changes advised were minor (ranging from 2-7 points) and we judged that this would have a minimal effect on the final averaged midpoint. Hence, for the purposes of this report, we have run all the tables (e.g. Table C) on the basis of the alignment above which has been the basis of our annual reports since 2005.

If the Agencies elect to retain the current trilateral benchmarking, the CED-PwC points alignment would only be relevant for the Australian market data.

3 New Zealand Data

As in the data sourced in earlier years at this time, data on the New Zealand public service is based on the Strategic Pay database, and in particular the March 2009 Central Government survey, released in April and published annually. This covers 43 Government departments and ministries/agencies and a sample of 11,507 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.

The base salary medians in the New Zealand Central Government survey database for jobs within the job size range represented by the Professional Bands I-M moved by an average 5.5% in the 12 months to March 2009.

4 Australian Data

In July 2007 and June 2008, Strategic Pay researched Australian public service (APS) rates using public available information, based on the annual APS Remuneration Survey.

In our June 2008 report we noted:

1. 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.
2. 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.
3. 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.

We intended to update this research in response to the CROP Agencies’ requirement for 2009 comparative Australian data. However, the December 2008 APS Remuneration Survey was still not available at the time of this report. This report would have provided the most up-to-date data on the Australian federal public service rates.

Given the non-availability of the December 2008 APS Survey, we have updated the 2007 APS data on the basis of estimated movement in the median data to December 2008. Our estimate is guided by two considerations, the Remuneration Tribunal determination dated 5 June 2008 and a slowing rate of pay growth due to the recession.

The Remuneration Tribunal, in forming a view on the level of movement appropriate for senior public executives, the Tribunal noted in its Statement dated 5 June 2008:

“The inflation rate for the twelve months to March 2008 was 4.2%. The average annualised wage increase (AAWI) in public sector wage agreements concluded in the December 2007 quarter was 4.2%. For all current public sector wage agreements, the average annualised wage increase was 4.3%.”

The Remuneration Tribunal concluded that an increase of 4.3% would be appropriate for senior public service, judicial and other officers within its jurisdiction, with effect from 1 July 2008. This level also applied to Principal Executive Officers within the Australian Public Service.

While this increase would undoubtedly have affected the median data in the December 2008 APS survey, the gradual onset of recession is likely to have seen a slowing in the rate of wage inflation experienced in both New Zealand and Australia over the past 3 years. Australia's experience is likely to be similar to New Zealand where wage spikes take several months to show up in remuneration surveys. We have seen a slowing of wage growth in Strategic Pay's March surveys but the true onset of the recession and pay restraint, even pay cuts, will not be reflected in our salary surveys until our September 2009 and March 2010 surveys.

In the absence of the December 2008 APS Remuneration Survey, an increase of 4.0% has been applied to the 2007 APS Remuneration survey data which was provided to the participating CROP agencies in June 2008.

5 Fiji All Organisations 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 2009 All Organisations survey.

6 Market Data Analysis

We are advised that the CROP salary scale midpoints as at 1 January 2009 are as follows:

Grade	CED Points			Current Midpoint SDR
	Min	Midpoint	Max	
M	1050	1180	1310	79,091
L	840	945	1049	65,038
K	630	735	839	54,595
J	470	550	629	44,303
I	260	365	469	29,470

Grade	CED Points			Current Midpoint Fiji \$
	Min	Midpoint	Max	
H	350	410	469	46,457
G	260	305	349	34,410
F	200	230	259	26,590
E	150	175	199	20,849
D	110	130	149	16,156
C	80	95	109	13,432
B	60	70	79	12,604
A	40	50	59	11,938

The average SDR rates for March 2009 were:

- Australian dollar - 2.233935 (source: http://www.imf.org/external/np/fin/data/param_rms_mth.aspx)
- New Zealand dollar - 2.800831 (source: http://www.imf.org/external/np/fin/data/param_rms_mth.aspx)
- Fiji dollar - 2.720348 (source Fiji Reserve Bank as quoted by S Jones)

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, April 2009

Grade	CED Points			Current Midpoint SDR	Base Salary SDR New Zealand Public Service	Current Midpoint of NZ Mkt
	Min	Midpoint	Max			
M	1050	1180	1310	79,091	88,387	89.5%
L	840	945	1049	65,038	68,024	95.6%
K	630	735	839	54,595	52,813	103.4%
J	470	550	629	44,303	38,769	114.3%
I	260	365	469	29,470	26,745	110.2%

Table B:

Current Scale of Australian Public Service

Grade	CED Points			Current Midpoint SDR	Base Salary SDR Australian Public Service	Current Midpoint cf Aust Mkt
	Min	Midpoint	Max			
M	1050	1180	1310	79,091	78,408	100.9%
L	840	945	1049	65,038	67,431	96.5%
K	630	735	839	54,595	57,991	94.1%
J	470	550	629	44,303	49,872	88.8%
I	260	365	469	29,470	31,657	93.1%

Table C:

Current Scale of Fiji General Market

Grade	CED Points			Current Midpoint SDR	Base Salary SDR Fiji General Market UQ	Current Midpoint cf Fiji Mkt	PwC Points
	Min	Midpoint	Max				
M	1050	1180	1310	79,091	53,775	147.1%	1215
L	840	945	1049	65,038	36,651	177.5%	975
K	630	735	839	54,595	28,881	189.0%	801
J	470	550	629	44,303	21,322	207.8%	629
I	260	365	469	29,470	14,016	210.3%	457

Table D:

NZ Public Service - A-H - Fiji Dollar Comparisons

Grade	CED Points			Current Midpoint	Base Salary NZ Public Service \$Fiji	Current Midpoint cf NZ Pub Svc
	Min	Midpoint	Max			
H	350	410	469	46,457	80,619	57.6%
G	260	305	349	34,410	62,364	55.2%
F	200	230	259	26,590	50,806	52.3%
E	150	175	199	20,849	43,484	47.9%
D	110	130	149	16,156	38,124	42.4%
C	80	95	109	13,432	33,955	39.6%
B	60	70	79	12,604	30,977	40.7%
A	40	50	59	11,938	28,595	41.7%

Table E:

Aust Public Service - A-H - Fiji Dollar Comparisons

Grade	CED Points			Current Midpoint	Base Salary Aust Public Service \$Fiji	Current Midpoint cf Aust Pub Svc
	Min	Midpoint	Max			
H	350	410	469	46,457	91,817	50.6%
G	260	305	349	34,410	73,327	46.9%
F	200	230	259	26,590	64,237	41.4%
E	150	175	199	20,849	57,121	36.5%
D	110	130	149	16,156	51,653	31.3%
C	80	95	109	13,432	49,024	27.4%
B	60	70	79	12,604	47,145	26.7%
A	40	50	59	11,938	45,643	26.2%

Table F:

Market Median Tables Support/Technical Staff CROP Scale - Fiji-based

Grade	CED Points			Current Midpoint	Base Salary Fiji Gen Market \$Fiji UQ	Current Midpoint cf \$Fiji UQ	PwC Points
	Min	Midpoint	Max				
H	350	410	469	46,457	43,291	107.3%	502
G	260	305	349	34,410	31,304	109.9%	397
F	200	230	259	26,590	24,206	109.8%	322
E	150	175	199	20,849	19,001	109.7%	267
D	110	130	149	16,156	14,742	109.6%	222
C	80	95	109	13,432	11,748	114.3%	187
B	60	70	79	12,604	9,995	126.1%	162
A	40	50	59	11,938	8,592	138.9%	142

Table G:

Market Median Tables Support/Technical Staff SPC Scale - Fiji-based

Grade	CED Points			Current Midpoint	Base Salary Fiji Gen Market \$Fiji UQ	Current Midpoint cf \$Fiji UQ	PwC Points
	Min	Midpoint	Max				
H	212	236	259	44,374	24,774	179.1%	328
G	168	190	211	34,200	20,420	167.5%	282
F	133	150	167	26,480	16,635	159.2%	242
E	105	119	132	20,960	13,701	153.0%	211
D	83	94	104	16,550	11,678	141.7%	186
C	66	74	82	14,340	10,275	139.6%	166
B	52	59	65	12,140	9,223	131.6%	151
A	40	46	51	10,859	8,311	130.7%	138

Table H:

Summary Movements 2008-9

Grade	Base Salary SDR New Zealand Public Service Table A			Base Salary SDR Australian Public Service Table B			Base Salary SDR PwC Fiji All Organisations UQ Table C		
	2008	2009	% change	2008	2009	% change	2008	2009	% change
M	96,016	88,387	-7.9%	96,511	78,408	-18.8%	59,022	53,775	-8.9%
L	79,317	68,024	-14.2%	83,006	67,431	-18.8%	47,350	36,651	-22.6%
K	65,609	52,813	-19.5%	71,372	57,991	-18.7%	32,015	28,881	-9.8%
J	51,239	38,769	-24.3%	61,358	49,872	-18.7%	22,972	21,322	-7.2%
I	35,451	26,745	-24.6%	39,556	31,657	-20.0%	15,338	14,016	-8.6%

Grade	Base Salary \$Fiji New Zealand Public Service* Table D			Base Salary \$Fiji Australian Public Service** Table E			Base Salary \$Fiji PwC Fiji All Organisations UQ Table F		
	2008	2009	% change	2008	2009	% change	2008	2009	% change
H	96,420	80,619	-16.4%	102,582	91,817	-10.5%	42,241	43,291	2.5%
G	72,725	62,364	-14.2%	81,833	73,327	-10.4%	31,296	31,304	0.0%
F	59,616	50,806	-14.8%	72,198	64,237	-11.0%	24,177	24,206	0.1%
E	51,530	43,484	-15.6%	64,949	57,121	-12.1%	18,957	19,001	0.2%
D	45,749	38,124	-16.7%	59,375	51,653	-13.0%	14,685	14,742	0.4%
C	41,776	33,955	-18.7%	56,198	49,024	-12.8%	12,207	11,748	-3.8%
B	39,571	30,977	-21.7%	53,928	47,145	-12.6%	11,457	9,995	-12.8%
A	37,807	28,595	-24.4%	52,113	45,643	-12.4%	10,857	8,592	-20.9%

7 Proposed New CROP Scale

The following tables show current market data for the indicative pay bands developed as part of the Triennial Review:

Grade	PwC Points			Base Salary SDR March 2009			
				Australian Public Service Median BS	New Zealand Public Service Median BS	Fiji General Market UQ Base Salary	Average
	Min	Midpoint	Max				
14	981	1056	1130	70,895	74,888	41,877	62,553
13	846	913	980	65,137	62,604	33,882	53,874
12	731	788	845	57,341	51,746	28,309	45,799
11	631	681	730	49,940	43,013	23,607	38,853
10	546	588	630	43,796	35,574	19,541	32,971
9	471	508	545	34,800	30,050	16,167	27,005
8	406	438	470	29,094	25,528	13,215	22,612
7	351	378	405	26,137	21,849	10,846	19,611
6	296	323	350	23,662	18,733	8,933	17,109
5	251	273	295	21,266	16,248	7,193	14,902
4	213	232	250	19,434	14,452	5,767	13,218
3	180	196	212	18,270	12,876	4,551	11,899
2	154	167	179	17,496	11,606	3,803	10,968
1	130	142	153	16,697	10,511	3,158	10,122

Grade	PwC Points			Base Salary FJD March 2009			
				Australian Public Service Median BS	New Zealand Public Service Median BS	Fiji General Market UQ Base Salary	Average
	Min	Midpoint	Max				
14	981	1056	1130	192,860	203,720	113,920	170,167
13	846	913	980	177,195	170,305	92,171	146,557
12	731	788	845	155,987	140,767	77,010	124,588
11	631	681	730	135,853	117,010	64,219	105,694
10	546	588	630	119,141	96,774	53,159	89,691
9	471	508	545	94,667	81,746	43,980	73,464
8	406	438	470	79,147	69,446	35,948	61,514
7	351	378	405	71,101	59,436	29,506	53,348
6	296	323	350	64,369	50,960	24,301	46,543
5	251	273	295	57,850	44,199	19,569	40,539
4	213	232	250	52,868	39,315	15,688	35,957
3	180	196	212	49,700	35,027	12,379	32,369
2	154	167	179	47,596	31,573	10,345	29,838
1	130	142	153	45,423	28,595	8,592	27,537

8 Comparison Charts

The raw market data sourced from the above reference markets has been further analysed to produce the following charts:

- Chart A: CROP Professional NZ, reported in SDR format
- Chart B: CROP Professional Fiji, reported in SDR format
- Chart C: CROP Support NZ Public Service, reported in Fiji dollars
- Chart D: CROP Support Fiji Market, reported in Fiji dollars

Please note that two Charts from our reports in earlier years relating to the Australian public service cannot be re-produced as Australian data is no longer available in the same format as for Strategic Pay NZ and PwC Fiji.

Annex 1



Chart A

CROP Market Study April 2009 - NZ Public Service Market Base Salary

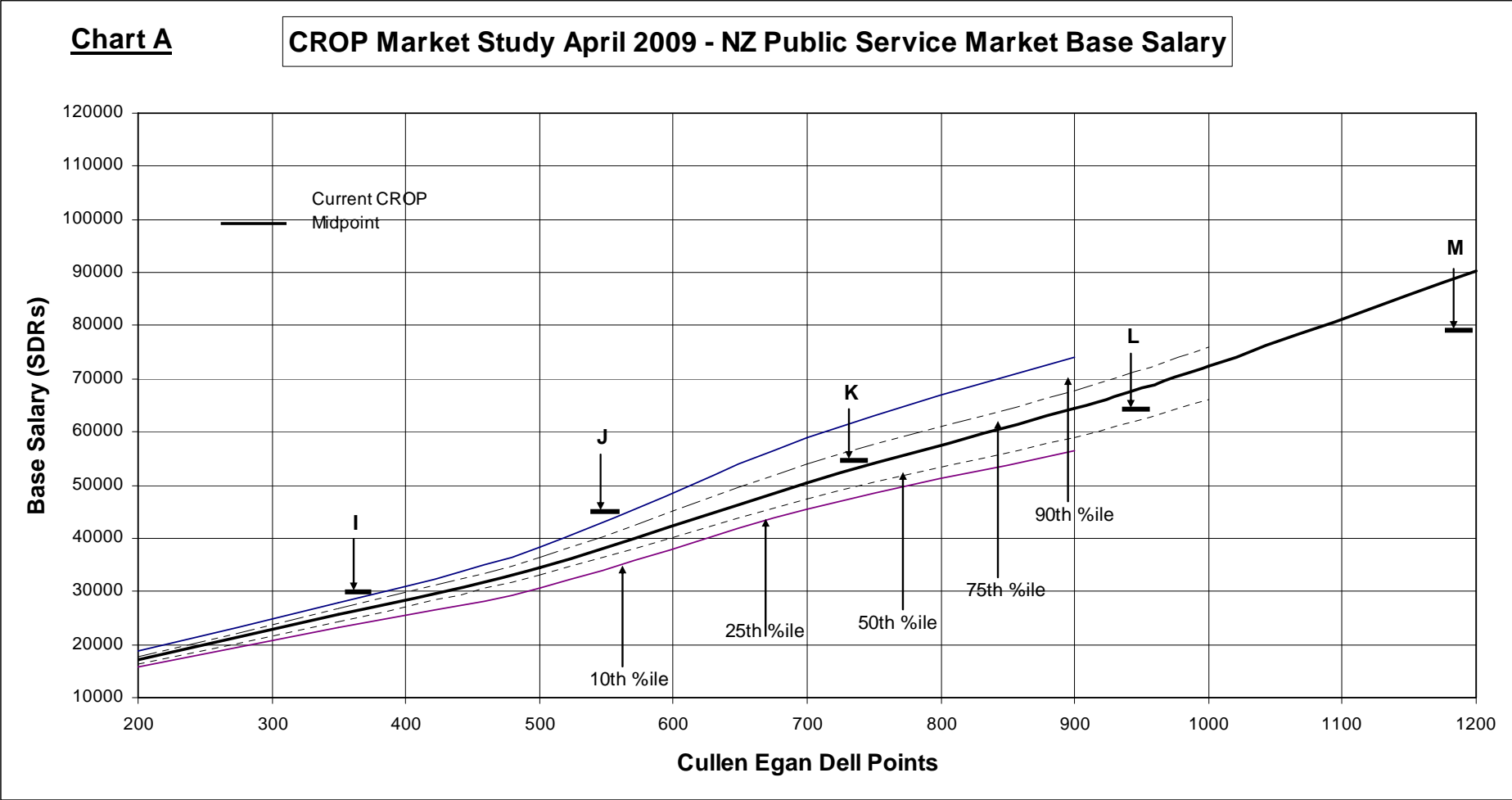


Chart B

**CROP Market Study April 2009
- Fiji All Organisations Market Base Salary - Professional Staff**

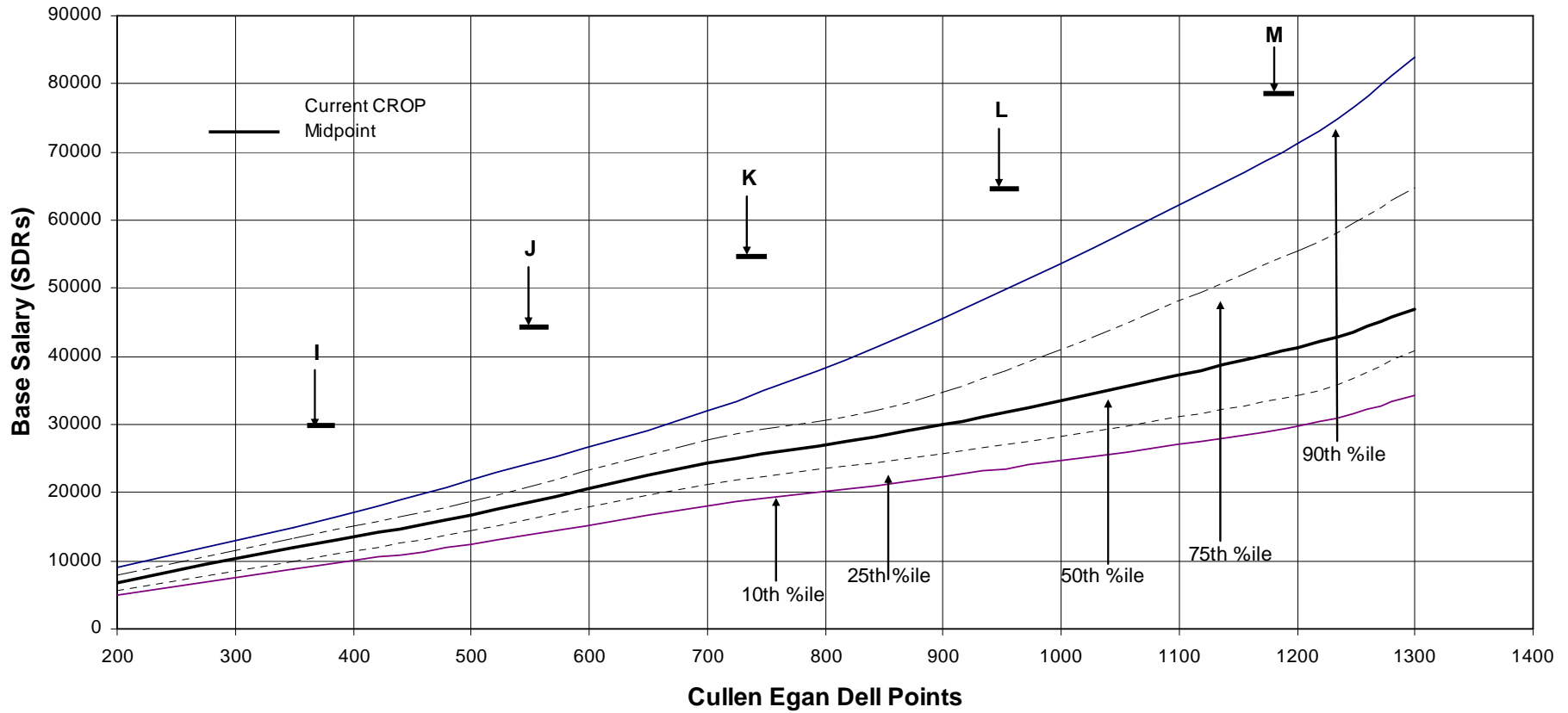


Chart C

CROP Market Study April 2009 - NZ Public Service Base Salary Grades A-H Fiji \$

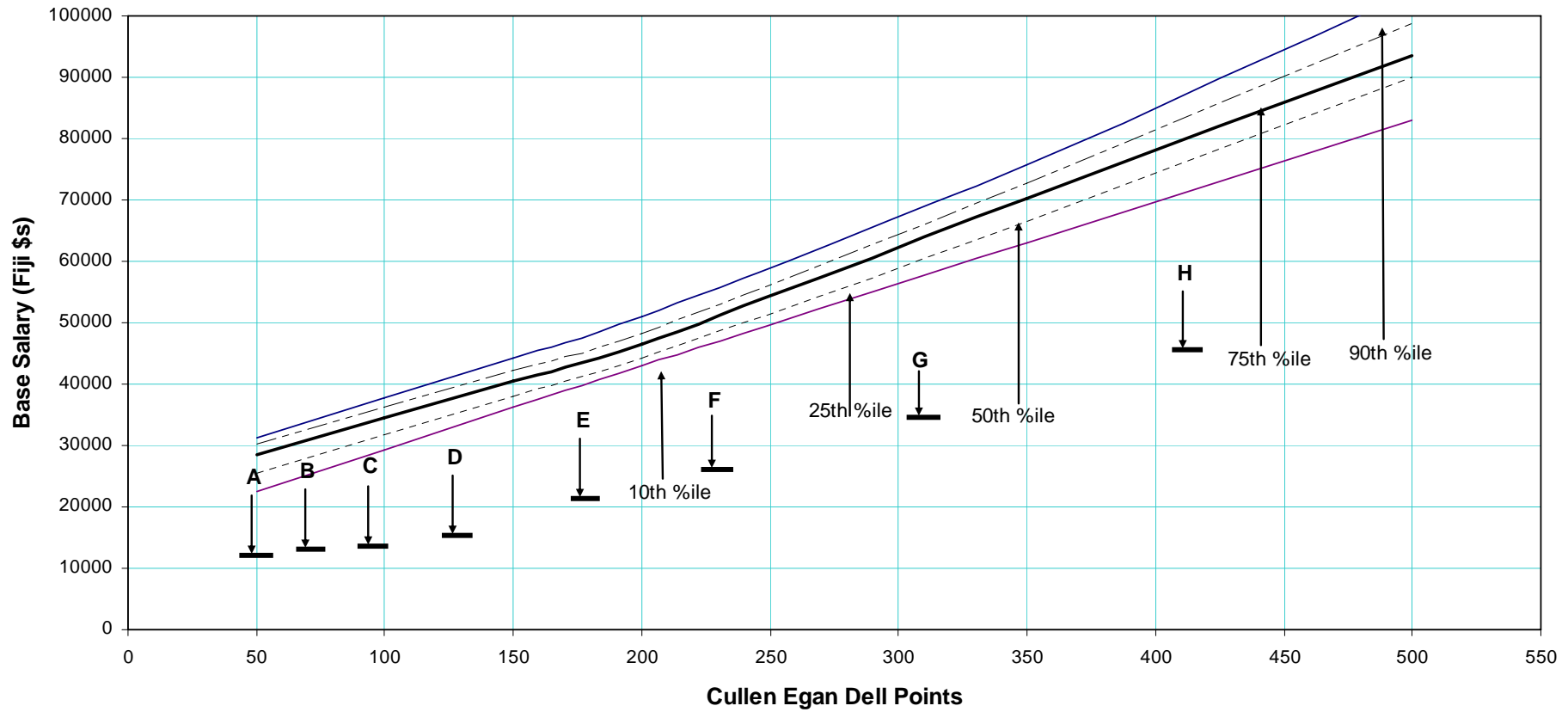
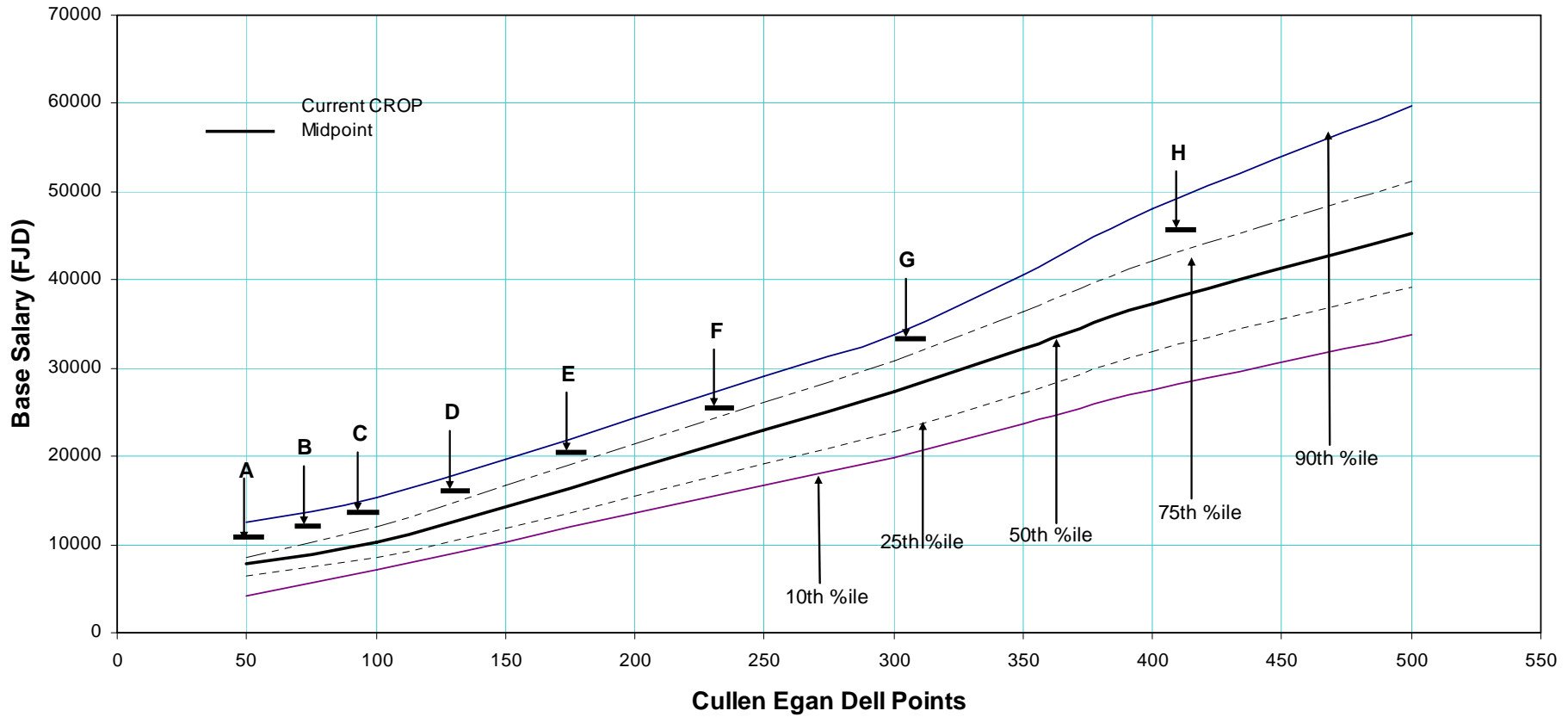


Chart D

CROP Market Study April 2009 - Fiji All Organisations Market Base Salary - Support Staff



9 Strategic Pay

During the years Strategic Pay has been conducting this annual research for the CROP agencies, Strategic Pay has grown rapidly to become one of the largest remuneration databases in NZ, with over 330 organisations contributing to the March 2009 General Market survey, in addition to significant sampling in sector surveys covering Local Government, Central Government, Education, Engineering, Not for Profit and the Wine Industry. The Directors' Fees survey is considered the pre-eminent survey of its type in New Zealand. Offices in Auckland, Wellington and Dunedin are serviced by a staff of 22, including 14 specialist remuneration consulting staff. Strategic Pay has put considerable investment into modernizing and re-launching the legacy PricewaterhouseCoopers and Strategic Pay job evaluation systems and survey databases.