

**SECRETARIAT OF THE PACIFIC COMMUNITY****THIRTY-FOURTH MEETING OF THE  
COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS**  
(Noumea, New Caledonia, 16-19 November 2004)**CROP REMUNERATION ARRANGEMENTS**

(Paper presented by the Secretariat)

**PURPOSE**

This paper presents the work and the recommendations of the ‘CROP Harmonisation Working Group’ regarding the employment terms and conditions of professional staff of participating regional organisations, for consideration by CRGA.

**BACKGROUND**

It is a CRGA and CROP policy to review the employment terms and conditions of CROP staff every three years. The most recent such review was conducted in 2003 by Mercer, a human resource consulting company. The report demonstrated that harmonisation of terms and conditions among participating CROP agencies had largely been achieved. It also found, however, that professional salaries had significantly fallen behind the Australian Public Service, which CRGA and other governing bodies had set as the comparator market for CROP salaries.

In the case of SPC, the company’s final study report became available only at the November 2003 CRGA meeting, leaving insufficient time to study fully the report and the appropriateness of the suggested salary changes, CRGA decided to:

- “1. Endorse the formal reconvening of the CROP Working Group on remuneration (consisting of the Suva-based missions with assistance from CROP agencies) to consider fully the findings of the Mercer report, paying particular attention to:
  - a. Appropriate future benchmarks such as a basket of comparators and not solely the Australian Public Service as comparator,
  - b. Remunerations that will attract and retain qualified professionals, using information and statistics on staff recruitment and retainment to be provided by the Secretariat and other CROP organisations;
2. Request the Working Group to prepare a report for consideration by CROP governing bodies, including CRGA, in 2004.”

CRGA was, however, able to approve an interim pay adjustment of five per cent to be funded from existing budgetary resources. The same position (on the working group and the interim pay adjustment) was taken by subsequently by the governing bodies of SOPAC, SPBEA and the Pacific Islands Forum Secretariat.

The Working Group approach had been used effectively for the previous (i.e. 1999/2000 CROP Remuneration Exercise). This time round, the group was composed of the Suva-based missions with CROP agency staff participating as observers only. Members of the Working group were Australia, Federated States of Micronesia, Fiji Islands, France, Kiribati, Marshall Islands, Nauru, New Zealand (chair of the Working Group), Papua New Guinea, Tuvalu and the United States of America. CROP Organisations (FFA, PIFS, SOPAC, SPBEA, SPC and SPREP) were invited to all but the last meeting of the group. Their role was to inform the Working Group in its deliberations.

The working group's report was presented to the 2004 Pre-Forum Officials Committee meeting in August 2004, which was the first governing body to meet after the completion of the Working Group's report in June. Sixteen recommendations resulted from the Working Group, fifteen of them applicable to all participating CROP organisations, and the sixteenth, only to the PIFS. The full report of the working group is attached as Annex 1 to this paper.

*A note on support staff terms and conditions*

The Working Group's report and this CRGA focus almost entirely on issues related to professional staff terms and conditions of employment. This apparent bias is explained by the fact that support staff terms and conditions were discussed at CRGA in November 2003. CRGA representatives would recall that the independent surveys on support staff terms and conditions had demonstrated that no adjustments with material financial impact were necessary in either New Caledonia or Fiji Islands. Only maternity leave had to be lengthened at SPC headquarters to bring this entitlement in line with local regulations, which has since been done.

## **CROP HARMONISATION AND SPC GOVERNANCE MECHANISMS**

The CROP Harmonisation policy helps simplify the work of the various governing bodies by rationalising the required policy development work. It helps ensure broad comparability of terms and conditions among the participating agencies and normally saves significant amounts of money by allowing the cost-sharing of necessary surveys, including external salary surveys.

There is recognition that in certain areas total harmonisation may not be possible or desirable. For example, in the case of support staff salaries, the agreed position is to use the local markets as reference points. Actual salaries for this staff category may vary from agency to agency. The "CROP Harmonisation and Remuneration Guiding Principles and Strategies", which are the subject of recommendation 2 and reproduced in the Working Group's report as Annex 1, make the case for appropriate flexibility.

The outcomes of the CROP Harmonisation Working Groups discussions are non-binding. As recommendations, they need to be considered and formally approved, as appropriate, by each Governing Council. Similarly, while all of them will be interested in hearing about each other's decisions, no governing body of any regional organisation is in a position to instruct those of other organisations. Last year's decision by CRGA to approve the interim pay adjustment of five per cent, for instance, was not automatically applied to the other agencies.

Rather, each governing body considered the increase on its merit and in the context of its organisation's resources.

As experience has shown, however, the way in which CROP Harmonisation is approached (i.e. through the involvement of many stakeholders and outside experts, the sharing of experience and open discussions between partners) normally ensures that the report and the recommendations of the Working Group can be dealt with quite efficiently by each governing council, including CRGA.

The Secretariat is therefore happy to recommend to CRGA the adoption of most of the Working Group's 15 relevant recommendations. We have some reservations about recommendations 14 (housing and education allowances) and 15 (six-year rule) and some aspects of other recommendations. These are discussed in the next section of this paper.

## **SUMMARY OF WORKING GROUP RECOMMENDATIONS WITH COMMENTARY AND RECOMMENDATIONS BY THE SECRETARIAT**

As indicated earlier in this document, the Working Group made 16 recommendations. The 16th recommendation related to Forum Secretariat support staff only and is not reproduced here (but included in the Annex). Under each Working Group recommendation, the Secretariat has inserted its own recommendation to CRGA and a commentary where appropriate.

### **WG Recommendation 1:**

Efficiency gains should be fully exploited by CROP agencies before any requests for increases in Member contributions are considered by Governing Bodies.

Secretariat's recommendation to CRGA: Accept.

Commentary: This is good business practice and SPC's policy too.

### **WG Recommendation 2:**

The CROP Harmonisation and Remuneration Guiding Principles and Strategies, as presented in Annex I, be adopted.

Secretariat's recommendation to CRGA: Adopt.

### **WG Recommendation 3:**

CROP agencies should continue to use the SDR to denominate salary scales and should adopt the stabilisation mechanism described (refer paragraph 18), effective from 1 January 2005. Further compensatory payment for exchange rate fluctuations, such as the 5% one-off temporary adjustment approved for 2004, was no longer necessary.

Secretariat's recommendation to CRGA: Adopt.

Commentary: The stabilisation mechanism referred to is the one that CROP organisations had already operated for 2004: The SDR/local currency exchange rate is averaged over a 12-month period. This reference rate is then used to calculate a ceiling (reference plus 5 per cent), beyond which the local currency salary may not rise, and a floor (reference minus 5 per cent), below which the local currency salary is not allowed to fall.

In the case of SPC and other regional organisations, the main rationale for granting the five per cent temporary salary adjustment was to ensure that the gap between professional salaries at SPC and those of the comparator market was not growing even wider.

**WG Recommendation 4:**

In the case of an unpredictable event that significantly impacts on exchange rates, CROP agencies should immediately investigate and implement appropriate remedial action.

Secretariat's recommendation to CRGA: Adopt.

Commentary: The stabilisation mechanism referred to in recommendation 3 and the fact that the base currency for salaries is the SDR should make the need for such "remedial action" highly unlikely.

**WG Recommendation 5:**

The median of the APS no longer be used as the comparator market for professional staff and Australia (public service sector), Fiji (all organisations) and New Zealand (public service sector) markets be established as reference markets.

**WG Recommendation 6:**

Annual tracking of the reference market data and analysis of CROP recruitment, retention and other data for monitoring CROP salary scales should be undertaken.

**WG Recommendation 7:<sup>1</sup>**

- a) Data from all three markets should be reviewed by a CROP agency working group annually and submitted to the CROP Heads meeting.
- b) 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.

**WG Recommendation 8:**

The currency for comparison of reference markets should be the SDR and the appropriate exchange rate to be used for the conversion from the reference market currency to SDR should be the average for the month falling at the end of the period for which the market data is relevant.

Secretariat's recommendation to CRGA: Adopt recommendations 5, 6, 7 a) and 8.

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<sup>1</sup> For ease of discussion, the Secretariat has split recommendation 7 in parts a) and b).

Commentary: The main proposed policy change here is to sever the automatic link to the Australia Public Service, which staff had expected to see applied for the current CROP Remuneration Review exercise. From a staff perspective, this is a very important change with significant financial impact; however, the continuing significant salary increases in the comparator market can simply not be matched by SPC or the other regional organisations. The Working Group considered New Zealand public service as a possible comparator market but found that a link to this market was not affordable either.

As an alternative approach, the Working Group recommends to use independent specialised human resource consulting companies to monitor developments in three so-called “reference markets” (Australia, Fiji Islands and New Zealand) , discuss their findings at CROP level (taking into account affordability issues and relevant personnel statistics such as recruitment and retention data) and present recommendations to the various governing councils. This approach is in line with CRGA’s decisions last year and seems a very sensible approach.

Regarding Recommendation 7 b) and as discussed before in this paper, governing councils are independent of each other, and CROP harmonisation seems to work most effectively if this governance principle is respected. There may well be again years where CRGA may be asked to consider remuneration issues before other governing councils, as was the case last year.

**WG Recommendation 9:**

a) A 5% increase should be applied equally across the CROP professional staff salary scale effective from 1 January 2005. Movement of staff into the new salary scale will be subject to satisfactory performance except for some agencies in the transition year 2005.

Secretariat’s recommendation to CRGA: Adopt 9 a).

Commentary: Annex II of the Working Group’s report makes a strong case for making the 2004 “interim pay adjustment” of five per cent permanent. CRGA had also discussed the rationale for this adjustment at its meeting last year and granted it as a temporary measure pending the outcomes of the Working Group discussions. These have now reconfirmed the need for this adjustment. In order to avoid having to operate multiple salary scales, SPC is planning to move all professional staff to the new salary scale (attached to this paper) from January 2005. We would also note that the Secretariat already has in place an effective performance planning and appraisal process that provides a monetary reward only to those staff that perform well.

**WG Recommendation 10:**

In order to contribute to the cost of the 5% increase in the salary scale, CROP agencies should continue to achieve ongoing efficiency and productivity gains.

Secretariat’s recommendation to CRGA: Adopt.

Commentary: The 5% increase has in fact been fully funded (rather than partially) from existing resources in both the 2004 and 2005 budgets.

**WG Recommendation 11:**

In future any increases to the salary scale should be applied differentially across the grades.

Secretariat's recommendation to CRGA: Adopt.

Commentary: What the Working Group's recommendation is intended to encourage is a salary-grade specific analysis of movements in the reference markets and a grade-specific application to CROP salary scales. For instance, if the salaries of, say, positions equivalent to CROP advisers (grade J) have risen relatively more than those of director-level positions (grade K) in the reference markets, CROP agencies should, in future, be prepared to increase these grade J salaries by a percentage different from that applied to director positions.

**Recommendation 12:**

CROP agencies through their Governing Bodies encourage Members to consider more favourable taxation arrangements for their staff.

**WG Recommendation 13:**

The tax exempt status of many CROP agency staff be considered in the annual examination of relativities between the CROP salary scale and the reference markets.

Secretariat's recommendation to CRGA: Adopt/

**WG Recommendation 14:**

The CROP harmonised remuneration arrangements as attached in Annex VI and VII be adopted.

Secretariat's recommendation to CRGA: Adopt, noting that the Working Group has not completed its discussions on housing and education allowances.

Commentary: At the time of writing this report, the Working Group has not been able to reach a consensus on whether to recommend continuation of the current practice to grant housing and education allowances to professional staff that are nationals of host countries. Independent advice on the issue has been sought by the Chair of the Working Group from an HR consultancy.

The Secretariat's policy has been not to discriminate on the basis of nationality. We believe that it is important that the "equal pay for equal work" principle continues to apply. This view is shared by representatives of our two main hosts and all heads of other CROP organisations. With our headquarters being located in a territory, our situation is also more complex than that of other regional organisations. Our French staff are all French nationals, whether or not they consider New Caledonia their permanent home. The Secretariat doubts it would be appropriate or feasible to separate them into two groups for a contractual purpose.

The Secretariat will be happy to report to CRGA in 2005, or earlier out-of-session, on any progress with the issue of housing and education allowances.

**WG Recommendation 15 (main report):**

On the matter of the application of the six-year rule to the other CROP agencies the Working Group seeks further clarification.

Commentary: Following the recommendations by the Eminent Persons Group, Forum Leaders decided to institute a rigid six-year rule for professional positions for the Pacific Islands Forum Secretariat. Under this rule, staff may serve no more than two contracts (i.e. six years) at the Secretariat.

In its report, the Working Group notes its uncertainty as to whether Leaders meant to apply this rule to other CROP agencies. It therefore agreed to seek further clarification, and decided to seek this clarification from the Forum Officials Committee, at the August FOC meeting. FOC advised that it had an understanding that the six-year rule was to be harmonised across all CROP agencies. FOC members at the meeting discussed that there was merit in bringing people back to their homes after regional service but also saw merit in retaining specialised staff in technical organisations.

The Chair of the CROP Harmonisation Working Group subsequently called another meeting in October to discuss the issue. CROP agency observers were not invited to that meeting, at which five of the eleven members were present. The report of that meeting includes a recommendation that a strict six-year rule be applied to other participating agencies as well, with some flexibility, however, provided in “truly exceptional circumstances”.

The Secretariat regrets that it has not had an opportunity to contribute to the discussions about the six-year rule in the context of the CROP Harmonisation Working Group. It is also concerned that CROP harmonisation be continued as a partnership arrangement between the various governing bodies.

On the issue of the six-year rule itself, the Secretariat recommends to CRGA to continue the current application of the policy at SPC, as approved by the Conference of the Pacific Community (re the Tahiti Declaration):

- Professional positions must be advertised internationally after six years (i.e. normally two three-year contracts). Incumbents may reapply, and selection is based on merit.
- In the case of the top management positions, the Director-General may serve no more than three two-year terms and the two deputies no more than two three-year contracts.

As is, the Secretariat normally has a healthy staff turnover, although this year it has actually been higher than we would have liked. Staff typically stay for one or two contracts and then move back to their home countries to join the public sector, NGOs or private sector companies or decide to move elsewhere altogether. Some decide to present themselves for re-appointment but they are aware that they have no guarantee of winning their jobs back.

In the Secretariat’s view, contracts and contract renewals are an essential performance management tool for the Director-General. He/she must ensure that there is an appropriate balance of new and longer-serving staff, that their performance is regularly monitored and evaluated and, most importantly, that the organisation has the knowledge and skills to provide excellent service to its islands member countries and territories.

The Secretariat believes that the current six-year rule, as approved by Conference, has served the organisation well. It is a very effective way to test the market and encourage continuing good performance, and it is flexible enough to provide for the needs of an organisation like SPC that requires highly specialised skills in its staff.

Recommendation to CRGA: Reconfirm the current six-year rule.

## **RECOMMENDATIONS**

CRGA is invited to:

- i) Note the work undertaken by the CROP Harmonisation Working Group.
- ii) Note the Secretariat's general comments on CROP Harmonisation and SPC Governance Mechanisms.
- iii) Consider and approve recommendations 1 to 7 a), 8 to 14 as per the Working Group's report; and
- iv) Reconfirm SPC's current six-year rule as approved by Conference.

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15 October 2004