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Working Paper

WORKING PAPER NO. 8.B REPORT ON REMUNERATION

(Paper presented by the Secretariat)

Paper summary

- 1. Remuneration challenges and recommendations:** The Pacific Community (SPC)'s remuneration structure faces challenges due to slow market growth, inflation and rising living costs, which may have had an impact on staff turnover and salary pressures. SPC's attrition level for 2023 was 16%, and as of August 2024, it was 10%. Based on a comparator with SPC's Council of Regional Organisations in the Pacific (CROP) sister agencies, a review recommended a 1.5% general market increase (GMI) for all staff and a 2% increase in the employer pension contribution to retain talent and maintain competitiveness with other CROP agencies, given the visible salary gaps.
- 2. Economic context and rationale:** The Pacific region saw strong economic growth in 2023, but inflation and living costs remain high. The report highlights that aligning salary scales with market trends is crucial for staff retention and morale, recommending adjustments to address the growing cost of living and economic recovery post-pandemic.

Key points

- 3. Remuneration challenges:** SPC faces slow market salary adjustments, inflationary pressures, rising living costs and increasing staff turnover, especially in key divisions like Geoscience, Energy and Maritime (GEM) and Fisheries, Aquaculture and Marine Ecosystems (FAME).
- 4. Proposed increases:** Recommendations for 2024 included a 1.5% GMI for all staff and a 2% increase in employer pension contribution to retain talent and ensure competitive compensation.
- 5. Economic growth:** The Pacific region experienced a significant rebound in 2023, growing by 4.1%. However, 2024 growth is expected to slow to 3.4% due to global challenges.
- 6. Turnover concern:** SPC's turnover rate has risen from 10% in 2021 to 16% in 2023 and was 10% in August 2024, highlighting the need for urgent retention strategies.
- 7. Market comparison:** SPC's salary scales lag behind other CROP agencies, particularly at senior levels, necessitating adjustments to maintain competitive positioning.

8. **Pension scheme:** Employer contribution to pensions increased from 8% to 10%, aligning with Fiji's legislation and other CROP sister agencies, ensuring long-term financial security for staff. SPC's Manual of Staff Policies has been updated accordingly.

Recommendations

9. CRGA is requested to:
- i. note that the Secretariat has given a general market increase in salaries for 2024 of 1.5% and a 2% increase in employer pension contribution;
 - ii. re-convene the Remuneration Reference Group before April 2025 to review SPC's salary scale, benefits and allowances so that they are comparable with other CROP agencies; and
 - iii. acknowledge that SPC has implemented allowances for Solomon Islands under the authority of the Director-General to approve allowances.

Background

10. SPC's remuneration structure is losing competitiveness due to the fact that its **general market increase** has either not changed (as during the COVID-19 pandemic) or only incrementally (by 1-2%) over the last five years. To better position SPC to ensure that it is competitive compared with other CROP agencies, a review has been conducted to compare employment conditions at SPC with those of other key organisations such as CROP sister agencies and other development agencies in the region. To ensure talent retention within key functions and positions and maintain SPC's designation as an organisation of 'first choice' in the region, a review of the current remuneration package was conducted. Despite post-pandemic economic recovery, global uncertainties – and notably, the civil unrest in New Caledonia – inflationary pressures have led to skill shortages, salary pressure and increased cost of living for staff.
11. Ensuring the attraction and retention of talent is crucial for SPC to effectively execute business/work plans and realise our strategic vision for the Blue Pacific.

CRGA Remuneration Report

12. This document presents the findings of reviews conducted by the Human Resources department, approved by the Executive, for the Remuneration Reference Group. Established at CRGA 49, the Remuneration Reference Group assists the Secretariat (comprising the Director-General; Deputy Director-General, Operations and Integration; Human Resources Director; and HR Manager, Remuneration, Systems and Health & Safety) in sense-checking its remuneration proposals prior to submission to CRGA. Members of the Remuneration Reference Group include representatives from the USA, France and New Zealand. At the last meeting, held in March 2024, Cook Islands joined the remuneration review.
13. During CRGA 53, held 23–25 October 2023, the Remuneration Reference Group was endorsed to reconvene in order to review the remuneration of all SPC staff, considering economic factors and insights from the CROP market reference report conducted by Strategic Pay Ltd.

Remuneration initiatives

14. The Human Resources department completed an in-depth analysis of the remuneration market, compiling relevant data and costings. Based on the analysis, HR presented recommendations to the Remuneration Reference Group for their consideration.
15. As part of the internal consultation process, SPC staff representatives for Noumea and Suva were also engaged to ensure comprehensive input.
16. Two key recommendations emerged:
 - i. Proposed general market increase (GMI) of 1.5% for positions advertised locally (PAL) and positions advertised internationally (PAI) staff.
 - ii. Mandatory employer pension contribution increase of 2%.

Year	Change
2023	1.5% GMI, 2% increase in employer pension contribution
2022	3% PAL salary increase only – 1% GMI, 2% additional cost of living increase
2021	No salary increases

2020	No salary increases
2019	2% GMI, 5% Fiji local salary increase, additional cost of living increase
2018	2% GMI
2017	No salary increases
2016	2% GMI
2015	1.5% GMI

17. The Remuneration Reference Group met on 12 April 2024 to consider the recommendations, and they were shared with CRGA for endorsement.

- i. A GMI of 1.5% in salaries for all eligible positions.
- ii. A 2% increase in employer pension contribution for all eligible positions. There are no proposed changes to the staff contribution.

Economic update

18. In 2023 Pacific economies experienced a significant rebound, collectively growing by 4.1% compared to 1.8% in 2022, driven by growth in Pacific Island countries and territories (PICTs). Strong performance in key tourism destinations like Cook Islands, Fiji and Samoa led the growth, with double-digit increases recorded in Cook Islands at 11.2%, Fiji at 8.3% and Samoa at 8.0%. However, in 2024 regional economic growth is projected to be moderate at 3.4%, with slower gross domestic product (GDP) growth expected in Fiji and Samoa, as well as in other PICTs, including Cook Islands, the Federated States of Micronesia, Solomon Islands, Tonga and Tuvalu. This slowdown is attributed to various factors, including global economic challenges and potential natural disasters. Additionally, risks such as geopolitical tensions and extreme weather events pose further threats to the region's economic outlook in 2024, potentially impacting living standards and real incomes.

Inflation

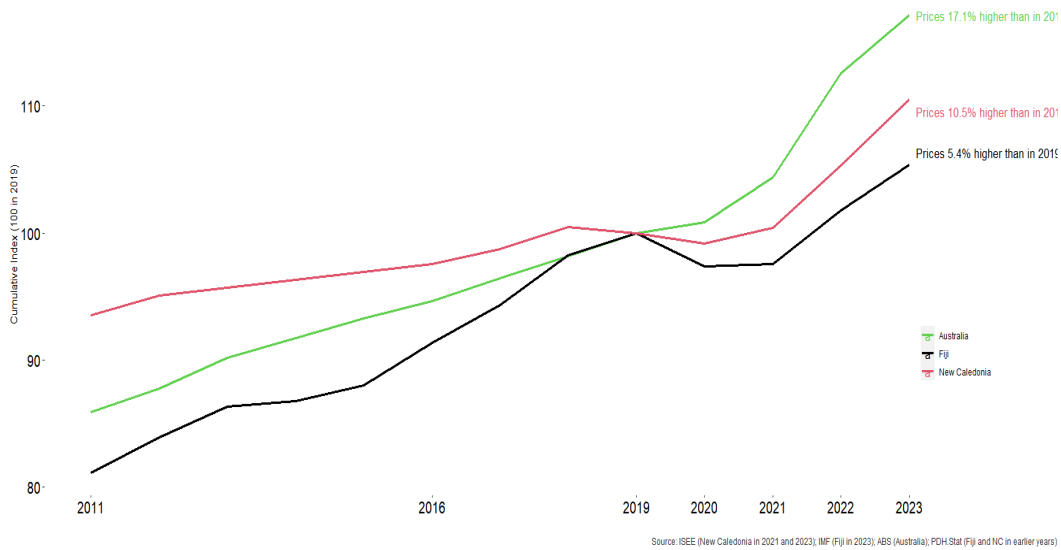
19. The average inflation rate in Fiji between January 2023–December 2023 increased by 2.4% compared to inflation in 2022. The price index increased to 123.2 in December 2023 from an index value of 117.2 in December 2022 (an increase of 5.1%).

20. Meanwhile, average inflation in New Caledonia in 2023 remained mostly unchanged (a minor decrease of 0.1%). The price index increased to 104.97 in December 2023 from 103.18 in December 2022 (an increase of 1.7%).

The change in prices compared to pre-COVID-19 levels

21. The figure below shows the change in prices in 2023 from pre-pandemic levels. The index values of prices in 2019 were taken as a reference. The results show that in 2023 the prices in **New Caledonia** were higher by **10.5%** than the prices in 2019. Prices in **Fiji** were higher by **5.4%** in 2023 compared to prices in 2019. During the same period, prices in **Australia** were higher by more than 17%.

Figure 2: Price change (inflation) in three SPC members, compared to pre-COVID-19 levels base year 2019



Turnover rate

22. SPC has experienced an increase in employee turnover over the past three years, with the overall turnover rate rising from 10% in 2021 to 13% in 2022 and a further increase to 16% in 2023. In 2023 SPC saw an increase in voluntary exits within GEM (24%) and FAME (20%).
23. As of August 2024, SPC had a 10% overall turnover rate. Immediate attention to retention strategies is critical to mitigate further losses and maintain our competitive edge in the market. Employee turnover is a key concern for SPC, impacting operational efficiency and potentially damaging morale. Moreover, ongoing global uncertainty and increased travel costs have hindered SPC's ability to attract top-quality candidates.

2024 (as of August)

Month	Involuntary	Voluntary	Grand total
Jan	6	10	16
Feb	3	7	10
Mar	3	8	11
Apr	2	8	10
May		7	7
Jun	9	2	11
Jul	5	6	11
Aug	4	4	8
Grand total	32	52	84

24. Given current cost-of-living pressures, there is a need to consider salary increases to buffer the impact of global inflation on SPC staff. Forecasts show average salary increases of 3.5% for 2023 in Australia and New Zealand, with more significant increases for lower-level roles and specialist skills in New Zealand. In other regions, like Western Europe, forecasts are slightly

flatter, ranging from 1.5% to 3%, while the Middle East and Asia are looking at increases ranging from 3% to 6%.

25. SPC highlights the need to address these remuneration concerns as overlooking them could affect employee engagement and morale, which could impact the organisation's ability to achieve its goals.

Addressing remuneration challenges

Salary scales

26. A key consideration was a comparison with the other CROP agencies, which are deemed the benchmark for SPC, in line with the CROP mandate to improve cooperation, coordination and collaboration between Pacific inter-governmental organisations.
27. The Secretariat engaged Strategic Pay to provide an independent review of the remuneration structure of SPC. The Strategic Pay consultancy was instrumental in establishing the original banding for CROP agencies, and they are engaged in regular reviews of these bands against the market.
28. The comparative CROP analysis is a critical benchmark for our remuneration strategy. By engaging Strategic Pay, an independent reviewer, we have sought insights into the competitiveness of our salary scales against other CROP agencies, including the Pacific Islands Forum Secretariat (PIFS), the Secretariat of the Pacific Regional Environment Programme (SPREP) and the Forum Fisheries Agency (FFA).
29. The Secretariat's collaboration with Strategic Pay primarily pertains to remuneration and reward strategy, encompassing activities such as job evaluation, market analysis, remuneration assessment and offering insights into CROP band recommendations.
30. The scope of work outlined:
 - i. Testing the current pay levels against existing midpoints (comparative ratios or position in range percentages to determine the pay practice against pay policy).
 - ii. Assessing the competitiveness of the current SPC midpoints against the most recent reference CROP midpoints (based on reference market updates), selected CROP agencies, and international organisations.
 - iii. Commenting on recent market trends, economic conditions and pay practices in relation to the selected CROP agencies and international organisations.

Market data

31. Generally, salary scales in CROP agencies, including SPC, are based on bands, with each having a midpoint. The midpoint is defined as the middle of the salary range and is aligned to the market value for the jobs grouped within a particular band.
32. Based on data analysis, SPC salary scales are relatively weak compared to PIFS and, more specifically, at senior levels across all CROP agencies. Such a revelation necessitates a strategic response to ensure that our remuneration practices remain competitive within the CROP framework, contributing to staff retention and attraction.

Pension scheme

33. Following encouraging economic progress across PICTs and in compliance with Fiji's host country agreement, the Secretariat is now mandated (through the Fiji Host Country Agreement) to raise the employer contribution back to 10%. For the Secretariat to maintain equity, it intends to apply a 10% employer contribution to all employees.
34. A robust pension contribution scheme not only fulfils legal obligations and secures employees' retirement funds, but also serves as a significant factor in attracting and retaining talent within an organisation.

Attracting talent:

35. **Competitive benefits package:** Offering a comprehensive retirement savings plan, including generous superannuation contributions, enhances the overall benefits package offered by the organisation. This can attract prospective employees who prioritise long-term financial security and value employers that invest in their future.
36. **Positive employer image:** Demonstrating a commitment to employees' financial well-being by contributing to their retirement funds portrays the organisation as caring, responsible and employee centric. This positive employer image can make the organisation more appealing to job seekers, positioning SPC as an employer of choice, especially for those seeking stability and security.

Retention of employees:

37. **Financial security:** A well-funded retirement plan provides employees with a sense of financial security and stability, fostering loyalty and commitment to the organisation. Employees are more likely to stay with an employer that actively contributes to their long-term financial goals.
38. **Increased job satisfaction:** Knowing that their employer is investing in their future can boost employee morale and job satisfaction. This, in turn, reduces turnover rates as employees are less inclined to seek opportunities elsewhere.
39. **Enhanced employee engagement:** A robust retirement savings plan, coupled with regular contributions, demonstrates the organisation's commitment to the overall well-being of its employees. This can lead to higher levels of engagement, productivity, and job loyalty among staff.

Allowances and salary scales

40. SPC continues to extend its geographical footprint in the Pacific, including hiring locally recruited staff in new duty stations. The Secretariat was required to implement allowances to cater for appropriate remuneration management of these staff. Allowance schedules are required for international-level roles, which were not previously established in new duty stations.
41. The Secretariat informs members that in 2024 we have implemented education allowances for Solomon Islands. These are based on data sourced from government ministries, government schedules and allowances for relevant locations and roles, current SPC

incumbents, relevant SPC managers and directors, market data, CROP agency practice, UN and industry market benchmarks and industry networks.

42. These allowances were approved under delegated authority under Chapter V, section 1.3 of the Manual of Staff Policies.
43. Overall summary of recommendations presented to the Remuneration Reference Group
 - i. The Secretariat believes that the growth of inflation and other economic indicators in the region, in conjunction with the market analyses provided in the attached 2023 reports, confirm that a modest increase of 1.5% for PAI and PAL staff at SPC is justified and conservative.
 - ii. Considering the significant economic rebound experienced in the Pacific, with collective growth reaching 4.1% compared to 1.8% in 2022, the employer pension contribution has been increased from 8% to 10% for all employees. This decision is influenced by the economic growth observed across PICTs and based on the revision of the Fiji Government's legislation from 8% to 10%, effective 1 January 2024. In addition, it is consistent with the current superannuation arrangements for other CROP agencies.

Recommendations

44. CRGA is requested to:
 - i. note that the Secretariat has given a general market increase in salaries for 2024 of 1.5% and a 2% increase in employer pension contribution;
 - ii. re-convene the Remuneration Reference Group before April 2025 to review SPC's salary scale, benefits and allowances so that they are comparable with other CROP agencies; and
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