

## **CSNZ Annual Surveys – Presentation to Workshop**

**Thursday 11<sup>th</sup> March 2021**

Greetings to all listeners. I have been asked to present my findings this year via a video presentation as a result of the cancellation of the 2021 Workshop due to uncertainty around the Covid pandemic and lockdown status around NZ.

First, I would like to thank all the firms who participated. Your continued support is greatly appreciated by the Management Committee and myself.

Surveys were sent to 158 firms and responses were received from 78 firms for the Salary Survey and 74 firms for the Annual Practice Review, representing 202 partners.

### **ANNUAL PRACTICE SURVEY RESULTS**

As you know, the period under review is the year ended 31 December 2020. We used to report on the financial year end (31 March) however in 2015 the decision was made to change to use the 12 months ended 31 December, so that the results being reported on at Workshop in March each year were not already almost 12 months out of date. This year I think this is even more relevant since the economic upheaval posed by the pandemic. Despite this, the results for the year under review were very positive and on average firms are doing well, as those who participated and

received my report will know. Gross fees and net income per partner are up compared to a year ago.

The average net income per partner was up 11% to \$438,000 compared to \$395,000 last year.

Gross fees per partner ranged from \$160k to \$5.87m, and net income per partner ranged from \$47k to \$1.875m. The top 10 firms were from all regions across New Zealand.

Staff shortages appeared to be a theme again this year, with 78% of respondent firms looking for at least one additional staff member, especially Licensed Cadastral Surveyors and Engineers and especially in the North Island. Staff turnover ranged from 6-14% across all the income groupings and was 11% for the top two income groupings. This year particularly employees were looking for supportive employers with flexible work practices and understanding around the challenges some faced due to managing family and work life during the enforced lockdown periods in April-May, August, and February-March.

I always feel that our survey practices are a portent for the economy – the first to feel the pinch of a recession and the first to notice growth. Therefore, I think the inclusion of this information (i.e. are you looking for staff?) a few years ago was a great idea. We used to circulate a quarterly review questionnaire to your Area Reps (and I am told still do this via a survey

monkey) asking about workload. Based on the fact that 78% of firms are looking for staff it would seem that survey practices have not been affected by Covid, or certainly not this year's respondents, and if anything have been positively impacted with more work than they can resource currently.

Charge out rates ranged from \$125/hour to \$330/hour for general partner work, with a weighted average charge out rate of \$214/hour. Increasing your charge out rate is an obvious way to increase your bottom line, as long as it is market appropriate and does not result in a loss of business. This is something that firms should be reviewing annually.

Gross fee increases or decreases reported reflect the average across the firm not the partner, and this year's figures threw up some odd looking increases in two of the income groups. I did specifically check these back to prior years and they are correct. Where firms are reporting substantial gross fee increases sometimes this is explained by firms having only started operating the prior year, or firms having merged.

The number of partners in the firm does not appear to make the key difference to net income, however the number of staff per partner does. The firms in the top income grouping employ on average 15 staff per partner whereas the firms in the lowest income grouping employ on average 2 staff per partner. So, merging and/or employing more staff could be a way to increase your net income.

The other noticeable trend to mention is overheads. As firms' overheads per partner increase as a percentage of gross fees, the net income of the firm decreases. For example, the overhead percentage to gross fees for the top income grouping was 19%, followed by 24%, 22%, 33% and down to the lowest income group at 35% of gross fees. If you can examine what makes up your high overheads and look to trim them your profitability will improve.

Although many firms did not include a Practice Valuation Multiplier, the most common multiplier is 3. This means when practices are being valued for sale or buy in, the expected buy in price is three times profit. This is usually measured by normalised EBITDA so that extraordinary and non-cash items are eliminated, and adjustments are made for the way that the current owners are funding the business.

One further thing I did want to touch on. You may be aware that from 1 April there will be a new top tax rate of 39% for all income over \$180,000. Since it would appear that 78% of respondents to this year's survey earn more than this threshold, it would pay for you to consider declaring a dividend if you have the imputation credits available. The reason this is beneficial is that income over \$180,000 up until 31 March 2021 will be taxed in your hands at 33 cents not 39 cents. For some of you this could be a substantial tax saving and you should be talking to your Accountant.

## **SALARIES SURVEY RESULTS**

As I mentioned earlier, responses were received from 78 firms and these firms represented 102 locations and 1,432 employees. The salaries are medians. Where there is an even number of employees the average of the medians is used. Medians are helpful for eliminating outlier statistics.

The national median base salary for Licensed Cadastral Surveyors was \$107,000 and the median charge out rate was \$175/hour. Other employee categories salaries and charge out rates are as per the below table:

**Medians as at January 2021 and January 2020**

<b>Category</b>	<b>Median Base Salary</b>		<b>% change</b>	<b>Median Charge Out Rate per Hour</b>	
	<b>Jan 2021</b>	<b>Jan 2020</b>		<b>Jan 2021</b>	<b>Jan 2020</b>
	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
LCS	\$107,000	\$105,000	1.9%	\$175	\$170
Graduate	\$72,450	\$70,006	3.5%	\$128	\$125
Senior Planners	\$100,000	\$101,350	-1.3%	\$180	\$175
Planners	\$75,000	\$74,500	0.7%	\$140	\$135
Senior Engineers	\$117,500		-	\$200	
Engineers	\$81,500		-	\$150	
Qualified Technicians	\$80,000	\$75,980	5.3%	\$141	\$130
Unqualified Technicians	\$62,000	\$60,320	2.8%	\$120	\$117
Field Assistants	\$45,985	\$42,750	7.6%	\$78	\$70
Draughting Staff	\$68,500	\$66,500	3.0%	\$130	\$120
Administration	\$61,200	\$58,450	4.7%	\$91	\$90

This year for the first time the Management Committee asked for the ranges to be included in my report and these are found in the table below per employment category:

### Ranges as at January 2021

Category	National Range		Main Centres		Regional	
	Low	High	Low	High	Low	High
LCS	\$ 62,400	\$ 282,750	\$ 70,700	\$ 282,750	\$ 62,400	\$ 225,000
Graduates	\$ 45,000	\$ 130,000	\$ 57,000	\$ 115,000	\$ 45,000	\$ 130,000
Senior Planners	\$ 42,000	\$ 175,000	\$ 70,000	\$ 175,000	\$ 42,000	\$ 150,000
Planners	\$ 55,000	\$ 105,000	\$ 58,000	\$ 105,000	\$ 55,000	\$ 95,000
Senior Engineer	\$ 60,000	\$ 249,600	\$ 60,000	\$ 180,000	\$ 83,000	\$ 249,600
Engineer	\$ 25,000	\$ 195,000	\$ 25,000	\$ 195,000	\$ 43,860	\$ 123,000
Qualified Technicians	\$ 41,600	\$ 174,000	\$ 53,000	\$ 174,000	\$ 41,600	\$ 136,000
Unqualified Technicians	\$ 38,272	\$ 93,600	\$ 38,272	\$ 92,000	\$ 38,272	\$ 93,600
Field Assistants	\$ 22,100	\$ 66,500	\$ 31,000	\$ 66,500	\$ 22,100	\$ 65,000
Draughting Staff	\$ 24,000	\$ 120,000	\$ 24,000	\$ 120,000	\$ 26,000	\$ 98,000
Administration	\$ 23,920	\$ 145,000	\$ 23,920	\$ 145,000	\$ 31,000	\$ 137,818

Other remuneration consists of Kiwisaver employer contributions, medical and income protection insurance, professional membership fees such as CSNZ and SSNZ, and bonuses. 91% of the employees included in this Salary Survey contribute to Kiwisaver. Incidentally, if you are asked whether a new employee should join Kiwisaver, the answer is almost certainly yes. Unless their budget is very tight, is it beneficial because the contributions made to their Kiwisaver fund by you and the government are the best return they could get for their dollar. You should encourage your employees to determine for themselves whether they are with the best fund provider and in the most appropriate type of Kiwisaver fund for their age, stage, risk profile, and circumstances. Being in a default fund can result in tens of thousands of dollars less than in other higher risk funds by retirement.

Generally, as you might expect, the more years of experience and the higher the qualification, the higher the salary. But this is not always the case. Sometimes an employee's remuneration reflects their value to your firm despite not many years of experience or formal qualification, because of their exceptional abilities or longevity and institutional knowledge.

Results from both surveys were emailed to participants on 5<sup>th</sup> and 6<sup>th</sup> March 2021. If you can't locate yourself on the Annual Practice report, please contact me and I can confirm what firm number you are. I suggest you look at the number of hours worked per partner as these are probably the most unique identifiable line.



## **CLOSING REMARKS**

Once again thank you to all firms who did participate and I hope that firms who did not might consider participating next year. The source data is held securely and confidentially and the results are only sent to the CSNZ member. The request for information always goes out to members along with the Chairman's Christmas Newsletter and the Workshop registration package so look out for the request for information in December. Obviously, the more firms and partners who participate the more robust conclusions and trends can be drawn.

Some matters to share with firms intending to participate in the future:

1. Please do not send your returns to the email address where the broadcast email comes from. Send the results to me personally. This is because the broadcast email address goes to the SSNZ server, therefore I cannot guarantee confidentiality. Also, there could be issues to do with timeliness as the return may go missing and/or has to then be forwarded to me.
2. I send the results to the CSNZ member, not the Admin Manager or the Accountant or other staff member. This is for confidentiality purposes and also because my appointment comes from, and accountability is to, the members only.
3. Please read the instructions carefully. It is evident when you do not.
4. Please do not send a PDF version of your results. It needs to be in Word or Excel format. This year for the first time I asked for electronic

responses only. Previously I still had returns coming to me via the post and in handwritten format. I hope this change in policy has not excluded firms. It would appear not, from the numbers of responses received.

As always if you have any questions relating to either survey please do email me.

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