

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(86)36

11 June 1986

ADMINISTRATIVE AND FINANCIAL QUESTIONS

Floor Rate for Salary and Allowance Payments to Staff in the Professional Category and above

Note by the Director-General

1. At its meeting on 12 May, the Committee on Budget, Finance and Administration held a first exchange of views on the request by the GATT Staff Council to establish a floor rate for salary and allowance payments to staff in the Professional category and above contained in a letter dated 7 May 1986 (Annex I) from the President of the GATT Staff Council to the Director-General and the Director-General's letter to the Chairman of the Committee on Budget, Finance and Administration dated 9 May 1986 (Annex II).

2. Over the last year, the average decrease in take-home pay of a professional officer in GATT as a result of the depreciation of the US dollar against the Swiss franc has been about 10 per cent. Unforeseeable changes of this kind can have an extremely serious impact on staff who inevitably have assumed fixed obligations (rent, mortgages, insurance premiums, payments to dependents, etc.) which remain unchanged regardless of fluctuations in exchange rates. Moreover, no cushion is provided by adjustments to inflation. Post adjustment for cost-of-living changes is currently frozen. In this respect the situation is fundamentally different from that of some years ago, when the dollar rate was also low against the Swiss franc, but the reduction due to this was partly offset by salary adjustments made in response to the rising cost-of-living index, and therefore staff members had some room for manoeuvre in meeting rent and fixed payments.

3. It should be remembered that the difficulties caused by the fluctuations in the exchange rate are felt at the same time that governments have reduced the pensionable remuneration of GATT staff, are contemplating further restriction of their benefits, and have frozen the post adjustment mechanism for cost-of-living compensation. While these measures of course reflect deliberate policy, the fact that arbitrary exchange rate movements are in addition being permitted to result in persistent erosion of take-home pay is having a very serious effect on staff morale. This is all the more the case because the losses borne by the staff because of exchange rate movements accrue directly to governments as unexpected savings on the expenditure they had accepted in approving the organization's budget.

4. As noted by the Chairman of the GATT Staff Council, the Executive Council of the Universal Postal Union decided on 8 May 1986 to respond to this situation, by applying a floor-rate of US\$1/Sw F 2.09 to salaries and allowances of staff in the Professional and higher categories. The relevant decision together with the original proposal made by the Secretary-General of UPU and the minutes of the discussions in the relevant Committee of the Executive Council on this matter are shown in Annex III.

5. The position of the GATT secretariat with regard to the impact of exchange rate fluctuations on the remuneration, based in US dollars but paid in Swiss francs, of staff in the Professional and higher categories, is identical to that of UPU: like UPU, GATT applies the common system, but is one of the few organizations (UPU, GATT, WIPO and ITU) that establish their budgets in Swiss francs. WIPO has, since the early 1970's had its own floor rate arrangement.

6. Since the 1986 Budget has been calculated at the rate of US\$1/Sw F 2.30, no additional funds will be required for this purpose. The surplus expected to be available as a result of the decisions of the United Nations General Assembly regarding pensions and the use of an exchange rate of US\$1/Sw F 2.09 for salary payments would still be adequate to cover the 1986 supplementary budget for the preparation of the new round of the Multilateral Trade Negotiations. Taking into account the considerations outlined above, the Committee may therefore wish to consider recommending to the Council the following recommendation, which would be identical to the decision taken by the UPU:

The Committee recommends to the Council that the Director-General be authorized to compensate, as from 1 January 1986, by means of an interim personal allowance, the losses in net remuneration (basic salary plus post adjustment) suffered by staff members in the Professional category and above because of currency fluctuations, guaranteeing them, on the basis of the official United Nations exchange rate in force on 1 January 1986 (US\$1 = Sw F 2.09), the equivalent in Swiss francs of the remuneration expressed in US dollars.

7. The proposed decision is designed to respond to an immediate crisis. It is recognized that it would not address the question of whether a ceiling rate of exchange should also be applied. It will be noted (UPU document CE 1986-Doc.4, paragraph 24) that UPU, in taking its decision on an exchange rate floor, agreed to revert to the question of a possible ceiling rate. In view of the urgency of the present situation, in which the problem is one of preventing further erosion of take-home pay, and the apparent improbability of the exchange rate rising in the near future above the budgeted rate of US\$1/Sw F 2.30, the Committee might wish to do the same.

POINT FOR DECISION: Paragraph 6

ANNEX I

7 May 1986

Sir,

The situation of GATT's professional staff members as regards salaries and pensions has deteriorated steadily during the past few months and has now become critical. The staff of GATT, considering that the rules of the United Nations Common System have been operating increasingly to their disadvantage, requested the Contracting Parties, through you, to find a way of remedying this situation within the framework of GATT. On one specific point however, namely, the repeated reduction in the take-home pay of professional staff as a result of the continued depreciation of the dollar, the Staff Council was of the view that measures to stop this decline should be taken as a matter of urgency. Indeed, I would recall that, between March 1985 and March 1986, the monthly loss amounted to Sw F 508 for a P-3 step 7, Sw F 728 for a P-5 step 5 and Sw F 968 for a D-2 step 3. Yet another large reduction in net salaries is anticipated in May owing to the further depreciation of the dollar. For this reason the Staff Council, which has been approached in this connection by several members of the staff, would ask you to propose at the next meeting of the Budget Committee that a new floor should be fixed for the dollar exchange rate used in the calculation of salaries, namely, the rate for April, i.e. Sw F 1.97, so as to ensure that net salaries for the month of May and for subsequent months are not lower than that of April.

The Staff Council was of the view that, as GATT's budget is drawn up in Swiss Francs, this would not entail any additional expenditure for the Contracting Parties. Moreover, and despite its participation in the Common System, WIPO's staff has for a considerable time enjoyed the protection of a system of this nature, and their take-home pay is therefore maintained at the March 1985 level, when the dollar exchange rate used was Sw F 2.83. Our request is modest and justified and does not prejudice the way in which Contracting Parties will decide to settle salary and pension problems as a whole. For this reason the GATT staff sincerely hope that their request will be taken into account.

I have the honour to be, etc.

G. Thorn
Chairman of the GATT Staff Council

- .S. I have just learned that the Council of Administration of the Universal Postal Union, whose budget is also calculated in Swiss Francs, will on 8 May examine a proposal to fix the exchange rate for salary purposes between Sw F 2.09 and Sw F 2.58. Should this proposal be adopted, the GATT Staff Council hopes that a similar measure will be proposed to the Budget Committee on 12 May this year.

ANNEX II

GENERAL AGREEMENT ON TARIFFS AND TRADE

The Director General

GENEVA, 9 May 1986

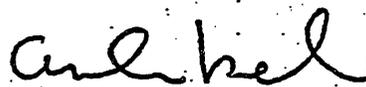
Dear Mr. Ambassador,

I have received from the Chairman of the GATT Staff Council a letter which draws attention to the effects on staff salaries of the continuing depreciation of the US dollar in terms of the Swiss franc. Since I know that the Budget Committee is meeting on 12 May, I enclose a copy of this letter, in the hope that it will be helpful to members of the Committee in their consideration of this very serious and real problem.

I can confirm that, as noted in the postscript to the letter, the Council of Administration of UPU has been considering a proposal to limit the effect of currency fluctuations on salaries. I am informed that the Council decided on 9 May to establish a floor rate of SwF 2.09 (the rate applied in January 1986) to all elements of staff salaries. No ceiling rate was established. You will no doubt be aware that WIPO already has a Staff Regulation whose effect is to prevent staff members' take-home pay from being reduced when there are variations in the exchange rate.

The exchange rate applied for salaries and other payments in April was US\$1 / SwF 1.97. Payments in May will be made at the rate of US\$1 / SwF 1.82.

Accept, dear Mr. Ambassador, the assurances of my highest consideration.



Arthur Dunkel

H.E. Mr. K.G.A. Hill
Ambassador
Chairman
Committee on Budget, Finance and Administration
Permanent Representative of Jamaica to the United
Nations Office and Specialized Agencies at Geneva
Rue de Lausanne 42

1201 Geneva

ANNEX III



UNIVERSAL POSTAL UNION
Executive Council

CE 1986 - Doc 4
Translation from French

COMMITTEE 1 (STAFF)

(Agenda item 4)

Committee's report

I. Introduction

1 Committee 1 (Staff) met on 5 May 1986 under the chairmanship of Mr L Oláh, Doctor of Laws, Deputy Minister, Vice-Chairman of Posts and Telecommunications, Hungarian People's Republic.

2 All the members of the Executive Council were present except for Peru. The Chairman (Tunisia) and the Vice-Chairman (Canada) of the CCPS and representatives of eight Restricted Unions (APPU, APU, CAPTAC, CEPT, NPU, PAPU, PUAS and UPA) attended the meeting as observers.

3 At the request of the International Bureau Staff Association, the Committee authorized the Chairman and one other representative of that Association to attend the meeting.

4 The agenda (CE 1986/C 1 - Doc 1/Rev 1), the items of which are dealt with below, was adopted without change.

II. Eleventh annual report of the International Civil Service Commission (ICSC) to the United Nations General Assembly

(CE 1986/C 1 - Doc 2)

5 The Committee noted the eleventh annual report of the ICSC as well as resolution 40/244 adopted by the United Nations General Assembly following this report.

III. Amendments to the International Bureau Staff Regulations

(CE 1986/C 1 - Doc 3)

6 The Committee noted this document which informed it about the various adjustments in the remuneration of General Service (G) category staff in Geneva, made by the United Nations (UN) with effect from 1 April and 1 September 1985 in accordance with recommendations made by the ICSC. The Director-General had applied the same measures to International Bureau G staff under the authority conferred on him by the Staff Regulations.

IV. Seniority steps

(CE 1986/C 1 - Doc 4 and Corr 1)

7 The 40th United Nations General Assembly had not acted on the ICSC recommendation on introducing a system of long-service steps for Professional (P) category officials. The Committee was therefore requested to take a position on the advisability of abolishing, for that category of staff, the provisional system introduced by the UPU in decision CE 6/1982.

8 At the same time, the ICSC recommendation to the executive heads of the organizations, aimed at introducing a similar system for General Service category (G) officials still remained valid and had been applied last year by the International Telecommunication Union (ITU) by means of its Administrative Council resolution No 920. However, since the UN had not yet introduced such a measure, the Committee was also requested to take a position on the maintenance or otherwise, for G staff, of its above-mentioned decision, possibly aligning it on the aforementioned ITU resolution.

9 With regard to P officials, several delegations favoured abolishing decision CE 6/1982 so as to retain, in this field, the parity of International Bureau P staff service conditions with those of the United Nations Office in Geneva. Other members proposed keeping the system currently applied at the UPU, which they considered fairer and also because the United Nations General Assembly had not taken a formal decision on the ICSC recommendation. Other countries suggested continuing to apply decision CE 6/1982 for P staff also until the General Assembly had taken a formal decision in the matter.

10 In a vote taken by a show of hands, the proposal to retain decision CE 6/1982 for P officials was rejected by 14 votes to 8, with 11 abstentions.

11 As for G staff, all the delegations which spoke favoured retention of decision CE 6/1982 in the form of ITU Administrative Council resolution No 920, because that corresponded to the ICSC recommendation. One country suggested, however, that the present wording of the decision should not be amended as it permitted two seniority steps to be granted (instead of one as at the ITU), which it considered more suitable. Another country noted that there was no great difference between the ITU formula and that of the UPU but that the ITU solution could be more easily accepted because it was more in conformity with the ICSC recommendation.

12 The Committee decided by consensus to retain decision CE 6/1982 for G staff, aligning its wording on the text of ITU Administrative Council resolution No 920.

V. Effects of the depreciation of the United States (US) dollar on the remuneration in Swiss francs of staff members of the Professional category and above
(CE 1986/C 1 - Doc 5)

13 Introducing the document, the Chairman stressed the principal aspects of the problem. P salaries, which consisted of two components, viz the basic salary and the post adjustment, were fixed in US dollars but paid in Swiss francs, since the people concerned lived in Switzerland and spent most of their money in the currency of that country. The conversion into Swiss francs was made at the official United Nations exchange rate, which had fallen in the period from January 1985 to May 1986, from 2.58 to 1.82 Swiss francs to the US

dollar. Because of the gradual depreciation of the US dollar against the Swiss franc and the fact that the post adjustment system only inadequately offset the salary losses caused by currency fluctuations, P staff at the International Bureau had for a year already been suffering each month an ever-increasing reduction in their Swiss franc salary, so that their salaries were now lower than in October 1983, the date when living costs in Geneva and New York had last been compared, and when the exchange rate had been 2.13 Swiss francs to the US dollar.

14 To brake this disturbing development, it was proposed to take an urgent transitional measure similar to the one which the Executive Council (EC) had adopted in similar circumstances in resolution CE 3/1979, which still applied in principle but had to be updated. That measure, which would involve no additional budgetary expenditure, would authorize the Director-General provisionally to apply a floor in local currency to avoid P salaries in Swiss francs falling farther below the level they had reached in January 1986, when the exchange rate was 2.09 Sfr, whereas the 1986 budget was based on an exchange rate of 2.58 Sfr.

15 The Secretary-General expressed his concern about the gradual erosion of P officials' Swiss franc salaries. He referred to a letter he had received from the Staff Association expressing officials' anxiety at the effects of the currency fluctuations at a time when the workload of the staff was increasing, mainly as a result of the "Declaration of Hamburg" (1984) and the restrictions which the International Bureau had imposed on itself with regard to staff numbers. The constant fall in the Swiss franc salaries might have an effect on the quality of work of the staff concerned. That was why the Director-General had called a meeting of the Joint Consultative Committee, consisting of representatives of the Directorate and the staff, to look into that urgent matter. The Secretary-General also expressed his concern at the fact that the fall in salaries was making it increasingly difficult to recruit qualified experts and consultants for technical cooperation.

16 He also recalled that the ICSC, which was perfectly aware of the problem, had studied the matter several times since 1978 without finding a suitable solution. That had led the EC to adopt a resolution in 1979 aimed at introducing a floor in local currency on a provisional basis. This time, however, the situation was even more serious than then, since the loss in salary due to the depreciation of the dollar against the Swiss franc was compounded by the freeze of any cost-of-living adjustment. That dual problem required fast corrective action.

17 During the debate that followed these statements by the Chairman and the Secretary-General, two member countries and one observer, while showing understanding for the difficult situation in which the P staff found themselves, nonetheless spoke against the measure suggested in the document; their arguments included the following:

- The UPU was not the only specialized agency based in Switzerland. It should stick to the United Nations common system and avoid creating a precedent for other organizations. So far, the WIPO was the only specialized agency to have introduced a protection measure.
- The US dollar exchange rate was falling not only against the Swiss franc but against other currencies as well.
- The post adjustment level also took exchange rate fluctuations into account. Despite the freeze of any cost-of-living adjustment, UN salaries were still higher than those of the United States federal civil service, the difference being more than 15 percent.

- The spirit of General Assembly resolution 40/244 (CE 1986/C 1 - Doc 2/Annex 2) which "expresses its concern over actions taken by some of the participating organizations which have led to disparities in the United Nations common system" should be observed.
- Under article 12 of the EC Rules of Procedure, any proposal submitted by a Committee which had financial repercussions for the Union had to be submitted for consideration to the Finance Committee before it was studied by the Council. Compliance with that provision was all the more important because the Reserve Fund would be in a difficult position until 1990.
- When the US dollar exchange rate had been fairly high in 1983 and 1984, P staff had seen their Swiss franc salaries increase and no measure had been requested at that time to protect the budget against additional expenditure. The situation was now the reverse, but provision could not be made for a system that presented advantages only and would have no gaps.

18 In addition, one observer remarked that the fall of the dollar against the Swiss franc was temporary and that the P salaries, despite subsequent decreases, were still higher than those of the civil service of his country, where the cost of living was very high. Moreover, it should be borne in mind that international civil servants in Switzerland were not subject to income tax. To fix a floor only would perhaps not be just, but it might be fairer to have both a floor and a ceiling based, for example, on an average exchange rate of 2 Swiss francs to the US dollar.

19 A member of the Directorate pointed out that the freeze by the UN of any cost-of-living adjustment was incompatible with the provisions in force in the United Nations common system which did not, incidentally, have a common exchange rate. The question at issue did not really concern the common system, but was rather a local monetary problem which the UPU, whose budget was expressed in Swiss francs, could resolve by itself at least provisionally in the light of its particular situation. The 1986 and 1987 budgets had been based on an exchange rate of 2.58 and 2.09 Swiss francs respectively and the proposed measure, which seemed justified for reasons of equity, would not give rise to any additional expenditure for those two budgets. Even if the EC approved a floor based on an exchange rate of 2.09 Swiss francs, the P staff would continue to suffer appreciable losses in salary and, in 1986, the corresponding budget savings would be in the order of 365 000 Sfr.

20 Six countries strongly supported the document and the proposal made in paragraph 15 thereof, stressing among other things the urgency of the problem and the transitional nature of the suggested measure which, in their view, did not depart from the spirit of the common system but sought only to give provisional compensation until such time as a satisfactory solution had been found within the United Nations common system. The essential arguments advanced in support of that view can be summarized as follows:

- The measure in question sought to correct a monetary anomaly and would not give rise to any additional expenditure for the Union, so that article 12 of the EC Rules of Procedure did not apply in this case.
- The successive drops in the remuneration of the P staff had assumed worrying proportions and demanded a quick solution.

- The EC, which was satisfied with the work of the International Bureau officials, should shoulder its responsibilities towards the staff of the Bureau and not accept, from the point of view of equity, a situation where the Union's budget, which already showed zero growth, made further additional savings at the expense of part of the staff. In 1979 the EC had, in similar circumstances, introduced a floor in local currency on the basis of an adjusted exchange rate, and it would be difficult for the EC now to refuse to take a similar measure. Besides, the official United Nations exchange rate never corresponded to the market rate, which was higher.
- UN officials in New York continued to receive the same remuneration in local currency each month and were not affected by the depreciation of the dollar against a strong currency like the Swiss franc.

21 To address the concerns of several delegations, the Secretary-General drew attention to the possibility of also fixing, as a corollary to the approved floor, a ceiling in Swiss francs based on the exchange rate of 2.58 Sfr in force at 1 January 1985, the date on which the freeze of the post adjustment system for making cost-of-living adjustments had taken effect in New York. It would be a temporary measure on which the International Bureau would report to the EC in 1987. At all events, when the ICSC or the General Assembly had taken a decision in the matter, the International Bureau would apply it immediately.

22 A member country asked for the closure of the debate on the question under discussion. Put to the vote, this procedural motion (EC Rules of Procedure, article 17, paragraph 3, d), which two delegations opposed, was approved by 18 votes to 10.

23 A vote by show of hands was then taken on the proposal in paragraph 15 of document CE 1986/C 1 - Doc 5. The proposal, which was for adopting a floor in Swiss francs on the basis of an exchange rate of 2.09 Sfr to the US dollar, was approved by 22 votes to 10.

24 Replying to a question from two delegations, the Chairman said that the vote had not covered the possible adoption of a ceiling; that question could be considered later.

25 The Chairman of the Staff Association thanked the Committee, on behalf of the International Bureau staff, for the understanding it had shown and for the decision taken in its favour.

VI. Conclusions

26 Committee 1 proposes that the EC take the following measures:

i Eleventh annual report of the International Civil Service Commission (ICSC) to the United Nations General Assembly

- Take note of this report (paragraph 5).

ii Amendments to the International Bureau Staff Regulations

- Take note of the various adjustments to the remuneration of General Service category staff made by the Director-General, acting within his powers, in accordance with the decisions taken on the matter with regard to the staff of the United Nations in Geneva (paragraph 6).

iii Seniority steps

- Decide, with effect from 1 June 1986, to:
 - a. abolish decision CE 6/1982 in so far as P staff are concerned;
 - b. retain decision CE 6/1982 for G staff, aligning its wording on the text of resolution No 920 of the Administrative Council of the International Telecommunication Union (paragraph 12).

iv Effects of the depreciation of the United States (US) dollar on the remuneration in Swiss francs of staff members of the Professional category and above

- Authorize the Director-General to compensate, as from 1 January 1986, by means of an interim personal allowance, the losses in net remuneration (basic salary plus post adjustment) suffered by staff members in the Professional category and above because of currency fluctuations, guaranteeing them, on the basis of the official United Nations exchange rate in force on 1 January 1986 (1 US dollar = 2.09 Sfr), the equivalent in Swiss francs of the remuneration expressed in US dollars (paragraph 23).

Berne, 6 May 1986.

For Committee 1:

L OLÁH

Chairman



UNIVERSAL POSTAL UNION
Executive Council

CE 1986/C 1 - Doc 5
Item 4 on the 1986 EC agenda
Translation from French

COMMITTEE 1 (STAFF)

Effects of the depreciation of the United States (US) dollar on the remuneration in Swiss francs of staff members of the Professional category and above

(Agenda item 6)

Secretary-General's report

I. Recent movement of the net remuneration on the basis of the US dollar exchange rate

1 Because of the continuing depreciation of the US dollar against the Swiss franc, the officials in the Professional category and above (hereinafter called "P officials") have in the last twelve months (from March 1985 to March 1986) suffered heavy losses in their net remuneration in Swiss francs, the level of their net monthly salary having decreased by about 9.3 percent.

2 The total loss over this period, during which the official United Nations exchange rate for the US dollar (hereinafter called "UN exchange rate") has steadily fallen from 2.83 Swiss francs (Sfr) to 1.86 Sfr, varies, according to the step, for a P 2 official between 2113 and 2730 Sfr, for a P 3 official between 2543 and 3431 Sfr, for a P 4 between 3059 and 4047 Sfr, for a P 5 between 3762 and 4750 Sfr, for a D 1 between 4301 and 5146 Sfr and for a D 2 between 5186 and 5503 Sfr.

3 In other words, a P 2 official in March 1986 received between 449 and 580 Sfr less than in March 1985, the monthly difference for a P 3 being between 540 and 730 Sfr, for a P 4 between 650 and 863 Sfr, for a P 5 between 801 and 1016 Sfr, for a D 1 between 918 and 1102 Sfr and for a D 2 between 1111 and 1179 Sfr. For officials with dependent children, the loss is even greater. It is probable that the value of the US dollar will decline still further in the coming months and that the decreases in net remuneration in Swiss francs will consequently become ever greater.

4 This progressive erosion of P salaries puts those concerned in a difficult situation and should no longer be accepted for reasons of equity. This is because the losses involved are completely fortuitous and have not originated in a decision by the United Nations General Assembly but through the prolonged drop in the rate of exchange of the US dollar. They appear to be all the more unjustified because they result in budget savings in those organizations whose budget is drawn up in Swiss francs and not in US dollars (UPU, ITU, GATT and WIPO). At the UPU, these fortuitous budget savings are estimated at 365 200 Swiss francs for the current financial year, assuming that the January 1986 exchange rate (1 US dollar = 2.09 Swiss francs) is maintained.

II. Comparison of the present development with the similar situation in 1979

5 When a similar situation occurred in 1979, the EC adopted resolution CE 3/1979 authorizing the Director-General to compensate temporarily from 1 January 1979, by means of an interim personal allowance, losses in remuneration (basic salary plus post adjustment) due to currency fluctuations, guaranteeing the value in Swiss francs of the remuneration expressed in United States dollars, using as a basis the official United Nations rate of exchange in force on 1 January 1977 (date of the last revision of the P salary system). The amount of the personal allowance was then recalculated each month in relation to the movement of the exchange rate.

6 However, what makes the present situation different from that of 1979 is the fact that the losses due to the drop in the dollar this time coincide with the freezing of the post adjustment, ie of any cost-of-living adjustment decided from 1 January 1985, until the difference between the remuneration of UN officials and that of officials of the US Federal Civil Service is reduced to 15 percent. The situation in Switzerland is therefore much more serious now than it was at that time. Whereas the P officials at the UN in New York continue at least to receive monthly the same net remuneration in local currency, the latter has continuously decreased for the P officials in Switzerland since April 1985.

7 In this connection it should be emphasized that international officials spend most of their money in the currency of their country of assignment in which they live. This is particularly true of UPU officials, who are all appointed on a permanent basis and remain in Switzerland for years. It is therefore the level of their remuneration in Swiss francs as local currency which counts and not that in US dollars, the currency of the base city (New York). Currency fluctuations have consequently created anomalies and inequalities between P staff stationed in the dollar area and those working in Switzerland.

8 As regards the international organizations based in Switzerland and having a budget in the currency of that country, it appears all the same abnormal that the drop in the net remuneration, which is in no way sought, is reflected in corresponding budget savings. In fact, a remuneration freeze only makes sense when it applies to the net remuneration paid out in the local currency of the country concerned. From this point of view, the adoption of a transitional measure aimed at fixing a floor in Swiss francs for UPU officials would not be inconsistent with the spirit of the decisions aiming at a provisional freeze of the net remuneration.

9 In this connection, it may be mentioned that the World Intellectual Property Organization (WIPO), whose budget is also drawn up in Swiss francs, inserted in its Staff Regulations as long ago as 1972 a protection clause, reproduced in annex 1, which does not admit a reduction in net remuneration in Swiss francs as a result of a drop in the US dollar exchange rate.

III. Technical reasons for the steady erosion of the net remuneration

10 To place the phenomenon of this erosion in its context, it should be recalled that the remuneration of P officials, which is made up of the basic salary and the post adjustment, is fixed in US dollars but is paid in the currency of the country in which they are working. The conversion into Swiss francs is carried out at the UN exchange rate, the amount (in US dollars) of the post adjustment varying according to the cost of living in relation to New York (the base city of the common system) on the one hand, and the movements in the UN rate of exchange on

the other. Successive reductions in the net remuneration in Swiss francs are explained technically by the fact that the post adjustment system, originally conceived as an instrument for cost-of-living adjustments only, provides only partial compensation. This effect is also unfortunately evident when the post adjustment system is used as a monetary instrument to provide adjustments in respect of exchange rate fluctuations.

IV. Study of the question by the ICSC

11 The International Civil Service Commission (ICSC), which is responsible for calculating the post adjustment index and for administering the system for adjusting the remuneration, has in principle acknowledged the existence of this problem to which it has not, however, yet found a solution. In the past, when a similar situation occurred and the dollar showed a prolonged decline in relation to the Swiss franc, the ICSC decided to add provisionally to the normal post adjustment index 4 supplementary index points as a "correction factor" throughout the whole period from 1 August 1982 to 31 July 1984 during which the UN exchange rate varied between 2.08 and 2.34 Swiss francs. However, it abolished these correction points from 1 August 1984, because the exchange rate had risen again to 2.46 Swiss francs and in the following month had consistently gone higher.

12 In view of the new fall in the US dollar, the ICSC will reconsider the problem during the year and will report to the General Assembly. For this purpose, it has instructed its Consultative Committee on Questions of Adjustment (CCPQA) to analyze the possibility of splitting the present post adjustment index into a cost-of-living index giving - as hitherto - partial compensation only, and a monetary index compensating in full for losses due to fluctuations in the exchange rate. This, however, is a fairly complex study which may take time.

V. Transitional measure which may be envisaged

13 Pending the result of the current studies, the P officials in Switzerland continue unfairly to suffer losses in their net remuneration which have already become excessive and urgently call for an interim measure until a general solution is found in the common system. The International Bureau Staff Association has approached the Director-General on these lines.

14 The correction measure involved could be similar to the one which was the subject of resolution CE 3/1979. In principle, this resolution is still valid, but it would be necessary to replace the old reference date (1 January 1977) with a new date which corresponds to the present situation. The new reference date could be that of 1 January 1986 (UN exchange rate: 2.09 Sfr) The following reasons militate in favour of this solution:

- a The adoption of this reference date would not involve any additional expenditure for the 1986 and 1987 budgets, as these two budgets are based on rates of exchange of 2.58 Swiss francs and 2.09 Swiss francs respectively.
- b The choice of the 2.09 Swiss francs rate of exchange is still lower than the UN exchange rate applicable at the time of the last inter-city comparison (October 1983) which related to the cost of living in Geneva and in New York and provided the basis for the adoption of a new post adjustment scale for Geneva. In the opinion of the ICSC Secretariat, it is the UN rate of exchange in force on that date (1 US dollar = 2.13 Swiss francs) which should be used as a yardstick for any protection measure.

- c The net remuneration in Swiss francs of P officials fell in January 1986 almost to the level of the remuneration paid to them in October 1983 (date of the last inter-city comparison referred to above). Consequently, and taking into account that the cost of living in Switzerland has risen by 6.9 percent between then and February 1986, it may be considered that the proposed formula is actually the most modest of the possible solutions. Although it requires the officials concerned to accept in the future also a not inconsiderable loss in their net remuneration (see paragraphs 2 and 3 above), it does at least provide them, as a minimum solution, with a certain amount of protection against continued erosion of the net remuneration in Swiss francs without neglecting the financial interests of the member countries of the Union.

VI. Conclusion

15 . In view of the above, and as the management of the International Bureau is in a difficult situation with regard to the staff concerned which requires an urgent and fair correction measure, I request the Executive Council to authorize me to compensate provisionally, from 1 January 1986, in the form of an interim personal allowance, the net remuneration losses (basic salary + post adjustment) suffered by the officials in the Professional category and above because of currency fluctuations, guaranteeing them, on the basis of the official United Nations exchange rate in force on 1 January 1986 (1 US dollar = 2.09 Sfr), the equivalent value in Swiss francs of the remuneration expressed in US dollars. The amount of this allowance would be recalculated each month in relation to the movement of the official United Nations exchange rate for the US dollar.

Berne, 21 March 1986

A C BOTTO DE BARROS
Secretary-General



**WORLD INTELLECTUAL PROPERTY ORGANIZATION
ORGANISATION MONDIALE DE LA PROPRIÉTÉ INTELLECTUELLE**

STAFF REGULATIONS AND STAFF RULES

1.28

Regulation 3.1bis*

Take-Home Pay Differential

(a) Where, for any given month, the take-home pay, expressed in Swiss francs, of any staff member is, as a result of a variation in the exchange rate between the Swiss and United States currencies, less than for the preceding month, the difference ("take-home pay differential") shall be paid by WIPO to the said staff member until the month for which, for any reason, the amount of the take-home pay reaches the amount paid prior to the said variation.

(b) For the purposes of paragraph (a) above, "take-home pay" shall mean the salary in accordance with Regulation 3.1, after deduction of the staff member's contribution to the Pension Fund, increased by any post adjustment applicable under Regulation 3.5 and any dependency allowance applicable under Regulation 3.12.