

SALARIES, ALLOWANCES AND PENSIONS

Note by the Secretariat

1. The Committee will recall that it was informed in document Spec(87)45 dated 14 September 1987 of the decisions taken by the International Civil Service Commission (ICSC) regarding salaries of staff in the Professional and higher categories, and of the recommendations made to the United Nations General Assembly by the United Nations Joint Staff Pension Board (UNJSPB) concerning pensions.
2. The purpose of the present paper is to keep the Committee informed of developments which have taken place in the common system since its last consideration of these matters.
3. The effect of the decisions and recommendations formulated in 1987 was:
  - (a) to stabilize take-home pay in Swiss francs in Geneva at approximately the level obtaining in October 1983, when the last New York/Geneva place-to-place cost-of-living survey had been conducted. This is achieved by establishing a floor rate of exchange and applying a remuneration correction factor (RCF) to salary and post adjustment;
  - (b) with regard to pensions, to set a floor exchange rate for the establishment in local currency of initial pension benefits. In Geneva, the exchange rate used for this purpose is Swf. 2.10. The Board also reiterated its recommendation that the rate of contribution be raised above the existing level of 21.75% of pensionable remuneration, in order to improve the actuarial balance of the Fund.
4. The measures affecting salaries were to remain in effect until August 1988 while the Commission explored a possible long-term solution to the problem of the effects of currency instability on salaries. The measures affecting pensions would remain in effect until the end of 1990, when the Pension Board is due to submit to the General Assembly a report on pensionable remuneration.

5. The General Assembly of the United Nations examined the reports of the ICSC and the Pension Board at its forty-second session in the fall of 1987. It took note of the steps taken by the Commission to deal with the effects of currency instability. At the same time, it expressed concern that the salary system for staff in the Professional and higher categories had become so complex that it was difficult to understand and required constant adjustments to deal with problems as they arose. The General Assembly decided therefore that:

" a comprehensive review of the conditions of service of staff in the Professional and higher categories should be undertaken in order to provide a sound and stable methodological basis for their remuneration, having regard to:

(a) the need for securing the highest standards of efficiency, competence and integrity in recruiting staff with due regard being paid to equitable geographical distribution;

(b) the need for greater transparency and simplicity in the concepts and administration of the remuneration system;

(c) the need for sufficient flexibility to respond to varying requirements resulting from different types of appointments and changing circumstances;

(d) the relativity of benefits among duty stations as a factor in staff mobility;

(e) the need for a long-term improvement in the operation of the post adjustment system, including (i) the separation of the effects of inflation and currency fluctuations, and (ii) a simpler and more accurate reflection of differences in cost-of-living between the base of the system - New York - and field duty stations;" and requested:

" the Commission to present to the General Assembly, at its forty-third session [1988] a preliminary report on the comprehensive review in paragraph 1 containing an analysis of the subject together with the outline of one or more possible alternatives and to complete its review for presentation to the General Assembly at its forty-fourth session [1989] (Resolution 42/221)."

6. With regard to pensions, the General Assembly approved the recommendations of the Pension Board, including an increase in the rate of contribution from 21.75% of pensionable remuneration to 22.2% effective 1 July 1988 and 22.5% effective 1 July 1989. At the same time, it requested the Board " to continue studying all possible measures to restore over the long-term the actuarial balance of the Fund bearing in mind the desirability of avoiding further increases in the rate of contributions ..." (Resolution 42/222).

Action by the ICSC in 1988

(a) Salaries and allowances of the Professional and higher categories

7. The decision of the General Assembly that a comprehensive review of the conditions of service of staff in the Professional and higher categories should be carried out is a significant new development. The Commission, which had already taken steps aimed at finding a long-term solution to the currency fluctuation problem by establishing a tripartite (ICSC/administrations/staff representatives) working party, has had to adjust its work programme to give priority to the conduct of a comprehensive review, which will of course also encompass measures relating to currency fluctuations; the Commission has decided that in the meantime the existing currency floor protection measures remain in force. At the two sessions of the Commission in 1988, the comprehensive review was initiated. The administrations of the common system organisations for their part have been actively participating in the review, considering that this is a unique opportunity to set the salary system on revised and solid foundations.

8. Further proof, if it were needed, that the system has become unduly complex and for all intents and purposes incomprehensible, was furnished at the March 1988 session of the Commission when it became apparent that even members of the Commission and its secretariat had not been able to foresee all the consequences on other aspects of the salary system of actions that had been taken in 1987 with regard to the post adjustment.

9. One of the results of this was that the freeze on pay at the base of the system - New York - which, according to initial estimates, should have been lifted in January or February 1988, was lifted only in June, in order to conform with indications that had been given by the ICSC to the General Assembly, on the basis of which the General Assembly had acted.

10. This further delay in lifting the freeze that had been in place since 1984 was very badly received by the staff representatives of the organisations, who took the decision as yet another example of what they regard as the duplicity of the Commission. They decided not to take part in the work of the Commission or its subsidiary bodies until further notice; in withdrawing their participation in ICSC activities, the staff representatives indicated their desire to negotiate their conditions of service directly with their employers. As a result, the staff representatives were not present at the Commission's session held in July 1988. This unprecedented situation has, of course, caused concern to the other parties in the process of consultation established in the Statute of the Commission in 1975. The Commission has been urged by the administrations to modify its methods of work so as to ensure the fullest and most open discussion of all issues; the Commission has reacted positively to these blandishments by adopting some modifications to its methods of work. This is where matters stand at the moment.

b) Cost-of-living survey in Geneva

11. The Committee may also recall that a new Geneva/New York place-to-place cost-of-living survey was scheduled to be carried out in 1988. In view of the comprehensive review, the administrations had urged the Commission to postpone the survey since the need for it could well be affected by the results that will emerge from the review; it is even conceivable that cost-of-living comparisons will no longer be necessary. The Commission has decided, nevertheless, that the survey should go ahead. It also decided that if, as a result of surveys, a reduction in take-home pay in duty stations like Geneva were to be warranted, this reduction would not be effected. Instead, take-home pay would be frozen. The results of the survey in Geneva will be known in the spring of 1989, and considered by the Commission in July 1989.

c) Dependency Allowances and Education Grant

12. The Commission is recommending to the General Assembly an increase of 50% in the allowances in respect of dependent children and secondary dependants of staff in the Professional and higher categories (from \$700 to \$1050, and from \$300 to \$450, respectively). These allowances are denominated in dollars, and in some duty stations like Geneva, the exchange rate at which the present dollar amounts of the allowances are converted to local currency is considerably higher than the exchange rate likely to be in effect when the new higher allowance comes into effect. Accordingly, the Commission is recommending that in order that all duty stations get the full benefit of the increase recommended (50%), it should be the present local currency amount that should be increased by 50% in those duty stations that are subject to RCF and currency protection system. If the General Assembly approves these recommendations, in Geneva it will mean an increase in the children allowance from Swf. 1358 to Swf. 2037, and an increase in the allowance for secondary dependants from Swf. 732 to Swf. 1098; the effective date of both increases would be 1 January 1989.

13. With regard to the education grant, the Commission is recommending an increase of 50% in the maximum allowable expenses from \$6000 to \$9000 and an increase in the maximum grant from \$4500 to \$6750 (75% of the allowable expenses). Again, in order to preserve the value of the increase in local currency in duty stations subject to RCF and currency protection measures, the Commission is recommending that the local currency equivalent of the present amounts in dollars be increased by 50%. In Geneva, this will mean an increase in the allowable expenses from Swf. 12180 to Swf. 18270, and an increase in the maximum grant from Swf. 9135 to Swf. 13703. This increase, if approved, will come into effect in January 1989 in respect of the school year in progress at that moment.

Pensions

14. The UNJSPB did not meet in 1988. Its Standing Committee did, however, hold a session, at which it considered the manner in which it could respond to the request of the General Assembly to study ways of reducing further the actuarial deficit of the Fund, bearing in mind that the General Assembly also expects a comprehensive report at its forty-sixth session in 1990 on the question of pensionable remuneration. The secretariat of the Fund has been requested to carry out a certain number of studies which would contribute to this overall review.

Effects of these developments on consideration of these matters in GATT

15. As the Committee will realise from the above, the conditions of service of staff in the Professional and higher categories, as well as pensionable remuneration and other pension questions, are the subject of comprehensive studies inside the common system. It would appear that the Committee could therefore leave in abeyance consideration that it was to give to the recommendations of the Informal Advisory Group on the establishment of long-service steps and relaxing rules regarding the age of retirement, as well as to the proposal of the GATT Staff Council regarding long-service steps and lump sum payments to retirees. The questions can be reverted to if need be in the light of the results of the review being undertaken in the common system.

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16. Submitted for information.