

# GENERAL AGREEMENT ON

RESTRICTED

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20 September 1989

## TARIFFS AND TRADE

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### ADMINISTRATIVE AND FINANCIAL QUESTIONS

#### BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1990

#### Activities of the International Civil Service Commission and of the United Nations Joint Staff Pension Board in 1989

#### Note by the Secretariat

#### Introduction

1. The Committee is informed from time to time of the activities of common system bodies such as the International Civil Service Commission (ICSC) and the United Nations Joint Staff Pension Board (UNJSPB). Reports have just been received on the activities of these two bodies this past summer. If their recommendations are adopted by the General Assembly of the United Nations at its forthcoming 44th session, there will be additional costs to the GATT above those set forth in the 1990 Budget Estimates of about Sw F 1,240,000.--.

#### ICSC - Comprehensive Review

2. The Commission has devoted its work in 1989 to carrying out the Comprehensive Review of Conditions of Service of the staff in the Professional and higher categories, as mandated by the General Assembly of the United Nations in Resolution 42/221 (1987).

3. The Commission is presenting to the forthcoming 1989 session of the General Assembly a report containing a large number of recommendations and decisions relating to all aspects of conditions of service of professional and higher category staff. The most significant of these are briefly summarised in the paragraphs that follow.

#### (a) Base salaries

4. The Commission is recommending that the minimum net remuneration for the UN system as a whole should be set at about the level of remuneration payable in Washington, D.C. This means that staff serving in duty stations where the cost-of-living is lower than in Washington (and thus lower than in New York or Geneva) will nevertheless be paid at the minimum (Washington) rate. This will put an end to the existence of duty stations with negative post adjustment (where deductions were made from base salary) and help in getting staff to serve in low-cost duty stations. This measure will have no effect on the situation in Geneva and in GATT.

5. Of more direct relevance to GATT is, however, the ICSC's recommendation for an across-the-board increase of 5% in net base salaries. This would be the first such increase since 1975. The cost of the increase in GATT would be about Sw F 700,000.- for the whole of 1990. If the effective date of the increase is not 1 January 1990, the cost will be correspondingly less; the Commission has not made a precise recommendation with regard to the effective date, which will be determined by the General Assembly, if it decides to approve the recommendation for an increase.

(b) Remuneration structure

6. At present, the remuneration structure for staff in the professional and higher categories comprises two elements, net base salary and post adjustment, which includes a provision reflecting housing costs. Among the measures considered by the Commission was the possibility of revising that remuneration structure to provide for three elements, base salary, a cost-of-living allowance and a separate housing allowance. However, because of uncertainties as to the impact of this change, the Commission decided not to recommend it, but to have it further examined in 1990 so that it would be clear what the ramifications were. If it emerges from that examination that it is appropriate to do so, the Commission may make proposals to the General Assembly at its 45th session in 1990.

7. Taking advantage, however, of its recommendation for a salary increase, the Commission is recommending changes in the salary scale to provide for smaller step increments, more attractive salaries at the lower grades, and more steps at the top of each grade, payable at two yearly intervals. (The Committee will recall that extra steps was one of the recommendations of the Informal Advisory Group (Feij Group).) The purpose of these changes is to remove some of the anomalies that have been identified in the present salary scale structure.

8. It is estimated that the cost to GATT of the measures outlined in paragraph 7. would be about Sw F 60,000.- for the whole of 1990. These costs arise because many staff members at the top of their grades would become entitled to a step increment; this cost would be slightly offset by savings due to the reduced value of the step increment.

(c) Post adjustment system

9. The Commission has decided on or recommended a number of measures designed to simplify the operation of the post adjustment system, render it more responsive to currency fluctuations, and make it more transparent. If these measures are put into effect, there should be no further need for the ad hoc measures in force in duty stations like Geneva to deal with fluctuations in local currency take-home pay (Remuneration Correction Factor (RCF), currency exchange rate floor).

(d) Mobility and hardship

10. The Commission is recommending a very complete package of measures designed to provide better compensation for service in duty stations in the field where conditions of life and work are difficult, and to make it easier for the organisations to assign staff to such duty stations. These measures are, of course, not relevant to GATT.

(e) Motivation and productivity

11. The Commission is recommending a series of measures, in addition to those outlined in paragraph 7 above, designed to improve motivation and enhance productivity. These include: (i) reducing overlap between grades; (ii) providing for higher rewards on promotion; (iii) the granting of cash awards for outstanding performance; and (iv) non-monetary awards.

(f) Allowances

12. The Commission is recommending that:

(i) The children's allowance should be set at a percentage (2%) of a specific salary figure (P.4, step 6), thus in effect increasing it in many instances and indexing it for the future. It should never be less than the amount of the allowance payable in New York;

(ii) the children's allowance for a handicapped child should be double the amount of the children's allowance;

(iii) the secondary dependant's allowance should be half the amount of the children's allowance and never less than the allowance payable in New York;

(iv) the lump sum amount payable in respect of unused annual leave upon cessation of service should be calculated on the basis of total net remuneration at the duty station from which the staff member separates (at present the calculation includes an amount reflecting an average of post adjustment levels, thereby acting as a disincentive to taking unused annual leave in this form, when that average level is lower than the actual level in a particular duty station, as is the case in Geneva);

(v) the rate at which repatriation grant is paid to staff without dependants should be increased.

13. The cost to GATT of the introduction of the changes outlined in paragraph 12. would be about Sw F 140,000.- for the whole of 1990.

ICSC - other matters

Pensionable remuneration

14. The Commission (and the Pension Board) expressed concern at the extent to which pensionable remuneration levels in the UN had come to exceed those of the civil service in the comparator country (USA). It is therefore recommending a change in the methodology for adjusting pensionable remuneration that would both reduce the excess and ensure that it does not grow wider in 1990.

Cost-of-living survey in Geneva

15. The Commission has approved the results of the New York-Geneva cost-of-living survey carried out earlier this year which showed that the post adjustment index in Geneva was 1.4% higher than it should be.

16. The Commission had been strongly urged, by staff representatives, administrations and its own Advisory Committee on Post Adjustment Questions (ACPAQ), to disregard the results of the survey, because it had been flawed by a very low rate of participation by the staff. The Commission has nevertheless decided to implement the results with effect from 1 September 1989. The full impact of this decision is difficult to assess, especially if other changes in post adjustment methodology are introduced (see paragraph 9 above), but it seems clear that there must be a period of freeze now while the index "catches up".

Relations with staff representatives

17. The Committee will recall that because of their dissatisfaction with certain methods of work of the Commission, and with certain actions taken by the Commission, the staff representatives of all the organisations had decided to suspend participation in the activities of the Commission as of July 1988. They were persuaded to resume that participation in 1989, at least with regard to the Comprehensive Review, after the Commission had agreed to change its methods of work to take account of criticisms voiced by the staff representatives (and incidentally also by the administrations). It is not clear at this stage whether the staff representatives will resume participation in other aspects of the Commission's work, nor whether the Commission will confirm the changes in its work methods.

United Nations Joint Staff Pension Board

18. The Board held one session in 1989, at which it adopted a package of measures designed to reduce substantially and to bearable proportions the actuarial deficit of the Pension Fund. The representative of the Contracting Parties in the GATT Staff Pension Committee, who attended the Board Session, has submitted a report, which will appear as an annex to the Report of the Committee.

19. Of the measures proposed, most are of a highly technical nature, but two are of particular interest: the proposal to raise the rate of contribution from 22.5% to 23.7% (15% to 15.8% from the organisation, 7.5% to 7.9% from participants), because it has financial implications, and the proposal to raise the normal age of retirement to 62 for new entrants into the Fund, which has a potential impact on personnel policy, although only some years from now. (The Commission has done its part with regard to this proposal by recommending that the age of mandatory separation from service be raised to 62 for new entrants). This recommendation too is in line with one that was made by the Informal Advisory Group. No effective date for the introduction of these measures has been specified. If the increased rate of contribution were introduced on 1 January 1990, the cost to GATT in 1990 would be about Sw F 340,000.-.

20. In 1990, the Board will be collaborating with the Commission in a comprehensive review of pensionable remuneration. Any recommendations arising from this review would be presented to the General Assembly at its 45th session in 1990. The Committee will recall that measures in effect since 1988 to stabilise local-currency pensions in hard-currency countries are due to expire at the end of 1990.

Budgetary implications for 1990

21. The Director-General proposes that the overall budget estimates be increased from Sw F 75,063,000 to Sw F 76,303,000.

Analysis of the increases

|   | <u>Sw F</u>        |
|---|--------------------|
| - increase of 5% in net base salaries for Professional and higher category staff  | 700,000            |
| - additional steps for professional staff at the top of the grade   | 60,000             |
| - increases in children's and secondary dependants' allowances, unused annual leave upon cessation of service, repatriation grant | 140,000            |
| - increase in the rate of the organization contribution to the United Nations Joint Staff Pension Fund from 15% to 15,8%          | <u>340,000</u>     |
|   | 1,240,000<br>===== |

22. In the event that the United Nations General Assembly would not approve or would approve only part of the above-mentioned increases, the Secretariat would modify the contributions assessed and make corresponding credit to contracting parties' accounts.