

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MINUTES OF MEETING

Held in the Palais des Nations, Geneva,
on 24 February 1975

Chairman Mr. K.A. SAHLGREN (Finland)

Subject discussed: Erosion of Salaries and Allowances for Staff in
the Professional Category and Above. (C/91, C/W/256)

The Chairman drew attention to document C/91, which contained the reports of the Committee on Budget, Finance and Administration and of the informal Contact Group on the question of erosion of salaries and allowances for staff in the professional category and above. He referred also to document C/W/256, which listed the losses incurred by the staff in these categories in January 1975.

The Chairman said that the representatives of the staff did not intend to request the opportunity to address the Council on this occasion since they felt that their case had already been fully presented. They would, however, be available in case the Council wished to seek further clarifications.

Mr. Clark (Canada), Chairman of the Committee on Budget, Finance and Administration, introduced the Committee's report and said that the problem before the Council had arisen largely out of the significant movements in exchange parities which had occurred in recent years. As a result of this situation, the take-home pay in Swiss francs of the staff at professional and higher categories had been reduced sharply in a period of heavy inflation, due to the manner in which the adjustment mechanisms of the United Nations common system worked. Document C/W/256 highlighted the magnitude of these losses and the differences in pay reductions for staff without dependents as opposed to staff with dependents. He emphasized that this situation was a serious one which could lead to a deterioration in staff morale in the secretariat.

He then pointed out that, when examining this problem, the members of the Budget Committee were bound both by their authorities' instructions and by decisions of the CONTRACTING PARTIES to adopt the United Nations common system in respect of GATT staff, not to endorse or accept any solutions or technical adjustments which would involve departures from the UN common system. It was not possible to reach agreement on the

technical conformity with the common system of the proposals put forward by the representatives of the staff or on the lines of action suggested by the Director-General. The Committee considered that neither itself nor the informal Contact Group was the proper forum to interpret the legal boundaries of the common system. The Committee had agreed, however, that it was within the competence of the CONTRACTING PARTIES to adapt the system of remuneration to GATT's needs if it was considered desirable to do so. It did not rule out that the request of the staff could be met to a significant extent if an accounting rate were to be fixed for staff salaries so that the post adjustment mechanism would apply only to cost-of-living fluctuations.

Mr. Clark drew attention to paragraph 12 of the Budget Committee's report. He went on to say that the Committee had considered that the CONTRACTING PARTIES should, in examining this matter, adopt a very cautious and considered approach taking full account that the situation faced by the GATT staff was not unique to them, and that it affected all Geneva-based international civil servants.

He said that any solution dealing with 1974 would require additional assessment on contracting parties, unless the CONTRACTING PARTIES, in the light of the recent information that the 1974 surplus would be significantly greater than expected at the time of the CONTRACTING PARTIES' meeting, would decide to amend their decision of 19 November 1974 on the allocation of the 1974 surplus, as proposed by the Director-General in paragraph 5 of document C/91. He also pointed out that the problem of erosion of salaries and allowances was fully recognized at the United Nations headquarters in New York and he described some of the possible solutions that were being examined. However, the GATT staff problem appeared to be more acute than that of other organizations because as many as thirty per cent of the staff had no eligible dependents and suffered therefore more severely than those with dependents.

In conclusion, he expressed the hope that by the end of 1976 the International Civil Service Commission (ICSC) would have devised new mechanisms for approval by the United Nations General Assembly (XXXI) to help assure more equitable remuneration levels within the common system.

The Director-General said that he had come to the conclusion that after four years of deterioration it had become indispensable to do something in order to remedy the situation with regard to erosion of salaries and allowances. As manager, he was responsible to the CONTRACTING PARTIES for the good functioning of the secretariat and for the well-being of its staff and it had now become indispensable to put an end to the continuous losses of the staff, which were not only substantial but also increasing. In some cases, monthly losses now reached higher than SwF 2,000 as could be seen from document C/W/256. Another aspect of this situation was the impact that the erosion and distortion of salaries

would have on the management of the secretariat and therefore on the quality of work done. Furthermore, the classification of posts had been disrupted to such an extent that a reasonable personnel policy could no longer be applied. This had led to discrimination in salaries between different categories of GATT staff which created problems with respect to the classification of functions. Thus the relationship between the general service category and the professional category had been distorted to such an extent that the administration of the secretariat had become very difficult. To illustrate this point, he cited letters from staff members who had been promoted from the general service category to the professional category and who asked to be demoted again, before retirement, in order to avoid losses of 30 per cent or more in their pensions. The situation had therefore become so abnormal that action was required now in order to re-establish healthy conditions of work for the secretariat.

The Director-General then drew the attention of the Council to the fact that technical corrections could be incorporated in the remuneration system without departing from the common system. He emphasized that the common system had already been subject to many adaptations and corrections in other international organizations, and he referred to the examples cited in the annexes of document C/91. Furthermore, he explained that, with respect to remuneration, the common system was based on two hypotheses: a stable currency and fixed exchange rates. These hypotheses had ceased to exist and the common system had become flexible also in the field of salaries. It was within the power of the CONTRACTING PARTIES to incorporate the necessary technical corrections without leaving the system.

The Director-General concluded his statement by emphasizing that for him and for the CONTRACTING PARTIES the problem to be solved concerned the GATT, GATT's work and working conditions in the GATT secretariat.

Mr. Lai (Malaysia), Chairman of the CONTRACTING PARTIES, regretted that the situation, which had been before the Council for some time, had been allowed to continue and that it had affected the morale of the staff at the time of the launching of the trade negotiations, when an additional effort was called for. A situation in which employees of GATT had asked to be demoted was intolerable and it was therefore indispensable to find a solution to the problem. It was no consolation to the staff that other organizations and delegations were also suffering from the effects of monetary fluctuations.

It appeared to him that most, if not all, delegations agreed that something should be done, but that differences existed as to the method to be applied. While many delegations felt that the common system should not be upset, his delegation was of the view that the so-called common system was not at all common, as it had been interpreted with varying degrees of flexibility by the international organizations applying it. He was therefore pleased to hear that technical corrections could be made, if the CONTRACTING PARTIES were willing to act. His delegation was of the view that this problem should be considered by the Council as a matter of urgency.

The representative of Spain said that it was indispensable to remedy quickly the problems faced by the GATT staff and proposed that the Director-General should put forward solutions for adoption by the Council.

The representative of Canada expressed his sympathy with respect to the losses experienced by the GATT staff and the management problems created for the administration of the secretariat, and agreed that measures to correct the situation were urgently needed. He felt that the common system should not be weakened by ad hoc solutions. A possible solution would be to establish an accounting rate to be applied for a year for the remuneration of the GATT staff. The ICSC should turn its attention to these problems as soon as possible.

The representative of Japan recognized that the erosion of salaries for GATT staff was a pressing problem calling for the most urgent solutions, but felt that such solutions should avoid departures from the common system. It was, however, difficult to draw a demarcation line as to the compatibility of possible solutions with the common system. With regard to the proposal to reimburse staff losses for 1974 by using funds from the 1974 year-end surplus, which was greater than had been anticipated, he pointed out that the surplus was a consequence of the Swiss franc-based budget. His delegation supported the proposal in paragraph 12 of the report of the Budget Committee, to request the ICSC to undertake urgently a comprehensive review of salary and allowance structures.

The representative of the United States, recognizing the existence of a serious problem, noted with satisfaction that the Director-General believed that solutions could be found within the context of the common system. His delegation also supported the recommendations contained in paragraph 12 of the Budget Committee's report. In referring to the proposal made by the representative of Spain, he believed that any specific proposals should be considered by the Council and it would also be appropriate to forward them to the ICSC together with the Council's comments. Delegations on a national basis should encourage their representatives in New York to consider this matter urgently.

The representative of Switzerland requested that a short note be prepared by the Director-General on the lines of the proposal made by the representative of Spain. The note should highlight the fact that, despite the monetary stability provided recently by expressing the GATT budget in Swiss francs, the salaries of the GATT professional staff, based on dollars, continued to be subject to the effects of currency fluctuations. Furthermore, the Director-General's note should point out the distortion in relationship between the salary scales of the professional and the general service categories since the latter is based on Swiss francs. Finally, this note should list the possibilities for the CONTRACTING PARTIES to correct this situation within the common system. In order to avoid internal difficulties for governments, the Director-General's note

should contain proposals formulated in such a way that they would not lead to an increase in the contribution of contracting parties but would merely reduce each government's share in the budget surplus. The formula chosen should be on an ad hoc basis and it should be kept in force until the common system was adapted to cope with the problem.

The representative of the Federal Republic of Germany said that his delegation was aware of the problems faced by the GATT staff as a result of the recent monetary events, but was of the opinion that the common system should be strictly applied. In his delegation's view, the CONTRACTING PARTIES should not embark on an examination or implementation of proposals for technical modifications of the common system for the GATT staff. The examination of proposals should instead be entrusted to the competent bodies in New York and his Government was prepared to support their urgent discussion there.

The representative of the United Kingdom, recognizing the seriousness of the problem, indicated that any departure from the common system would have precedential implications and might hamper the work in this respect of the ICSC. His delegation was ready to consider possible means of assisting the GATT staff provided the precedential risks, to which other speakers had also referred, were avoided.

The representative of Austria referred to the farreaching implications of the problems discussed both for the functioning of the secretariat and for governments and said that his authorities were ready to consider any proposal in a spirit of co-operation.

The representative of Denmark said that he was pleased to hear from the Director-General that there existed possibilities for technical corrections for remedying the abnormal situation rapidly without infringing the common system. However, full use should also be made of work within the UN bodies in New York.

The representative of Yugoslavia stated that in view of the importance of the problem, his delegation was prepared to consider technical adjustment measures that would not jeopardize the common system as an immediate advance solution, awaiting the outcome of the work carried out through the normal UN administrative machinery.

The Director-General pointed out that the ICSC had just been established and could hardly be expected to reach conclusions in time to be forwarded to the General Assembly before the end of 1975. The ICSC studies would result in medium-term solutions and would not resolve the staff claims with respect to 1974 and 1975. He would of course continue to use his influence before the ACC and other relevant UN bodies to press for urgent solutions, but it was nevertheless imperative to do something without delay in GATT and for the GATT staff.

The Chairman of the Budget Committee expressed the hope that the proposals which would be submitted by the Director-General would be examined by competent authorities as to their compatibility with the common system before they were discussed by the Council.

The Chairman, summing up the various views expressed, said that the Council had recognized the seriousness of the situation and considered that it should give it most careful consideration as a matter of urgency. The Council had invited the Director-General to put forward written proposals for examination by the Council, possibly with the help of the Budget Committee. The Director-General had indicated that he would circulate his proposals to members of the Council shortly.

The Council agreed.