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**Chairman: Mr. Omar LOUTFI (Egypt).**

**AGENDA ITEM 51**

**United Nations salary, allowance and benefits system: report of the Salary Review Committee (A/3209, A/3505 and Corr.1, A/C.5/691 and Add. 1 to 3, A/C.5/L.441) (*continued*)**

CONSIDERATION OF THE REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (A/3505 AND CORR.1) (*continued*)

Point 11 (*v*) (*continued*)

1. Mr. TURNER (Controller), replying to the question asked by the USSR representative at the 579th meeting, said that he was not in a position to give details of the manner in which the allowances in question were actually expended, since under existing regulations Directors at the D-2 level were not in fact obliged to render an account of their expenditure under that head. The appropriation in the 1957 budget estimates, already approved by the Committee, amounted to \$23,700. In addition to allowances to Directors at the D-2 level in the United Nations Secretariat proper, that appropriation covered allowances to two officials at present on mission and one in the Technical Assistance Administration. Four officials were receiving \$1,500 each, five were receiving \$1,210, six \$1,000, one \$900, one \$800 and three \$500 each, while two were receiving nothing.

2. Under the recommendations of the Salary Review Committee, which provided for a payment of \$600 to each individual, the total appropriation for the same number of officials would be \$15,000. It was estimated that, subject to the possible need of a short transitional period, the Secretary-General's proposals, if adopted, would cost approximately the same amount, so that the budgetary implications of both schemes were identical.

3. The Secretary-General's plan envisaged payment of representation allowances not on the basis of a flat rate, but a sliding scale ranging from zero to \$1,000, to take account of the wide differences in the actual representational and hospitality obligations attaching to different posts.

4. Mr. VAN ASCH VAN WIJCK (Netherlands) voiced some doubts regarding the Controller's contention that the Secretary-General's proposal might ultimately prove cheaper than that of the Salary Review Committee; might not its greater elasticity also have the opposite effect? The Review Committee's proposal implied that reimbursement of expenditure incurred

should be strictly on a voucher basis. He wondered how far such a plan was feasible, as it would surely not be possible to fix any amount in advance under that system.

5. Mr. HUNN (Rapporteur of the Salary Review Committee) explained that what the Salary Review Committee had had in mind was that the Secretary-General should fix a maximum for each individual official at the D-2 level. That maximum would not exceed \$600 in any one case—indeed, as at present, the amounts would vary from zero to the maximum. Expenditure actually incurred would then be reimbursed only up to the maximum fixed for each individual.

6. Mr. POLLOCK (Canada) said that, as the Committee had a choice between two alternative proposals with identical budgetary implications, the only problem was to decide which scheme was the more practical: should the Secretary-General administer the appropriation in the manner he felt to be best suited to individual Directors' responsibilities or should all D-2 officials be paid a flat-rate allowance? On balance, he thought that the Secretary-General's proposal was the more reasonable on the understanding that the maximum would be reduced to \$1,000. The only remaining question was whether or not to adopt the Salary Review Committee's suggestion that expenditure should be accounted for on a voucher basis.

7. Mr. CERULLI IRELLI (Italy) supported the Secretary-General's proposal. Some latitude should be allowed to senior officials of the Secretariat in the exercise of their legitimate function of forging valuable social links outside the United Nations. It would be undignified to require them to account for every penny they expended.

8. Mr. EL-MESSIRI (Egypt) felt that the provision of a representation allowance reflected the recognized view that entertainment was part of a senior official's duty. The official should render a report, in general terms, to his superior officer justifying the use to which he had put the allowance; and that report would serve as a useful basis for fixing the amount allocated to future incumbents of his post. There should be no need, however, for the submission of detailed vouchers. The Egyptian delegation was in favour of the Secretary-General's proposal.

9. Mr. TURNER (Controller) stressed the point that the Secretary-General was asking for some degree of administrative discretion in allocating amounts to individuals. At the same time he recognized that it would be only reasonable to apply to Directors the procedure provided for under annex I, paragraph 2, of the Staff Regulations relating to Under-Secretaries and officials of equivalent rank, namely that allowances granted for representation or hospitality purposes be subject to appropriate justification and/or reporting.

10. Mr. PEACHEY (Australia) pointed out that under the Salary Review Committee's recommendation

the maximum amount to be authorized would be three-fifths of that advocated in the Secretary-General's own proposals. If as stated by the Controller the budgetary implications were the same, that could only mean that all officials at the D-2 level would automatically be granted the \$600 maximum in the event of the adoption of the Salary Review Committee's plan. That was not warranted nor had it been recommended by the Salary Review Committee. He felt that the present system of variable allocations was preferable, provided that the maximum was reduced as suggested by the Secretary-General. A strict voucher system of accounting was not necessary; but there was ample precedent in many countries for a system whereby an official subsequently submitted a general claim for hospitality expenditure actually incurred.

11. Mr. FORTEZA (Uruguay) recalled that at the 579th meeting he had made a formal proposal that the Secretary-General should retain the discretion to grant a representation allowance to Directors at the D-2 level up to a maximum of \$1,000 per annum. In the light of the Committee's discussion, he now wished to qualify his proposal by the phrase "and on the basis of appropriate justification and/or reporting" from annex I, paragraph 2, of the Staff Regulations, to which the Controller had referred.

12. Mr. DAVIN (New Zealand) said that his delegation would like to see a vote taken on the Salary Review Committee's recommendation, which he would support. There appeared to be some difference of opinion between the Controller and the Rapporteur of the Salary Review Committee with regard to the \$600 maximum. He, himself, had interpreted paragraph 92 of the Committee's report (A/3209) to mean that all Directors would in future be reimbursed up to a maximum of \$600, but that was apparently not the view of the Secretary-General.

13. Mr. HUNN (Rapporteur of the Salary Review Committee) agreed that paragraph 92 was perhaps not entirely clear, but there was a specific reference to individual maxima in the summary of the Salary Review Committee's recommendation (A/3209, para. 15 (vii) (b)). It had at no time been the Committee's intention that the maximum should immediately be raised to \$600 in every case.

14. The statement by the Egyptian representative went far to meet the Salary Review Committee's views. That Committee had perhaps been unnecessarily insistent on the need for a voucher system: a general statement of expenditure in some form would probably be an adequate safeguard. All that was required was some check on the use to which the Directors' allocations were put.

15. Mr. CHECHETKIN (Union of Soviet Socialist Republics) considered that the Salary Review Committee and the Advisory Committee on Administrative and Budgetary Questions had adopted the proper approach, since the proposals of the former, which were supported by the Advisory Committee, would enable the Secretary-General to fix in advance the scale of the hospitality to be offered by D-2 officials. He did not think there was any hardship in being asked to submit a detailed account of expenditure. The amount proposed by the Salary Review Committee (\$600) was a reasonable figure, since Directors at the D-2 level were not expected to entertain on a lavish scale.

16. He suggested that the correct procedure would be to treat the Uruguayan proposal as an amendment

to the Salary Review Committee's recommendation and to vote upon it accordingly.

17. Mr. RAJAPATHIRANA (Ceylon) was in favour of a \$1,000 maximum, the actual amount to be paid in each case being left to the Secretary-General's discretion. He was also in favour of introducing some form of administrative control similar to that now applied in the case of Under-Secretaries in preference to a strict system requiring the submission of vouchers for every item, however small. It should be made quite clear, however, that the representation allowance constituted reimbursement for expenses actually incurred and not an advance whose use would subsequently be justified; he did not think that the form of words proposed by the Uruguayan representative entirely covered that point.

18. Mr. PEACHEY (Australia) said that he would vote in favour of a maximum of \$600 on the understanding that, within that limit, individual maxima would be fixed for each Principal Director.

19. He was not clear whether the system in force for Under-Secretaries was one of reimbursement or whether it involved the payment of a lump sum which subsequently had to be accounted for.

20. Mr. J. AHMED (Pakistan) noted that the financial implications of the Secretary-General's and Salary Review Committee's proposals were approximately the same. His Government granted representation allowances to its chief Ministers; it did not require any accounting for expenditure, assuming that the Ministers in question would draw only the sums necessary. It was not proper that responsible officials should be asked to submit vouchers. The Secretary-General should be left to make the necessary administrative arrangements along the lines of those now applicable to Under-Secretaries. It should, of course, be understood that the allowance would be paid only for expenses actually incurred. On that understanding, he would vote in favour of the Secretary-General's proposal that the existing system should be retained, but with a reduced maximum of \$1,000.

21. Mr. DAVIN (New Zealand) proposed that the Committee should vote first on the maximum amount of the allowance and then on the question of whether it should be paid on a reimbursement or accounting basis. He understood reimbursement to mean that the official concerned would periodically submit a claim, supported by receipts or a signed statement, for expenditure actually incurred.

22. The CHAIRMAN put to the vote the first part of the Uruguayan representative's proposal providing that the Secretary-General should retain the discretion to grant to Directors (D-2) a representation allowance up to a limit of \$1,000.

*The first part of the Uruguayan representative's proposal was adopted by 23 votes to 21, with 8 abstentions.*

23. The CHAIRMAN put to the vote the second part of the Uruguayan representative's proposal stipulating that the representation allowance should be granted on the basis of appropriate justification and/or reporting. He understood those words to mean that the expenditure had actually been incurred.

*The second part of the Uruguayan representative's proposal was adopted by 32 votes to 12, with 7 abstentions.*

24. Mr. POLLOCK (Canada) said that he had voted in favour of the \$1,000 maximum, because he had understood from the Controller's statement that the Secretary-General would operate within a total appropriation of about \$15,000 and would determine the representation allowance for each D-2 post on the basis of the degree of responsibility involved. It was essential to a sound system of allowances that full account should be taken of the responsibilities of individual posts and that proper administrative arrangements should be established. He was not convinced that the administrative arrangements which the Committee had just approved were the most appropriate, but he had abstained from voting on that issue in view of the Controller's assurances. The arrangements must now prove themselves in practice.

25. Mr. PETROS (Ethiopia) explained that he had voted in favour of the accounting procedure proposed by the Uruguayan representative, because he felt that the Principal Directors were men of the highest responsibility, whose word should be enough. He had abstained from voting on the \$1,000 maximum, because the remuneration of Under-Secretaries and that of Principal Directors were closely linked and, if discussion of the former was to be postponed to the following session, discussion of the latter should be similarly postponed.

26. Mr. CHECHETKIN (Union of Soviet Socialist Republics) said that he had voted against both proposals, as he did not feel that they provided for a proper system of representation allowances with adequate administrative and financial control.

*Point 11 (vii)*

27. Mr. HUNN (Rapporteur of the Salary Review Committee) said that the proposed system of post adjustments represented a radical departure from current practices. Nevertheless, the Salary Review Committee recommended it with full confidence, because it solved a number of problems and had been favourably received by the organizations.

28. The object of the proposed system was to convert the base salaries—henceforth the Geneva salaries—and also some element of dependency allowance into approximately equivalent standards of living at all posts.

29. The existing system of differentials had originally been worked out in multiples of 5 per cent of 75 per cent of salary on the basis of a place to place price comparison, in other words, a comparison between prices at a given post and the New York base. That had meant that a reduction in salaries at a post where prices were rising had been theoretically possible, if New York prices were rising at a faster rate. In 1952, because of that difficulty, among others, the Administrative Committee on Co-ordination (ACC) had recommended a new system whereby differentials were to be fixed initially on the basis of a place to place comparison with New York, but subsequent revisions of those differentials were to be based on local price movements; both the initial and revised differentials were to be fixed in multiples of 10 per cent of 75 per cent of salary based on a six-months' average of prices.

30. A number of difficulties and anomalies had arisen, because the ACC system had never been adopted by the General Assembly or applied in the United Nations, but had been applied, sometimes in full and sometimes in part, by various agencies. Certain inequities had therefore arisen. It had, for instance, been possible for

an official of the World Health Organization (WHO) stationed at Manila to receive approximately \$13,000 more than his United Nations counterpart, because WHO applied the 50 per cent Manila differential to net salary without a ceiling, whereas the United Nations applied it to gross salary with a ceiling. It had also been possible for a difference of twenty-five points in prices between the New York base and the post to result in a salary differential of only 10 per cent of 75 per cent of salary, which gave an effective differential of 7.5 per cent.

31. Generally speaking, the heads of the organizations had felt that they were attempting to be too scientific and statistically precise in a matter calling largely for broad judgement. A number of suggestions had been made to the Salary Review Committee and the post adjustments system had originated with a WHO proposal that the existing system of differentials and cost of living allowances should be replaced by a series of net flat rate allowances varying from grade to grade regressively from P-1 upwards.

32. Under that system, the present percentage differentials would be replaced by post adjustments varying according to grade, proportionately less being given to higher grades and proportionately more to staff with dependants. Firstly the principles governing the adjustments were that they would be net, thus being equivalent to considerably higher percentages of gross salary. Secondly, they would be non-pensionable, since otherwise they would cause complications, especially at base and "minus" locations where no post adjustments were applied and also when transfers were made—the entire pension problem was in any case to be studied separately. Thirdly, they would be paid at a flat rate, since there would not be equity between posts with staff assessment and those without it the adjustments were applied as a uniform percentage of gross salary, or equity all the way up the grades if they were applied as a percentage of net salary subject to a ceiling. Tax-free flat-rate adjustments, incidentally, were generally favoured in the pay systems of national foreign services. Fourthly, there was the principle of regression, applied both to the widening of the price gap between duty stations and the rise in grading levels. Its application in the former case was due to the fact that the statistical margin of error was necessarily greater the further removed prices were from the base, and that staff in high-cost areas were more able and liable to import goods from cheaper locations. The reason for its application in the latter case was that staff in higher grades spent a smaller percentage of their salaries on necessities and were in a better position to make changes in their patterns of living to counteract high prices. That type of regression was, in fact, the common practice. There had been no objections from the organizations or from the staffs to the general principle.

33. Lastly, the scheme took account of dependants, staff members with dependants receiving higher rates of post adjustment. The inclusion of that supplementary amount in the adjustment in "plus" areas ensured that the dependency allowance also varied in line with price differentials. The system was so devised as to give full compensation at the \$7,000 net base salary level to staff members with primary dependants in areas up to Class 4, and two-thirds compensation to staff without such dependants.

34. The application of the system was a separate question which should be discussed later. The system

provided an alternative to the evils of the present multiplicity of arrangements, and also embodied provisions for periodical reviews, thereby removing the uncertainties and inconsistencies inherent in the current system. At present, adjustments were made in multiples of 10 per cent of 75 per cent of salary. The Committee of Experts on Salary Differentials, Cost-of-Living Adjustments and Dependency Allowances, whose work had become merged with that of the Salary Review Committee, had recommended (A/C.5/632, annex) 7½ per cent steps for the first two movements from the base, followed by 5 per cent steps. The Salary Review Committee itself preferred 5 per cent steps for both initial and subsequent adjustments, both in order to avoid over-frequent reviews and to obviate the need for staff to suffer the effects of changes in the cost-of-living for too long a period. After the initial adjustment, staff would virtually automatically receive—or would at least be morally entitled to receive—a further adjustment, when the price increase averaged five points over nine months, subject to approval by the legislative body. Statistical resources would be improved and permanent machinery installed in order to facilitate those adjustments.

35. The proposed scheme, in the Salary Review Committee's opinion, was easier to apply than the existing arrangements, the difficulties and anomalies of which it removed. It represented a common system operable by the organizations and comprehensive to them and their staffs.

36. Mr. CERULLI IRELLI (Italy) regretted that, whereas representatives of Switzerland and Japan—two countries where offices of international organizations were located—had been included among the members of the Salary Review Committee, Italy, which was host to the Food and Agriculture Organization, had not been represented. He was surprised that Rome had been placed in a higher class than Geneva, for his impression was that the cost of living was higher in the latter centre.

37. The CHAIRMAN, replying to a question by Mr. CHECHETKIN (Union of Soviet Socialist Republics) suggested that the Committee should first deal with the question of principle. Once that had been disposed of, it could discuss the question of application. However, if representatives wished to discuss both questions together, decisions on the two separate issues could be taken after a general debate.

38. Lord LOTHIAN (United Kingdom) said that his delegation would vote in favour of a post adjustment at Class 4 rates for New York, as recommended by the Salary Review Committee and the Advisory Committee. The former had made a thorough examination of the position of Geneva staff and, after full consultation with the organizations there, had concluded that the base rates for Geneva were fully adequate. It had then examined the difference between living costs in Geneva and New York, the statistical evidence showing that price levels in the latter were about 8 per cent higher, thus justifying a post adjustment of 10 per cent, which would have corresponded to classification in Class 3. It had been represented to the Salary Review Committee, however, that certain non-statistical factors should be taken into account, and it had accordingly proposed classification in class 4. The effect would be to raise salaries payable to married men in New York to 15 per cent above those payable in New York in 1950.

39. In terms of cash, class 4 post adjustments for New York would give married men salary increases of from \$320 at the P-1 level to \$865 at the D-1 level. Furthermore, since the cost of living in New York in 1956 had been 11.8 per cent above the 1950 level, the payment of class 4 post adjustment would fully maintain the 1950 purchasing power of the New York scales.

40. The effect of the proposal to pay class 5 rates would be to give much larger increases, ranging from \$545 to \$1,265. His delegation was not convinced that a valid case existed for so great a departure from what the statistical evidence would justify and from the Salary Review Committee's recommendation. The New York staff would already benefit substantially from the greatly improved medical and dental schemes which the Fifth Committee had been asked to approve, the suggested cost of which—\$135,000—would amount on average to a further \$45 per head, although the actual benefits accruing in the form of savings on medical and dental expenditure would, of course, be very much greater.

41. As shown in document A/C.5/L.441, classification in class 5 would cost \$725,000 as against \$390,000 for classification in class 4. While cost was not the only determining factor, he felt that such substantial additional expenditure should not be approved without the strongest justification; and as that had not been provided, his delegation would vote in favour of classification in class 4. It was also dubious about placing Paris and Montreal in class 4, and considered class 3 to be more appropriate. Any such classification should be regarded as provisional and be subject to any necessary adjustment in the light of a thorough examination of comparative living costs in those centres and Geneva.

42. Mr. MENDEZ (Philippines) supported the Secretary-General's proposal that New York should be placed in class 5 and requested that it should be put to the vote. Any reasonable doubt, in his opinion, should be resolved in favour of the Headquarters staff.

43. Mr. TURNER (Controller) pointed out that the Secretary-General's proposal related not to the principle of post adjustments but to their mode of application. He fully recognized that the new system, despite the flaws and anomalies which were inevitably inherent in any such system, was an improvement and simplification as compared with the existing arrangement. The Secretary-General differed with the Salary Review Committee only on the question of application. The question of the New York post adjustment, on which the Secretary-General wished to enlarge, could be discussed later once the Committee had decided whether it considered the proposed system reasonable and satisfactory.

44. Mr. SILVA (Brazil) said that his delegation would reluctantly vote in favour of the proposed system of non-pensionable post adjustments. The only alternative would be to recast the whole system—a step which was precluded by the time factor and which would in any case be a practicable impossibility in a large deliberative body like the Fifth Committee. The combination within a single allowance of family benefits, compensation for variations in cost of living and adjustments for variations in patterns of expenditure according to salary level was impracticable. The Salary Review Committee itself pointed to that conclusion when it stated in its report that no satisfactory solution could be found to the problem of applying the system to areas where the cost of living was lower than at the

base. A re-examination of the question in the near future was therefore imperative, but in the meantime it was necessary to deal with the problem of granting some relief to compensate staff at certain stations for increases in the cost of living. In New York, the cost of living had risen since May 1950 by over 15 per cent as against an increase of only 7 to 10 per cent in the salaries of United Nations Professional staff. Meanwhile, the salaries of civil servants in the United States of America during the period 1951-1955 had increased in some cases by over 18 per cent, while salaries in other occupations had increased even more.

45. Failure to adjust United Nations salaries might lead to serious difficulties in recruiting suitable staff. In several countries, it had already become difficult to fill the yearly quotas of entrants to the civil service, and it was important that United Nations work should not be hampered by the same difficulty. Delay in adjusting salaries might prove in the long run to be a

false economy. The organizations, in their efforts to overcome recruitment difficulties, might be forced to offer higher steps or levels on recruitment. Apart from the obviously bad effect of such practices on staff morale, the cost would be much higher when the inevitable adjustment had to be made. From a long-term standpoint, it would be better to avoid unnecessary costs by making suitable adjustments at the right time. The information supplied confirmed the Secretary-General's contention that New York should be placed in class 5, and the Brazilian delegation would vote accordingly.

46. Mr. CHECHETKIN (Union of Soviet Socialist Republics) said that it would be useful to have information regarding items with financial implications which remained to be dealt with by the Fifth Committee and which would give rise to supplementary estimates for 1957.

The meeting rose at 5.55 p.m.