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Chairman: Mr. T. A. STONE (Canada).

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[Item 41]*

Cost-of-living adjustment for the staff of the United Nations

1. The CHAIRMAN summarized the main points of the Secretary-General's proposals for a cost-of-living allowance (A/C.5/468 and Corr.1 and 2). The rate was to be 7½ per cent, and the allowance was to be granted to staff of all grades with a minimum of \$300 and a maximum of \$750 gross, with an automatic adjustment every six months based on the variations of the cost-of-living index. He also recalled that in its second report of 1952 (A/2039), the Advisory Committee had proposed an allowance at a flat rate of 5 per cent for staff members in receipt of less than \$7,000 gross per annum, with a minimum of \$200 per annum and no automatic adjustment.

2. The SECRETARY-GENERAL said he could not accept the modifications to his proposals suggested by the Advisory Committee. Like the General Assembly and the Advisory Committee, he was anxious to economize as much as possible in the expenditure of the United Nations, but he also shared with those bodies the responsibility for organizing and maintaining a Secretariat whose members were competent to do their work.

3. He recalled that, at its first session, the General Assembly had stated (resolution 13 (I)) that the degree in which the objects of the Charter could be realized

would be largely determined by the manner in which the Secretariat performed its task and that the conditions of employment in the Secretariat should be such as would attract qualified candidates from any part of the world. One of the most important of such conditions of employment was undoubtedly that staff members of the Secretariat should have a fair salary system which allowed for fluctuations in the cost of living. It should be noted that between the month of May 1946, when the first salary scale had been fixed, and 15 November 1951, the cost of living in the New York area had risen by more than 36 per cent. Before 1 January 1951, when the new salary system had come into force, staff members whose maximum salary did not exceed \$7,000 had received a cost-of-living allowance. Under the new system that allowance had been incorporated into the gross salary. The new salary allowance and leave system had been established in accordance with the recommendations made in 1949 by the Committee of Experts on Salary, Allowance and Leave Systems. In its report of October 1949¹ that Committee had noted in paragraph 46 that on 15 August 1949 the cost-of-living index in the New York area had been nearly 25 per cent greater than that for May 1946, but it noticed a tendency towards price stabilization; the cost-of-living index had certainly varied only very slightly at the beginning of 1950. The new scale had thus been established in relation to price levels existing before hostilities had broken out in Korea.

4. When the Fifth Committee and the General Assembly had decided (resolution 470 (V)) in November 1950 to implement the new salary allowance and leave system, they had not estimated the cost of living at that date. The latest information then available had referred to 15 September 1950, when the figures had shown an increase of 3.4 per cent over those for May 1950. That increase was obviously not sufficient to warrant a new

* Indicates the item number on the General Assembly agenda.

¹ See *Official Records of the General Assembly, Fourth Session, Fifth Committee, Annex, Volume II, document A/C.5/331 & Corr. 1.*

fastment, particularly as, according to the experts A/C.5/331, para. 47), the scale was to be subject to revision in the event of outstanding variations in the general level of prices and wages.

5. However, between May 1950 and November 1951, the cost-of-living index in the New York area had increased by 10.8 per cent.

6. As a result of the new salaries system, many staff members had suffered a loss of net earnings. Further, the abolition of the expatriation allowance had cut down the "take-home pay" of 1,237 staff members by \$250 for unmarried and \$500 for married persons. The abolition of the rental allowance had resulted in a decrease of "take-home pay" for about 1,350 staff members, the decrease ranging from \$175 to \$450 per annum from 1 January 1952. It was true that a repatriation grant would eventually be paid to staff members leaving the service of the United Nations, but that would not help them to pay their rents at present. The rental allowance had certainly been established on a temporary basis but its abolition was one more reason for granting a fairer cost-of-living allowance.

7. As regards annual salary increments, they were granted to staff members not to enable them to meet increases in cost of living, but in recognition of the quality and duration of their service. If he was only proposing an allowance of 7½ per cent instead of the apparently more adequate 10 per cent for which the Staff Association had called, it was because the citizens of many Member States were obliged to pay heavier taxes than heretofore, and the staff of the United Nations should not be receiving preferential treatment. The Secretary-General was also obliged to conform to the wishes of the governments of Member States that the United Nations budget should remain as small as possible.

8. During the past year a large number of governments of Member States had granted their civil servants an increased cost-of-living allowance. That fact had been ascertained by a semi-official enquiry from delegations, undertaken in New York at the request of the Advisory Committee. As a result of the deductions provided for under the staff assessment system, the net amount of the cost-of-living allowance would range from \$255 to \$485 per annum and would not exceed \$375 for the highest grades.

9. The sliding-scale system which he proposed would be in line with the system prevailing in many national administrations. Such a system would give the staff a feeling of security and make it unnecessary for the Advisory Committee and the Fifth Committee to be continually debating and reconsidering the salary question. The system would of course be subject to annual revision by the General Assembly. An enquiry made among delegations in New York had revealed that 15 out of 22 countries had established sliding-scale systems and that 9 of those countries possessed systems of cost-of-living allowances on an automatic sliding scale.

10. If, as the Advisory Committee proposed, the cost-of-living adjustment were granted only to staff members receiving a salary of less than \$7,000 gross per annum, a group of staff members who had received no cost-of-living adjustment for more than five years would be denied any assistance, and insufficient assistance would be given to the remainder of the staff. The effect would be to confirm the concealed, but nevertheless substantial,

lowering of the salary scales of all staff members in the intermediate and higher grades at a time when it was becoming increasingly difficult to recruit and retain well-qualified staff, particularly in senior posts. The difficulty was due to the fact that existing salaries were not sufficient to attract the highly-qualified men and women whom the Secretariat most needed. Any proposal for a cost-of-living allowance lower than that requested by the Secretary-General would be most unfair to the staff and extremely unwise from the point of view of the future of the Organization.²

11. Mr. AGHNIDES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that in his report (A/C.5/468) the Secretary-General had taken May 1950 as the base period for calculating the rise in the cost of living, which produced a rise (averaged over the four months July-October 1951) of 9.5 per cent. In paragraph 3 (i) of its report (A/2039) the Advisory Committee explained why it had chosen December 1950 as base period. The chief reason was that on 15 December 1950 the General Assembly had decided that the salary scales annexed to resolution 470 (V) represented adequate scales for application on 1 January 1951.

12. In the opinion of the Advisory Committee the rise in the cost of living to which staff members had been subjected since the adoption of the new salary scale in December 1950 was 4.92 per cent. That rise would not have justified a special allowance or revision of salary scales if the Advisory Committee had not also taken into account the trend of the cost-of-living figures, which would probably continue to show an upward tendency during the coming months.

13. The Secretary-General's report referred to the reduction in "take-home pay" suffered by certain staff members through the abolition of the repatriation and rental allowances. But the repatriation grant constituted an element of compensation which, in the form of compulsory savings, was a significant factor in the emoluments of the staff member. The reduction in "take-home pay" due to the abolition of the rental allowance mainly affected internationally-recruited staff.

14. It should be noted that unmarried workers in the New York area who were not members of the Secretariat, had suffered reductions of net income varying between 3.4 and 6.7 per cent at the net salary range of \$2,200—\$8,750 as a result of income tax increases in the United States. One of the purposes underlying the establishment of the staff assessment plan was to prevent the creation of a group of international civil servants enjoying tax privileges. Any sharp rise in taxation not accompanied by a revision of United Nations rates of assessment would tend to place members of the Secretariat in a privileged position.

15. The Advisory Committee was firmly opposed to the introduction of an automatic escalator clause and considered that the interests of staff members were adequately safeguarded by the fact that the General Assembly would hold its next regular session in eight months' time.³

² For the complete text of the Secretary-General's statement see document A/C.5/L.160.

³ For the complete text of Mr. Aghnides' statement see document A/C.5/L.161.

16. Mr. ALBORNOZ (Ecuador) recalled that during the general debate with which the Committee had commenced its work, his delegation had expressed its desire (288th meeting, para. 16) that officials of the United Nations should be offered adequate working conditions, stability of employment and the prospect of making a career in international organizations. With those aims in mind it had joined with the delegations of Colombia, Denmark, Iran, Pakistan and Turkey in submitting an amendment to the Advisory Committee's recommendations (A/C.5/L.158).

17. The rise in the cost of living since May 1950 would justify an 11 per cent increase in salaries on the basis of the figures given by the United States Bureau of Labor Statistics. Moreover, the United States Government had granted its employees a 10 per cent increase in base salary retroactive to 1 July 1951. Members of the United Nations Secretariat had suffered a series of reductions in their net pay, notably because of the abolition of the expatriation allowance, an allowance which had been fully justified. He did not believe that an international civil service could be based on constant salary reductions. In some cases promotion actually meant a reduction in net income.

18. With reference to paragraph 2 of the amendment, he said that he did not believe that members of the Secretariat were guided mainly by economic considerations. They sought in the first place to serve the noblest ideal of their time; and the Organization should enable them to perform their functions in conditions consonant with the dignity of those functions.

19. Paragraph 3 of the amendment was intended to deal with future changes in the cost of living and would enable the Secretary-General to solve problems as they arose and ensure that difficult situations should not arise in the various parts of the world in which United Nations offices were situated.

20. He trusted that the joint amendment, which represented a compromise on the 10 per cent allowance requested by the Staff Association and which merely sought partly to offset the reductions in salaries and the increase in the cost of living, would meet with the approval of the Committee.

21. Mr. ABDON (Iran) said that it was the duty of the Secretary-General to endeavour continually to improve the quality of the staff. That objective could not be achieved unless the Organization enabled members of the Secretariat to enjoy a better standard of living and greater security. It was therefore necessary to take into consideration the effects of the steady rise in the cost of living in New York on the living standards of staff members.

22. The allowances supplementing salaries had been granted by the General Assembly because it had considered them justified, and not in order to offset future reductions in purchasing power. The repatriation grant could not be used to cover the day-to-day expenses of staff members. Moreover, the transfer of the Secretariat from Lake Success to New York had involved difficulties and increased expenditure for many members of the staff. Annual salary increments had never been intended to offset, even in part, increases in the cost of living.

23. The Iranian delegation agreed with the Advisory Committee that it was essential to avoid the creation

of a privileged class of international civil servants, did not consider that the creation of such a class ever been encouraged by the Secretary-General or any organ of the United Nations. On the contrary, the present position of the staff, compared with that of members of other civil services, seemed less favourable than in 1946. It was true that in many countries taxes had been increased, but the increases had been more than offset by the increased salaries granted to civil servants.

24. The Advisory Committee had held the view that in establishing the new salary scale the General Assembly had taken into account the cost of living at the time of its decision; but the General Assembly had based the new scale on the situation at the end of May 1950. That had been exactly the date from which the cost of living had started to rise as a result of the war in Korea. Cost of living had thus not been taken into consideration when the new system had been adopted by the General Assembly. The base period for the calculation of the rise in the cost of living must necessarily begin on the date when the new salary scale had been proposed.

25. The fact that staff members in the intermediate and higher grades normally had family and other obligations which made them particularly vulnerable to price increases should also be considered. The Secretary-General's proposal was wholly reasonable and deserved to be approved.

26. Mr. FAHMI (Egypt) said that there was no need to go into the technicalities of cost of living indexes which were often deceptive. Members of delegations who lived in New York knew that the cost of living had certainly increased by more than 5 per cent and was continuing to rise. Because of that fact the Government of Egypt had granted a substantial increase to United States employees of the Egyptian delegation in New York. The Advisory Committee's proposals were not a satisfactory answer to the reasonable requests of the United Nations staff. His delegation would support any practical proposal offering a compromise between the Advisory Committee's proposals and the somewhat generous proposals of the Secretary-General.

27. Mr. MELAS (Greece) stated that his delegation considered it necessary to establish the expenditure of the United Nations at the lowest possible level for three reasons: first, because it was important to reduce to the minimum the sacrifices requested from States Members; secondly, because the trends displayed in the United Nations budget necessarily affected the budgets of the specialized agencies; and thirdly, because the continuous increase in the expenditure of the United Nations and other international organs might ultimately hinder achievement of its aims.

28. Arrears in contributions to the United Nations and more so to the other international agencies, were beginning to assume alarming proportions. The experience of the League of Nations showed that the Organization might one day have to appoint an economics commission which would cut expenditure even on necessary activities and introduce reductions in staff that would violate acquired rights of some standing

29. The General Assembly had fixed the salary rates of Secretariat officials the preceding year when it had laid down salaries and allowances which it had con-

sidered adequate but which had not given officials in the higher grades a margin of resources. It was affirmed that officials in the middle and higher grades lived less well in New York today than officials of the League of Nations had lived at Geneva before the war.

30. Everyone agreed that the cost of living had risen appreciably in the United States since 1950. To assess that increase the Secretary-General had taken as basis the figures for May 1950, and the Advisory Committee those for December 1950. In his own view the month to be taken as basis should be September 1950, the last month in which the situation had been known by the General Assembly when it had voted for the new salary scales in December. The increase in the cost of living up to September 1951 could be estimated at not less than 6 per cent. The cost-of-living allowance should therefore be fixed at the rate of 6 per cent, which might later be changed if, as was unfortunately probable, prices continued to rise. Moreover, it was fair that the cost-of-living allowance should be paid to all officials in New York without a salary limit. Everyone should be remunerated according to the work he performed, account being taken of his family responsibilities and seniority. A welfare measure should be uniform, if only to maintain the same differences in salary between the officials in the various grades as those provided for in the scale.

31. Miss STRAUSS (United States of America) observed that the General Assembly had in the preceding year established in relation to salaries and allowances certain fundamental policies which had subsequently been adopted by the principal specialized agencies. It must be recognized therefore that any policy decision affecting the salary policy of the United Nations will have consequences for the specialized agencies.

32. The salaries scale adopted by the United Nations and the specialized agencies included two very different categories. The first was the general service category, largely composed of locally-recruited staff, whose wage rates were based on the best wages paid in the area for similar work. In the category of professional services and directors, on the other hand, largely composed of internationally-recruited staff, basic salaries were related to the best paid foreign and home services of the Member States and were the same in all organizations, wherever their Headquarters might be. The Secretary-General, however, proposed that a cost-of-living allowance should be based on equal treatment of the two categories. The adoption of that principle would inevitably cause the wages of locally-recruited staff to move away from the best wages paid in the area, where those did not vary according to the fluctuations in the cost-of-living index, as was the case particularly in New York, Paris, Rome and Geneva. According to the principle at present applied, any increase for locally-recruited staff should be related to changes in the best wages paid for similar work in the area, and not to variations in the cost-of-living index.

33. Furthermore, the method proposed by the Secretary-General for internationally-recruited staff would oblige all organizations to make automatic cost-of-living adjustments according to the fluctuations in the index, without regard to the validity of that index, to the operation of other factors, or to the financial effects of the increase on the given organization.

34. The Secretary-General recognized that account should be taken of the fact that the income of members

of the Secretariat was not affected by national tax increases. The United States delegation wondered whether it would not be better to take account of that factor by increasing the staff assessment rates. If, however, that method did not seem feasible in the present circumstances, the method proposed by the Secretary-General seemed provisionally acceptable; though it hardly seemed fair to impose the same percentage of reduction on staff in the lower as in the higher categories.

35. The salary increase granted to staff in the general service category in the New York area should be brought in line with the best prevailing wages in New York, and for this purpose should not need to exceed 5 per cent, provided that the minimum was \$200 gross per year. The salaries of internationally-recruited staff should be maintained at the basic rates approved for New York in December 1950, and the rates in force in other areas should be revised according to a comparative study of the cost of living to be conducted periodically by the United Nations. Temporary adjustments to take account of severe variations in the cost of living in a given area, including New York, should take the form of a temporary cost-of-living allowance to be granted by the competent inter-governmental body after considering whether the salaries were sufficient in the circumstances. It seemed therefore to the United States delegation that an increase of 5 per cent with a gross maximum of \$500 would be suitable for internationally-recruited staff up to a gross income level of \$15,000 a year, above which level no increase was justified. The United States delegation therefore submitted to the Committee a draft resolution to that effect (A/C.5/L.159).

Mr. Albornoz (Ecuador), Vice-Chairman, took the chair:

36. Mr. BASMAN (Turkey) praised the staff of the Secretariat. He noted that the divergencies of opinion related to the determination of the base period from which the rise in the cost of living should be calculated. The Secretary-General considered that the salary scheme at present in force had been established in relation to the situation existing in May 1950. The Advisory Committee, on the other hand, considered that the date to be taken as base should be the date on which the General Assembly itself had adopted the scale, that is to say 15 December 1950. At the time of adopting that decision the General Assembly had not had before it statistics for the current month. The most recent cost-of-living index at that time available to it had been that for September 1950. Between September and December 1950, however, the cost of living had increased by 2 per cent.

37. Account must also be taken of the fact that, since the present system had come into force, the expatriation and rental allowances had been abolished. The repatriation bonus that had been introduced constituted a form of obligatory saving which did not enable those who would receive it in the more or less distant future to meet their immediate needs. Moreover, the staff had already been deprived of the expatriation allowance for over a year.

38. The institution of a sliding salary and wage scale would enable the cost-of-living allowance to be adjusted when adjustment was called for. Such adjustments, being automatic, would not throw any extra burden on

the Advisory Committee, the Fifth Committee or the General Assembly.

39. The delegation of Turkey would therefore vote for the amendment to the Advisory Committee's recommendations appearing in document A/C.5/L.158.

40. Mr. FOURIE (Union of South Africa) said that the existence of an increase in the cost of living was undeniable, and that opinion differed only on the size of that increase. His delegation would like to have a little more time before taking up a stand on the matter, and for the moment would merely make a few general remarks.

41. It was essential to govern salaries by uniform principles, i.e. to know whether the intention was to take as basis the practice followed by various countries in paying their officials, or to establish and maintain a separate uniform system. To judge by the decisions taken in the previous year, the Assembly desired a separate system. The practice followed by various States Members could, incidentally, be adduced as well in support of the Secretary-General's conclusions as of those of the Advisory Committee, according to the examples chosen.

42. With regard to locally-recruited personnel, he supported the United States representative's proposal concerning the basis for the application of the allowance.

43. Paragraph 3 of the joint amendment (A/C.5/L.158) to the Advisory Committee's recommendations (A/2039) provided for a sliding scale to adjust the cost-of-living allowance. That was a dangerous principle, since it would impose obligations on future sessions of the General Assembly. The proposal to adjust the allowance automatically every six months, which was also contained in paragraph 3 of the amendment, seemed to be contrary to established budgetary practice. Indeed, such a procedure would seem not to offer any other possibility than recourse to a levy on the working capital fund, which was scarcely desirable. He considered that there would be no objection to waiting until the Assembly met in plenary session before taking a decision in the matter.

44. Finally, the period which should serve as base for calculating the increase in the cost of living should be clearly stated. There could be no return to 1946, nor could account be taken of the losses suffered by certain staff members during the preceding five years. It would be necessary to start from the adoption of the new salary allowance and leave system. It would be advisable to decide whether the base should be the index of May 1950, when the experts had drawn up their report (A/C.5/331), or that of September, mentioned by the Greek representative, or again that of 15 December, which the Advisory Committee favoured. At all events the essential point was certainly to lay down the principles underlying the Organization's system of salaries.

45. Mr. CARRIZOSA (Colombia) remarked that when the Committee had discussed the salary scale of the Secretariat staff during its preceding session, several delegations had referred to the high cost of living in the New York area to justify a proposed increase in the salaries of senior officials of the Secretariat. That argument obviously applied with at least equal force to staff members receiving an annual salary of \$7,000 or less. During the fourth session the Brazilian and

Polish representatives⁴, and also the Staff Association⁵, had also drawn attention to this subject (A/C.5/SR.227 and A/C.5/SR.228). It would therefore seem only fair that the General Assembly should correct the mistake by which its resolution 470 (V) granted an increase in salaries to senior officials while abolishing the expatriation allowance from 1 January 1951 and the rental allowance from 1 January 1952. The rise in the cost of living had quickened in 1951, and wages and salaries in the New York area had gone up accordingly. The United Nations Secretariat was the only important organization whose staff had suffered instead a reduction in their net earnings, because of the discontinuance of certain allowances.

46. The Committee should therefore give serious consideration to the Secretary-General's suggestion to reverse the tendency to reduce the net wages and salaries of the Secretariat staff. The figures and arguments advanced by the Secretary-General were both clear and convincing. The Advisory Committee, however, took a different view of the problem. It held that in drawing up the scale of salaries and wages annexed to resolution 470 (V) the General Assembly had taken into account all the pertinent factors, in particular the cost of living; but a careful scrutiny of the summary records of the Committee's meetings during the preceding session would reveal that the rise in the cost of living had been taken into account up to May 1950 only. The Secretary-General's representative had made that quite clear.

47. The Advisory Committee stressed that since the introduction of the new wages and salary scale 750 staff members had received increases. Though that was perfectly true, the increase received by 550 of them merely corresponded to the regular annual increment which they had actually already earned. The net earnings of only 200 staff members had therefore increased through the introduction of the new scale; and that increase had been largely counterbalanced by the discontinuance of various allowances.

48. The Advisory Committee had also insisted that the salaries paid to senior and middle grade officials were adequate to meet the increase in the cost of living in the New York area since the introduction of the new salary scale. It would be immoral and unjust to force one part of the Secretariat to accept certain sacrifices which their colleagues would be spared. One section of the United Nations Secretariat staff should not be penalized for the increase in the cost of living in the New York area; and care should be taken to maintain the differences fixed by the General Assembly between the various categories of staff members.

49. The problem was simple. Since the middle of 1950 the cost of living had risen for well-known reasons. By its resolution 470 (V) the General Assembly had adopted measures to improve the position of senior officials while impairing that of staff members who had had their allowances stopped. The Secretary-General was now anxious to remedy the situation and had put forward perfectly valid and convincing reasons. The Committee should therefore approve the Secretary-General's proposal. The Staff Association, it

⁴ See *Official Records of the General Assembly, Fourth Session, Fifth Committee*, 227th and 228th meetings.

⁵ *Ibid.*, Annex, Volume II, document A/C.5/331/Add.1 and Corr.1 and 2, Appendix II.

could be noted, agreed with the Secretary-General. The expense of providing the cost-of-living allowance proposed by the Secretary-General would amount to \$7,000, which did not seem unreasonable. The details of the Secretary-General's proposal also appeared to be well justified. The Colombian delegation would unsolicited support that proposal as a whole; it was therefore submitting, jointly with other delegations, an amendment (A/C.5/L.158) to the recommendations of the Advisory Committee.

50. Mr. HANCKE (Norway) said that the cost of living in the New York area, as in many other parts of the world, had undeniably risen in the past eighteen months. His Government therefore thought that the staff of the United Nations Secretariat should be granted a cost-of-living allowance.

51. There were two main problems before the Committee: first, to determine the rate of future allowances, and secondly, to decide whether to adopt the Secretary-General's suggestion that the allowances should be subject to automatic and periodic adjustment.

52. On the second question his delegation did not think that there was any need to adopt the system suggested by the Secretary-General, and would therefore be unable to support that provision. As the General Assembly met at least once a year, it could examine and review the cost-of-living allowance at sufficiently frequent intervals. Instead of adopting a system of automatic adjustment, the Committee would do better to reconsider the question each year, having regard not only to fluctuations in the cost-of-living index but to all the other pertinent factors. In view of the efforts made throughout the world to stabilize prices, his delegation felt that there was no need whatsoever to examine the wage and salaries scale of the Secretariat staff more than once a year. The General Assembly should grant the staff the right to request, through the Secretary-General, consideration of the question of wages and salaries at a session of the General Assembly; that request, together with all relevant documentation, should be submitted to the delegations.

53. His delegation agreed with the Secretary-General that the cost-of-living allowance should be paid to all staff members without distinction, since all were affected by the increase in the cost of living. The differences between the salaries of officials, according to rank, which the General Assembly had wished to establish would be maintained, as the bonus would, according to the Secretary-General's proposals, present minimum and maximum levels. On that point the delegation of Norway would vote for the recommendations of the Secretary-General.

54. As regards the establishment of the rate of the allowance, he pointed out that the cost of living in the New York area had increased by 10.2 per cent between May 1950 and October 1951, and it appeared that since October 1951 prices had increased still further. The delegation of Norway was therefore prepared to vote in favour of granting to staff members a temporary cost-of-living allowance, which would not be taken into account in assessing contributions to the pension fund and which would amount to 7.5 per cent of the gross salary between the minimum and maximum limits proposed by the Secretary-General.

55. Mr. COSTELLO (New Zealand) stated that his delegation, after studying the proposal of the Secretary-

General and the report of the Advisory Committee, had been prepared to vote in favour of the latter. After the explanations just given by the Secretary-General, however, it had changed its opinion on a very important point, namely, the base date from which the cost-of-living allowance should be calculated.

56. In document A/C.5/468 the Secretary-General had specified that date as May 1950; but the Advisory Committee had stated in its report (A/2039, para. 3) that it was "firmly of the opinion that the decision of the General Assembly... was taken in the light of all relevant factors, including the cost-of-living situation at the date of decision". According to the Advisory Committee, therefore, the date to be taken as a basis would appear to be 15 December 1950. The Secretary-General had, however, pointed out that neither the Fifth Committee nor the General Assembly had attempted to assess the cost-of-living index on the date at which they had taken their decision; the delegation of New Zealand would, accordingly, vote for a greater increase than that recommended by the Advisory Committee. The only alternative figure firmly proposed so far was 7.5 per cent. It would, however, reserve the right to return to the question whether that allowance should be granted to the staff as a whole or to certain categories only; and, in common with the delegations of the Union of South Africa and Norway, it did not consider the use of a sliding scale necessary.

57. Mr. TABIBI (Afghanistan) stated that he wholly shared the views of the Secretary-General. There was no doubt that the Secretariat staff had felt the effects of the considerable rise in the cost of living in the country in which the United Nations Headquarters was situated. Furthermore, if the United Nations wished to have at its disposal the highly-qualified staff it needed, it was bound to offer that staff satisfactory remuneration. He took the opportunity of re-affirming his delegation's confidence in and regard for the Secretary-General, and asked the other members of the Committee to support the amendment contained in document A/C.5/L.158.

58. Mr. POLLOCK (Canada) asked whether it was possible to obtain details of the financial implications of the various proposals that had been made and the number of persons affected thereby.

59. The CHAIRMAN stated that the Secretariat would shortly distribute a document containing specific information on the subject.

60. Mr. MACHADO (Brazil) stated that his delegation was unable to support the recommendations of the Advisory Committee (A/2039), because it did not consider them well founded.

61. In paragraph 3 (i) of its report, the Advisory Committee had stated itself to be firmly of the opinion that the salary scale adopted by the General Assembly at its fifth session had been established in the light of all relevant factors, including the cost of living at the time. In the absence of any argument in support of its case, the Advisory Committee had merely maintained that any suggestion that the General Assembly had based the new scale on conditions existing several months earlier (May 1950), would imply that the Assembly had acted without full knowledge of the facts or due regard to an essential element, namely, the conditions existing at the time of its action, which suggestion the Advisory Committee considered to be

entirely unacceptable. Now, the scale of salaries and wages adopted in December 1950 was based on proposals contained in the report of the Committee of Experts on Salary, Allowances and Leave Systems (A/C.5/331), as appeared from the statement made by the Advisory Committee in chapter II (salaries of internationally-recruited staff) of its first report of 1950 on the report of the Committee of Experts (A/1313).⁶ Therefore the scale of salaries and wages at present in force had clearly been based on the situation prevailing at the time the report of the Committee of Experts had been drafted, i.e., Autumn 1949.

62. It might well be asked why the Secretary-General had not proposed at the fifth session of the General Assembly that a cost-of-living allowance should be established to correspond to the cost-of-living increase since the autumn of 1949. The Secretary-General had probably refrained from making such a proposal in order not to make an already delicate situation unduly complicated or to run the risk of compromising the adoption of the new scale of salaries and wages he was proposing to the General Assembly. Furthermore, the cost-of-living increase at the time had not yet become sufficiently marked to justify the establishment of a cost-of-living allowance.

63. The Advisory Committee stated, moreover, in paragraph 3 of its report that there was nothing either in the report of the Fifth Committee⁷ of the General Assembly or in the report of Sub-Committee 7 of the Fifth Committee⁸ to corroborate the Secretary-General's case. The scale of salaries and wages proposed in those two reports was, however, based mainly on the recommendations of the Committee of Experts, which in Mr. Machado's opinion constituted a perfectly valid source.

64. In sub-paragraph 3 (ii) of its report the Advisory Committee spoke of the effect upon a part of the staff of the abolition of the expatriation allowance from 1 January 1951, and of the rental allowance from 1 January 1952. The Secretary-General remarked in paragraphs 1 and 2 of his report that the abolition of those two allowances had led to reductions in the "take-home pay" of a large proportion of the Headquarters staff. Mr. Machado agreed with the Advisory Committee that the institution of a repatriation grant in fact constituted an element of compensation, but emphasized that the establishment of that grant in no way affected the "take-home pay" of the staff entitled to it, whereas the expatriation allowance had represented an addition to "take-home pay".

65. At the end of sub-paragraph 3 (ii) the Advisory Committee stated that since less than half the total Headquarters staff were eligible for the two allowances, the origin and discontinuance of those did not appear to be relevant to the proposed payment of a cost-of-living allowance to the whole staff in 1952. It seemed, then, that the Advisory Committee recognized that the abolition of the two allowances argued in favour of the payment of a compensating allowance to those members of the staff which had been receiving them; yet it made recommendations that would deprive of the cost-of-living allowance a large majority of those

staff members who had previously been receiving two discontinued allowances. The attitude of Advisory Committee did not seem to be consistent

66. He objected to sub-paragraph 3 (iii) of the Advisory Committee's report. The Committee appeared to him that the introduction of the new salary scheme resulted in an average increase in salaries of \$366 per annum. That increase had, however, resulted part from advancement to a higher salary bracket. Staff which had received that salary increase would have received it in any event, even if the new salary scheme had not been introduced.

67. The Brazilian delegation did not understand the connexion which the Advisory Committee had apparently found between the payment of a cost-of-living allowance and the staff assessment plan. If the Advisory Committee felt that the rates established under that plan were too low, nothing prevented it from submitting a proposal to the Fifth Committee to raise them. But it was not reasonable to invoke the argument against the payment of a cost-of-living allowance, inasmuch as staff residing in New York were indirectly affected by the direct taxes of the United States Government on its nationals and were subject to all the indirect taxes which that Government collected.

68. At the end of sub-paragraph 3 (v) the Advisory Committee expressed the idea that the existing system of annual salary increments continued to eliminate for staff members at lower salary levels the possibility of actual hardship resulting from the rise in the cost of living. The system of annual salary increments was, however, an integral part of the salary scheme and consequently had no connexion with the payment of a cost-of-living allowance. In his opinion the Advisory Committee's argument was unacceptable.

69. In paragraph 4 of its report the Advisory Committee conceded that the cost of living in the New York area had risen by 4.92 per cent between December 1950 and November 1951, and stated that there was a case for instituting on 1 January 1952 a cost-of-living allowance. He asked, however, why the Committee recommended that the payment of that allowance should be limited to staff members receiving a gross salary of less than \$7,000 per annum? He recalled a precedent; in 1949, the Advisory Committee had recommended⁹ that the cost-of-living allowance then under consideration should be paid to all staff members receiving a net salary, not a gross salary, of less than \$7,000.

70. The Brazilian delegation would support the Secretary-General's proposal to institute a cost-of-living allowance for all staff members at Headquarters. On the other hand, it would strongly resist any proposal for an automatic adjustment of the cost-of-living allowance every six months according to a sliding scale. It felt that the sessions of the General Assembly were frequent enough to make possible any justifiable revision of the allowance.

71. In the opinion of the Brazilian delegation the institution of a cost-of-living allowance of 7.5 per cent of gross salary payable to all staff at Headquarters was called for, since statistics proved that the index of the cost of living in the New York area had risen at least 10 per cent since the autumn of 1949. To ignore that

⁶ See *Official Records of the General Assembly, Fifth Session, Supplement No. 7A*.

⁷ See *Official Records of the General Assembly, Fifth Session, Annexes, agenda item 39 (b), document A/1732*.

⁸ *Ibid.*, document A/C.5/400.

⁹ See *Official Records of the General Assembly, Third Session, Part I, Plenary Meetings, Annex, document A/150*.

rise in the cost of living would make it even more difficult to recruit qualified staff in the under-represented countries. The demagogic theory that the increase in the cost of living affected chiefly staff members at lower salary levels was not correct, because usually such staff members were locally recruited and another member of the family was employed, which could only rarely apply to international staff in view of language difficulties and other considerations. Finally, the question of a cost-of-living allowance should be considered on its merits and not in connexion with provisions that had been adopted in respect of other allowances of advantages granted by the General Assembly for special reasons which had no relation to those which might be adduced for or against the institution of a cost-of-living allowance.

72. Mr. HSIA (China) felt that in the various statements that had hitherto been made, too much importance had been attached to the selection of the base period for calculating the increase in the cost of living. When the new salary scheme had been under consideration the question of variations in the cost-of-

living index had scarcely been taken into account; he felt that in the present instance that question ought not to be made an exclusive criterion.

73. He was opposed to the principle of an automatic increase in the allowance, as contrary to established budgetary principles. He wondered what would happen to the budget if the cost-of-living increase rose to 15 or 20 per cent. Consequently the scale of the allowance, whatever it was, should be adopted for one year only.

74. Miss STRAUSS (United States of America) asked whether it would be possible before voting to invite representatives of the specialized agencies to give their opinion on the implications of the proposal before the Committee for the budgets of those agencies.

75. The CHAIRMAN said that the Secretary-General had examined that question with the specialized agencies and would supply the information requested at the next meeting.

The meeting rose at 6 p.m.