

GENERAL ASSEMBLY

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

Budget estimates for the financial year 1952: (a)
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(b) Reports of the Advisory Committee on Administrative and Budgetary Questions (A/2039)

[Item 41] *

Cost-of-living adjustment for the staff of the United Nations (continued)

1. Miss WITTEVEEN (Netherlands) said that the problem was to decide whether or not a cost-of-living allowance should be granted to the staff and if so what the conditions governing it should be.

2. There seemed to be unanimous agreement that the increase in the cost of living in the Headquarters area warranted the granting of an allowance to some categories of the staff. As to the situation in Geneva and in other United Nations offices, the Netherlands delegation was prepared to accept the views contained in paragraph 7 of the second report for 1952 of the Advisory Committee on Administrative and Budgetary Questions (A/2039).

3. Opinion was divided as to the modalities for granting the allowance. As to the basic date for calculating the allowance, the Netherlands delegation considered that the date of 15 September 1950, mentioned by the Greek representative, was reasonable. If 6 per cent were taken as indicating the increase of the cost-of-living index figure for New York since that date, the proposal for a 5 per cent increase, put forward by the Advisory Committee and the United States delegation (A/C.5/L.159), appeared reasonable. In connection with remarks made the day before, she observed that in considering a percentage allowance caution should be

* Indicates the item number on the General Assembly agenda.

exercised in making comparisons, for they sometimes confused the issue.

4. As to what staff should receive the allowance, her delegation thought there was no justification for granting it to the highest salary grades and was, on balance, prepared to accept the United States proposal concerning the point at which the line should be drawn, provided the whole matter was kept under review. She pointed out incidentally, with reference to the question of security discussed at the 32nd meeting, that however important economic security might be, security of tenure was even more important although it would have to be discussed under another item.

5. Concerning the allowance to staff in the general service category, her delegation supported the United States draft resolution, being convinced that it would do much to meet existing hardship and to keep the salary rates of that category in line with the prevailing rates in the New York area. She suggested the insertion of the words "salaries or" before the word "wages" in paragraph 1 of the operative part of the draft resolution. Her delegation was not in favour of the sliding-scale system and accordingly would vote against the amendment submitted jointly by Colombia, Denmark, Ecuador, Iran, Palestine and Turkey (A/C.5/L.158) to the Advisory Committee's recommendations.

6. Mr. BRENNAN (Australia) said that there seemed to be general agreement on the need for a cost-of-living allowance, but there were three different points of view as to its amount and distribution; namely the Secretary-General's proposal for an allowance of 7.5 per cent covering all staff, the Advisory Committee's proposal for an allowance of 5 per cent to be granted to part of the staff only, and the suggestion of the United States delegation that the allowance should not be applied uniformly but that a distinction should be made between the general service and the professional categories. The Australian delegation thought that, as the Assembly had already decided that the salaries of the former category should be at the best prevailing local rates, they should be adjusted to keep them in line

with those rates. He was, however, doubtful about the United States proposal that the adjustment should not exceed 5 per cent or go below \$200, and suggested that it should be omitted from the United States resolution.

7. With regard to the professional staff, one school of thought considered that the allowance should be 7.5 per cent while the other favoured 5 per cent. Supporters of the former theory had justified it on the ground that the starting point for adjustment should be the conditions at the time the Committee of Experts had worked out a new set of salary scales. The Australian delegation felt, however, that that Committee's report¹ was not relevant. The General Assembly had acted on the report of the Fifth Committee², not the report of the Fleming Committee or any other report. The proper inference was that the Assembly regarded the rates as appropriate at the time of its decision. It had been suggested that that could not be so because Bureau of Labor statistics beyond the month of September 1950, had not then been available. He could not agree that salary scales could not be worked out in the absence of Bureau of Labor statistics. Moreover, nothing in all the report of competent United Nations organs suggested that salary scales should be based on those statistics. The General Assembly had fixed new salary scales in 1950 and must be taken to have intended them to meet the situation prevailing on 1 January 1951, when they were to go into operation. Hence, if any adjustment were to be made by the present Assembly, that should be the basic date upon which to calculate it. It was perhaps doubtful whether there had been a substantial increase in the cost of living since that time, but the Australian delegation was nevertheless fully prepared to agree to a cost-of-living increase because, apart from the undeniable rise in prices, it was a fact that the staff was to lose the rental allowance and, even though its cessation had always been intended, its loss did in fact represent a hardship. His delegation thought that the allowance should be 5 per cent and, having regard to the importance of the cessation of the rental allowance, should go up to the limit of the entitlement to that allowance, but he would not insist on the latter point. He thought there should be a maximum of about \$375 net.

8. With regard to the so-called escalator clause, his delegation felt that the system recommended by the Secretary-General was inappropriate at the present time. He doubted whether it was a common practice to have a cost-of-living adjustment operating up to the levels suggested by the Secretary-General, although escalator clauses applying to workers' wages were common enough. The General Assembly could adjust salaries annually if circumstances showed that to be necessary. In view of the doubts expressed by many delegations on that question, it would be incautious to introduce a clause of the type suggested, the ramifications of which could not be foreseen at the present time, although the time for such an arrangement might come later.

9. Mr. GARCIA (Philippines) thought it was the Committee's duty to face frankly the situation which had

arisen at Headquarters as the result of inflation. The effects of inflationary pressures were being recognized by national authorities and it was the duty of the United Nations, as an international authority, to recognize their impact upon its Secretariat staff in New York. He was glad to note that, although there were differences of opinion concerning the way in which a cost-of-living allowance should be distributed, agreement as to the need for one seemed general.

10. As to the differing proposals concerning the basic date for calculating the rise in the cost-of-living, he thought that May 1950, as suggested by the Secretary-General, was the most correct. May-June 1950 was the date taken as the critical point for reckoning inflationary pressures in most of the economic studies he had read; to take any other date would amount to failure to recognize the true facts.

11. His delegation associated itself with those which supported the proposal contained in paragraph 2 of the joint amendment (A/C.5/L.158).

12. With regard to the so-called escalator clause, the arrangement proposed in paragraph 3 of the joint amendment seemed satisfactory. Should there be any increase in the cost-of-living allowance, control would in any case be exercised by the General Assembly, because additional funds would be required; hence there would be an adequate safeguard. His delegation was ready to vote in favour of the joint amendment.

13. Sir William MATTHEWS (United Kingdom) said that his Government had given earnest and sympathetic consideration to the problem of a cost-of-living allowance for the Headquarters staff and wished to make its standpoint clear.

14. It fully agreed with the Advisory Committee's recommendation that there should be an increase in salaries at the rate of 5 per cent, with a maximum and minimum allowance, and that it should stop at an appropriate point in the salary range. It also considered that there should be no plan under which further adjustments were linked automatically to the United States, or any other, cost-of-living index. When the new scales had been adopted by the Assembly they had been considered adequate, and even generous, in relation to the circumstances at the date of their application, as the Australian representative had pointed out. Much had been said during the debate as to particular cost-of-living figures on particular dates and the 4.9 per cent increase in the 1951 index had given rise to a somewhat fictitious retroactive claim to take into account not merely the rise since the introduction of the new salary scales but also a rise antecedent to that date. That would amount to a vote of no-confidence in the judgment of the General Assembly, the Fifth Committee and Sub-Committee composed of 11 members which had examined the new salary scheme.

15. It had also been argued that failure to grant a cost-of-living allowance would result in a decrease in take-home pay, in view of the discontinuance of the rental and expatriation allowances. But the former was a temporary expedient, which it had been intended to discontinue long before the advent of the new salary scales, and the latter had been replaced by a repatriation grant. Moreover, only a proportion of the staff received those allowances. In any case, the introduction of the new scales had led to the payment of increments, in advance of normal incremental dates, amounting to about \$138,000 and since then increments

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

² *Ibid.*, *Fifth Session, Annexes*, agenda item 39 (b), document A/1732.

amounting to \$700,000 had been provided for in the budget. In those circumstances, the argument of loss in "take-home pay" was difficult to maintain.

16. The Fifth Committee was being asked to vote for a 7½ per cent increase throughout the salary range, but of the 2,843 staff members concerned, more than 1,000 had salaries rising to \$10,000 and over. It could hardly be said that those members would suffer great hardship if another \$500 were not added to their pay or that the field of recruitment would be curtailed. He quoted examples of salaries from assistant secretary-generals down to second officers in the professional category. They ranged from \$23,000 gross with \$7,000 representation allowance, to \$7,000. In the light of those strikingly large figures his delegation was surprised that the Secretary-General had not suggested a maximum level above which the proposed cost-of-living allowance, designed to meet hardship, should not be paid.

17. An even more fundamental point was the need to consider carefully all the implications of proposals for all-round increases in salaries, for they included many factors besides movements in cost-of-living indices. In the present exceptional conditions of financial stringency, which afflicted everyone, a special degree of sacrifice was called for from those whose remuneration enabled them to absorb a strain which bore most heavily upon the lower-paid staff. His Government felt that an attitude of scrupulous restraint at the present time was required of those in responsible, and consequently highly remunerated, positions.

18. The United Kingdom delegation was therefore opposed to granting the proposed allowance on the high salary level and further considered that the scale should be graduated more sharply than had been proposed. Consequently it would be prepared to support the United States draft resolution but thought that the allowance should not be applied up to the \$15,000 gross salary level. A limit of \$12,000 gross would be more than adequate and it was prepared to propose an amendment in that sense if a vote were to be taken on the United States draft resolution.

19. In conclusion, he pointed out that the proposals before the Committee would add more than \$1,250,000 to the already heavily burdened budget. In the circumstances, his delegation could not agree that it was essential to give a cost-of-living allowance to all grades of the staff at the present time, though it was sympathetic to the needs of those in the lower salary ranges and would therefore support an increase of not more than 5 per cent up to a reasonable level.

20. Mr. RECHENDORFF (Denmark) said that it had always been a guiding principle of the Danish delegation that the United Nations budget should be kept at a reasonably low level and that all unnecessary expenditure should be avoided. That, however, did not imply that his delegation placed economy before other and more urgent considerations.

21. As shown by the Secretary-General's statements, the unprecedented rapid rise in the cost of living in the New York area within the last eighteen months unquestionably called for at least a temporary adjustment. He thought, therefore, that as the cost of living had increased about 10 per cent, an allowance of 7.5 per cent payable to all staff members at Headquarters would seem a reasonable demand.

22. He supported the Secretary-General's suggestion that there should be an automatic adjustment on a sliding scale of the cost-of-living allowance at half-yearly intervals. It might be contended that the granting of increased allowances in such cases should be left to the General Assembly to decide. That, however, would not only be hard on Headquarters staff but would also give the Assembly extra work. An automatic cost-of-living allowance on the wages and salaries of public officials, which was increased or decreased according to the movement of cost-of-living indices, had been in force in Denmark for a number of years.

23. He assumed that the Secretary-General would be able to explain the procedure that should be followed as regards the budgetary implications of any increase in the cost-of-living allowance which might be unforeseen at the time of the adoption of the budget.

24. Mr. DONOSO (Chile), referring to the interesting statements made at the 325th meeting by the Secretary-General and the Chairman of the Advisory Committee on Administrative and Budgetary Questions, said his delegation supported the Secretary-General's suggestion that a cost-of-living allowance of 7.5 per cent should be granted to all Headquarters staff.

25. Although he supported the Secretary-General's suggestion that there should be an automatic adjustment on a sliding scale of the cost-of-living allowance at half-yearly intervals, he agreed with the South African representative's remarks at the previous meeting and suggested that the increase should take place at yearly intervals in order to obviate any budgetary complications. He would have no difficulty in approving paragraph 3 of the joint draft proposal (A/C.5/L.158) if his amendment was accepted.

26. Mr. GANEM (France) said that the suggested sliding scale for the cost-of-living allowance would have serious consequences for the United Nations budget, 70 per cent of which consisted of personnel expenses. In any event, the Secretary-General's proposal seemed to be of theoretical rather than practical value as far as the first half of 1952 was concerned. It would therefore be preferable to postpone a decision on the suggestions for a sliding scale until the General Assembly's seventh session.

27. The French delegation could not support the Advisory Committee's recommendation that a cost-of-living allowance should be paid only to staff members at Headquarters in receipt of a base salary of less than \$7,000 gross a year. It was prepared to agree to the "ceiling" advocated by the United States and the United Kingdom. It would, however, be more equitable to grant the allowance to all Headquarters staff, provided the maximum allowance granted did not exceed \$500 gross a year.

28. As regards the question whether the cost-of-living allowance should be based on the cost-of-living indices of May or September 1950, the Committee should be guided by considerations of commonsense, and try to reach a compromise.

29. The view expressed in paragraph 1 of the operative part of the United States draft resolution (A/C.5/L.159) was worth considering. The United States delegation knew better than any other delegation what salaries were paid in the federal and state services and in New York business offices. He suggested, however, that the Committee should approve a 6

er cent cost-of-living allowance for all members of the staff at Headquarters, the maximum allowance to be not more than \$500 gross per annum.

30. Mr. PACHACHI (Iraq) fully shared the view expressed by previous speakers that it was important to maintain a highly competent Secretariat and that salaries should therefore be attractive. However, the tendency to create a type of privileged civil servant should be avoided.

31. He supported the Advisory Committee's statement in its report (A/2039) that it could not concur in the Secretary-General's contention that the salary rates adopted by the General Assembly in resolution 470 (V) of 15 December 1950 were based on conditions existing up to the end of May 1950, that being the latest month before the Korean war began to upset prices.

32. At the time of the adoption of the new salary system at the General Assembly's fifth session, his delegation and many others had had the impression that that system had been based on all facts known at that time and not on conditions which had prevailed seven months previously.

33. He agreed with the Advisory Committee's comments on the Secretary-General's suggestion that the abolition of the expatriation and rental allowances had given rise to serious financial problems so far as the Headquarters staff was concerned.

34. Although his delegation supported the Advisory Committee's recommendation for a 5 per cent cost-of-living allowance, he agreed with the United Kingdom representative that it should be granted to all Headquarters staff earning up to \$12,000 gross and not limited to staff earning up to \$7,000 gross. He would therefore be able also to support the United States draft resolution (A/C.5/L.159) if it was amended accordingly.

35. Emphasizing that it would be dangerous to adopt a sliding scale, he pointed out that the Secretary-General could not be given a blank cheque, as the General Assembly had the right to control all expenditure.

36. Mr. FENAUX (Belgium) said that in accordance with the principles of the Charter, international civil servants should be well treated and well paid and, in addition, should be representative of all Member States.

37. Pointing out that only those who resided permanently in the New York area could appreciate the high cost of living at United Nations Headquarters, he said that his delegation could not support the Advisory Committee's statement in paragraph 3 (v) of its report that the remuneration of staff members at the intermediate and higher salary levels was more than sufficient to absorb, without appreciable difficulty or lowering of standards of living, the rise in cost of living which had occurred in the New York area since the introduction of the new salary scale. The Belgian delegation could not therefore vote for the Advisory Committee's recommendation that cost-of-living allowance should be paid only to Headquarters staff members with salaries of \$7,000 or less.

38. Drawing attention to the difficulties of recruiting competent men and women to fill posts on the United Nations Secretariat, he said he would return to that question at a later meeting.

39. Although his delegation supported the granting of a cost-of-living allowance to all Headquarters staff at

the rate of 6 per cent of gross salaries with the maximum of \$500 gross per annum, it could not support the suggested sliding scale.

40. The question of the cost-of-living allowances for United Nations staff serving away from Headquarters could be discussed later, and the allowances of the staff of specialized agencies would be discussed by their respective governing bodies.

41. Mr. ADARKAR (India) felt that until agreement on the points of principle at issue was reached, to aim at anything other than a temporary, *ad hoc* solution of the immediate problem was useless, and indeed dangerous, for, failing agreement on those points of principle, misunderstandings would necessarily arise which would have serious repercussions not only within but also outside the United Nations.

42. Although the question of cost-of-living adjustments had arisen in the past, it had not been considered on its own merits at the General Assembly's fifth session, when the primary aim had been to lay down a permanent salary scale; but it would recur every year as long as world prices kept on rising. For the General Assembly to be able to adopt a consistent and scientific approach to it at its next session, it was essential for the Advisory Committee to give more serious consideration than it had evidently so far given to such questions of principle as that of parity of treatment as between international and national civil servants, particularly with regard to tax assessments, the treatment of locally-recruited staff in respect of cost-of-living adjustments and whether such adjustments were made commensurate with the rise in the cost of living.

43. The general answer to the last question would, he thought, be in the negative. As an Indian civil servant, Mr. Adarkar knew that it was so in India. In his country, too, it was the practice for cost-of-living adjustments to be scaled down for the higher grades; he regarded that as a sound principle, and one of the aims of his amendment (A/C.5/L.162) to the joint proposal (A/C.5/L.158) was to reflect it by drawing a dividing-line between staff with less than \$7,000 gross salary and staff with more and giving the former a 7.5 per cent adjustment, subject to a minimum of \$200 gross and a maximum of \$350 gross, and the latter only a 5 per cent adjustment, subject to a maximum of \$500 gross. That amendment seemed preferable to the United States proposal, which might be regarded as unfair to staff not in the general service category. If the Indian amendment to paragraph 1 of the joint proposal was adopted, paragraph 2 would become unnecessary. As for paragraph 3, it was not only unnecessary, since, as he again insisted, the present decision could only be temporary, but it was also undesirable in that it would lead to serious budgetary difficulties, as the South African representative had pointed out.

44. Mr. CLAVEAUX (Uruguay) said that it was clear that adequate remuneration must be one of the basic forms of reward for good work, even if not the only one. The Secretary-General had made an honest request in all good faith and had plainly demonstrated that it was justified. The work of the United Nations must not be allowed to suffer from false economies at the expense of those who were largely responsible for carrying it out. The place for economy was in the adjustment of work programmes and their rational

implementation. He therefore supported the Secretary-General's request for a 7.5 per cent cost-of-living allowance for the staff and for authorization to make such subsequent adjustments as might be necessary on the basis of a sliding scale, and would accordingly vote for the joint proposal.

45. Mr. POLLOCK (Canada) agreed that the primary factor influencing the discussion must be the desire to provide remuneration adequate to attract the best-qualified official, wherever he was to be found. A subsidiary factor, however, was bound to be the impact of national traditions, attitudes and practices. But it must remain subsidiary, and all representatives should therefore make a special endeavour to remain as objective as possible. Canada, for example, did not treat the increases in the cost of living as an isolated question, and might therefore have had some reservations to make on the Committee's whole approach to the problem. Objectively, however, he was bound to admit that the problem existed and had to be dealt with and that the grant of a cost-of-living adjustment was a practical way in which it could be dealt with.

46. He supported what appeared to be the general opposition to automatic adjustments on the basis of a sliding scale. The Canadian Government had rejected a similar proposal for its own officials. He agreed with the Advisory Committee that the cost-of-living trend should be kept under continuous review and that the Secretary-General ought to take the initiative in proposing adjustments to the General Assembly, when-

ever he thought they were essential to maintain an efficient staff.

47. The United States draft resolutions (A/C.5/L.159) was not perfect to the Canadian way of thinking, but it was in his view the best and most generally acceptable proposal before the Committee, and he hoped it would win that almost unanimous support which was so desirable in respect of resolutions relating to the staff. In particular, it ensured continued observance of the principle that the salaries of the general service staff should be in line with the best prevailing comparable salaries or wages in New York. He would be interested to hear from the Secretary-General what adjustment he thought would be necessary for that purpose. The Canadian delegation also welcomed the United States resolution because it limited the proposed salary increase to 5 per cent as recommended by the Advisory Committee, and recognized the distinction between the higher categories of the staff and those at lower salary levels, who would find it more difficult to withstand the impact of increased living costs.

48. The CHAIRMAN declared the general discussion closed. He announced that the United States delegation had informed him that it wished to make the following two amendments to its draft resolution (A/C.5/L.159/Rev.1): 1. Delete the second paragraph of the preamble, beginning "*Recognizing* the necessity"; 2. Delete the words "but in any event not in excess of 5 per cent" from operative paragraph 1.

The meeting rose at 1.10 p.m.