

Dual DistributionSixth session  
Agenda item 41

## BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1952

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

Second report of 1952 of the Advisory Committee on Administrative  
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered a report submitted by the Secretary-General (A/C.5/468, Corr.1 and Corr.2) on the subject of a cost-of-living adjustment for the staff of the United Nations.

2. The Secretary-General proposes:

(i) That the salary scales for staff members of the United Nations as adopted by the General Assembly in resolution 470 (V) of 15 December 1950 should remain unchanged;

(ii) That the Secretary-General should be authorized to establish, as of 1 January 1952, a temporary non-pensionable cost-of-living allowance (subject to assessment under the Staff Assessment Plan) payable to all staff members, of whatever level, at Headquarters;

(iii) That this allowance should be fixed initially at the rate of 7.5 per cent of gross salary, and be subject to upward or downward adjustments of 5 per cent or multiples thereof at half-yearly intervals\* such adjustments to be made on the basis of the average percentage variation, during the preceding six months, in the cost-of-living index for the New York area, as compared with May 1950;

(iv) That the following limits should be applied:

(a) upon the initial allowance of 7.5 per cent:

maximum.....	\$750 gross
minimum.....	\$300 "

(b) upon subsequent adjustments of allowance:

maximum.....	\$500 gross
minimum.....	\$200 "

(in respect of each adjustment of 5 per cent)

3. The Advisory Committee offers the following comments both on the report of the Secretary-General and on the specific proposals contained therein:

(1) ~~It is~~ contended in the report of the Secretary-General (A/C.5/468), paragraph 2) that the "new salary rates [i.e. those 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; this being the latest month before the Korean war began to upset prices, which had then become relatively stable".

The Advisory Committee is unable to concur in this contention. While recognizing that the recommendations submitted by the Committee of Experts as early as October 1949<sup>1/</sup> were largely or integrally embodied in the salary, allowance and leave system as finally adopted by the General Assembly in December 1950, for application on 1 January 1951, the Advisory Committee is firmly of the opinion that the decision of the General Assembly, based on recommendations submitted respectively by the Committee of Experts in October 1949 and by the Advisory Committee in July 1950<sup>2/</sup> was taken in the light of all relevant factors, including the cost-of-living situation at the date of decision. Any suggestion that the General Assembly based its decision on conditions existing seven months earlier (May 1950) implies that the Assembly acted without full knowledge of the facts or due regard to an essential element, namely, the conditions existing at the time of its action, and is entirely unacceptable.

Furthermore, there appears to be no internal evidence to support such a suggestion either in the report of the Fifth Committee to the General Assembly<sup>3/</sup> or in the report of Sub-Committee 7 of the Fifth Committee<sup>4/</sup>.

(ii) Reference is made in the report of the Secretary-General (A/C.5/468, paragraphs 1 and 2) to reductions in "take-home income" suffered by a large proportion of the Headquarters staff through the abolition of the expatriation

<sup>1/</sup> See Official Records of the General Assembly, Fourth Session, Fifth Committee, Annex, volume II.

<sup>2/</sup> See Official Records of the General Assembly, Fifth Session, Supplement No. 7a.

<sup>3/</sup> See Official Records of the General Assembly, Fifth Session, Annexes, Agenda item 39, document A/1732.

<sup>4/</sup> Ibid., document A/C.5/400.

allowance (as from 1 January 1951), which affected 1,237 staff members, and the rental allowance (as from 1 January 1952), which affected about 1,350 staff members. The Advisory Committee desires to point out that, as regards the former allowance, the substitution, under the salary scheme, of a repatriation grant (to maximum amounts of \$2,500 and \$5,000 for staff members respectively with and without dependants) constitutes an element of compensation which, in the form of compulsory savings, is a significant factor in the emoluments of the staff member. As regards the rental allowance, it is worthy of note that this allowance was instituted in 1946 on a purely temporary basis, for the early years of the Organization; independently therefore of the general review of the allowance system, payment of the allowance would have been discontinued in any case by the end of 1951.

Furthermore, in view of the fact that less than half of the total Headquarters staff were eligible for the above two allowances, the facts of their origin and discontinuance do not appear to be relevant to the proposed payment of a cost-of-living allowance to the whole staff in 1952.

(iii) As a result of the introduction of the new salary scheme in January 1951, 750 staff members received an increase in salary including accrued increment (average increase, \$366 gross per annum), as compared with 46 staff members who suffered a decrease (average decrease, \$40 gross per annum).

(iv) The Advisory Committee, fully approving the principle stated by the Secretary-General in paragraph 6(c) of his report (A/C.5/468), agrees that every effort should be made to obviate the creation of a position of privilege for officials of an international civil service. It seems therefore pertinent to recall that the rates of assessment under the Staff Assessment Plan have remained unmodified since the date of their adoption in November 1948, even though the General Assembly expressly desired to impose "a direct assessment on United Nations staff members which is comparable to national income taxes" (General Assembly resolution 239 A (III) of 19 November 1948).

(v) At the same time, the Advisory Committee also takes note of a statement by the Secretary-General (A/C.5/468, paragraph 6) to the effect that his proposals are intended "to remedy the serious situation with which the United Nations staff is presently faced."

The Advisory Committee considers that the foregoing statement requires serious qualification, particularly as regards staff members at the intermediate /and higher

and higher salary levels, whose remuneration, in the view of the Committee, is more than sufficient to absorb, without appreciable difficulty or lowering of standards of living, the rise in cost of living which has occurred in the New York area since the introduction of the new salary scale. While the impact of that rise is far more serious for staff members at the lower salary levels, the Committee suggests that the existing system of annual salary increments does go some way to mitigate the possibility of actual hardship.

4. The rise in cost of living in the New York area, as certified by the United States Bureau of Labor Statistics, amounted to 4.92 per cent between December 1950 (the date of adoption of the existing salary scale being taken as the base period) and November 1951 (the last month for which statistics are available). Looking to the trend of these figures, the Advisory Committee has reached the conclusion that, on this basis, there is a case for the institution on 1 January 1952 of a cost-of-living allowance payable at a flat rate of 5 per cent to all staff members at Headquarters in receipt of a base salary of less than \$7,000 gross per annum, or such lesser percentage as would bring their emolument up to that figure. The Committee further recommends that no staff member should receive an allowance of less than \$200 gross per annum.

5. The cost of the above recommendations is estimated for 1952 at \$400,000 or, after deduction of offsetting revenue under the Staff Assessment Plan, at \$330,000 net. The corresponding figures under the Secretary-General's proposals are respectively \$1,330,000 and \$967,000.

6. The Advisory Committee is not able to concur in the Secretary-General's proposal for an automatic adjustment on a sliding scale of the cost-of-living allowance at half-yearly intervals (A/C.5/468, paragraph 6 (c)). The Committee will, however, keep the cost-of-living trend under continuous review.

7. As regards the branch offices of the United Nations, the Advisory Committee draws attention to the following points in the Secretary-General's report:

(i) The introduction of a Headquarters cost-of-living allowance is not expected to necessitate changes in remuneration during 1952 at the Geneva Office;

(ii) Adjustment of salaries at other branch offices (for example, the Economic Commission for Asia and the Far East, the Economic Commission for Latin America, and the Information Centres) will be dependent upon the outcome of new cost-of-living surveys in respect of each office;

(iii) Any variation in the remuneration of internationally recruited staff at offices away from Headquarters will be made by means of temporary cost-of-living adjustments based solely on changes in the local cost-of-living index.

The Advisory Committee takes note of the above statements, and is in agreement with the policy outlined in points (ii) and (iii) above. So far as the present recommendations are concerned, the general effect (subject to the variations indicated in paragraph 4 above) would be to institute a temporary, non-pensionable plus 5 per cent addition to the existing Headquarters basic scale in favour of staff members in receipt of a base salary of less than \$7,000 gross per annum.

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