Report of the International Civil Service Commission for the year 1996

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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Annexes

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ABBREVIATIONS

ACC	Administrative Committee on Coordination
ACPAQ	Advisory Committee on Post Adjustment Questions
CCAQ	Consultative Committee on Administrative Questions
CCISUA	Coordinating Committee for International Staff Unions and Associations of the United Nations System
FAO	Food and Agriculture Organization of the United Nations
FICSA	Federation of International Civil Servants' Associations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICSC	International Civil Service Commission
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
ITU	International Telecommunication Union
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNJSPB	United Nations Joint Staff Pension Board
UNJSPF	United Nations Joint Staff Pension Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Trade Organization

Base/floor salary scale	For staff in the Professional and higher categories, a universally applicable salary scale is used in conjunction with the post adjustment system. The minimum net amounts received by staff members around the world equal those shown in this scale, called the base/floor salary scale.
Civil Service Retirement System (CSRS)	Defined benefits scheme for employees of the United States federal civil service hired before 1984.
Common system weighting structure	The distribution of expenditure weights derived from the average consumption patterns of staff at the seven headquarters duty stations and Washington, D.C. Those weights are used in post adjustment calculations to reflect the relative importance of expenditures on items or groups of items of goods and services.
Comparator	Salaries and other conditions of employment of staff in the Professional and higher categories are determined in accordance with the Noblemaire principle by reference to those applicable in the civil service of the country with the highest pay levels. The United States federal civil service has been used as the comparator since the inception of the United Nations.
Composite index	An index covering sub-groups of commodities or subregions.
Consolidation of post adjustment	The base/floor salary scale for the Professional and higher categories is adjusted periodically to reflect increases in the comparator salary scale. This upward adjustment is made by taking a fixed amount of post adjustment and incorporating or "consolidating" it in the base/floor salary scale. If the scale is increased by consolidating 5 per cent of post adjustment, the post adjustment classifications at all duty stations are then reduced by 5 per cent, thus ensuring, generally, no losses or gains to staff.
Cost-of-living adjustment/ differential	Context: Net remuneration margin calculations (see below). In determining the margin, the remuneration of United Nations officials in the Professional and higher categories in New York is compared with that of their counterparts in the

	comparator service in Washington, D.C. Before making these comparisons, the salary amounts must be brought to the same base by taking into account the cost-of-living differential between the two cities. This is also taken into account in comparing pensionable remuneration amounts applicable to the two groups of staff mentioned above.
Dominance	Context: Average salaries. When the average of a number of salaries is significantly influenced by a particular salary amount, the average is said to be "dominated" by that salary amount.
Federal Employees' Pay Comparability Act (FEPCA)	The Federal Employees' Pay Comparability Act (1990), passed by the United States Congress, whereby the pay of federal civil service employees would be brought to within 5 per cent of private sector comparator pay over a period of time.
Federal Employees' Retirement System (FERS)	Defined contribution scheme for employees of the United States federal civil service hired in 1984 and thereafter.
Final average remuneration	Context: United Nations Joint Staff Pension Fund. The average of the highest 36 months of pensionable remuneration during the last five years of a participant's contributory service.
Grade equivalencies	A comparison of United Nations system grades P-1 to D-2 with the corresponding grades in the comparator service is carried out by the Commission once every five years. The results of those comparisons provide an indication of the comparator grade(s) that are equivalent in terms of job content to a particular United Nations grade.
Grossing-up procedure	Method used to determine gross salaries from net salaries.
Group I duty stations	Context: Post adjustment system. Group I duty stations are locations in Western European countries, the United States, Canada, Japan, Hong Kong, the Republic of Korea, Australia and French Guiana. All other duty stations are in group II.
Hard currency duty stations	Duty stations with fully convertible currencies.

Headquarters locations	Headquarters of the organizations participating in the United Nations common system: Geneva, London, Montreal, New York, Paris, Rome and Vienna.
Highest-paid civil service	Under the application of the Noblemaire principle, salaries of United Nations staff in the Professional and higher categories are based on those of the highest-paid civil service, currently the United States federal civil service. For further details, see "Comparator".
In-area expenditures	Expenditures made by staff within their duty station of assignment.
Income replacement ratio	The ratio of gross pension to average net salary received during the same three-year period used in the determination of the pension benefit.
Income inversion	Context: Comparison of gross salaries (pensionable remuneration) of General Service staff with the pensionable remuneration of the Professional staff. The phenomenon relates to situations where the same or lower net remuneration received by staff in one category leads to a pensionable remuneration higher than that of staff from another category receiving the same or higher net remuneration.
Language factor	Adjustment made to the local salary scale for the General Service staff at a given headquarters location to account for the fact that the local language is not a working language of the United Nations organization(s) and staff are required to work in a language other than the local language.
Local-currency entitlement	The term is used in the context of dependency allowances (children's and secondary dependant's allowance) for the Professional and higher categories. Until 1989, the amounts of those allowances were fixed in United States dollars. In view of currency fluctuations, in particular at the hard-currency duty stations, the value of those allowances in local-currency terms fluctuated significantly. Since 1989, the amounts have been fixed in United States dollars and in a selected group of hard currencies. Staff at Geneva, for example, are entitled to receive their dependency allowances in Swiss francs without experiencing a change in the value of the

allowance owing to currency fluctuations.

Maximum admissible expenditures	Under the provisions of the education grant, expenses incurred by staff members for fees, boarding costs, books etc. are added to arrive at the total of education-related expenses. A limit (maximum) is placed on the total of admissible education-related expenditures.
Mobility and hardship allowance	A non-pensionable allowance designed to encourage operationally required mobility between duty stations and to compensate for service at difficult locations. It is referenced against the mid-point of the base/floor salary scale and is composed of three elements, hardship, mobility and non-removal, which are combined in a matrix.
Net remuneration margin	The Commission regularly carries out comparisons of the net remuneration of the United Nations staff in grades P-1 through D-2 in New York with that of the United States federal civil service employees in comparable positions in Washington, D.C. The average percentage difference in the remuneration of the two civil services, adjusted for the cost-of-living differential between New York and Washington, is the "margin".
Noblemaire principle	The basis used for the determination of conditions of service of staff in the Professional and higher categories. Under the current application of the principle, salaries of the Professional category are determined by reference to those of the best-paid national civil service.
Non-consumption component (NCC)	That portion of a staff member's income that is not spent on consumption goods and services (i.e., taxes, savings, social security payments etc.).
Non-pensionable component	Context: General Service pensionable remuneration. Some outside employers used in General Service salary surveys pay, in addition to gross salaries, a number of allowances and fringe benefits, some of which they consider as "non-pensionable", that is, not taken into account in determining the retirement benefits of their employees. Those are added together to arrive at the "non-pensionable component". The sum of all "non-pensionable" elements is expressed as a percentage of net salary, which is reduced by the applicable threshold

to arrive at the "non-pensionable component".

Out-of-area component

This component of the post adjustment index reflects the fact that some portion of the remuneration of international staff is spent outside the area of the duty station.

Out-of-area index

In arriving at the post adjustment relativities between New York (the base of the system) and other duty stations, separate account is taken of expenses incurred by staff at their duty station and also those incurred outside the duty station. The first group of expenditures is termed the "in-area" component and is adjusted between place-to-place surveys by local inflation and currency fluctuations. The second group is termed the "out-of-area" component and is adjusted by a global out-of-area index based on inflation in a selected group of countries calculated in terms of United States dollars.

Out-of-area price index

The out-of-area price index is a simple average of price movements and exchange rate changes in a selected number of countries. It is a United States dollar-based index (see out-of-area index).

Pay index

An index indicating the amount of remuneration (base salary plus post adjustment) paid at a duty station as a percentage of net base salary. If the multiplier at a duty station is 20, then the pay index is 120. For a duty station where only the net base salary is paid (i.e., multiplier 0), the pay index is 100.

Pensionable remuneration

The amount used as the basis for effecting contributions from the staff member and the organization to the United Nations Joint Staff Pension Fund (UNJSPF). Pensionable remuneration amounts are also used for the determination of pension benefits of staff members upon retirement.

Place-to-place survey

Survey to compare living costs between a given location and the base city, at a specified date.

Post adjustment classification

Post adjustment classification is based on the cost of living as reflected in the respective post adjustment index for each duty station. The classification is expressed in terms of multiplier points. Staff members at a duty station classified at multiplier 5 would receive a post adjustment amount equivalent to 5 per cent of net base salary as a supplement to base pay. The pay index at this duty station would be 100 + 5 or 105.

Post adjustment index	Measurement of the living costs of international staff members in the Professional and higher categories posted at a given location, compared with such costs in New York at a specific date.
Post adjustment multiplier	Post adjustment multipliers specify the additional amounts of remuneration above base salary that may be payable to reflect the post adjustment classification for a duty station. Multipliers are specified in terms of individual points, which are equivalent to percentage amounts of base salary. Thus, 5 multiplier points equate to 5 per cent of base salary; 50 points to 50 per cent.
Separation payments	Upon separation from service, staff may receive compensation for one or more of the following: accumulated annual leave, repatriation grant, termination indemnity, death grant.
Special index for pensioners	Context: Pension adjustment system. In countries where upward adjustments to pensions are made in accordance with the pension adjustment system, a comparison is made between taxes on pensions and the United Nations staff assessment rates. If the taxes on pensions are lower than the staff assessment rates, the difference is calculated in terms of a special index for pensioners. The actual upward adjustment to initial pensions is made after taking into account the cost-of-living difference and the special index for pensioners.
Spendable income	Total income minus non-consumption expenditures (or non-disposable income), such as taxes, social security payments, savings.
Staff assessment	Salaries of United Nations staff from all categories are expressed in gross and net terms, the difference between the two being the staff assessment. Staff assessment is an internal United Nations form of "taxation" and is analogous to taxes on salaries applicable in most countries.
Tax abatement	In the context of dependency allowances,

tax credit or relief provided to taxpayers who are responsible for the financial support of dependants such as spouse, children, parents, in the tax systems of a number of countries.

Tax Equalization Fund	A fund maintained by, for example, the United Nations, that is used for reimbursing national taxes levied on United Nations income for some staff members.
Washington formula	Context: Pension adjustment system (see above). The procedure used for adjusting initial pensions of retirees meeting the conditions stipulated under the pension adjustment system.

LETTER OF TRANSMITTAL

26 August 1996

Sir,

I have the honour to transmit herewith the twenty-second annual report of the International Civil Service Commission, prepared in accordance with article 17 of its statute.

I should be grateful if you would submit this report to the General Assembly and, as provided in article 17 of the statute, also transmit it to the governing organs of the other organizations participating in the work of the Commission, through their executive heads, and to staff representatives.

I avail myself of this opportunity to renew to you, Sir, the assurances of my highest consideration.

(Signed) M. BEL HADJ AMOR
Chairman

His Excellency Mr. Boutros Boutros-Ghali
Secretary-General of the United Nations
New York

SUMMARY OF RECOMMENDATIONS THAT CALL FOR DECISIONS BY THE GENERAL ASSEMBLY

<u>Paragraph reference</u>

I. Pensionable remuneration and pension entitlements

A. Methodology for the determination of pensionable remuneration

(i) Professional and higher categories

54 (a) • Income replacement in New York should continue to be used as the basis for the methodology for the determination of pensionable remuneration of the Professional and higher category staff;

54 (b) • The methodology used to establish the current scale of pensionable remuneration, described in annex I to the present report, should continue to be used in the future;

54 (c) • The current interim adjustment procedure for adjusting pensionable remuneration between comprehensive reviews should be continued (see annex I);

54 (d) • The monitoring of pensionable remuneration and the United Nations/United States income replacement ratios should be carried out on the occasion of periodic comprehensive reviews of the pensionable remuneration and consequent pensions of the Professional staff.

(ii) General Service and other locally recruited categories

66 (a) The income replacement approach and the methodology related thereto should continue to be used for the determination of pensionable remuneration of the General Service and related categories of staff, including the use of 66.25 per cent of the net pensionable salary for grossing-up purposes;

66 (b) The current interim adjustment procedure should be continued.

B. Common staff assessment scale

106-108 The common scale of staff assessment shown in annex IV should be used for determining the pensionable remuneration of staff in the Professional and higher categories and General Service and related categories. For the Professional and higher categories, the above-mentioned scale should be implemented with effect from 1 March 1997. For the General Service and other locally recruited categories, the modalities shown under paragraph 107 should be used.

C. Special index for pensioners

122 The two-step procedure, which has been in use for calculating the special index for pensioners since its introduction on 1 January 1985, should continue to be used.

Paragraph reference

II. Conditions of service of the Professional and higher categories

A. Base/floor salary scale

154 (i) The revised staff assessment scale shown in annex VI should be used from 1 March 1997 for the determination of gross salaries of the Professional and higher categories.

155 (a) (ii) The desirable mid-point of 115 for the United Nations/United States net remuneration margin should be restored in 1997.

(iii) The base/floor salary scale shown in annex VII should be implemented effective 1 March 1997 with a view to achieving the objective outlined under (ii) above.

B. Review of the level of dependency allowances

208 (a) • The current level of children's allowance (including that for disabled children) and secondary dependant's allowance should be increased, effective 1 January 1997, to reflect the 7.98 per cent increase in the value of tax abatement and payments under social legislation at the seven headquarters duty stations that had occurred between 1993 and the current review;

208 (b) • The present local currency entitlement system for hard-currency duty stations should be maintained on the basis of the same list of hard-currency duty stations for which local currency entitlements were specified (see annex X);

208 (c) • The amount of dependency allowances should be reduced by the amount of any direct payments received by staff in those countries where the Government makes such direct payments to eligible residents in respect of dependants.

III. Conditions of service applicable to both categories

Review of the level of the education grant

230 (a) • In areas where education-related expenses are incurred in the seven currencies shown in paragraph 230 (a), the maximum admissible levels for expenses covered under the education grant system, the maximum education grant and the ceiling for boarding should be as shown in table B of annex XIII;

230 (b) • In areas where education-related expenses are incurred in currencies shown in paragraph 230 (b), the maximum amount of admissible expenses, the maximum grant and the ceiling for boarding costs should remain unchanged at current levels;

Paragraph reference

230 (c) • Pending the in-depth review of the education grant scheduled for 1997, the amount of additional reimbursement of boarding costs for staff at designated duty stations should be as follows for three currency areas where it is currently lower than the normal reimbursement:

Currency		Additional flat rate (At designated duty stations)
(a)	Pound sterling	2 500
(b)	Italian lira	4 400 000
(c)	United States dollar (in the United States)	3 770

230 (d) • The amount of the special education grant for each disabled child should be equal to 100 per cent of the revised amounts of maximum allowable expenses for the regular education grant;

230 (e) • Pending the in-depth review of the education grant scheduled for 1997, the General Assembly should delegate to the Chairman of the Commission the authority to approve a special measure for Beijing that allows for the reimbursement of admissible expenditure up to the approved level of maximum allowable expenses for the United States dollar/United States area;

230 (f) • All of the above measures would be applicable as from the school year in progress on 1 January 1997.

IV. Conditions of service in the field

Review of the mobility and hardship scheme

304 (d) • As to the general matrix and related issues, no change regarding:

(i) The current band approach for differentiating the level of the mobility and hardship allowance (P-1 to P-3, P-4/P-5 and D-1 and above);

(ii) The current single/dependant relativities (75/100) established for the allowance;

(iii) The present approach to home leave entitlements, i.e., 24-month home leave at H, A and B duty stations, 12-month home leave at C-E duty stations;

304 (e) • No change to existing hardship levels;

304 (f) • The present structure of the mobility element and the conditions attaching thereto should be maintained;

<u>Paragraph reference</u>

304 (g) • The non-removal element should be maintained in the matrix and be time limited for a period of five years at one duty station, to be extended for up to seven years on an exceptional basis. This time limit should be introduced as of 1 January 1997;

304 (h) • The present linkage to the base/floor salary should be retained.

SUMMARY OF RECOMMENDATIONS CALLING FOR ACTION BY EXECUTIVE HEADS OF PARTICIPATING ORGANIZATIONS

Conditions of service of the General Service and other locally recruited categories of staff

Paragraph reference

A. Survey of best prevailing conditions of employment in London

213 Based on a survey of best prevailing conditions of employment for the General Service and related categories of staff in London, the Commission determined the salary scale shown in annex XI, which it recommended to the Secretary-General of IMO. The Commission also submitted recommendations to the IMO Secretary-General on the amounts of dependency allowances and the procedure for adjusting salaries between comprehensive salary surveys for the above-mentioned categories.

B. Survey of best prevailing conditions of employment in Vienna

214 Based on a survey of best prevailing conditions of employment for the General Service and related categories of staff in Vienna, the Commission determined the salary scale shown in annex XII, which it recommended to the executive heads of the organizations in Vienna. The Commission also submitted recommendations on the amount of dependency allowances and the procedure for adjusting salaries between comprehensive salary surveys for the above-mentioned categories.

SUMMARY OF FINANCIAL IMPLICATIONS OF THE COMMISSION'S DECISIONS AND ITS RECOMMENDATIONS FOR THE UNITED NATIONS AND PARTICIPATING ORGANIZATIONS

(for all sources of funds)

Paragraph reference

A. Pensionable remuneration and pension entitlements

104 It is estimated that the use of the common staff assessment scale shown in annex IV would result in an increase, on an average basis, in the pensionable remuneration levels of the Professional and higher categories of staff of approximately 0.07 per cent, and a consequential increase in cost of $224,000 per annum, system-wide. For the General Service and related categories of staff, the use of the common staff assessment scale would result in an average decrease of approximately 2.3 per cent in gross pensionable salaries, thereby resulting in savings of approximately $5,994,000 per annum, system-wide.

Total savings resulting from the implementation of the common staff assessment scale used for the determination of the pensionable remuneration of all categories were, therefore, estimated at $5,770,000, system-wide.

B. Remuneration of the Professional and higher categories

1. Base/floor salary scale

151-152 The financial implications associated with the Commission's recommendation regarding the implementation of the revised base/floor salary scale in annex VII were estimated at $68,620,000 per annum, system-wide. With the implementation of the scale, additional expenditures associated with the mobility and hardship allowance and separation payments, amounting to $2,812,000 and $651,000, respectively, would also result on a system-wide basis.

2. Post adjustment system

188 Savings of approximately $11 million system-wide would result from the Commission's decision that, effective 1 March 1997, expenditures corresponding to a minimum amount of 20 per cent of net remuneration at the duty station, added to 5 per cent of net base salary, would be considered to have been incurred outside the duty station.

3. Dependency allowances

207 The financial implications of the Commission's recommendations regarding the children's and secondary dependant's allowances for the Professional and higher categories were estimated at $1,270,000 and $13,500 per annum, respectively, system-wide.

Paragraph reference

C. Remuneration of the General Service and other locally recruited categories

(i) General Service salary survey in London

212 The salary scale resulting from the survey of best prevailing conditions of employment for the above-mentioned categories of staff in London was 5.3 per cent lower than the existing scale. The impact of the Commission's recommendations regarding the salary scale would be a reduction in costs by approximately $360,000 per annum.

(ii) General Service salary survey at Vienna

217 The salary scale resulting from the survey of best prevailing conditions of employment for the above-mentioned categories of staff at Vienna was 3.2 per cent lower than the current scale. Furthermore, a 4 per cent adjustment to salaries to account for the fact that the local language was not an official language of the United Nations system would be phased out gradually before the next salary survey. The impact of the Commission's recommendation regarding the salary scale would be a reduction in costs by approximately $10.3 million per annum, including a reduction of $1.4 million relating to the organizations' contributions to the Pension Fund.

D. Conditions of service applicable to all categories of staff

(i) Education grant

229 As a result of the Commission's recommendations for an adjustment to the maximum admissible levels of education-related expenditures, the maximum education grant and the ceiling for boarding costs, additional expenditures amounting to $823,000 per annum, system-wide, were anticipated.

(ii) Mobility and hardship scheme

296 As a result of the Commission's decision regarding the time limitation on the non-removal element of the mobility and hardship scheme, effective 1 January 1997, savings amounting to approximately $1.7 million per annum would accrue, system-wide.

Chapter I

ORGANIZATIONAL MATTERS

A. Acceptance of the statute

1. Article 1 of the statute of the International Civil Service Commission (ICSC), approved by the General Assembly in its resolution 3357 (XXIX) of 18 December 1974, provides that:

> "The Commission shall perform its functions in respect of the United Nations and of those specialized agencies and other international organizations which participate in the United Nations common system and which accept the present statute ..."

2. To date, 12 organizations have accepted the statute of the Commission and, together with the United Nations itself, participate in the United Nations common system of salaries and allowances. Two other organizations, although not having formally accepted the statute, have participated fully in the Commission's work.

B. Membership

3. The membership of the Commission for 1996 is as follows:

Mr. Mohsen Bel Hadj Amor (Tunisia)*** (Chairman)
Mr. Mario Bettati (France)**
Mr. Alexander V. Chepourin (Russian Federation)*
Mrs. Turkia Daddah (Mauritania)***
Mr. Humayun Kabir (Bangladesh)*
Ms. Lucretia Myers (United States of America)**
Mr. Antonio Fonseca Pimentel (Brazil)**
Mr. André Xavier Pirson (Belgium)***
Mr. Jaroslav Riha (Czech Republic)***
Mr. Ernest Rusita (Uganda)*
Mr. Missoum Sbih (Algeria)*
Mr. Alexis Stephanou (Greece)**
Mr. Ku Tashiro (Japan)**
Mr. Carlos S. Vegega (Argentina)*** (Vice-Chairman)
Mr. Mario Yango (Philippines)*

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* Term of office expires 31 December 1996.

** Term of office expires 31 December 1997.

*** Term of office expires 31 December 1998.

C. Sessions held by the Commission and questions examined

4. The Commission held two sessions in 1996: the forty-third, which took place from 10 April to 7 May at the United Nations Office at Vienna, and the forty-fourth, which took place from 31 July to 13 August at United Nations Headquarters in New York.

5. At those sessions, the Commission examined issues that derived from decisions and resolutions of the General Assembly as well as from its own statute. A number of decisions and resolutions adopted by the Assembly that required action or consideration by the Commission are discussed in the present report.

D. Subsidiary body

6. The Commission's Advisory Committee on Post Adjustment Questions (ACPAQ) held its twentieth session at United Nations Headquarters in New York from 4 to 11 March 1996. It consisted of the following members: Mr. Carlos S. Vegega (Argentina), Vice-Chairman of the Commission and Chairman of the Committee; Mr. Emmanuel Oti Boateng (Ghana); Mr. Youri Ivanov (Russian Federation); Mr. Yuki Miura (Japan); Mr. Hugues Picard (France); and Mr. Rafael Trigueros Mejía (Costa Rica).

Chapter II

ACTION TAKEN IN RELATION TO RESOLUTIONS AND DECISIONS OF THE GENERAL ASSEMBLY AND THE LEGISLATIVE/GOVERNING BODIES OF OTHER ORGANIZATIONS OF THE COMMON SYSTEM

A. General Assembly resolution 45/242 of 21 December 1990

7. The General Assembly, in its resolution 45/242, requested the Commission to undertake in 1995 a further comprehensive review of the methodology for determining the pensionable remuneration of staff in the Professional and higher categories, and of the application of that methodology, in full cooperation with the United Nations Joint Staff Pension Board. As reported earlier to the Assembly, 1/ in view of resolution 46/220 of 20 December 1991 on the biennialization of the programme of work of the Fifth Committee, the item was postponed to 1996. The Commission's consideration of this item is contained in paragraphs 26 to 55 below.

B. General Assembly resolution 47/216 of 23 December 1992

8. In section V, paragraph 4, of resolution 47/216, the General Assembly requested the Commission to report on its review of the mobility and hardship scheme to the Assembly at its fifty-first session and to include the following elements in the review:

(a) The adjustment procedure that links the mobility and hardship matrix to revisions of the base/floor salary;

(b) The percentage levels attributed to the matrix also in comparison with those applicable in the comparator civil service and in particular those pertaining to the H and A categories;

(c) An analysis of the extent to which each of the component parts that make up the matrix meets the needs of the organizations;

(d) A precise quantification of the cost savings.

9. The Commission's response to this request is contained in paragraphs 242 to 299 and 304 and 305 below.

C. General Assembly resolution 49/223 of 23 December 1994

10. In section VI of its resolution 49/223, the General Assembly took note of the Commission's decision on hazard pay as reflected in its twentieth annual report, and requested the Commission to reconsider its decision to link hazard pay to the base/floor salary scale for international staff and its decision on the level of hazard pay and to propose alternative approaches to hazard pay and to report thereon to the General Assembly at its fifty-first session. The Commission's response to this request is contained in paragraphs 300 to 305 below.

D. General Assembly resolution 50/208 of 23 December 1995

11. The Commission took action on a number of matters addressed in General Assembly resolution 50/208, as discussed below.

12. In section I.A, paragraphs 1 and 3, the General Assembly:

(a) Decided to defer to its resumed fiftieth session consideration of the section of the Commission's twenty-first annual report dealing with the review of the Noblemaire principle and its application, 2/ and requested the Commission to review its recommendations and conclusions, taking into account the views expressed by Member States in the Fifth Committee, in particular regarding the reduction of dominance and the treatment of bonuses in determining net remuneration comparisons;

(b) Requested the Commission and the national civil service authorities concerned to resolve the outstanding difficulties in comparing differently designed civil services and grading systems, within the approved methodology, and to clarify the conclusions set out in paragraph 172 (b) (ii) and (iii) of its report, 2/ in order to complete the study on the highest-paid national civil service, and to report thereon to the General Assembly.

13. The Commission's response to those requests was submitted to the Assembly at its resumed fiftieth session in the form of an addendum to the twenty-first annual report. 2/

14. In section I.B, paragraph 2, the Assembly requested the Commission to establish in 1996, in respect of staff members whose duty station is Geneva, a single post adjustment index which is fully representative of the cost of living of all staff working in the duty station and which ensures equality of treatment with staff in other headquarters duty stations. The Commission's consideration of this matter is contained in paragraphs 189 to 194 below.

15. Under section I.B, paragraph 3, the Assembly requested the Commission to address and to refer to its working group on post adjustment, as appropriate, the concerns raised by Member States in the Fifth Committee regarding the operation of the post adjustment system, including, *inter alia*, the issue of the post adjustment at the base of the common system, management of the differential in net remuneration between the common system and its comparator, developments in the comparator civil service and the possible partial phasing out of the expatriate elements of the margin for staff with long service at one duty station. The Assembly also requested the Commission to review all the issues relating to the post adjustment system based on the study by its working group and to report thereon to the Assembly at its fifty-first session. The Commission's response to this request is contained in paragraphs 156 to 188 below.

16. The Commission was also provided with information on actions taken by the governing bodies of organizations of the common system on matters relevant to the work programme of the Commission.

Views of the organizations

17. The Chairman of the Consultative Committee on Administrative Questions (CCAQ) said that the Commission would doubtless wish to examine carefully the reasons underlying the conclusions reached by the General Assembly in respect of the twenty-first annual report. Noting that the inclusion of dissenting views

in the body of the report created complications for delegations in the Fifth Committee, he trusted that the Commission would give thought to altering the manner in which its reports were presented in the future.

18. CCAQ was also concerned that the discussion in the Fifth Committee was not solely based on the report itself but that some Member States' delegations had been provided also with the written views of one Commission member; this had aggravated the perceived lack of unity among the members of the Commission. Such action did not appear to be in keeping with the spirit of article 6 of the ICSC statute: the organizations would appreciate being advised of the action the Commission intended to take on the matter.

19. CCAQ had taken note of the comments made in the governing bodies of at least six organizations (United Nations, UNESCO, WHO, ICAO, UPU and IAEA) about the advancement of women. CCAQ was following up the 1995 ACC recommendations on the subject. In particular, it was looking at the number of women candidates applying for vacant posts, being short-listed and ultimately being selected for posts. CCAQ would be pleased to share the data on the subject with the ICSC secretariat in due course.

Discussion by the Commission

20. The Commission considered that the requests made by the General Assembly in section I.B, paragraph 3, of resolution 50/208 (see para. 15 above), regarding the post adjustment system, should be dealt with in two stages. In the first instance, it would report to the Assembly at its fifty-first session on the operation of the post adjustment system, based on the findings of its working group. This time-frame had already been foreseen when the Commission drew up its programme of work for 1996.

21. The Commission noted that the other issues raised under that paragraph of the resolution were highly complex and would require a significant allocation of resources and time. Given the Commission's already heavy workload, it would not be possible to undertake even a preliminary examination of those issues in 1996. The Commission therefore concurred with the suggestion made by the secretariat that it place those items on its work programme for 1997 for preliminary consideration; in 1998, it would undertake a full examination of all pertinent aspects and submit a report to the General Assembly.

22. The Commission next turned its attention to the point raised by CCAQ about the difficulties resulting from the inclusion of disparate views in the body of the ICSC report. Members noted at the outset that, while it would be preferable to have a unanimous report, this was not always possible, and every member had the right to express his or her views. It was noted that rule 21, paragraph 3, of the ICSC rules of procedure stated that any member of the Commission might submit individual views in writing, which would be annexed to the report. In practice, that rule had not been applied. A view was expressed that consigning dissenting views to an annex might not be helpful, although it was also noted that provisions remained valid and could be invoked if a member so requested. More important, to the Commission's mind, was the question of balance: the majority view should be preponderant. Preferably, the text of all views should be drafted by the secretariat: if a member or members of the Commission wished to present a minority text, the secretariat should verify that it concorded with the actual proceedings.

23. That said, the Commission emphasized the need to strive for consensus in its report, noting that a multiplicity of individual opinions diminished the

Commission's overall position and risked diluting its moral authority. Endorsing the view expressed by the Assembly that ICSC reports should be clear and readily understandable, the Commission considered that intentional vagueness should be eschewed. Nor was there a need to report every last nuance of opinion: reports should be clear, concise and, above all, balanced.

Conclusion of the Commission

24. The Commission concluded that:

(a) Minority views should normally be reflected in the body of the report, while retaining the appropriate balance between the majority and minority view;

(b) Exceptionally, individual views may be annexed;

(c) Draft reports should be prepared by the secretariat, which was responsible for ensuring that balance was preserved in the report, and for verifying that texts faithfully reflected the discussion.

Chapter III

PENSIONABLE REMUNERATION AND PENSION ENTITLEMENTS

25. The Commission considered the following aspects of the pensionable remuneration and pension entitlements of all categories of staff during 1996:

(a) Methodology for the determination of pensionable remuneration:

(i) Professional and higher categories;

(ii) General Service and other locally recruited categories;

(b) Common staff assessment scale;

(c) Special index for pensioners;

(d) Monitoring of the pensionable remuneration for the Professional and higher categories.

The Commission conducted the reviews of the items outlined under (a) to (c) in two stages. It had a preliminary consideration of these issues at its forty-third session, in April and May 1996 when a delegation designated by the Standing Committee of the United Nations Joint Staff Pension Board (UNJSPB) participated in the deliberations. The tentative conclusions reached by the Commission at that session regarding various aspects of the issues addressed were communicated to the Pension Board, which held its forty-seventh session in July 1996. At its forty-fourth session, the Commission reviewed its tentative conclusions on the above issues in the light of the views and conclusions of the Pension Board and formulated its recommendations for submission to the General Assembly.

A. Methodology for the determination of pensionable remuneration

1. Professional and higher categories

26. In its resolution 45/242, the General Assembly requested the Commission, in full cooperation with the United Nations Joint Staff Pension Board, to undertake in 1995 a further comprehensive review of the methodology for the determination of the scale of pensionable remuneration of staff in the Professional and higher categories, for monitoring the level of the scale and for its adjustment between comprehensive reviews, and to submit recommendations thereon to the Assembly at its fiftieth session. Owing to the biennialization of the Assembly's work programme, the report requested in that resolution for 1995 had been rescheduled for 1996. The Assembly had taken note of that revised schedule. 3/

Consideration by the Commission at its forty-third session

27. In the documentation before the Commission it was recalled that a reasonable replacement of income while in service served as the conceptual base of the methodology, with an interim adjustment procedure based on the adjustment of pensionable remuneration between comprehensive reviews by the same percentage and at the same time as net remuneration in New York. An annual calculation of the pensionable remuneration margin and income replacement ratios vis-à-vis the comparator's pension system ensured the evolution of pensionable remuneration

levels in tune with those intended by the Commission in its recommendations and the General Assembly in its endorsements.

28. With regard to United States/United Nations comparisons, the United States Federal Civil Service Retirement Scheme (CSRS) represented the basis for comparisons with the United Nations Joint Staff Pension Fund (UNJSPF) in prior comprehensive reviews. With the introduction of the Federal Employees Retirement System (FERS) as of 1 January 1984 by the comparator, the proportion of United States federal civil service staff currently covered by CSRS and FERS was approximately 50 per cent each, with the expectation that all staff would be covered by FERS at some future date. Since FERS consisted of three components - a defined benefit plan with no employee contribution, a thrift savings plan and the National Social Security plan - it was not possible to undertake the kind of comparisons previously made with CSRS, which was a defined benefit plan. An actuary had therefore been retained to conduct an actuarial analysis of CSRS and FERS vis-à-vis UNJSPF.

Views of the Standing Committee of UNJSPB

29. The Chairman of the Standing Committee expressed appreciation for the opportunity extended to the delegation designated by the Committee to participate in the deliberations of the Commission. He noted the excellent cooperation between the two secretariats in developing the documentation before the Commission at its current session, which the Standing Committee had had an opportunity to review at its March 1996 session.

30. In its initial views on the specific issues addressed in documentation before the Commission, the Standing Committee had expressed agreement with the continued use of the income replacement approach. It had also indicated that further consideration should be given to the level of the grossing-up factor for Professional staff, taking into account United Nations/United States pensionable remuneration and income replacement ratios along with the results of the actuarial study of the United Nations pension benefits in relation to those of CSRS and FERS. The Standing Committee had not been aware of the results of the actuarial study, which had not been available when it met. The Standing Committee agreed to maintaining the current interim adjustment procedure. It considered that pensionable remuneration and income replacement ratios should be monitored not less frequently than on a biennial basis, unless developments required an exception.

31. The statistical analysis of current career lengths, together with the benefit accumulation rates on which the 46.25 per cent grossing-up factor was determined, did not appear to support a change. However, there was, currently a period of uncertainty within the United Nations resulting from a number of administrative reforms under consideration. It was difficult to predict the eventual impact of these reforms on career development and other personnel management systems in the United Nations. The profile of staff, including average career length, might change as a consequence, and this might affect the income replacement ratio at some point in the future. At the same time, the continuing gap between the income replacement ratios of the comparator and those of the common system might justify an adjustment to the current 46.25 per cent factor, after also taking into account the results of the actuarial study of the UNJSPF provisions with those under the pension schemes of the comparator.

Views of the organizations

32. The Chairman of CCAQ noted that it was difficult to concentrate on the issue of pensionable remuneration for Professional and higher categories of staff when the basis for pay setting for that category of staff had not been decided upon by the General Assembly. The preliminary comments of CCAQ were based on the assumption that for the present, the United States federal civil service would remain the comparator, and that the income replacement approach was to remain in place.

33. CCAQ recalled that it had expressed concern at the fact that for many years United Nations income replacement levels had consistently been about 1 per cent below those of the comparator. Two factors affected that relationship: (a) the United Nations net-to-gross relationship reflected the taxation system of the seven headquarters duty stations, while only United States taxes were reflected on the United States side; (b) pensionable remuneration was determined by the application of staff assessment to 46.25 per cent of United Nations common system salaries. There were no analyses of this distortion, despite the CCAQ request that they be prepared in good time for the current comprehensive review. At the very least, the grossing-up procedures should be carefully looked into if the distortion were to be reduced. CCAQ would not wish to see the 46.25 per cent used for the grossing-up procedures endorsed forever.

34. CCAQ was somewhat taken aback at the initiative taken by the ICSC secretariat to hire an actuarial consulting firm to review the FERS scheme. Neither the Commission nor the Board nor the organizations' representatives had asked for this. Given the different premise on which the FERS scheme was based, CCAQ wondered if the actuarial study was absolutely essential. Although there was a great similarity in the value of the different components of the United Nations scheme and both the CSRS and FERS pension schemes, the FERS scheme was founded on a completely different premise from the United Nations pension plan. More important, the FERS scheme was incompatible with the United Nations scheme because it was not a pure pension scheme; it was linked to the United States social security system. In the future, the FERS arrangements might be linked to the purchase of government savings bonds, which would make the scheme less compatible with the United Nations pension regime. Therefore, while the information on the scheme was of interest, it was not pertinent to the United Nations pension system. United Nations common system staff had no social security protection and no individualized tax-related advantages such as those of United States federal civil servants. The foundation of the United Nations pension scheme was that of income replacement; the integrity and coherence of any adjustments to the common system pension scheme must therefore be based on the accurate measurement of income replacement levels. CCAQ did not wish to see the results of this study incorporated in any way in the methodology for the determination of pensionable remuneration at the Professional and higher levels.

Discussion by the Commission

35. The Commission noted the statistical information on UNJSPF participants, beneficiaries and benefits, including distributions of participants by length of contributory service. It noted with interest that the weighted average length of contributory service for the Professional and higher categories based on data available from January 1992 to December 1994 was 19 years and one month. It concluded that the average length of contributory service had remained relatively stable since 1987 when the income replacement approach, including the 46.25 per cent grossing-up factor, had been established as the basis for determining pensionable remuneration levels of the Professional and higher

categories. It therefore seemed that there was no justification for modifying that factor based on the average length of contributory service. There were, however, a number of related issues, such as income inversion and the common scale of staff assessment, which had to be addressed before the appropriateness of the 46.25 per cent grossing-up factor could be determined.

36. The Commission noted that the application of the income replacement methodology to current net salary levels of the Professional and higher categories in New York would result in pensionable remuneration levels higher than those currently in place. It attributed that situation to the conservative nature of the one-to-one interim adjustment procedure between comprehensive reviews (which required that pensionable remuneration be adjusted at the same time and by the same percentage as net salaries in New York). At the time the interim adjustment procedure was adopted, it had been expected that some adjustment of pensionable remuneration levels might well be required at the time of comprehensive reviews to take into account outside tax developments and/or non-application of staff assessment to net remuneration changes during interim periods.

37. The Commission then examined the evolution of United Nations/United States pensionable remuneration comparisons and income replacement ratios over the years 1990 to 1996, as set out below:

	1990	1991	1992	1993	1994	1995	1996 a/
Net remuneration margin	117.4	118.9	117.6	114.2	113.0	105.7	109.7
Pensionable remuneration ratios with cost-of-living differential	116.5	118.3	117.7	113.4	112.9	104.1	108.7
Pensionable remuneration ratios without cost-of-living differential	129.7	130.3	130.1	132.0	128.8	120.3	125.1
Income replacement ratios							
United Nations	56	55	55	55	55	55	55
United States	58	57	57	56	56	56	55.5

a/ Projected.

It considered that the above information had served to show that the movement of pensionable remuneration levels of the Professional and higher categories had been in line with those of the comparator and with common system net salary levels, as had been expected at the time of the 1990 comprehensive review. The Commission considered that the methodology for determining pensionable remuneration levels of the Professional and higher categories, taken together with the one-to-one interim adjustment process, had worked as expected.

38. With regard to the actuarial evaluation of the comparator's two pension schemes, CSRS and FERS, vis-à-vis the common system scheme, the Commission considered that future comprehensive reviews would need to feature such analyses

since fewer and fewer comparator staff would be covered by the CSRS scheme in the future. It recognized that prior comparisons between the comparator's pension system and that of UNJSPF had been facilitated by the exclusive focus on the CSRS scheme, which was, like that of UNJSPF, a defined benefit scheme. Since the FERS scheme was now applicable to all newly hired staff in the comparator service and since it was a three-tiered system with a significant portion of retirement benefits based on a defined contribution approach, it was not possible to calculate income replacement ratios based on accumulation formulas. The Commission therefore considered that the initial actuarial evaluation that had been undertaken was helpful in addressing future United States/United Nations comparison modalities.

39. The Commission viewed the actuarial comparison of pension schemes as providing additional analyses which enabled it to draw broad conclusions about retirement benefits. It did not consider it appropriate to suggest that the changing structure of the comparator's pension system, as reflected by FERS, would require a consequent restructuring of the UNJSPF scheme along similar lines. It considered that the adoption of a new comparator under the Noblemaire principle would not require the common system to adopt a pension scheme that was the mirror image of the new comparator's pension scheme. It was sufficient that an actuarial comparison showed the UNJSPF scheme to be broadly in line with the pension schemes of the comparator.

40. In terms of the results of the actuarial evaluation, the Commission noted that CSRS provided a higher level of retirement benefits than FERS at all relevant income levels and that the retirement benefits of CSRS compared favourably with the UNJSPF scheme for common system participants hired before 1983 (i.e., prior to modification of the accumulation formula). The retirement benefits of FERS participants (covering all United States federal civil service staff hired since 1 January 1984) were approximately equivalent to those of staff hired under current provisions of the UNJSPF scheme. The actuarial analysis showed that there had been a general erosion in the level of retirement benefits since the early 1980s in the case of both the comparator's schemes and that of UNJSPF.

41. In the context of the actuarial comparisons, the Commission considered the issue of the mandatory age of separation applicable in the common system (which did not exist for staff of the comparator). It recalled that in the context of its total compensation comparisons with the comparator conducted in the 1980s, it had concluded that the ability of the comparator's staff to continue working and accumulating pension benefits, without a requirement to separate at a specific age, represented an advantage for comparator staff. That advantage was not reflected in the actuarial analyses. The Commission recalled that it had developed a specific calculation method to take account of this advantage in its total compensation comparisons with the comparator. If that advantage were quantified, as had been done in the total compensation comparisons, both CSRS and FERS would show somewhat higher pension benefit values.

42. With regard to the interim adjustment procedure, the Commission considered that it was desirable to maintain a conservative approach in adjusting pensionable remuneration levels between comprehensive reviews. Appropriate adjustments could be made at the time of comprehensive reviews based on all relevant factors. A number of factors had to be considered before any change in methodology might be recommended. These included not only average length of service data of common system staff, in the context of determining the appropriate grossing-up factor, but also:

(a) The status of the income inversion phenomenon;

(b) The impact on pensionable remuneration levels of a common scale of staff assessment;

(c) The results of United Nations/United States comparisons of pensionable remuneration levels, income replacement ratios and pension benefit values.

43. On the basis of the above analysis, the Commission formulated tentative conclusions regarding the approach and the methodology to be used for determining the pensionable remuneration of the Professional and higher categories, its interim adjustment between comprehensive reviews and the periodic monitoring of the United Nations/United States pensionable remuneration and income replacement ratios. It would decide on its recommendations to the General Assembly on all aspects of its comprehensive review of pensionable remuneration and pension entitlements for the Professional and higher categories at its July-August session, taking into account the views of the Pension Board which would be submitted to the Commission.

44. On the basis of the actuarial analysis of pension schemes covering staff of the comparator and the common system, the Commission concluded that:

(a) The pension benefits available to staff of the comparator under CSRS (applicable to staff hired prior to 1984) were approximately equivalent to those available to common system staff under the pre-1983 UNJSPF scheme and better than those under the modifications made in the UNJSPF plan since 1983;

(b) The pension benefits available to staff of the comparator covered by the FERS scheme (which is applicable to staff hired in 1984 or later) were approximately equivalent to those of common system staff hired under current provisions of the UNJSPF scheme;

(c) The pension benefit values of both CSRS and FERS would have been credited with an additional value had the Commission considered differences in career lengths between the comparator and the common system, as had been considered appropriate under the Commission's total compensation methodology.

Consideration by UNJSPB

45. The Board considered the initial views of the Standing Committee and the tentative conclusions reached by ICSC at its forty-third session, including those related to the actuarial study referred to in paragraphs 43 and 44 above. It focused its attention on the current level of the grossing-up factor for the Professional staff (46.25 per cent) and on the actuarial comparison of the benefits under UNJSPF with those under the two pension schemes applicable to United States federal civil servants.

46. At its June 1996 meeting, the Committee of Actuaries considered the actuarial study and submitted the following views for the consideration of the Board:

> "The Committee of Actuaries noted that the consultants had adopted an acceptable and commonly used method in carrying out the study. It was, however, stressed that such a study could only show whether the costs of the various plans were more or less in line. Its results could not be used to conclude that the benefit provisions of any of the plans required significant amendment or modification. In particular, it was extremely

difficult to draw any meaningful conclusions from comparing a defined-benefits scheme such as UNJSPF with a scheme that incorporated benefits derived from a national social security plan and a defined-contributions component, such as FERS. It was also noted that, without full details of the method and assumptions used in making the comparative actuarial calculations, it was not possible to draw other than general conclusions from the figures provided."

47. The Board agreed on the following recommendations to the General Assembly and to so inform the Commission:

(a) The income replacement approach and the current methodology related thereto, including the use of the 46.25 per cent grossing-up factor, should continue to serve as the basis for the determination of the pensionable remuneration of staff in the Professional and higher categories;

(b) The current interim adjustment procedure should be continued;

(c) The United Nations/United States pensionable remuneration and income replacement ratios should continue to be monitored between comprehensive reviews, at least biennially, and reported to the General Assembly whenever deemed necessary.

The Board concurred with the views of the Committee of Actuaries as regards the actuarial comparisons of the benefits under UNJSPF with those under the retirement schemes of the United States federal civil service, i.e., CSRS and FERS, as set out in paragraph 46 above.

Consideration by the Commission at its forty-fourth session

48. A detailed report covering the Pension Board's consideration of this matter (see paras. 45 to 47 above) formed part of the Commission's review of its tentative conclusions on the matter reached at its previous session and the formulation of its recommendations to the General Assembly.

Views of the organizations

49. The Chairman of CCAQ observed that in the organizations' view, the monitoring of the United Nations/United States pensionable remuneration and income replacement ratios had ceased to serve its intended purpose, particularly since the majority of the United States federal civil service employees were now covered by FERS. A comprehensive actuarial analysis of the United Nations pension scheme and the scheme(s) covering the United States federal civil service employees should be carried out on the occasion of each comprehensive review of the pensionable remuneration and consequent pensions of the Professional and higher categories. Such an analysis would provide a more meaningful input on the occasion of future comprehensive reviews. CCAQ requested that the analysis be carried out in cooperation with the consulting actuary of UNJSPB.

50. The Chairman of CCAQ reiterated the view that repeated endorsement of the 46.25 per cent grossing-up factor did not mean that it was the only factor that could be used. Moreover, its continued use meant foregoing the opportunity to make a major impact on income inversion. While the organizations endorsed the continued use of the one-to-one interim adjustment procedure, it should be recognized that it would generally lead to the upward adjustment of pension levels at the end of the period between comprehensive reviews.

Discussion by the Commission

51. The Commission noted that the Pension Board's conclusions regarding the methodology for determining the pensionable remuneration of the Professional staff, and its interim adjustment between comprehensive reviews, were identical to the tentative conclusions the Commission had reached at its forty-third session. The Commission noted the comments of the Committee of Actuaries of the Pension Board regarding the actuarial comparisons of the benefits under UNJSPF with those under the retirement schemes of the United States federal civil service, i.e., CSRS and FERS.

52. The Commission considered the Board's view that between comprehensive reviews the monitoring of pensionable remuneration and the United Nations/United States income replacement ratios should be carried out at least biennially. In that context, the Commission noted that as long as there was no sudden and drastic change in the United States rates of income taxation, and the one-to-one interim adjustment process continued to apply on the United Nations side, the monitoring of pensionable remuneration and income replacement ratios would produce results, even over extended periods of time, such as those shown under paragraph 37 above. It was therefore of the view that its secretariat should monitor all factors affecting the United Nations/United States pensionable remuneration and income replacement ratios on a regular basis and submit a report thereon at least once every two years. In the event of a change in one of the factors affecting the above comparisons, a detailed report should be submitted to the Commission so as to enable it to bring the relevant information to the attention of the General Assembly.

53. The Commission concurred with the CCAQ views concerning the usefulness of undertaking actuarial analyses of United Nations and comparator pension benefit schemes on a periodic basis. It agreed that its secretariat should carry out such comparisons on the occasion of future comprehensive reviews of pensionable remuneration of the Professional staff in close consultation with the Pension Fund's secretariat. In carrying out these studies the views of the Committee of Actuaries set out in paragraph 46 above should be borne in mind.

Decisions of the Commission

54. The Commission decided to make the following recommendations to the General Assembly regarding the pensionable remuneration for the Professional and higher categories:

(a) Income replacement in New York should continue to be used as the basis for the methodology for the determination of pensionable remuneration of the Professional and higher category staff;

(b) The methodology used to establish the current scale of pensionable remuneration, described in annex I to the present report, should continue to be used in the future;

(c) The current interim adjustment procedure for adjusting pensionable remuneration between comprehensive reviews should be continued (see annex I);

(d) The monitoring of pensionable remuneration and the United Nations/United States income replacement ratios should be carried out on the occasion of periodic comprehensive reviews of the pensionable remuneration and consequent pensions of the Professional staff. Between comprehensive reviews, the Commission will review the factors affecting the above comparisons once every two years and submit a report on the above elements to the General Assembly, only if necessary.

55. The Commission also decided to inform the General Assembly that, as indicated in paragraph 53 above, on the occasion of future comprehensive reviews of pensionable remuneration of the Professional staff, ICSC would carry out, in close cooperation with the Pension Board, actuarial analyses of the pension benefits from the UNJSPF scheme and those applicable to the staff of the comparator service and report the results of those studies to the General Assembly.

2. General Service and other locally recruited categories

Consideration by the Commission at its forty-third session

56. At the outset, the Commission noted that the General Assembly had not expressly requested the Commission and/or UNJSPB to carry out a comprehensive review of the General Service pensionable remuneration methodology as part of its current review of pensionable remuneration. The main elements of that methodology had been approved in 1993, 4/ based on the Commission's recommendations in paragraph 85 of its nineteenth annual report. 5/ Essentially the same methodology applied to the Professional and higher categories. The basic underpinning of the methodology for both categories of staff was the income replacement approach, with the adjustment of pensionable remuneration between comprehensive reviews based on net salary movements. It was noted that the Commission had initially considered a grossing-up factor of 56.25 per cent in determining the pensionable remuneration levels of the General Service and related categories. However, after taking into account the views of UNJSPB and reviewing both the absolute amounts and the range of pensionable remuneration applicable to General Service and Professional staff, ICSC had concluded that a grossing-up factor of 66.25 per cent should apply. Both the grossing-up factor of 66.25 per cent and the interim adjustment procedure had taken effect in 1994.

57. Also in 1994, UNJSPB had recommended a change in the benefit accumulation rates, which would eventually lead to a maximum benefit accumulation of 70 per cent (increased from 66.25 per cent). In its resolution 49/224 of 23 December 1994, the General Assembly had, inter alia, approved that recommendation, which entered into effect on 1 July 1995 for all categories of staff. As a result of that change, a representation had been made, through UNJSPB, by a participants' representative of the International Telecommunication Union (ITU), in the context of the issuance of the revised General Service salary scale for Geneva in September 1995, that the income replacement factor for the General Service and related categories should automatically be increased from 66.25 per cent to 70 per cent.

58. The Commission was provided with statistical information on the non-pensionable component at both headquarters and non-headquarters duty stations. The non-pensionable component - a net salary element derived from the remuneration practices of survey employers in the context of local General Service salary surveys - is excluded in the determination of pensionable remuneration levels. It was proposed that the issue of the non-pensionable component, which had received varying degrees of attention by both UNJSPB and the Commission in recent years, should be re-examined in the context of the planned 1997 review of the non-headquarters salary survey methodology.

Views of the Standing Committee of UNJSPB

59. The Chairman of the Standing Committee noted that the Committee had focused its attention on the 66.25 per cent income replacement factor and on the issue of the non-pensionable component. In that regard, he noted the position of the participants' representatives that the 66.25 per cent income replacement factor should be increased to 70 per cent, corresponding to the increased maximum accumulation rate approved by the General Assembly. The participants' representatives also considered that the non-pensionable component should be addressed on a priority basis and that information should be provided to both UNJSPB and the Commission during their 1996 sessions on the levels of the non-pensionable component at a number of duty stations and their impact on the income replacement ratios. In the view of the representatives of the executive heads, there was no need to make a change in the 66.25 per cent income replacement factor and the non-pensionable component should be addressed in 1997 in the context of the review of the salary survey methodology. The initial views of the Standing Committee were that no change should be made currently either in the income replacement approach or in the methodology related thereto for determining the pensionable remuneration of General Service staff, including retention for the time being of the 66.25 per cent income replacement factor. The Committee urged that the non-pensionable component should be addressed during the current year and that information requested by the participants' representatives should be provided.

Views of the organizations

60. The views of CCAQ were similar to those of its colleagues in the Standing Committee of UNJSPB, namely: (a) that there was no need to change the grossing-up factor at this time; and (b) that the non-pensionable component should be looked into in the context of the 1997 salary survey methodology review. CCAQ considered the issue of the non-pensionable component to be an integral part of the General Service salary survey methodology; it was therefore important for the technical experts responsible for conducting General Service salary surveys to be involved in the review process.

Discussion by the Commission

61. The Commission recognized that the implementation of its final recommendation for application of a 66.25 per cent grossing-up factor to the General Service and related categories had reduced the phenomenon of income inversion between the General Service and related categories and the Professional and higher categories. However, its original recommendation for a 56.25 per cent grossing-up factor would have decreased it even further. With regard to an increase in the 66.25 per cent factor to 70 per cent, the Commission noted there was no urgency to address the issue because under current rules no staff member could obtain the maximum accumulation rate of 70 per cent before July 2000 at the earliest. The Commission noted that the methodology for determining the pensionable remuneration of the General Service staff, which was introduced in 1994, had worked as intended and no change in the methodology or its application was called for at the present time.

62. The Commission noted that the non-pensionable component, which had been considered over the years in varying degrees of detail by both the Commission and UNJSPB, was a complex issue that required careful and detailed analysis. However, a certain urgency was attached to that matter since numerous staff were affected. Given the complexity of the issue, the Commission considered that a working group should be established to address technical details. The group

should meet as soon as possible; the Commission recognized, however, that the programme of work of the secretariat was such that a meeting before autumn 1996 would not be possible.

63. With regard to the composition of the working group, the main point of discussion was the relationship with the group that the Commission intended to establish in the context of its review of the salary survey methodologies for the General Service and related categories at headquarters and non-headquarters duty stations. It was expected that ICSC would establish the salary survey working group at its forty-fourth session. Some Commission members expressed the view that there should be only one working group dealing with the General Service salary survey methodology, with a subgroup assigned to review the non-pensionable component. Other members considered that there should be two separate groups. The advantages and disadvantages of the two approaches were considered. It was noted in that regard that the non-pensionable component was derived from the salary survey process and should be examined in that overall context. Others considered that the two-group approach might give rise to conflicting positions on various aspects of the survey methodology. Proponents of the two-group approach considered that the non-pensionable component was only one of a range of issues being reviewed in the context of the review of the General Service salary survey methodology. The non-pensionable component issue might not receive the appropriate attention in one group where a range of issues were being addressed; conversely, it might receive too high a priority, given that a number of other important issues would need to be addressed.

Consideration by UNJSPB

64. The Board agreed on the following recommendations to the General Assembly and to so inform the Commission:

(a) The income replacement approach and the methodology related thereto, including the use of 66.25 per cent of the net pensionable salary for grossing-up purposes, should continue to be used for the determination of pensionable remuneration of staff in the General Service and related categories;

(b) A joint ICSC/Pension Board working group should be established to address the non-pensionable component issue, as part of the review of the salary survey methodology scheduled for 1997. In this context the Board designated three members, one from each of the constituent groups represented in the Board, to serve on the working group.

Consideration by the Commission at the July-August session

65. The Commission noted that the Pension Board had concurred with its tentative conclusions regarding various aspects of the methodology for the pensionable remuneration for the General Service staff.

Decisions of the Commission

66. The Commission decided to recommend to the General Assembly that:

(a) The income replacement approach and the methodology related thereto should continue to be used for the determination of pensionable remuneration of the General Service and related categories of staff, including the use of 66.25 per cent of the net pensionable salary for grossing-up purposes;

(b) The current interim adjustment procedure should be continued.

67. The Commission also decided to inform the General Assembly that it had agreed to the establishment of a working group to consider the non-pensionable component issue as part of the Commission's review of the General Service salary setting methodologies for headquarters and non-headquarters duty stations scheduled for 1997. Details regarding the composition and the mandate of the working group may be found in paragraphs 210 and 211 below.

B. Common staff assessment scale

Introduction

68. In 1993, the Commission reported to the General Assembly that as part of its 1996 comprehensive review of pensionable remuneration and consequent pensions it would develop a common staff assessment scale for the Professional and higher categories and the General Service and related categories to determine the pensionable remuneration of both categories. In this context the Commission provided a procedure which it had developed for determining such a scale. The Assembly, in its resolution 48/225 of 23 December 1993, approved the procedure and requested the Commission to develop a common staff assessment scale in close cooperation with UNJSPB and to make recommendations thereon to the Assembly at its fifty-first session.

69. During the Commission's 1991-1992 comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories, it was noted that, over the years, the methodologies used for determining the pensionable remuneration of the Professional and higher categories and the General Service and related categories had steadily drifted apart. With the introduction in 1986 of the income replacement methodology for Professional staff only, differences in pensionable remuneration amounts in addition to those attributable to staff assessment rates had emerged. Under the income replacement methodology, pensionable remuneration for Professional staff was set at levels that would yield net pensions equal to 46.25 per cent of net remuneration corresponding to 25 years of contributable service. Therefore, the grossing-up factor for determining the staff assessment element of the pensionable remuneration levels for Professional staff was based on 46.25 per cent of the corresponding net remuneration. At that time the grossing-up factor for General Service staff was 100 per cent of net salary levels. This meant that a larger element of staff assessment was being added to General Service net salaries vis-à-vis Professional net salaries to arrive at pensionable remuneration levels.

70. Also in conjunction with the move to the income replacement approach for Professional staff, a procedure was adopted whereby Professional pensionable remuneration levels were adjusted between comprehensive reviews at the same time and by the same percentage as net salary movements in New York. This is known as the one-to-one interim adjustment procedure. At that time, the General Service interim adjustment procedure required the use of applicable staff assessment rates to gross-up from the relevant net salaries each time the General Service salary scale was adjusted. This meant that the interim procedure for General Service staff reflected the progressivity of taxes in the calculation of the related pensionable remuneration levels, while the one-to-one adjustment for the Professional staff did not.

71. In the context of the 1986 review of Professional pensionable remuneration it was noted that pensionable remuneration levels of the General Service were significantly higher than those for Professional staff with the same or even

higher net remuneration levels. In the view of the Commission and the General Assembly, this phenomenon, termed income inversion, needed to be redressed. At the time that issue first arose the income inversion level was calculated at 28 per cent, i.e., General Service pensionable remuneration levels were on average 28 per cent higher than Professional pensionable remuneration levels for the same net income levels.

72. In 1992, the Commission noted that three factors, namely, the different rates of staff assessment, the existence of two significantly different methodologies (i.e., different grossing-up factors) and different interim adjustment procedures for the two categories of staff had contributed, in that order, to the income inversion phenomenon. With the introduction, in 1994, of the same interim adjustment procedure for General Service staff as existed for Professional staff, and the application of the income replacement methodology to General Service staff, the impact of the latter two factors had been substantially reduced. At the time, the average income inversion level was measured at 21 per cent. It was expected that the income inversion level would be further reduced as a result of the 1994 introduction of modifications to the General Service methodology.

73. As part of the current 1996 review, the Commission focused its attention on the development of a common scale of staff assessment in order to address the main cause of income inversion. In this regard it established a working group to assist its secretariat in developing a common set of staff assessment rates. In reviewing preliminary staff assessment calculations, the following issues emerged:

(a) The manner in which tax data at the seven headquarters duty stations should be aggregated;

(b) Whether tax deductions related to employees or retirees should be the basis for calculating the tax amount at each duty station;

(c) What form of regression analysis should be used to smooth the aggregated tax data for the seven headquarters duty stations.

The working group determined that the tax levels at the seven headquarters duty stations should be equally weighted in the aggregation process instead of weighting by distributions of common system staff at those locations as specified in the 1993 methodology. With regard to the issue of the use of either employee or retiree tax deductions, the working group noted that prior staff assessment exercises had been based on employee deductions. Some members of the working group, however, considered that the focus on employee deductions was no longer appropriate in view of the income replacement approach now applicable to all staff. Under that approach, the net income levels of retirees (i.e., net pensions) were set as a proportion of net income levels while in service: 46.25 per cent for the Professional and higher categories and 66.25 per cent for the General Service and related categories. Since those proportions represented the net pension income to which the tax calculation was applied, it was felt that the tax deductions applicable to retirees should be used in combination with the respective grossing-up factors.

74. As a result of the working group's determinations, a report was prepared by the secretariat in consultation with the secretariat of UNJSPB for initial review by the Standing Committee of UNJSPB, which met in March 1996, and subsequently by the Commission, which met in April/May 1996. Based on the discussions that took place at both the Standing Committee and the Commission

sessions, further developmental work on the common scale of staff assessment was required by the two secretariats. The results of that work were provided initially to UNJSPB at its meeting in July 1996 and subsequently to the Commission at its forty-fourth session. The remaining portions of the present section are organized chronologically, i.e., in the order in which the various issues were considered by both the Commission and UNJSPB.

Consideration by the Commission at its forty-third session

Views of the Standing Committee of UNJSPB

75. The Chairman of the Standing Committee stated that the Committee had been able to reach only initial views on the data and analysis, indicating areas where it concurred with the working group and those requiring further study and analysis so as to narrow down the options. Current documentation did not present recommendations for a particular staff assessment scale, but presented a number of possibilities based on the use of different parameters and statistical methods. The Standing Committee had considered the document as reflecting "work in progress", requiring further analysis and testing before UNJSPB and the Commission could arrive at specific conclusions at their upcoming sessions.

76. However, in its initial views, which were for purposes of discussion by the Standing Committee delegation with the Commission and without prejudice to the views to be taken by the Pension Board in July, the Standing Committee had placed before the Commission its reactions. These were as follows:

(a) Regarding the weighting method to be used to aggregate tax data, the Standing Committee believed that equal weighting was the preferred choice;

(b) As to employee versus retiree tax deductions, the Standing Committee believed that there should be coherence between the selection of the grossing-up factor and the tax deductions criteria. If the grossing-up factor were based on considerations of pension levels, then it seemed to the Standing Committee that the particular situation germane to pensioners should be reflected in determining applicable tax deductions. Therefore, further analysis, discussion and information were required in this area;

(c) As to the regression method to be employed, the initial views of the Standing Committee were that the same method should be used in deriving the single and the dependent staff assessment rates, that is, the General Service and the Professional rates, but a pragmatic approach was necessary in the light of the data to be provided.

77. The Standing Committee stressed that, as in the past, it was important, indeed necessary, to make adjustments at the lower and upper ends of the staff assessment scale derived from analytical regression methods, bearing in mind that a scale based on tax patterns in seven countries would be applied at more than 160 locations.

78. The representatives of the participants noted that there were a great number of alternatives presented in the documentation that needed to be reduced by agreeing on the modalities of the staff assessment calculations. In this regard they agreed with the equal weighting approach, expressed support for the use of retiree deductions in the calculations and noted that the particular regression formula to be used was a complex issue. Different possibilities could be considered, e.g., use of a straight line formula to regress lower

income levels and a logarithmic formula to regress higher income levels. They also suggested that a floor staff assessment rate could be established.

79. The representatives of the executive heads considered that new analysis would be needed from the secretariat before the next Pension Board session in order to reduce the large number of alternatives currently shown in the documentation. The views of the representatives of the executive heads were generally the same as those expressed by CCAQ at the ICSC session.

Views of the organizations

80. CCAQ considered that the methodology for the determination of pensionable remuneration could be revisited to ensure that it met income replacement goals once the rates of staff assessment and the consequent levels of pensionable remuneration and pensions were known.

81. The main reason for moving towards a common scale of staff assessment was to reduce the anomaly of income inversion. More structured data and more tests of each variant were now needed to see more precisely the outcome of the different options. Hence, pending such studies, the responses of CCAQ were preliminary. CCAQ had a preference for the equal weighting of tax rates and the use of retiree tax deductions. To be consistent, if a partial grossing-up factor was used, retiree tax deductions should also be used; if employee tax deductions were used, a grossing-up factor of 100 per cent should be used.

82. CCAQ considered that the starting-point and the brackets used at the lower end of the staff assessment scale required careful analysis because of their impact on locally recruited staff in the field where pensions, in dollar terms, were low. After such an analysis, a determination could be made as to which regression method to use. CCAQ considered that there might be merit in consistency, i.e., use of the same regression method to construct both dependant and single rates of staff assessment. It would, however, urge caution to ensure that changes introduced to remedy one problem did not give rise to others.

Discussion by the Commission

83. The Commission reviewed in detail the various steps in the development of a common scale of staff assessment as reflected in the methodology reported to the General Assembly in paragraph 44 of its nineteenth annual report. 5/ It noted that a number of tests had been conducted to determine the impact of exchange rate movements on the results of tax calculations carried out on a range of income levels at the seven headquarters duty stations. It concluded that exchange rate fluctuations had a minimal impact on the results of the tax calculations.

84. Details of the different methods for aggregating the results of tax calculations at the seven headquarters duty stations, i.e., total, cumulative and equal weights and weights based on the distribution of common system staff at each of the seven headquarters locations, were also reviewed. The Commission concurred with the conclusions of its working group that the cumulative weights approach had an undue bias towards low tax rates at low income levels, the total weights had an undue bias towards duty stations with a large number of common system staff and the approach based on internal common system staff distributions produced rather haphazard results (emphasizing the relatively high tax rates of Canada at low dollar income levels and the relatively low tax rates of Switzerland at high dollar income levels). With the latter approach, the Commission also noted that it was only in a narrow band of income levels, from

US$ 36,000 to $56,000, that all seven headquarters duty stations were represented in the calculations. Using internal distributions, as per the agreed 1993 methodology, resulted in staff assessment rates that were rather compressed over the span of relevant income levels.

85. The Commission noted a number of advantages to the use of the equal weighting method. First, it was simple and transparent and permitted each of the seven tax regimes to be reflected in the tax calculations at all relevant United States dollar income brackets. By contrast, the weighting method based on internal staff distribution patterns was a complex procedure, with staff distributions having a greater impact on the staff assessment rates at particular income levels than the actual tax regimes of the seven headquarters locations. The Commission further noted that the weighting method based on internal staff distributions produced lower staff assessment rates for single staff than for married staff at certain income levels. That was not the case for any of the tax regimes at the seven headquarters duty stations.

86. As to whether tax deductions applicable to employees or to retirees should be used, the Commission noted that all previous tax calculations used to determine staff assessment rates had focused on the tax situation of employees, i.e., in-service staff members. It noted the views of some members of the working group in this regard, which were also those of the Standing Committee. According to those views, the tax calculation was taking place in the context of the income replacement approach, i.e., after a proportion of net income of serving staff was identified for the purpose of determining net pension. It was this net pension that was being "grossed up" by use of the tax calculation. Accordingly, it was considered logical to focus on the tax situation of retirees. In this regard, the Commission noted that this issue had not been addressed at the time that the income replacement approach had been established for the Professional and higher categories in 1987. The Commission noted the views of the Standing Committee that an effort should be made to develop a coherence between the required tax calculations and the grossing-up factors used in the context of the tax calculations. It considered, however, that staff assessment determinations generally reflected a considerable degree of pragmatism in determining the amount of the tax factor to be added to net income while in service to yield the appropriate pensionable remuneration levels. Furthermore, the procedure used to develop staff assessment rates, i.e., deriving pensionable remuneration levels from net income, differed from procedures used in external tax systems, which generally equated gross salaries to pensionable remuneration levels. The Commission therefore considered that the current staff assessment methodology did not focus exclusively on either employees or retirees. Instead, the calculation procedures, when viewed conceptually, moved from employees to retirees and back to employees in the various steps of the procedure. Accordingly, there was a substantial degree of coherence between the use of employee tax deductions and the overall staff assessment methodology.

87. In examining the advantages and disadvantages of the employee/retiree approaches, the Commission noted that the use of employee deductions had the advantage of being consistent with the current methodology and with the focus of the external tax systems used as reference points. A disadvantage of the use of retiree deductions was that assumptions needed to be made about the type and level of retiree deductions.

88. With regard to the use of specific regression analysis techniques, the Commission noted that in prior staff assessment exercises a straight line regression had been used to arrive at staff assessment rates for the General

Service and related categories, whereas a logarithmic line regression had been used for the Professional and higher categories. While a single technique was desirable for both categories in the development of a common staff assessment scale, a pragmatic approach would continue to be necessary, particularly at the lower and higher ends of the income range. The Commission noted in this regard the suggestion of the participants' representative of the Standing Committee delegation for the use of a straight line regression formula at lower dollar income levels and a logarithmic line formula at higher dollar income levels. That analysis was provided to the Board and the Commission in their further consideration of the matter.

89. In resolving the three issues referred to in paragraphs 85 to 88 above, the Commission and UNJSPB considered that certain guidelines and objectives should be borne in mind in developing a common scale of staff assessment. These goals and objectives were stated as follows:

(a) The income inversion phenomenon should be significantly addressed particularly at net income levels applicable to both Professional and General Service staff;

(b) Low net income levels should not be adversely affected;

(c) High net income levels should receive no additional benefit as a result of the adoption of a common scale of staff assessment.

<u>Consideration by the Commission at its forty-fourth session</u>

<u>Views of UNJSPB</u>

90. The Secretary of UNJSPB stated that, following extensive exchanges of views at its July 1996 session, the Board had decided to establish a working group, representative of its various constituent groups, to draft conclusions on the development of a common staff assessment scale. He presented to the Commission the resultant compromise text adopted by the Board. In sum, there had been a convergence of views within the Board and the Commission on the use of equal weights for tax aggregation purposes and on the regression line to be used to smooth net-to-gross tax relationships from lower to higher income levels while meeting the agreed objectives of not adversely affecting consequent pensionable remuneration at the lower levels and avoiding increases at the upper level. The Board had suggested possible means of meeting the latter objectives. There had been strong support in the Board for the use of retiree, as opposed to employee tax deductions, but it had been acknowledged that such a fundamental departure from the current methodology would require further study. The Board had recognized that the staff assessment calculations were the result of complex interactions between tax changes, their weighting and the techniques suggested to produce an operational scale within the guidelines and objectives expressed by ICSC, as endorsed by the Board. It had recommended that the Commission review the relationship between tax changes and the existing one-to-one interim adjustment procedure to assist the General Assembly in its consideration of the common scale of staff assessment developed and recommended for implementation.

91. In conclusion, he noted that the Board had considered the recommendation of a specific staff assessment scale to be the Commission's responsibility under article 10 of its statute; the Board had seen its own role as providing general guidelines and framework within which a scale should be constructed. In that connection, the Board had noted that a common staff assessment scale was not an end in itself and that a degree of pragmatism was required in order to ensure,

inter alia, that the scale bore a credible relationship to national tax rates and had achieved the primary objective of reducing the income inversion anomalies to a reasonable extent.

92. The Vice-Chairman of UNJSPB wished to underscore the Board's appreciation for the quality of the work done by the two secretariats and for their tireless efforts to produce a scale corresponding to the various objectives. The Board's conclusions reflected an attempt to balance the multiple and interlocking constraints surrounding the development of a common staff assessment scale, including the reflection of tax movements in the reference countries.

Views of the organizations

93. The Chairman of CCAQ said that a common staff assessment scale that fully met all the objectives set for it was an unattainable goal for two main reasons. First, those objectives often competed with one another. Thus, the Commission had already established that the scale should:

(a) Not adversely affect pensionable remuneration levels at the lower end of the scale;

(b) Not increase those at the top;

(c) Come close to reflecting the average taxes applicable at the seven headquarters duty stations;

(d) Retain as its overall goal the reduction of income inversion.

Efforts to move closer to one objective as often as not resulted in moving further away from another. Secondly, the Commission had earlier identified income inversion as arising from three factors: different scales of assessment for the two groups of staff, different grossing-up factors and different interim adjustment procedures. It had decided to retain the two latter features in the methodology for determining pensionable remuneration. As a result, it was inevitable that some income inversion would remain. He expressed appreciation to the ICSC secretariat for its cooperation with the Board and CCAQ in efforts to meet the conflicting objectives of not reducing the bottom of the scale while not increasing the top. Of the various alternative scales presented, one modification came closest to achieving these goals but it produced certain anomalies in single/married tax rate relativities. Adjusting them would mean living with a smaller reduction in income inversion. In acknowledging that there was no perfect solution, CCAQ stood ready to cooperate fully with the Commission in developing a scale that best met and least offended the competing objectives set.

94. Following a statement he had already made at the forty-third session of ICSC and the July 1996 session of UNJSPB, the representative of the International Civil Aviation Organization (ICAO) introduced a document showing that at Montreal, the same level of net remuneration received by General Service as by Professional staff resulted in a lower level of pensionable remuneration for the General Service staff. Analysis showed that this phenomenon, which might be termed reverse income inversion, occurred at duty stations with a post adjustment multiplier below a range of 30 to 40 points, depending on grade levels: it thus existed not only at Montreal but also at many field duty stations. The staff assessment scales prepared by the secretariat showed reductions for Montreal General Service staff, whose pensionable remuneration had already been reduced as a result of the 1993 salary survey and the

application of the 66.25 per cent income replacement ratio. The cumulative effect would be a reduction of 13 to 18 per cent in their pensionable remuneration. ICAO did not consider reductions in General Service pensionable remuneration in the light of the reverse income inversion to be justified. Pensionable remuneration levels corresponding to net income levels of up to US$ 40,000 per annum should be protected.

Discussion by the Commission

95. At the outset, the Commission wished to express its particular appreciation for the spirit of cooperation that had prevailed between the two bodies on this most difficult aspect of the comprehensive review of pensionable remuneration.

96. The Commission recalled that it had identified a common staff assessment scale as the factor that would do most to address income inversion. By focusing on that element, it would be able to reduce income inversion significantly. In this context the Commission recognized, and had informed the General Assembly, that income inversion could not be completely eliminated because of the following two factors:

(a) The differing grossing-up factor, i.e., 46.25 per cent and 66.25 per cent, used for the Professional and higher categories and the General Service and related categories, respectively;

(b) The use of single rates of staff assessment for the General Service and related categories and married rates of staff assessment for the Professional and higher categories.

The Commission and UNJSPB reviewed analyses which showed that, owing to these two factors, income inversion would remain at approximately 6 per cent at low United States dollar income levels and rise to approximately 12 per cent at high United States dollar income levels. It was noted that the General Assembly, in its resolution 48/225, had not requested the elimination of income inversion, but rather its reduction to the extent possible.

97. The Commission noted that in the case of the Professional and higher categories the pensionable remuneration scale had been adjusted, since the inception of the income replacement approach in 1987, by tracking net salary adjustments on a one-to-one basis. The grossing-up factor (i.e., the methodology shown in annex I) had, in fact, not been applied since 1987. The Commission reviewed the impact of the application of the income replacement methodology, using current staff assessment rates, on Professional pensionable remuneration levels. It noted that the application of the current methodology would increase Professional pensionable remuneration levels by up to 8.7 per cent and, on average, by 5 per cent. Details of this analysis are shown in annex II. In this regard, the Commission recalled that it was intended that the one-to-one interim adjustment procedure (i.e., adjusting pensionable remuneration levels at the same time and by the same percentage as net salary adjustments in New York) should result in a conservative movement of pensionable remuneration levels between comprehensive reviews. It was therefore expected that some adjustment to pensionable remuneration levels would occur at the time of the comprehensive review.

98. The Commission also noted that, on an average basis, taxes at the seven headquarters duty stations had in fact declined in recent years on the order of 2 to 3 per cent. Accordingly, it would be expected that pensionable remuneration levels in the United Nations common system should decline by

corresponding proportions since the amount of the tax factor added to net salaries would be lower. Such a decrease would be offset, however, for staff in the Professional and higher categories because of the application of the grossing-up procedure on the occasion of a comprehensive review, as noted in paragraph 97 above. This would result in an overall increase in Professional pensionable remuneration levels of 2 to 3 per cent.

99. The Commission recalled that income inversion had been measured at 28 per cent when it examined this issue in the late 1980s. At the time of its 1992-1993 review of pensionable remuneration for the General Service and related categories, it had been reduced to 21 per cent. Currently income inversion ranged from 19 per cent at a net salary level of US$ 40,000 to approximately 11 per cent at income levels above $100,000. All of the alternatives examined by the Commission would reduce the income inversion further, with some of the alternatives having a greater impact than others. The extent of the further reduction of income inversion was largely a policy decision. In that context, it was stressed that reduction of income inversion could not be the sole rationale underlying the selection of a particular alternative. Staff assessment scales were basically tax scales. Coherence with outside taxes had to be a hallmark of the staff assessment scale finally selected.

100. The Commission noted that the three criteria for the determination of a common scale of staff assessment, which it had established at its prior session, had led to the development of six alternative common scales of staff assessment, supplemented by two additional variations thereof, which UNJSPB had had an opportunity to review at its recent session. The Commission carefully reviewed the eight alternatives that had been developed in terms of the objectives and guidelines that it had set. In doing so, and taking into account the views of UNJSPB, two additional alternatives were developed during the course of the Commission's session. It noted that all of the alternatives based on the use of retiree tax deductions did not meet the guidelines set on the impact on low and high dollar income levels specified in paragraph 89 above.

101. With regard to the alternatives, using employee deductions as a basis, two alternatives were selected that seemed to meet the Commission's criteria. These two alternatives, however, still produced some reductions at low United States dollar income levels and some increases at high United States dollar income levels. Accordingly, using these two alternatives as a base, further modifications emerged during consideration of this item within the Commission and UNJSPB and between the two bodies in their continuing dialogue. Eventually, two of the further modifications emerged as best meeting the competing requirements of the objectives and guidelines set by the Commission and UNJSPB. While one of the modifications reduced income inversion by two percentage points more than the other, the second modification produced pensionable remuneration levels for both General Service and Professional staff that came closer to the goals and objectives specified for high and low dollar income levels. Furthermore, it increased the Professional pensionable remuneration by less than one tenth of 1 per cent and the General Service reduction did not exceed 3 per cent. To reduce the income inversion further, the Professional pensionable remuneration would have had to increase by more than 1 per cent and General Service would have had to decrease by 4 to 5 per cent. The latter modification was agreed to by the Commission as the basis for its recommendations to the General Assembly. Comparisons of current pensionable remuneration and income inversion levels resulting from the application of the staff assessment rates from this modification are shown in annex III.

102. The Commission recalled that in 1993 it had reported, in paragraph 75 of its nineteenth annual report to the General Assembly, 5/ that the income inversion in effect through 31 December 1991 was 28.12 per cent. With the introduction in 1992 of the revised staff assessment rates for the General Service the income inversion was reduced to 21.3 per cent. With the introduction in 1994 of the income replacement approach, using 66.25 per cent of the net remuneration for the General Service staff, it was further reduced to 19.3 per cent. The Commission, in its 1993 annual report, had informed the Assembly that it expected that with the introduction of the common staff assessment scale the income inversion would be reduced to approximately 8 per cent. As may be noted from annex III, the overall average income inversion remaining after the introduction of the common scale would be approximately 10 per cent.

103. Concerning the point raised by ICAO, the Commission considered that the circumstances of one or a few duty stations could not be used to determine the common scale of staff assessment. Furthermore, if the criteria suggested by the representative of ICAO were accepted, i.e., where there was no overlap of General Service and Professional salaries, no change in staff assessment rates was required, then there would be no need to change staff assessment rates for most duty stations at any time. In addition, the Commission did not agree that there was no income inversion at net salary levels below $40,000. The fact was that General Service staff assessment rates currently in effect produced a higher pensionable remuneration than those of the Professional staff at any income level.

104. The Commission noted that the financial implications of its recommendations with regard to the common scale of staff assessment were as follows:

(a) For the Professional and higher categories, there would be an average increase in pensionable remuneration levels of 0.07 per cent, resulting in an increased cost of US$ 224,000 annually;

(b) For the General Service and related categories, there would be an average decrease of approximately 2.3 per cent. As noted in paragraph 107 below, the implementation of the common scale for the General Service staff would be on a gradual basis, with savings therefore accruing incrementally. Total savings accruing from the implementation of the common staff assessment scale would be US$ 5,994,000 annually.

Conclusions and recommendations of the Commission

105. The Commission concluded the following with regard to the three issues discussed in paragraphs 85 to 88 above:

(a) The tax systems at the seven headquarters duty stations should be equally weighted in aggregating the net-to-gross tax relationship among the seven headquarters duty stations;

(b) The tax calculations at each of the seven headquarters duty stations should be based on employee deductions. However, this issue would be addressed again at the time of the next comprehensive review;

(c) The same regression analysis method should be used in smoothing the net-to-gross tax relationship for married and single staff for application to the Professional and higher categories and General Service and related categories, respectively.

106. The Commission decided to recommend to the Assembly the common scale of staff assessment for the Professional and higher categories and General Service and related categories as shown in annex IV.

107. As to the implementation of the common scale of staff assessment, the Commission agreed that, with regard to the General Service and related categories, the modalities used at the time of the introduction of the current scale, effective 1 January 1992, should be used. The procedure should be as follows:

(a) The common scale of staff assessment, following approval by the General Assembly, would go into effect as of 1 March 1997;

(b) General Service gross pensionable salaries in effect as at 28 February 1997 would continue to remain in effect until the scale of net salaries was revised, as a result of either a comprehensive General Service salary survey or an interim adjustment;

(c) On the occasion of an adjustment of the General Service salaries, resulting from either a comprehensive salary survey or an interim adjustment, the common scale of staff assessment would be applied to net pensionable salaries using the net-to-gross methodology;

(d) If the gross pensionable salaries in subparagraph (c) above were equal to or higher than those in effect on 28 February 1997, then the revised gross pensionable salaries would be used. However, if the salaries in subparagraph (c) above were lower than those in effect on 28 February 1997, then the latter would continue to be used until the procedure in subparagraph (c) above produced gross pensionable salaries that were equal to or higher than those in effect on 28 February 1997.

108. With regard to the common scale of staff assessment for the Professional and higher categories, the Commission agreed that the scale should be implemented with effect from 1 March 1997.

C. Special index for pensioners

109. For all practical purposes, substantive consideration of this issue was completed at the forty-third session of the Commission. Tentative conclusions reached by the Commission at that session were considered by UNJSPB at its July 1996 session. The Board concurred with the tentative conclusions of ICSC, which the Commission reaffirmed at its forty-fourth session. Details of the ICSC review of the special index are provided below.

110. In 1980, the General Assembly, on the recommendation of UNJSPB, decided to change the pension adjustment system for determining the initial local currency pension for a participant retiring in a country where the cost of living was significantly higher than at the base of the system. Under that adjustment procedure, known as the Washington formula, the final average remuneration of a retiree was notionally supplemented by the application of cost-of-living differential factors. A special index for pensioners was introduced in 1985 to reduce or eliminate the compensation made for cost-of-living differences whenever beneficiaries had a tax advantage in an otherwise high-cost country. The special index is a procedure for adjusting (downward) the cost-of-living adjustment under the Washington formula. The rationale for this procedure is that taxes are a part of local cost-of-living conditions.

111. In 1990 and 1991, UNJSPB considered longer-term modifications of the pension adjustment system to replace the interim measures that had applied since 1988. In 1991, UNJSPB recommended, and the General Assembly approved, changes in the four parameters used to determine initial local currency pensions under the Washington formula, which had been introduced in 1981. The changes, which entered into effect on 1 April 1992 for staff in the Professional and higher categories, provided greater compensation for cost-of-living differences at locations with higher costs than at the base of the system, i.e., New York.

112. In July 1992, UNJSPB requested the Commission to review the provisions of the special index for pensioners in the light of the changes adopted under the Washington formula. After a preliminary consideration of the matter in 1994, the Commission concluded that all aspects of the special index would be addressed as part of the 1996 review of pensionable remuneration and so reported to the General Assembly. 6/ At its session in late July 1994, UNJSPB also decided to defer consideration of the item until 1996.

113. The Commission addressed the following aspects of the special index:

(a) The current procedure for calculating the special index, namely, the two-step approach;

(b) The level to be used to compare staff assessment with the taxes imposed in the country of residence (currently, this was P-2, top step, as established under the 1981 Washington formula);

(c) The number of years of contributory service used in special index calculations (currently 20 years);

(d) Consistency in the treatment of deductions in the tax calculations used to determine the special index in relation to the deductions used to determine staff assessment (included under the tax calculations issue was the question of the continued use of dependency rates of taxation in the special index calculations).

Views of the Standing Committee of UNJSPB

114. The representative of the Standing Committee stated that, while there might be reason to adjust the calculation of the special index for pensioners, particularly in view of the 1992 change in the parameters of the Washington formula, the Standing Committee had concluded that there should be no change at the current stage in the procedures for calculating the special index.

115. The participants' representatives endorsed the initial view reflected in the report of the Standing Committee that there should be no change at the current time in the procedures for calculation of the special index for pensioners. They noted, however, the situation of United States pensioners retiring in Austria who were subject to United States income tax. They hoped that a solution could be found, e.g., suspension of the application of the special index upon proof of taxation. Furthermore, they were of the opinion that the reverse application of the special index should be considered in cases where the level of local taxation was higher than the one retained as an average by UNJSPB.

Views of the organizations

116. The Chairman of CCAQ expressed some disappointment that the current study did not respond to the concerns raised in 1994. In particular, it should provide for a full analysis of how the special index had met the perceived needs for its existence, whether it had proved to be cost-effective and what impact it had had on income replacement issues. Without those analyses, CCAQ could not express a view regarding retention of the special index. It should first be determined if, over time, the special index had worked as anticipated. CCAQ could then look at some of the other conclusions of the document.

117. CCAQ considered that it would be premature to tamper with the existing procedures until the conceptual issues had been reviewed. The term "index" seemed to indicate a proper mathematical index; that was not, however, the case. The special index was an element that took into account taxes levied. As this element was essentially linked to the determination of benefits, CCAQ wondered whether the review of the special index might not equally well be undertaken by UNJSPB itself.

118. The representative of ITU noted that with regard to the Washington formula a number of changes had occurred in recent years that were not reflected in the manner in which the special index was calculated. He considered that the Washington formula and the special index procedure should be consistent with each other. The Commission, however, decided not to change the special index. He considered this to be a non-technical decision.

Discussion by the Commission

119. The Commission noted that when the special index for pensioners had been adopted, in 1982, the average length of service for a retiree in the Professional and higher category was between 17 and 18 years. Based on those data, the Commission had concluded that 20 years should be used in the required calculations. The average length of service for a retiree in the Professional and higher categories in recent years has been between 19 and 20 years. In view of the income replacement methodology adopted in 1987, which included a grossing-up factor of 46.25 per cent based on 25 years of contributory service, the Commission considered whether it would be appropriate to use 25 years of contributory service in calculating the special index for pensioners. It noted that UNJSPB had considered doing that in 1991 but had decided to await the review of the special index. The Commission noted that in the special index tax calculations, 20 years' length of service reflected an income replacement factor of 36.25 per cent, while 25 years reflected 46.25 per cent, i.e., a difference of 10 per cent. That meant that the tax comparison under the special index provisions would be made at a higher level of income. Accordingly, it could be expected that the adjustment of the cost-of-living factor determined under the Washington formula would be affected should the Commission agree to the use of 25 years of contributory service.

120. With regard to the possible revision of the grade and step at which comparisons were made between staff assessment and local taxes, the Commission noted that the original Washington formula of 1980 used the pensionable remuneration at P-2, top step. The modified (1992) Washington formula used P-4, top step. Accordingly, it seemed that consideration could be given to raising the level of pension income on which special index calculations would be based. The Commission noted in that regard that, whatever the level of pension income selected, it would not reflect the actual tax situation of retirees below or above that level over both time and location. It reviewed statistical

information on average pensionable remuneration amounts over a period of years, including related data, e.g., countries in which the cost-of-living differential factors were applicable and those that accounted for the greatest number of beneficiaries with local currency track pensions. It observed that the selection of a specific grade and step reflected an income level that was either closer to or farther away from average pension income levels. It did not consider that either consistency with the Washington formula or conformity with average pension income were persuasive arguments for modifying the current comparison point.

121. In considering the two-step calculation approach and the specific tax calculations that were a part of the special index, the Commission noted that discussions thus far indicated that the special index calculations were having their intended effect. The Commission did not wish to modify major components of the special index calculations in the absence of an indication that changes were necessary.

Decision of the Commission

122. The Commission decided to recommend to the General Assembly that:

(a) The two-step procedure for calculating the special index for pensioners should continue to be used;

(b) The number of years of contributory service used in special index calculations should be maintained at 20;

(c) The level (grade and step) at which comparisons were made between staff assessment and taxes imposed in the country of residence should be maintained at P-2, top step;

(d) The calculation of local taxes in the two-step procedure should continue to be based on deductions relevant to retirees;

(e) Dependency rates of taxation in the special index calculations should continue to be used.

D. Comparison of pensionable remuneration

123. Under its standing mandate from the General Assembly, as expressed in section I of its resolution 41/208 of 11 December 1986, the Commission continued to monitor the pensionable remuneration of staff in the Professional and higher categories of the United Nations common system and that of United States federal civil service employees in comparable grades. The procedure outlined in annex IV to the Commission's sixteenth annual report 7/ and approved by the Assembly in section I of its resolution 45/242, has been used for the calculation and recording of the pensionable remuneration margin for the calendar year 1996. In accordance with the same resolution, income replacement ratios applicable over the three-year period ending 31 December 1996 were calculated for the United States federal civil service and the United Nations system.

124. As part of its consideration of the methodology for determining the pensionable remuneration of the Professional and higher categories of staff, the Commission considered the issue of the frequency of the monitoring of pensionable remuneration and income replacement ratios. Details of the

discussion relating thereto may be found in paragraphs 52 and 53 above. Views of the Pension Board and CCAQ on this issue may be found in paragraphs 47 (c) and 49 above, respectively.

125. The Commission invites the General Assembly to note that for the period from 1 January to 31 December 1996, the ratio of pensionable remuneration for staff in the Professional and higher categories and that of the United States federal civil service employees in comparable grades was calculated at 108.7 with the New York/Washington, D.C. cost-of-living differential and 125.1 without it. Average income replacement ratio for the three-year period, 1 January 1994 to 31 December 1996, and corresponding to 25 years of service were 55.0 and 55.5 for the United Nations and the comparator civil service, respectively.

Chapter IV

CONDITIONS OF SERVICE OF THE PROFESSIONAL AND HIGHER CATEGORIES

A. Evolution of the margin between the net remuneration of the United States federal civil service and that of the United Nations system

126. The Commission noted that the net remuneration margin for 1996 stood at 109.7, taking into account:

(a) The 1995 grade equivalency results;

(b) A revised New York/Washington, D.C. differential;

(c) The various methodological decisions it had taken and reaffirmed, 2/ including the weighting procedure;

(d) A new estimated post adjustment classification for New York in November 1996.

As regards prospects for future United States federal civil service pay increases, the comparator's Office of Management and Budget published federal civil pay raise "assumptions" as part of the United States administration's budgetary procedures. The Office assumed a 3 per cent increase in January 1997, then 3.1 per cent each year until 2002. Accordingly, it appeared that the currently measured pay gap between the comparator and the United States non-federal sector would not be closed as scheduled under the Federal Employees Pay Comparability Act (FEPCA) of 1990.

Views of the organizations

127. The Chairman of CCAQ took note of the forecast level of the margin for 1996. In the view of CCAQ, the main concern was the action needed to bring the margin to the mid-point in 1997. CCAQ would be commenting on that in the context of the base/floor salary scale (see paras. 134 to 137 below). Regarding the information provided on the implementation of FEPCA legislation, CCAQ considered that it was only too clear that the legislation was never going to be implemented in full.

Discussion and decision by the Commission

128. The Commission decided to take note of the forecast level of the margin of 109.7 for 1996, which it saw as part of a broader picture of remuneration adjustment. It tended to share the pessimistic assessment of CCAQ regarding full implementation of FEPCA pay-gap-closing measures. The Commission decided to report to the General Assembly a net remuneration margin for 1996 of 109.7, as shown in annex V to the present report.

B. Base/floor salary scale

Introduction

129. The concept of a base/floor salary scale was introduced with effect from 1 July 1990 by the General Assembly in section I.H of its resolution 44/198 of 21 December 1989, when it provided for "the establishment of a floor net salary level for staff in the Professional and higher categories by reference to the corresponding base net salary levels of officials in comparable positions serving at the base city of the comparator civil service". The base/floor system was designed not only to provide a minimum level of remuneration for the United Nations system staff but also to serve as a reference point for calculating certain separation payments and the mobility and hardship allowance. Adjustments to the salary scale have since 1990 been made on 1 March each year, except in 1996.

130. The base/floor scale currently in effect is the one that went into effect as of 1 March 1995. In annex X to its 1995 annual report, 2/ the Commission recommended a scale that incorporated proposals for restructuring the base/floor scale. The restructuring recommendations responded to mandates arising from General Assembly resolutions 47/216 and 48/224. The Assembly did not act on the Commission's recommendations.

131. The base/floor scale recommended by the Commission in its 1995 annual report not only reflected a 3.089 per cent increase of comparator salaries at levels equivalent to P-4, step VI, but also included restructuring recommendations that added approximately 1 per cent to the overall increase of the recommended scale. The Commission had further recommended that the base/floor salary scale be implemented with effect from 1 March 1996, without consolidation of post adjustment, i.e., a "real" salary increase of 4.1 per cent vis-à-vis the 1 March 1995 scale. In the context of the recommendations for the application of the Noblemaire principle, the recommended base/floor scale was intended as a measure, inter alia, to restore the net remuneration margin to 115 in 1996. The margin for 1996 currently stands at 109.7 in the absence of the General Assembly's action on the Commission's recommendations in this regard contained in its 1995 annual report.

132. The Commission was informed that, in view of the 3.22 per cent gross increase granted to United States federal civil service at Washington, D.C. in January 1995 (reflected in the Commission's 1995 recommendations) and the 2.54 per cent gross increase granted in January 1996, an adjustment of the common system's scale of 5.68 per cent would be necessary in 1997 in order to keep the base/floor salary in line with the comparator's scale. In view of the action not taken by the Assembly with regard to the Commission's 1995 recommendations on this item, standard updating procedures require a 1996 recommendation reflecting two comparator salary increases in the intervening period.

133. The Commission was also informed that the United Nations had determined that there was a substantial surplus of staff assessment in the Tax Equalization Fund, which should be reduced to restore balance.

Views of the organizations

134. The Chairman of CCAQ observed that the updating of the base/floor scale should be dovetailed with the proposals made by the Commission in 1995 in respect of:

(a) Restoring the margin to the mid-point of the range;

(b) Restructuring the salary scale, inter alia, to offset the compression at higher grade levels.

135. CCAQ therefore proposed that the scale should be reset at a level that would increase the base/floor to the required level as calculated by the ICSC secretariat and provide for the restoration of the margin to approximately 115 in 1997 and thereafter as a result of real increases at all grades and steps in the scale. The minimum increase would be 3.1 per cent. The increases proposed were conservative to the extent that they resulted in forecasted margins of 114.4 in 1997 and 115.3 in 1998.

136. Those proposals were made in the framework of the critical need to restore competitive conditions of service so as to enable the diverse organizations of the common system to attract and retain staff of the calibre required. Remuneration levels could not be allowed to remain below the margin range any longer. Action must be taken forthwith to restore the margin to the mid-point of the range as ICSC had proposed more than a year ago.

137. In its statement, the Administrative Committee on Coordination (ACC) put forward the following proposal:

> "Most organizations are operating at present under conditions of serious financial constraints and uncertainty. Many are undergoing major reforms and restructuring processes. Restoring competitivity in conditions of service must be viewed as an integral part of this necessary process of reform, and a key requirement in the search for enhanced productivity and greater cost-effectiveness."

Discussion by the Commission

138. The Commission emphasized at the outset the need to link its discussion of the 1997 base/floor adjustment to the recommendations it had made in 1995 as part of its review of the application of the Noblemaire principle. At that time, it had recommended an adjustment in the base/floor salary averaging 4.1 per cent and a scaling forward of post adjustment of 5.1 per cent, designed:

(a) To bring the margin to the mid-point of the range in 1996, in order to improve the common system's competitive edge;

(b) To provide for higher increases and wider inter-grade differentials in the upper part of the salary scale, in order to redress imbalances in United States/United Nations remuneration ratios and compression at the higher levels of the scale.

139. The combined effect of the adjustment of the base/floor salary (which was to have taken effect on 1 March 1996) and the scaling forward of post adjustment (which was recommended effective 1 July 1996) would have been a 9.2 per cent upward adjustment in net remuneration. The General Assembly did not take any action on those recommendations.

140. The majority view was that the Commission should reaffirm the objective it had set itself in 1995 of restoring the margin to the mid-point. That said, it was noted that the situation had evolved since the Commission had made its 1995 recommendations. At that time and as reported to the Assembly, the margin had stood at 105.7, requiring an adjustment of 9.2 per cent to bring it to the

mid-point of the margin range, i.e., 115. Since then, a number of changes had occurred in remuneration levels both in the comparator civil service and at the base of the common system (New York), where a 6.47 per cent increase in remuneration had resulted from the application of the revised post adjustment effective 1 November 1995. Consequently, the net remuneration margin forecast for 1996 was 109.7. A lesser adjustment of net remuneration would therefore be required to bring the margin to the mid-point.

141. Most members of the Commission considered that the adjustment required to bring the margin to the mid-point should be based on the margin forecast figure of 109.7. This figure resulted from the application of the methodological changes in margin calculations as reported to the General Assembly in 1995 and reaffirmed in the addendum to the Commission's 1995 report (i.e., the use of equal weights and the factoring into the calculations of bonuses and performance awards). Some members reaffirmed previously expressed doubts about the soundness of those methodological changes and noted that without those changes the margin would be at 114. One of those members considered that, in the absence of the Assembly's approval of the Commission's recommendations, those changes should not be used to calculate the margin. That member considered that, in requesting the Commission to reconsider its decision in the light of views expressed by Member States, the General Assembly had in effect asked the Commission to reverse itself.

142. The Commission recalled that it had arrived at its decisions on margin methodology by a majority; it had reconsidered those decisions at the General Assembly's request and had decided, again by a majority, to reaffirm them. Most members believed therefore that no basis existed for reopening the substance of the matter at the present time.

143. The Commission then turned to the specific modalities for updating its 1995 proposals in the light of current circumstances. The action required was:

(a) To restore the margin level to around the mid-point (115) of the range;

(b) To bring forward the proposals for the restructuring of the salary scale provided in the 1995 annual report;

(c) To increase the base/floor salary to the level required under standard updating procedures linked to comparator salary movements (US$ 57,198 at the mid-point, P-4, step VI).

144. The Commission considered that proposals presented by CCAQ would provide a basis for achieving the above-stated objectives consistent with the 1995 recommendations of the Commission in this regard. These provided for a scale that would:

(a) Yield a real increase in remuneration of at least 3.1 per cent at each grade and step;

(b) Restructure the salary scale in the manner recommended by the Commission in 1995 (average increase of 1 per cent);

(c) Consolidate a portion of the 5.68 per cent recommended base/floor salary increase on a no-loss, no-gain basis (2.51 percentage points).

145. The proposals under subparagraphs 144 (a) and (b) with recommended effect from 1 March 1997 would replicate the recommendations made by the Commission in 1995 with regard to the real salary increase and restructuring proposals.

146. The consequence of the structural changes and the overall real increase would be to move the estimated margin for 1997 to 114.4 and that for 1998 to 115.3, thereby bringing both close to the mid-point of the range.

147. In order to bring the mid-point of the salary scale to the level indicated under standing adjustment arrangements, an adjustment of 5.68 per cent would need to be made at the mid-point of the scale. The figure of 5.68 per cent reflects a 1995 net salary increase of 3.089 per cent and a 1996 increase of 2.51 per cent of the comparator service to provide a figure of US$ 57,198 at the P-4, step VI, mid-point.

148. In order to replicate the Commission's recommendations as shown in subparagraphs 144 (a) and (b) above, the entire amount of the 1996 United States increase (2.51 per cent) would need to be consolidated, i.e., on a no-loss, no-gain basis (as per normal procedures). Accordingly, the 2.51 per cent increase would have no impact on the level of the margin. Financial implications would arise solely in respect of the allowances that are linked to the base/floor salary, i.e., separation payments and the mobility and hardship allowance, to which the entire 5.68 per cent increase of the base/floor salary scale would be applicable.

149. With regard to the scale of staff assessment for tax equalization purposes, consultations with the United Nations Secretariat indicated a substantial surplus of funds in the Tax Equalization Fund, which would require a decrease in the related staff assessment rates of 11 per cent.

150. The Commission noted that the action proposed would have no impact on conditions of service of Professional and higher categories of staff as the staff assessment rates under consideration will in no way affect pensionable remuneration levels. The result of changing these rates would be to restore balance in the United Nations Tax Equalization Fund. For the General Service category, the Commission noted that it was recommending revised staff assessment rates as part of a common scale of staff assessment as reported in paragraph 106 above.

Financial aspects of the proposals

151. The Commission noted that the financial implications of the proposals presented above would be as follows:

		United States dollars
(a)	Increase in base/floor of 3.089 per cent	50 652 000
(b)	Restructuring of base/floor scale (overall 1 per cent increase)	17 968 000
	Total	68 620 000*

* Increased cost of $US 12.5 million related to pension contributions is included in this figure.

152. Additional expenditures associated with items linked to the base/floor salary scale would be as follows:

	United States dollars
(a) Mobility and hardship allowance	2 812 000
(b) Separation payments scale	651 000
Total	3 463 000

153. In this connection, the Commission took note of information provided by CCAQ on ongoing and foreseen downsizing exercises in the organizations, which in the view of CCAQ could have a significant impact on the above figures. While not discounting this factor, the Commission preferred to remain within established parameters. It also noted that such changes in the common system workforce would similarly affect other financial implications.

Decisions of the Commission

154. The Commission decided to recommend to the General Assembly the revised staff assessment rates for the determination of gross salaries as shown in annex VI for application to the net salaries of the Professional and higher categories, effective 1 March 1997.

155. The Commission further decided to make the following recommendations to the General Assembly in the context of its 1995 recommendations:

(a) The desirable mid-point of 115 for the United Nations/United States net remuneration margin should be restored in 1997;

(b) The net remuneration increase required to restore the mid-point should be attained by application of:

(i) An across-the-board increase of 3.089 in the current base/floor salary scale, without consolidation (the 3.089 per cent adjustment to the base/floor scale corresponds to the 3.22 per cent gross salary increase received by the comparator employees effective 1 January 1995);

(ii) A further differential increase of 1 per cent (on average) at various grades/steps of the base/floor salary scale resulting from (i) above, to implement the scale restructuring proposals made by the Commission in annex X to its 1995 annual report; 2/

(iii) A consolidation of 2.51 per cent of post adjustment on a no-loss no-gain basis into the base/floor salary scale in (ii) above to reflect a corresponding increase in net salaries of the comparator effective 1 January 1996;

(iv) Implementation of the base/floor salary scale resulting from (i) through (iii) above effective 1 March 1997.

The base/floor salary scale resulting from (i) to (iii) above and the application of the proposed staff assessment scale in annex VI may be found in annex VII. The percentage increases in net remuneration at various grades and steps resulting from the implementation of the base/floor salary scale in annex VII on the basis of consolidation of 2.51 per cent of post adjustment are shown in annex VIII.

C. Report of the working group on the operation of the post adjustment system

Introduction

156. The Commission had before it the report of the working group on the operation of the post adjustment system, which had met just prior to the July/August 1996 session of ICSC. The group had pursued the mandate set by the Commission at its forty-third session, namely:

(a) To identify the elements of pay (expenditures) that should not be indexed for local price charges;

(b) To evaluate their relative importance as percentage of pay;

(c) To study the appropriateness of applying the out-of-area index to some of those elements.

There was a strong division within the working group regarding the approach to be taken to fulfil its mandate. The group had therefore decided to bring to the Commission's attention the two positions that had emerged during its discussions, without any recommendation.

157. The Commission also received a presentation of two proposals by the ICSC-designated members of the Working Group. The first proposal, by one member, was that 10 per cent of net salary should be considered as savings, of which 5 per cent should be included in the in-area component of the post adjustment index (PAI) and 5 per cent as home country savings, but treated as out-of-area. The pròposal assumed that savings was an item of deferred expenditure and should therefore be adjusted. There were two major policy considerations underlying the proposal: first, in human resources management terms, it was important to weigh very carefully the repercussions of actions that had a negative impact; secondly, from a technical point of view, a solution taken from within the existing post adjustment methodology was preferable to one modelled on different compensation systems.

158. In the presentation of the second proposal, it was stated that, regrettably, some members of the working group had obviously been determined to distract the group from its basic mandate of ensuring purchasing power parity across the system. They had claimed that the system was functioning well and had proposed protracted studies of issues requiring urgent solutions. There were very significant differences in the post adjustment paid at different duty stations. Those differences were attributable to two factors: first, the fact that cost-of-living adjustments were calculated on the entire base salary, and secondly, that the system exaggerated cost-of-living relativities at duty stations where the number of post adjustment points was high.

159. The application of post adjustment to the entire base salary accelerated and exacerbated the imbalances in the system. In contrast, the United States of America, Germany, the World Bank and the International Monetary Fund (IMF) considered as spendable income percentages of salary varying from 30 to 50 per cent and applied the post adjustment to those percentages. It was suggested that the working group might wish to consider a new formula wherein

elements to be subjected to post adjustment at the duty station would be up to a maximum of 60 per cent of salary.

160. Under the common system weighting structure, except for the recently added 5 per cent of base salary for non-consumption expenditures, the entire salary was assumed to be disbursed on goods and services. This approach failed to take into account personal savings by staff members as a portion of the salary designated as non-consumption component (NCC) that would not be adjusted for the local cost of living.

161. A working group, which included experts from the United States Bureau of Labor Statistics, the Institut national de la statistique et des études économiques (INSEE), the Statistical Office of the International Labour Organization (ILO) and the Getúlio Vargas Foundation, had studied the question of savings in post adjustment and had concluded in 1981 that compensation for out-of-area commitments was not a problem to be solved in the context of the methodology for calculating PAIs, nor even in the broader system of compensation for cost-of-living differentials, but one that required an administrative decision. That conclusion was consistent with the views and recommendations of the Advisory Committee on Post Adjustment Questions on out-of-area weights with respect to the 1995 round of place-to-place surveys at headquarters duty stations. ACPAQ, in stating that it was not in a position to endorse or not endorse the out-of-area weights for the headquarters duty stations, with the exception of those for Rome and Montreal, had concluded that the matter of out-of-area weights should be left to the Commission for it to make an empirical or administrative decision.

162. The 5 per cent of net base salary designated for NCC was far less than the average percentage of disposable income saved by residents of the seven major industrialized countries, Austria and Switzerland. On an unweighted basis, average savings relative to disposable income for the period from 1987 to 1991 was approximately 10.8 per cent for those countries. The corresponding average, based on the savings rates for the seven headquarters countries, weighted by the number of common system staff members in those countries was estimated at 11.37 per cent.

163. There was concern that the current system was overly technical and difficult to understand. In spite of its complexities and technicalities, it was felt that the current system produced questionable results. Because the majority of headquarters staff refused to participate in expenditure surveys, outdated information was being used as a basis for spending millions of dollars annually. There was grave concern about this situation, which pointed out the need to rely more on pragmatic decisions and external data.

164. The comparator civil service system adjusted only 30 per cent of gross salary, or about 41 per cent of net salary (net salary is comparable to common system net remuneration, i.e., net base salary plus applicable post adjustment), for local inflation at the duty station. This percentage excluded housing costs. Based on expenditure data last reported by the common system staff, the weighted average housing cost for headquarters duty stations was about 29 per cent of net salary. When the 29 per cent expenditure weight for housing was added to the 41 per cent net salary adjusted by the comparator, a total of 70 per cent was arrived at. Noting the similarity between the in-area component when savings were taken into account and the in-area component when set at 70 per cent by reference to the comparator, it was accordingly proposed that the weight for total in-area expenditures, including housing and medical insurance,

should not exceed 70 per cent. The proposal had been supported by the three ICSC-designated members on the working group by consensus.

Views of the organizations

165. The Chairman of CCAQ noted that the views of the Committee as a whole on the report of the working group were not on hand because the group had met after the conclusion of CCAQ's recent session. Nevertheless, representatives of organizations that had attended the working group and those present, accounting for a large proportion of CCAQ members, held the following unanimous position.

166. He recalled that, since its establishment, the working group had done a considerable amount of work. It had reviewed the out-of-area component, and then - at the initiative of the organizations - the non-consumption element. Those analyses had in general led to the redistribution of post adjustment across duty stations. The concept of savings now being examined by the group raised a number of concerns in the context of the current post adjustment system. These concerns were conceptual, methodological and technical. From the conceptual angle, which the working group had begun to review, fundamental questions that arose related to the purpose and design of the post adjustment system. In that connection, he noted that schemes used by the United States Government, the World Bank and others were designed primarily to reimburse the staff member for extra costs resulting from postings to locations away from the base city. The United Nations common system post adjustment, by contrast, was designed to equalize the overall purchasing power of all staff members wherever they were assigned.

167. These fundamentally different objectives were very important, because they had resulted in schemes that had different design features. Where the goal was to compensate for extra expenditure resulting from expatriation, there was a greater need to define staff members' actual expenditures away from the base and to consider what portion of income was used to pay for taxes, insurance contributions, gifts, savings and/or investments. He doubted whether schemes like that of the United Nations, which were designed to equalize purchasing power, rather than compensate for excess costs incurred away from the base, were compatible with the concept of spendable income and the introduction of an element deemed to reflect savings.

168. Regarding methodological aspects, he noted that in the comparator country there was no single definition or specific agreement as to what portion of a United States expatriate's base salary should be protected against a higher cost of living away from the base. Differences in the concept and calculation of spendable income had resulted in variations in comparator expatriate compensation.

169. Even if conceptual and methodological questions could be answered, there remained technical issues as to how savings could be factored into the current post adjustment scheme and appropriately weighted and how the current weighting pattern would be affected by the introduction of such a new factor. It was because the matter was so complex that the organizations were unanimously opposed to the introduction of any fundamental change in the post adjustment system such as that outlined in paragraph 164 above and which is supported by the ICSC-designated members of the working group.

170. One of the difficulties at the current stage was that it was not clear which problem was being addressed. If the issue was to introduce the concept of "savings" into the system, the organizations urged the Commission to adopt a

technical and systematic approach along the lines described above. Those were not delaying tactics as some had alleged. The organizations were ready to work on the matter with the Commission and ACPAQ. If, on the other hand, the problem was non-response of staff to cost-of-living surveys, the organizations suggested that one last attempt be made to obtain valid data from the staff by asking them to cooperate in a survey and informing them, at the same time, of all the consequences of their non-response on the calculation of the PAI.

171. Intervening at various points during the discussion, the Chairman of CCAQ stated that the proposal that a maximum 70 per cent of remuneration should be adjusted in-area was an artificial solution, based on an arbitrary hypothesis that ignored the fact that there were different types of savings. It was, moreover, a fundamental conceptual change, whose impact had not been properly assessed. If the object of the exercise was to reduce remuneration at certain high-cost duty stations, that should be clearly stated.

172. He stressed that the organizations had never claimed that the system was working perfectly; they recognized that it needed refinement and were willing to seek solutions that were technically sound. Indicating that savings should be taken into account and characterizing the proposal described in paragraph 157 above for doing so as a conservative one, he indicated that the organizations, as a compromise, could accept the proposal for a 10 per cent savings element. In the absence of data, 10 per cent of salary could be considered reasonable and should be equally divided between the in-area and out-of-area components of the PAI.

173. The representative of the United Nations reiterated the position expressed at the Commission's forty-third session that the objective to pursue was a post adjustment system that would operate in an efficient, effective and timely manner, thereby restoring confidence in the system. That could be achieved only to the extent that the post adjustment system equalized purchasing power between duty stations, promoted a participatory process and upheld equality of treatment among staff system-wide. As the United Nations had noted on several occasions, it had staff at most duty stations throughout the world and was therefore strongly committed to equity in the post adjustment system. He emphasized that his Organization stood behind all solid technical proposals. The proposal that total in-area expenditures should not exceed 70 per cent of income did not appear, however, to have any technical validity. There had, on the other hand, been majority support for the proposal that 10 per cent of salary should be considered as savings and divided equally among the in-area and out-of-area components.

174. The representative of the International Atomic Energy Agency (IAEA) said that assertions about the unfairness of the current system needed to be substantiated by objective data. The working group had examined a number of cost-of-living allowance (COLA) systems, which yielded a variety of results at different locations (some lower than the United Nations, some higher). These results were a reflection of each employer's human resource needs and compensation policies. Each package comprised features that interlinked in a rational way: it was incorrect to attempt to unravel them and to graft one element of a given system onto another.

175. He also stressed that the significant differences in PAIs were largely attributable to the weakening of the United States dollar, a phenomenon that had also affected the pension system. If that trend were to reverse itself, the situation would change. It should also be borne in mind that recent changes made by the Commission (i.e., the elimination of fixed out-of-area percentage

weights for group I duty stations and the results of the last round of place-to-place surveys) had already caused some realignment of relativities across the system. The effect of these changes should be taken into account. He expressed support for the proposal that 10 per cent of salary should be considered as savings, which reflected reality. The other proposal was based on the flawed assumption that income was either saved or invested in United States dollars. He observed that the group's work had suffered from lack of definition of the problem and from shifting objectives. The only solution, in his view, was a major overhaul of the post adjustment system starting from basic principles.

176. Commenting on the proposal advanced in the course of the discussion to set a minimum percentage for establishing out-of-area weights in addition to the existing 5 per cent for NCC (see para. 183 (c) below), he said that that proposal addressed the problem of non-response to surveys. The organizations had already proposed a solution to that problem, i.e., a new data collection exercise.

177. The representative of ICAO recalled that in 1995 his organization had welcomed the Commission's decision to move to actual out-of-area weights for group I duty stations. The relief afforded, however, was still insufficient for weak currency duty stations. He drew attention to arrangements in the European Commission, where staff received an expatriation allowance and could also have part of their remuneration paid at the level of the post adjustment of their home country.

178. The representative of the United Nations Development Programme (UNDP) underscored the valuable work done by the working group since its establishment, as reflected in other reports. UNDP was particularly appreciative of the action taken regarding the treatment of housing at small field duty stations. He emphasized the need for any solution to the situation at hand to be based on facts.

Discussion by the Commission

179. Members recalled that, because of the increased level of dissatisfaction regarding the operation of the post adjustment system and in particular of problems relating to currency instability and out-of-area expenditures, the Commission had been receptive to the suggestion to refer these and other problems of the post adjustment system to a working group and had, at its May 1995 session, established such a group. In a report of the working group to the Commission at its forty-third session the view was expressed that problems existed with the current operation of the post adjustment system when looking, for example, at the very high level of post adjustment at certain duty stations. The exaggerated range of post adjustment multipliers in the system was felt to be partly the result of not sufficiently taking savings into account in post adjustment calculations. Savings should be appropriately considered as a portion of salary designated for non-consumption expenditures that would not be adjusted for the local cost of living. In this vein, it was noted that the United States, Germany, the World Bank and IMF divided salary into percentages of spendable income varying from 30 to 50 per cent and applied the post adjustment to those percentages.

180. It was felt that within the common system post adjustment methodology, the issue of the percentage of salary that should be subject to adjustment for local inflation could be properly addressed in terms of the relationship between the in-area and out-of-area expenditure components of the PAI. In this regard the

views and recommendations of ACPAQ on the out-of-area weights for headquarters duty stations used in the 1995 place-to-place surveys were recalled. In stating that it was not in a position to endorse or not endorse the out-of-area weights for headquarters duty stations, with the exception of those in Rome and Montreal, ACPAQ had concluded that the matter should be left to the Commission for it to make an empirical or administrative decision.

181. The Commission noted that the task assigned to the working group was important, sensitive and highly complex. While highly appreciative of the efforts made by the group to discharge its mandate, it was disappointed that a convergence of views had not been possible. The group's inability to reach an agreement placed the Commission in a rather difficult position. The Commission emphasized, however, its determination to shoulder its responsibilities in an objective and impartial manner. Its responsibility was to determine whether action needed to be taken to improve purchasing power relativities across the system and, if so, what that action should be. In this regard it reiterated the view expressed earlier when discussing the treatment of out-of-area expenditures in group I duty stations that it most definitely did not wish to penalize any duty station.

182. The Commission carefully reviewed the various views expressed on that subject, and the data available. Members had some difficulty with the statements made by the CCAQ-designated members of the working group, as reflected in the group's report, that the current system was working well. It was recalled that it was the organizations themselves that had cited serious problems with the system in the past. Lack of a unified analysis of those problems by the organizations had made the situation more difficult to address, but it was clear that for some, inequities in purchasing power parities were an issue. Aspects of the issue, notably the out-of-area weights for group I (headquarters and similar) duty stations had resurfaced on a number of occasions over the past few years, both in the Commission and in ACPAQ. The General Assembly had questioned whether the large gap between the top and the bottom of the post adjustment range was justified, and, in its resolution 50/208, section I.B, paragraph 3, had requested the Commission to address, and refer to its working group on post adjustment, as appropriate, the concerns raised by Member States in the Fifth Committee regarding the operation of the post adjustment system. The Commission thus concluded that, despite various actions taken at different times, it was sufficiently clear that anomalies did in fact exist regarding cost-of-living relativities across the system.

183. The Commission then analysed the various proposals and solutions advanced in the working group's report and during the Commission's discussion of the issue, as follows:

(a) Proposals by ICSC-designated members

(i) Proposal for a 10 per cent savings component (para. 157). The Commission noted that this proposal had a measure of support by the organizations. An analysis of its impact, however, showed that it would do little, if anything to alter the status quo;

(ii) 70/30 proposal (para. 164). The Commission noted that this proposal had emerged from a study of several employers' practices regarding the concept of "spendable income". While the proposal as formulated did not introduce the concept of spendable income as such, it did represent a rather significant change in the system; some members felt that its overall ramifications would need to be more fully explored. The caution urged by ACPAQ in this regard was also noted.

(b) Proposals by CCAQ-designated members

(i) A major overhaul of the post adjustment system, starting from basic principles. Such an exercise would also involve development of a new listing of expenditure categories, including the definition of a new "savings" category and development of methods for its quantification. The Commission noted that this was an ambitious project that could take a number of years. It considered that action needed to be taken with some urgency to address existing imbalances in the operation of the system;

(ii) Three proposals relating to out-of-area data. The first of these was to leave the system unchanged, i.e., continue to use current data. This approach did not appear tenable to the Commission, inter alia, in the light of the difficulties it had encountered in the recent round of headquarters surveys. For the same reason, it did not consider that it should rely on attempts to undertake a new data collection exercise, notwithstanding the organizations' offer to proceed with such an exercise - the second proposal by the CCAQ members. The third proposal, which the CCAQ members saw as a last resort if their second proposal, i.e., a new data collection exercise, failed to yield valid data, was for the definition of a new out-of-area component based on objective data related to the expenditure patterns of international staff. For example, in the case of Vienna, data on foreign allotment of staff could be used.

(c) Proposal by a member of the Commission. During the course of the discussion, a proposal was made by a member of the Commission. He indicated that for various reasons it would be advisable to adopt an approach to the problem that would be compatible with the present post adjustment system. He proposed that a minimum amount of 20 per cent of base salary plus post adjustment at the duty station should be added to the existing 5 per cent of net base salary for NCC to determine the out-of-area percentage weight to be used in the PAI calculations for group I duty stations. Where the actual out-of-area weight of the duty station was equal to or exceeded 20 per cent, the actual out-of-area weight plus 5 per cent for NCC, as defined above, should continue to be used as the out-of-area weight. Based on this proposal and using the results of the 1995 place-to-place surveys, the revised PAIs shown in annex IX were calculated for headquarters duty stations. This proposal was in line with the recommendation of ACPAQ that the out-of-area weights should be based on an administrative or empirical decision. The small difference with the current actual weights showed that the proposal could not be considered arbitrary. He further recalled that it had long been an outstanding view of ACPAQ that out-of-area weights should be determined administratively, as evidenced by its recommendation in 1981, which was fully consistent with its latest recommendation. 8/

184. The Commission considered it important to find a course of action around which members could rally: it did not believe it would be helpful to go forward with a split position or alternative solutions. In this connection, it was noted that before the ICSC-designated members agreed to put forward the 70/30 proposal, other proposals in the nature of a 50/50 or a 60/40 split between in-area and out-of-area expenditures reflecting practices in other similarly situated employers such as the World Bank, IMF and the comparator civil service

had been before the group. It noted that the proposal for a minimum out-of-area weight plus a 5 per cent for NCC would serve to reduce gaps and anomalies in post adjustment relativities. Indeed, its practical effect was very close to that of the 70/30 proposal. It had, however, the very distinct advantage of being within the framework of the existing methodology; as such, it would not depart from the fundamental purpose of the post adjustment system.

185. Noting the comment of CCAQ that this would represent a shift from the decision taken a little over a year ago (i.e., to use actual out-of-area weights), the Commission observed that the subject of percentage of income to be applied to relativities, to which out-of-area expenditures were directly related, was a cardinal item in the group's terms of reference. The Commission recalled that the results of the working group's study of this item spanning two sessions had been referred to ACPAQ for its views at the same time as that Committee had examined the results of the 1995 place-to-place surveys at headquarters. ACPAQ was therefore mindful of the Commission's decisions on the use of actual out-of-area weights and the circumstances of those decisions when it had concluded in the context of the place-to-place surveys at group I duty stations that the issue of out-of-area weights was a matter on which the Commission should take an empirical or administrative decision. The above proposal was very reasonable, and would simplify and streamline the system, which was considered by most to be unduly complex and opaque, while yielding questionable results. At the same time it would render the results more equitable. The Commission took note of the explanation by the secretariat that the proposal would not affect the current method of treating out-of-area weights as an additive component under the modified Walsh formula, i.e., the current method would continue to be used. It further noted that the proposal would have no impact on field (group II) duty stations, where the minimum out-of-area weight, was established at 30 per cent.

186. The Commission recalled that ACPAQ's request that it should seek an empirical or administrative decision had been framed in the context of out-of-area weights. It decided, therefore, to support the proposal as outlined in paragraph 183 (c) above.

Financial implications

187. As may be seen from annex IX, the implementation of the Commission's decision as outlined in paragraph 188 below will have an impact on the PAIs, and consequently on the post adjustment classifications, at most headquarters duty stations. While the PAIs for Washington, D.C. and Montreal would experience very slight increases, the PAI for Rome will not be affected and those for Geneva, London, Paris and Vienna will experience reductions. Consequently, the post adjustment classifications for Washington, D.C. and Montreal would increase and those for Geneva, London, Paris and Vienna would go down. Similar changes in the PAIs and post adjustments of some of the non-headquarters duty stations, e.g., Tokyo, could also be anticipated. As a result of the above-mentioned changes in the PAIs, and consequently in the post adjustments, net savings of approximately US$ 11 million per annum would accrue.

Decision by the Commission

188. The Commission decided to inform the General Assembly that effective 1 March 1997 expenditures corresponding to a minimum amount of 20 per cent of net remuneration (net base salary plus post adjustment) at the duty station, which would be added to 5 per cent of net base salary for NCC, would be considered to have been incurred outside the duty station. The above will

constitute the out-of-area expenditure weight to be used in the calculation of PAIs. Pension contribution would continue to be taken into account as under the present system.

D. Report on the twentieth session of the Advisory Committee on Post Adjustment Questions

1. Method for construction of the post adjustment index based on prices in Switzerland and France

189. The General Assembly, in resolution 50/208, had requested the Commission to establish in 1996, in respect of staff members whose duty station is Geneva, a single post adjustment index that is representative of the cost of living of all staff working at the duty station and that ensures equality of treatment with staff in other headquarters duty stations. That request, which implied that the cost of living of staff working in Geneva but residing in the French border towns should also be included in the Geneva post adjustment index, had been referred to the Advisory Committee on Post Adjustment Questions for its technical advice. After consideration of several options for responding to the General Assembly's request, ACPAQ had concluded that there were a number of problems associated with the construction of a composite post adjustment index (i.e., combining the cost of living of staff residing in both Geneva and France). In the Committee's estimation, such an index could not be established in 1996, but it might be established at a later date, when a sound methodology had been established. ACPAQ had recommended that the secretariat study the methodology further and report to the Committee at its twenty-first session.

Views of the organizations

190. The Chairman of CCAQ stated that CCAQ had legal and technical concerns about the determination of a single post adjustment for Geneva covering neighbouring areas of France. As CCAQ had informed the Commission on several occasions, the ramifications of this issue extended beyond one duty station. The first need was to develop a sound methodology that met all the technical concerns raised, including: (a) the determination of points of purchase; (b) the averaging of prices collected in Geneva and France; and (c) management of the interplay of currencies and inflation rates. Any flaw in the methodology could open the matter up to legal challenge and it would therefore be essential for ACPAQ to review each step of the methodological and survey preparations. There remained the question of the legality of establishing a single post adjustment index for staff residing in two different sovereign States. CCAQ recalled the long list of questions raised - but not answered - in the 1995 annual report. No proposals had been made as to how those problems might be solved and, unfortunately, the General Assembly had not offered any guidance thereon.

Discussion by the Commission

191. The Commission recalled that it had addressed the issue of the Geneva post adjustment index in response to General Assembly resolution 48/224, in section II.G of which ICSC had been requested to ensure that place-to-place surveys conducted at all headquarters duty stations were fully representative of the cost of living of all staff working at the duty station. Having examined the matter on the basis of technical and legal advice, the Commission had concluded that in principle it would be feasible to establish either a single (i.e., composite) post adjustment multiplier for the duty station or two

multipliers, depending on where staff were residing. Noting that a decision on which of those two courses to pursue would depend on the objectives that the General Assembly had in mind when framing the relevant provisions of resolution 48/224, the Commission had sought the General Assembly's guidance on the matter. At the same time, in paragraph 319 of its 1995 annual report, it had brought to the Assembly's attention certain policy, administrative and legal considerations. 2/

192. The Commission noted that once the General Assembly had opted, in resolution 50/208, for the alternative of a composite post adjustment index, that alternative had been examined in greater depth. As a result of its more detailed consideration, ACPAQ had identified further technical problems, including points of purchase, price aggregation, the interplay of different currencies, and different inflation rates. The Committee had concluded that establishing a post adjustment index in 1996, as requested by the General Assembly, would not be feasible. However, this could be possible at a later date after the technical problems mentioned above had been dealt with.

193. The Commission endorsed the approach proposed by ACPAQ, i.e., that the methodology for the establishment of a composite index for Geneva and neighbouring France be studied further, and a report thereon made to ACPAQ. It was noted that in addition to the strictly technical difficulties raised by ACPAQ, there were ramifications of a policy, legal and administrative nature that needed to be studied carefully before any action was taken. It was noted, for example, that staff of certain nationalities did not qualify for residency in France. The Commission would want to be sure that a composite index would not discriminate against such staff.

Decision by the Commission

194. The Commission decided to inform the General Assembly that it had carefully considered the Assembly's request to establish a single post adjustment index in 1996 for Geneva that would be fully representative of all staff working at the duty station. In that regard it had sought the advice of its subsidiary body, ACPAQ, on the approach that should be followed to give effect to the Assembly's request. ACPAQ had pointed out several technical difficulties with respect to data collection and analysis. There were, moreover, policy, administrative and legal ramifications to the matter. The combination of these factors mitigated against the establishment in 1996 of a single post adjustment index for Geneva reflecting the cost of living of all staff working at the duty station. The Commission would pursue consideration of the matter and report to the General Assembly at the earliest opportunity on its progress in resolving the various issues.

2. Cost-of-living surveys at headquarters duty stations and Washington, D.C.

195. Under the routine operation of the post adjustment system, comprehensive place-to-place surveys are conducted periodically at all duty stations. As part of the normal cycle of such surveys, place-to-place surveys were conducted by the Commission in Geneva, London, Montreal, Paris, Rome, Vienna and Washington, D.C., between September and November 1995. A price collection exercise at New York, the base of the post adjustment system, was carried out in July and September of the same year. Documentation dealing with these surveys was examined by ACPAQ at its February 1995 session and the Committee's

recommendations regarding the results of those surveys were considered by the Commission.

196. The Commission decided:

(a) To approve the results of the 1995 place-to-place surveys for the above-mentioned duty stations as shown below:

Summary of the results of the 1995 cost-of-living comparisons between New York and Geneva, London, Montreal, Paris, Rome, Vienna and Washington, D.C.

Duty station	Survey date (1995)	Exchange rate	Existing PAI a/	Walsh index	Survey PAI	Difference between new and existing PAI (percentage)
New York	July and Sept.	1.00	147.73	-	-	-
Geneva	Nov.	1.13	208.78	134.28	198.37	-5.0
London	Nov.	0.630	146.36	105.79	156.28	+6.8
Montreal	Oct.	1.34	114.45	84.08	124.21	+8.5
Paris	Nov.	4.86	168.31	116.61	172.27	+2.4
Rome	Nov.	1.610	142.59	92.96	137.33	-3.7
Vienna	Nov.	9.80	179.65	119.38	176.36	-1.8
Washington, D.C.	Sept.	1.00	131.01	86.31	127.51	-2.7

a/ The existing PAI was calculated by updating the 1990 survey results using the exchange rate prevailing on the survey date at the respective duty station.

(b) That the 1995 survey results for London, Montreal, Paris, Rome, Vienna and Washington, D.C. should be taken into account for determining their respective post adjustment classifications from 1 May 1996;

(c) That the 1995 survey result for Geneva should be taken into account for determining that duty station's post adjustment classification from 1 June 1996;

(d) That the existing gap between the post adjustment index resulting from the survey plus 5 per cent and the pay index for Geneva should be adjusted at the time of the next review of the post adjustment classification for cost-of-living increase.

E. Review of the level of dependency allowances

197. In its annual report for 1992, the Commission reported to the General Assembly its conclusion that the existing methodology for determining the level of dependency allowances for the Professional and higher categories should be maintained, i.e., the allowances should be computed on the basis of tax abatements and social security payments in the countries of the seven headquarters duty stations. 9/ The Commission further decided to review the level of dependency allowances every two years so as to ensure that all relevant changes in the tax and social legislation for the seven headquarters were taken into consideration. The Assembly, in its resolution 47/216, took note of the

Commission's conclusions. Accordingly, in 1994, the Commission recommended, and the Assembly approved, a 10.26 per cent increase in the levels of the children's and secondary dependency allowances, effective 1 January 1995, to US$ 1,400 and $500 respectively. The current review of the level of dependency allowances, therefore, represented the second biennial review since 1992.

198. Based on the approved methodology, the percentage increase in payments resulting from tax abatements and social legislation since the 1994 review was calculated at P-4, step VI, showing an increase of 7.98 per cent. Application of this percentage increase to the existing children's allowance would result in annual amounts (rounded) of US$ 1,510 and $3,020 for the disabled children's allowance.

199. The Commission noted that the methodology for adjusting the secondary dependant's allowance had been the subject of discussion both in the Commission and in the Assembly in recent years. In this context, a recommendation for establishing the level of the secondary dependant's allowance as a proportion (50 per cent) of the children's allowance had not been approved by the Assembly in 1989. When the Commission reconsidered the matter, in 1992, it had not pursued that recommendation, but had recommended that the allowance be adjusted upwards by 50 per cent.

200. At the time of the 1994 review, the Commission had recommended that the 10.26 per cent increase applicable to the children's allowance should also be applied to the secondary dependant's allowance. That recommendation was approved by the Assembly in its resolution 49/223. Following the same procedure in the current review would increase the current level of the secondary dependant's allowance from US$ 500 to $540 per year.

201. Both the children's and the secondary dependant's allowances had been denominated in local currency for a specific group of hard-currency duty stations since 1989. Information in this regard was again provided for the Commission's consideration in the current review.

Views of the organizations

202. CCAQ concurred with the basic proposal to increase the children's allowance to reflect the 7.98 per cent increase in the value of tax abatement and payments under the social legislation applicable at the seven headquarters duty stations. That proposal reflected the decision taken in 1992 that the secondary dependant's allowance be increased by the same percentage as the children's allowance. At that time, CCAQ had preferred a system whereby the secondary dependant's allowance would be set at 50 per cent of the children's allowance since (a) this was in consonance with the system originally adopted for the determination of the secondary dependant's allowances; and (b) it would be simple to administer. In conceptual terms, CCAQ preferred to retain its earlier proposal. CCAQ noted in this connection that, as at 31 December 1994, only 3 per cent of staff (542 staff) in the Professional and higher categories were in receipt of secondary dependant's allowance - significantly less than at end-December 1992. Hence, notwithstanding fears previously expressed in the Commission that the number of staff claiming secondary dependant's allowance would escalate, the opposite appeared to be the case.

Discussion by the Commission

203. The Commission noted that the tax calculation procedure for each of the seven headquarters duty station locations had been reviewed at the local level

by organizations based in those locations. It was also noted that a tax abatement for children was currently being discussed as part of United States tax reform proposals. These proposals, however, were in various stages of review and had not yet been formalized by passage of required legislation.

204. The Commission recalled that the secondary dependant's allowance had remained at US$ 300 per annum between 1977 and 1992. The Commission had recommended a 50 per cent increase in the allowance in 1988, but this had not been approved by the Assembly. In 1989, the Commission had recommended that the secondary dependant's allowance be set at 50 per cent of the children's allowance: a recommendation again not approved by the Assembly. In 1992, however, the Assembly did approve the Commission's recommendation to increase the allowance by 50 per cent, to US$ 450 per annum. The Commission considered that the 1992 increase represented, to some degree, a "catch-up" factor to compensate for the period during which the allowance had not been adjusted. With the Assembly's approval, in 1994, of the Commission's recommendation for the same percentage increase for both the children's and the secondary dependant's allowance, the Commission considered that the same approach should be followed for the current review.

205. The Commission noted that the number of hard-currency duty stations for which dependency allowances were established in local currency terms had decreased over the years for various reasons. Noting that the original identification of hard-currency duty stations was based on criteria established as part of the post adjustment system which might no longer be appropriate, it wished to review in detail the list of such stations for possible additions or deletions at a future review of dependency allowances.

206. The Commission was informed that organizations of the common system had established administrative controls to ensure that direct payments of dependency allowances by Governments to common system staff were taken into account in determining payment amounts to staff members.

207. The financial implications of the Commission's recommendations above in respect of the level of children's and secondary dependant's allowances were estimated at US$ 1,270,000 and $13,500 per year respectively, system-wide.

Decisions of the Commission

208. The Commission decided to recommend to the General Assembly that:

(a) The current level of children's allowance (including that for disabled children) and secondary dependant's allowance should be increased, effective 1 January 1997, to reflect the 7.98 per cent increase in the value of tax abatement and payments under social legislation at the seven headquarters duty stations that had occurred between 1993 and the current review;

(b) The present local currency entitlement system for hard-currency duty stations should be maintained on the basis of the same list of hard-currency duty stations for which local currency entitlements were specified (see annex);

(c) The amount of dependency allowances should be reduced by the amount of any direct payments received by staff in those countries where the Government makes such direct payments to eligible residents in respect of dependants.

Chapter V

REMUNERATION OF THE GENERAL SERVICE AND OTHER LOCALLY RECRUITED CATEGORIES

A. Preparations for the review of General Service salary survey methodologies for headquarters and non-headquarters duty stations

209. In its eighteenth (1992) annual report, the Commission reported to the General Assembly on its review of the general methodology for surveys of best prevailing conditions of employment at headquarters duty stations. 10/ In 1993, the Commission carried out a similar review of the non-headquarters methodology. 11/ In accordance with the normal schedule of methodology reviews, the Commission decided to schedule a comprehensive review of both methodologies in 1997 and accordingly reported its decision to the Assembly in 1994. 12/

210. In this context, the Commission agreed to the establishment of a working group to review the General Service salary survey methodologies for both headquarters and non-headquarters duty stations. The working group would be composed of three members of the Commission, three members designated by the organizations and two members designated by each staff body, namely, the Federation of International Civil Servants' Associations (FICSA) and the Coordinating Committee for International Staff Unions and Associations of the United Nations System (CCISUA). The Commission further agreed to the establishment of a working group to review the non-pensionable component of the survey methodologies which, in addition to the above composition, will include three representatives designated by UNJSPB.

211. The Commission decided to designate Mr. Mohsen Bel Hadj Amor, Ms. Lucretia Myers and Mr. Carlos S. Vegega to serve on the above-mentioned working groups in their personal capacity.

B. Survey of best prevailing conditions of employment in London

212. As part of its responsibilities under article 12.1 of its statute, in October 1995, the Commission conducted a survey of best prevailing conditions of employment for the General Service and related categories in London. As a result of the survey, the Commission recommended a salary scale that was 5.3 per cent lower than the existing scale. Interim adjustments attributable to inflation and salary movements of comparator employers would therefore not be granted until the recommended scale, as adjusted, overtook the existing scale. As a result of maintaining the current scale, combined savings of approximately US$ 360,000 per annum would be realized by the International Maritime Organization (IMO) and other organizations with General Service staff in London (estimate calculated at the exchange rate of £ sterling 0.63 = US$ 1 in effect on 1 October 1995).

213. The salary scale recommended by the Commission to the Secretary-General of IMO is shown in annex XI to the present report.

C. Survey of best prevailing conditions of employment at Vienna

214. The Commission conducted a survey of best prevailing conditions of employment for the General Service and related categories at Vienna, with a reference date of 1 April 1996. The salary scale recommended by the Commission for General Service staff at Vienna is reproduced in annex XII to the present report.

215. It will be recalled that in the context of its 1992 review of the General Service salary survey methodology for headquarters duty stations, the Commission addressed the issue of duty stations (i.e., Vienna and Rome) where the local language was not a working language of the organization. At those duty stations an adjustment had been made in recognition of the difficulty of recruiting local staff with appropriate language skills. As that difficulty had gradually diminished, the Commission considered that such adjustments were no longer necessary. Should that change in the methodology result in survey salaries that were lower than the existing salaries, thereby leading to a freeze, the Commission would consider a phased approach to the elimination of the factor.

216. During its consideration of the Vienna survey, the Commission noted that without adding a percentage to account for the language factor the survey salaries were already lower than the existing salaries. Bearing in mind its decision as outlined above, the Commission decided that the language factor should be phased out for Vienna (as had been done in Rome in 1994) as follows: the scale with a survey reference date of April 1996 already included a reduction of one percentage point for this factor. A similar percentage point reduction should be made at the time of future interim adjustments so as to ensure that the four-percentage-point language factor would be eliminated by the time of the next survey.

217. The revised salary scale resulting from the survey is 3.2 per cent lower than the current scale. Since the new scale will be phased in over the next few years, the savings to be incurred will not be realized immediately except for those corresponding to the interim adjustment of 2.47 per cent that became due on 1 April 1996 and was not granted. Associated savings were estimated at US$ 2.5 million for 1996. In addition, as a result of the phased implementation of the survey results, further savings amounting to $6.4 million will be realized incrementally from 1996 to 1999, at which time the ICSC recommendation will have been fully implemented. In addition, there will be savings of $1.4 million relating to the organizations' contributions to the UNJSPB resulting from reduced pensionable remuneration levels during the 1996 to 1999 phased implementation. These estimates were calculated at the exchange rate of S10.40 to $1.00 in effect on 1 April 1996.

Chapter VI

CONDITIONS OF SERVICE APPLICABLE TO BOTH CATEGORIES

A. Review of the level of the education grant

218. The Commission had before it a report of CCAQ on education grant levels in accordance with the methodology for the differentiated approach that was approved by the General Assembly in 1992. Expenditure data on 9,633 claims for the academic year 1994/95 had been analysed in the 17 individual currency areas covered under the education grant.

219. Under the approved methodology, the trigger point for reviewing education grant levels in a given currency area was that 5 per cent or more of the cases exceeded current maximum admissible expenditure levels. The CCAQ study, undertaken in the biennial review cycle, identified seven currency areas where that trigger point had been reached (Swiss franc, pound sterling, Italian lira, Dutch guilder, Norwegian krone, Swedish krona and United States dollar in the United States of America).

Views of the organizations

220. The Chairman of CCAQ noted that this was the third report on the education grant under the methodology approved by the Commission, which continued to prove its merit as a technically sound, well-balanced and responsible mechanism.

221. Having determined the currency areas that had met the trigger point for adjustment, CCAQ had then, as called for by the methodology, taken both expenditure and fee data into account in arriving at the proposed adjustment levels. The adjustments were particularly necessary bearing in mind that the data related to the academic year 1994/95, that is, a time-lag of two years. Even after adjustment, a significant number of claims would remain above the new maximum admissible expenditure levels. CCAQ had, however, kept the proposed adjustments on the conservative side, bearing in mind that an overall review of the education grant would take place in 1997. In the context of that review, CCAQ would re-examine the question of flat rates for boarding. Pending that review, CCAQ proposed that the flat rates used in the case of staff assigned to designated duty stations should be aligned with those applied to staff in all other locations, in the three currency areas where their levels had fallen below the flat rate.

222. CCAQ also proposed that the Commission recommend to the General Assembly that the Chairman of ICSC be authorized to approve special measures that would allow for the reimbursement of 75 per cent of actual expenses, not exceeding the approved level of maximum allowable expenses, for the United States dollar/ United States area, where: (a) there was a restricted choice of educational facilities at the duty station and (b) a sudden and sharp increase in school fees had occurred that would result in an undue financial burden for United Nations system families.

223. In conclusion, he underlined the prime importance of the education grant, which allowed children of expatriate staff access to adequate educational facilities. The grant was all the more crucial at a time of increased mobility, especially in the humanitarian and development organizations.

Discussion by the Commission

224. The Commission noted that the normal methodology had been followed in calculating fee increases at schools attended by children of staff, which is one of the bases on which education grant adjustments are made. It considered, however, that it would also be desirable to have some national measure of education cost movements against which the school fee increases could be evaluated. Noting the upcoming 1997 comprehensive review of the education grant, it expressed the view that information should be provided, at that time, on national education cost movements for the possible incorporation of this dimension in current methodology.

225. The Commission reviewed both the school fee movement and the percentage of claims over the maximum admissible expenses in reviewing the proposals of CCAQ as shown in annex XIII, table A.

226. The Commission addressed a number of issues and reviewed statistical data, inter alia, related to the selection of schools used for the determination of fee movements. It noted, however, that most of these issues were related to methodology that would be addressed in 1997.

227. The Commission was informed that, with regard to the flat rate for boarding in the case of staff assigned to designated duty stations, that rate had fallen below the normal flat rate in a few currency areas. The Commission recalled that it had established a higher flat rate for staff serving at these duty stations, inter alia, in recognition of the lack of schooling facilities at these duty stations, requiring education elsewhere, with the associated additional cost. While this was a methodological issue related to the adjustment mechanism applicable to these two rates that would normally be addressed in 1997, the Commission considered that in the interim the situation required an adjustment.

228. The Commission's attention was drawn to a specific situation at one duty station, Beijing, which was the reason for the CCAQ proposal in paragraph 222 above. The one international school at this duty station had recently increased its fees dramatically, thereby substantially exceeding the maximum admissible expense limit of the current grant and resulting in significant out-of-pocket costs to staff members. While the situation affected very few staff (a maximum of 20 children of staff attend the school), the financial burden on those staff members was significant. If the situation were not addressed, it would result in significant human resources management problems at the duty station. The Commission considered the applicability of the CCAQ proposal to other duty stations. While it was assured that such a situation would be limited to a very few duty stations, it considered that for the time being it would address the situation in Beijing only. It noted that, under the provisions of article 10 (c) of the ICSC statute, the Assembly had the responsibility for this matter. Accordingly, the proposal of CCAQ would require a recommendation to the Assembly.

Financial implications

229. The Commission noted that the system-wide cost implications of the proposed increases were estimated at approximately $590,000 per year for the system in respect of the increase in the maximum admissible expense level and $233,000 per year in respect of the increase in boarding costs. In 1994, the system-wide cost of the education grant was estimated at $62.1 million per year.

Decision of the Commission

230. The Commission decided to recommend to the General Assembly that:

(a) In areas where education-related expenses are incurred in the Swiss franc, the pound sterling, the Italian lira, the Netherlands guilder, the Norwegian krone, the Swedish krona and the United States dollar in the United States, the maximum admissible levels for expenses allowed under the education grant system, the maximum education grant and the ceiling for boarding should be as shown in annex XIII, table B;

(b) The maximum amount of admissible expenses, the maximum grant and the ceiling for boarding costs should remain unchanged at current levels for the following currencies: Austrian schilling, Belgium franc, Danish kroner, deutsche mark, Finnish markka, French franc, Irish pound, Japanese yen, Spanish peseta and United States dollar outside the United States;

(c) Pending the in-depth review of the education grant scheduled for 1997, the amount of additional reimbursement of boarding costs for staff at designated duty stations should be as follows for three currency areas where it is currently lower than the normal reimbursement:

Currency	Additional flat rate (At designated duty stations)
(a) Pound sterling	2 500
(b) Italian lira	4 400 000
(c) United States dollar (in the United States)	3 770

(d) The amount of the special education grant for each disabled child should be equal to 100 per cent of the revised amounts of maximum allowable expenses for the regular education grant;

(e) Pending the in-depth review of the education grant scheduled for 1997, it decided to request the Assembly to delegate to the ICSC Chairman the authority to approve a special measure for Beijing that allows for the reimbursement of admissible expenditure up to the approved level of maximum allowable expenses for the United States dollar/United States area;

(f) All of the above measures would be applicable as from the school year in progress on 1 January 1997.

B. Appointments of limited duration

Introduction

231. The Commission recalled that at its fortieth (summer 1994) session, it had considered, at the request of the General Assembly, a contractual arrangement developed by the United Nations under the 300 series of its Staff Rules for appointments of limited duration. Following review, ICSC had decided to advise the Secretary-General that the United Nations Secretariat might proceed with the

new arrangements on a provisional basis. A pilot appointments of limited duration scheme being applied by UNDP was also given a provisional go-ahead. ICSC decided to revert to the subject at its forty-second session, at which time it would focus in depth on the issues involved. By resolution 49/223, the General Assembly noted these preliminary ICSC conclusions and requested ICSC to report its findings on the arrangements for contracts of limited duration upon completion of the study.

232. Consideration of the subject had to be postponed owing to conflicting work programme priorities. The documentation before the Commission at its forty-third session summarized the current status of the United Nations and UNDP pilot schemes and attempted to set the stage for a more broadly based examination of the subject of short-term/non-career/limited-duration employment arrangements by analysing the potential scope of the limited-duration workforce and identifying some of the issues concerned. It was suggested that following the collection of more detailed information and an analysis of organizations' needs, specific proposals on limited-duration employment conditions should be developed by a working group for consideration at the Commission's forty-fifth session. In the meantime, it was suggested that the pilot appointments of limited duration schemes not be formalized.

Views of the organizations

233. The Chairman of CCAQ recalled the Committee's numerous statements about dramatic changes in the organizational landscape, the significant evolution in the organizations' human resource requirements and their increasingly diverse needs. CCAQ therefore welcomed the opportunity to look at different contractual arrangements and would support the establishment of a working group composed of the ICSC secretariat and representatives of member organizations to provide substantive input to the Commission's forty-fifth session.

234. Noting that the diverse and changing programme requirements of many organizations had led them to seek more flexible frameworks for employment relationships, he said that among the facets of the issue needing to be addressed were: (a) the status of this new workforce; (b) coverage under the Conventions on Privileges and Immunities; (c) the provision of laissez-passers; (d) obligations under headquarters agreements; (e) social security coverage; (f) the level of salaries and benefits etc. There were also a number of conceptual questions, in particular implications for the protection of the international civil service, that would need to be explored in depth when ICSC reverted to the matter.

235. The representative of the International Atomic Energy Agency said that there was a clear trend in the United Nations system away from the traditional staffing concepts of an international career service towards contractual arrangements designed to offer more flexibility and less permanency. Even IAEA, which employed all staff under fixed-term contracts, had made modifications to ensure that its human resource needs were met in a time of strained budgetary resources and increasing work. Given the diversity of organizations' requirements and resulting practices, he doubted whether uniformity was desirable and achievable; an effort could, however, be made to standardize terminology and review conceptual issues.

Discussion by the Commission

236. The Commission noted that the subject was a complex one with potentially far-reaching implications. Given the diversity of organizations' needs, it

would not be appropriate to devise rigid rules at the common system level: a degree of flexibility would need to be built into any arrangements developed. At the same time, the disorderly proliferation of disparate arrangements was not desirable; in that connection, a concern was voiced that the Commission should not find itself in a fait accompli situation (where it was obliged to accept a situation it considered less than satisfactory because it was too late to change the status quo). The challenge would be to strike the right balance between uniformity and flexibility.

237. The Commission noted the status report on the United Nations and UNDP appointments of limited duration pilot schemes. It considered that those schemes should not be institutionalized at present, since questions remained about their longer-term implications. Provided that continuation on a pilot basis did not create problems for the organizations concerned, it would be preferable to use them as demonstration projects. In this connection, ICSC noted the confirmation by the United Nations and UNDP that there would be no difficulty in maintaining their programmes in pilot status.

238. The Commission also noted that the documentation contained information on a contractual arrangement introduced by ITU that had been given provisional approval by the Chairman of ICSC pending consideration by ICSC of the outcome of the Commission's broader study. This arrangement, known as managed renewable-term contracts, was conceptually different in nature from the United Nations and UNDP schemes in that it provided for the payment of the "normal" salary, benefits and allowances package applicable to staff on fixed-term contracts. In this specific context, the Commission wished to confirm the initial assessment provided by the Chairman of ICSC in correspondence with the Secretary-General of ITU that the ITU managed renewable-term contract scheme did not appear to be incompatible with the common system. The Commission therefore considered that the managed renewable-term contract arrangements, rather than being considered provisional, should be placed on the same pilot/demonstration status as the United Nations and UNDP schemes. All three arrangements should be considered potentially useful sources of information and experience.

239. Noting that all evidence pointed towards an increase in limited-duration employment, the Commission concurred that it would be useful to establish a working group to review the various issues surrounding the question of limited-duration employment conditions, from the technical, legal and human resources policy angle. It was noted that a standardized terminology should be included in the review. The review should be based on more detailed information on current practices and an analysis of organizations' needs, both ongoing and foreseen. The working group should evaluate the results of the ongoing appointments of limited duration pilot projects. Practices outside the common system should also be examined.

240. ICSC noted that there were fundamental issues of equity involved, as well as the balance between the core international civil service and what seemed likely to be an increasing "non-core". It wished to reserve to itself the right to provide broad policy direction on the matter, once it had the results of the working group to hand. The Commission stressed the need to move rapidly and decisively in an area where action had been in abeyance for a number of years. It looked forward to receiving specific recommendations for consideration at its forty-fifth session.

Decisions of the Commission

241. The Commission decided:

(a) To take note of the information provided on the status of limited-duration employment arrangements;

(b) To invite the secretariat to convene a working group, with the participation of representatives of the organizations and staff and with the participation as necessary of the secretariat of the United Nations Joint Staff Pension Fund, in order to review the range of issues involved and to propose specific recommendations for consideration by the Commission at its forty-fifth session;

(c) That, pending the outcome of the Commission's review of the subject, as noted in subparagraph (b) above, the United Nations and UNDP appointments of limited duration schemes should continue on a pilot basis. The managed renewable-term contractual arrangement introduced by ITU on a provisional basis appeared to be compatible with the common system; while conceptually different from the United Nations and UNDP schemes, this should also be considered as a pilot/demonstration project, all three arrangements providing potentially useful sources of information and experience for the above-mentioned review by the Commission.

Chapter VII

CONDITIONS OF SERVICE IN THE FIELD

A. Review of the mobility and hardship scheme

242. The mobility and hardship scheme, which took effect on 1 July 1990, was approved by the General Assembly in the context of the 1989/90 comprehensive review of the conditions of service of staff in the Professional and higher categories. The objectives of the new scheme were that:

(a) It should be adequate to ensure the recruitment and retention of suitably qualified staff from all Member States;

(b) It should respond to the organizations' differing mobility requirements, thus it should enable certain organizations to reassign staff from their headquarters to field locations, and those with high rotation rates to continue to reassign their staff between duty stations throughout the course of their careers. At the same time, it should be structured to provide a reasonable balance between the emoluments of highly mobile staff and those of less mobile staff;

(c) It should be designed to bring the compensation for service in the field in line with the remuneration levels provided by the comparator;

(d) It should aim to simplify the design and concept of the package. 13/

243. At the request of the Assembly, the Commission reviewed the operation of the scheme in 1992; although at that time the scheme had been in existence for a scant two years, all available information confirmed that it was operating efficiently and to the satisfaction of the organizations and staff. The Commission therefore decided to recommend that the parameters of the scheme be maintained unchanged, while signalling its intention to review the scheme again after more experience had been gained in its operation. 14/ While concurring with the Commission's conclusions, the General Assembly, in resolution 47/216, requested the Commission to include the following elements in its follow-up review:

(a) The adjustment procedure which links the mobility and hardship matrix to revisions of the base/floor salary;

(b) The percentage levels attributed to the matrix also in comparison with those applicable in the comparator civil service and in particular those pertaining to the H and A categories;

(c) An analysis of the extent to which each of the component parts that make up the matrix meets the needs of the organizations;

(d) A precise quantification of the cost savings.

244. A report on the review was to be presented to the General Assembly at its fifty-first (1996) session.

245. The current review, which is framed in terms of the above request, was based on an analysis of the following elements:

(a) The operation of the scheme since its introduction, including cost-benefit and personnel management considerations;

(b) The entitlements applicable in the comparator civil service;

(c) Options for possible modifications to the scheme;

(d) The linkage between the base/floor salary scale and the mobility and hardship allowance.

246. To assist it in its review, the Commission had before it detailed information on the utilization of the scheme by the organizations, and the results of an attitude survey carried out by UNDP.

247. In the context of this review, the Commission also reconsidered its 1994 decisions on the levels of hazard pay and the linkage of hazard pay to the base/floor salary, as had been requested by the General Assembly in resolution 49/223.

Views of the organizations

248. The Chairman of CCAQ noted that the Committee's comments on the mobility and hardship scheme should be viewed in the context of organizations' differing needs, especially with regard to mobility. Mobility patterns in the system ranged from the highly mobile organizations through the somewhat mobile to the basically non-mobile, but even within those categorizations, there were differences.

249. CCAQ considered that the mobility and hardship allowance was one of the most successful innovations in the remuneration package in recent years, which had fulfilled the expectations placed in it. Nonetheless, improvements could be made in some elements. Before referencing these, CCAQ wished to commend to ICSC the views of a number of executive heads of the organizations that were the primary users of the allowance. Noting that there was a perception in the General Assembly that the scheme was too generous and that this perception could jeopardize the annual adjustment of the base/floor salary or increases to restore the competitivity of common system remuneration, CCAQ emphasized that any proposals for change must be based on firm technical grounds.

250. CCAQ believed that proving that an allowance was cost beneficial might not be the only way of analysing its appropriateness and worth. It nevertheless fully recognized the need for "business arguments" which gave evidence in hard dollar terms that one or another measure had proved beneficial and had not exceeded the cost levels foreseen at the time of its introduction. So far as the mobility and hardship allowance was concerned, it considered the evidence in this respect to be compelling. First, there was no evidence that costs had escalated. The overall costs system-wide had increased by roughly 1 to 2 per cent per year over the six-year period since the introduction of the allowance. Even allowing for the approximate nature of the original costs, that was still a very small change and less than the increases in the movement of the base/floor salary itself. Moreover, data had been provided showing that the introduction of this allowance had enabled some major users of the scheme to reduce rotation-related expenditures by increasing assignment lengths. Those were direct cost reductions, not to speak of the indirect benefits, which a number of organizations had referred to in terms of productivity gains, reduced administrative overhead and other streamlined procedures.

251. Like the ICSC secretariat, CCAQ had analysed the way in which the emoluments under the scheme had developed since 1989 in contrast to those of the comparator. Among the reasons for the different rates of movement of the packages were those related to changes in the measurement of housing. CCAQ had taken action on a number of issues in the social and non-monetary area, including the adoption of a policy statement reconciling the demands of work and family. CCAQ confirmed its willingness to look into the matter of split households, an issue flagged by the ICSC secretariat as requiring further work.

252. The views of CCAQ on the specific proposals/options in the ICSC secretariat's document were as follows. With regard to general issues, including the structure of the mobility and hardship allowance matrix, CCAQ favoured maintaining the current grade band differentiation of the allowance, the current single/dependant differentiation and the current home leave arrangements.

253. CCAQ recommended the introduction of an additional hardship level between the current levels A and B, subject to criteria being developed to determine which duty stations would be affected, and to the change being introduced on a cost-neutral basis.

254. CCAQ recalled that when the scheme was being developed, it had been difficult to achieve a consensus on the appropriate levels for mobility at headquarters locations, largely because of the differences in organizations' mobility patterns. After reviewing the options considered in 1989, CCAQ had again found it difficult to reach complete agreement on how to treat mobility at headquarters locations. It wished to put forward proposals in three areas: (a) the entitlement should be limited to staff in organizations with significant field structures and the practice of moving staff between and among their headquarters (H) and field duty stations; (b) the requirement of two previous field assignments should be eliminated as a precondition for payment of the mobility element at H locations; (c) with regard to the levels of the mobility incentive, CCAQ proposed either maintaining the status quo or introducing a mobility payment as of the third assignment. It would not recommend any change in the manner in which the mobility element in A to E duty stations was paid.

255. CCAQ recommended retaining the non-removal element in the matrix for the time being. The organizations had begun a comprehensive study of the entitlements to removal and the shipment of personal effects and the impact of these entitlements on the non-removal element in the matrix. While CCAQ was very seriously considering time-limiting the payment of the non-removal element, along the lines of the mobility element, it was still assessing the consequences of such a proposal.

256. CCAQ subsequently reported to the Commission that it had completed a review of shipping entitlements, resulting in considerable streamlining and rationalization. Organizations had also agreed to harmonize their practices regarding shipping entitlements for staff at the end of an assignment for which the non-removal element had been paid. CCAQ could confirm that it saw removal and non-removal as distinct, separate shipping entitlements. Thus, a staff member who had received the non-removal element for the entire period would not be eligible for a removal entitlement at the same duty station. CCAQ could accordingly confirm its support for time-limiting the non-removal element in the mobility and hardship matrix.

257. CCAQ favoured retaining the link between the adjustment of the mobility and hardship allowance and the adjustment of the base/floor salary scale, which best

reflected comparator practice. Recalling that this linkage had been a key element in the original design of the allowance, CCAQ found no technical evidence of any need for change. CCAQ was aware that this link had been the subject of discussion and expressions of concern in the Fifth Committee and elsewhere, but had not heard any explanation of why that link was wrong, other than the perception that it resulted in unduly high levels of the allowance. That perception was not borne out by the data to hand. CCAQ therefore remained unconvinced of any need to change the current arrangements. If there was another objective to be met as a result of delinking the allowance from the base/floor salary, CCAQ would like to know what that was, since it was essential to have an appropriate adjustment mechanism in place.

258. CCAQ proposed that hazard pay should be delinked from the base/floor salary scale, as hazard pay was not an integral part of the pay package. The levels should, however, be reviewed on a regular two-year basis.

259. The representative of the United Nations emphasized that the CCAQ statement represented a balance between the highly varied needs of the different organizations. For its part, the United Nations did not have highly mobile staff; staff on peacekeeping and other special missions were paid under different arrangements, i.e., a package based on a mission subsistence allowance (MSA). The United Nations nevertheless considered the scheme most important and fully supported it in its present form.

260. The representative of UNDP drew attention to a statement by the executive heads of four agencies expressing strong support for the scheme. UNDP welcomed efforts to ensure that the mobility and hardship allowance remained cost-effective and was not producing unintended side effects. He underlined the simplicity of the scheme and the manner in which it targeted the mobility and hardship realities faced by staff. The mobility and hardship allowance, which was the centrepiece of the scheme, was an indispensable management tool. At the time of the comprehensive review, the design of the allowance had been carefully calibrated to take the organizations' different needs into account. UNDP had found that the scheme responded well to most of its needs. This had also been confirmed in reactions by senior managers in the field, staff responses to a global survey and through the cost-benefit analysis it had undertaken. UNDP considered, however, that the conditions attaching to payment of the mobility element at H duty stations should be liberalized. Headquarters assignments were an intrinsic part of the UNDP reassignment programme, and the restrictions on mobility at H duty stations were seen by staff as illogical. UNDP was otherwise of the strong view that there was no reason to modify a well-functioning system.

261. The representative of the Office of the United Nations High Commissioner for Refugees (UNHCR) considered it important to view the mobility and hardship scheme in a broader human resources management context. In UNHCR, the mobility and hardship allowance had functioned well as a management tool, and had contributed significantly to staff accepting the burden of the mandatory rotation system. UNHCR commended ICSC for the introduction of this package.

262. The representative of ILO said that the Director-General considered this to be one of the most important issues before the Commission. It was essential that the mobility and hardship allowance be seen in the context of organizational objectives. The mobility and hardship scheme was an integral part of the human resources management policy of ILO, and specifically its formal rotation policy, which in turn formed part of the Organization's "active partnership" profile. At ILO, field service was an obligation. Assignments ranged between three and five years in length, mostly at A and B duty stations.

Staff did not serve on a large number of assignments during the course of a career, much of which would typically be spent at headquarters. The current construct of the mobility and hardship allowance represented a balance between organizations' different needs, and worked reasonably well for ILO. Any major change that would reduce allowances would create serious problems for ILO, which had relied heavily on the mobility and hardship allowance in formulating its rotation policy.

263. The representative of the Food and Agriculture Organization of the United Nations (FAO) fully supported the CCAQ statement, emphasizing that the organizations looked to the Commission to respond to their diverse needs in a flexible manner. The Organization's recent downsizing and decentralizing exercises had entailed the movement of a number of posts to the field, but that had not proved difficult: for FAO, the problem was attracting staff back to headquarters. The Organization's needs were thus for more incentives in that regard. He urged ICSC to accept the CCAQ proposals regarding mobility at H duty stations, which represented a compromise between different needs.

264. The representative of ITU said that, while the mobility and hardship scheme worked well for a number of organizations, that was less so for organizations with the majority of staff at headquarters duty stations and minimal mobility to and from the field. He therefore supported the CCAQ proposal that mobility payments at H locations be limited to organizations with distinct mobility and rotation needs. In the view of ITU, the priority should be restoring the competitiveness of the United Nations salary structure through an across-the-board increase. Nothing should be done to jeopardize that. He also questioned whether the relativities between H locations and some A duty stations were appropriate.

265. The representative of the World Food Programme (WFP) noted that WFP, which had the largest operational budget in the United Nations system (US$ 1.5 billion annually), was the second largest user of the mobility and hardship allowance in the system, with 91 per cent of its staff in receipt of the allowance. In terms of the number of staff assigned to the most difficult duty stations, WFP ranked highest in the system: 58 per cent of its staff were in D and E duty stations. WFP was also among the most highly mobile organizations, with 52 per cent of its staff having served on five or more assignments. While it recognized the mobility and hardship allowance scheme as useful, WFP considered it inadequate in high-risk duty stations and duty stations with extreme living conditions. It also considered that conditions for rotational staff at headquarters duty stations should be made more attractive, particularly for Rome. WFP did not support any reductions in the mobility and hardship allowance, and did not consider that the need for reductions had been demonstrated. The increase in the cost of the scheme had been modest and lower than expected. The scheme was essential for WFP to attract qualified staff to the most desperate and dangerous parts of the world in order to provide food. While money was not the only motivator to attract and maintain staff under such conditions, compensation must be seen to be fair to maintain morale and keep down turnover rates of international personnel. Noting that more than 75 per cent of the Programme's budget and staff efforts were now dedicated to emergencies, he urged the Commission to maintain and further improve the mobility and hardship allowance along the lines indicated by CCAQ and WFP.

Discussion by the Commission

266. The Commission recalled that the mobility and hardship scheme had been a major feature of the comprehensive review it had undertaken in 1989 of the

conditions of service of staff in the Professional and higher categories. It was, however, apparent that the General Assembly retained some misgivings about certain aspects of the mobility and hardship allowance. In approving the scheme, the General Assembly, by resolution 44/198, had requested the Commission to report on its operation in 1992. In resolution 45/241 of 21 December 1990, it had, in approving the adjustment to the base/floor salary, reiterated its request for a review of the mobility and hardship scheme, citing in particular the evolution of the mobility and hardship allowance in relation to equivalent allowances of the comparator and to the base/floor salary itself. The following year, 1991, again when approving the base/floor salary adjustment, the General Assembly, in resolution 46/191 A of 20 December 1991, had requested the Commission to include in the review scheduled for 1992 a cost-benefit analysis of the operation of the mobility and hardship allowance, and an assessment of the personnel management benefits deriving therefrom, as well as details of savings in other administrative costs. As noted above, the General Assembly had approved the Commission's recommendation that the scheme be retained in its current form, but had requested that a number of specific elements be included in the 1996 review. The Commission considered it appropriate that the Assembly's concerns be given prominence in the review, while taking due account also of the views of the users of the scheme. In this connection, ICSC took note of the various statements by the organizations, as well as messages from the executive heads of the United Nations Children's Fund (UNICEF), UNDP, UNHCR and the United Nations Population Fund (UNFPA), expressing strong support for the scheme and suggesting some improvements. The Commission noted the organizations' overall assessment that the scheme was an effective management tool that enabled the organizations, particularly those with activities in difficult locations, to discharge their programmes more effectively. It also noted that a survey of staff from a cross-section of field duty stations had found the scheme to be transparent, fair and rational.

1. Utilization and cost of the allowance

267. The Commission reviewed the statistical data provided on the utilization and cost of the mobility and hardship allowance (see annex XIV and annex XV, which sets out the mobility and hardship matrix). These data had been analysed by organization (see annex XVI), as well as in terms of the three elements of the mobility and hardship matrix, i.e., hardship, mobility and non-removal (see annex XVII). The Commission noted that, as of the reporting date (end 1994), some 7,600 staff in the Professional and higher categories were in receipt of one or more elements of the allowance. This number conformed very closely to the number of staff in receipt of the assignment allowance as at end 1989 (i.e., prior to the introduction of the mobility and hardship allowance), suggesting that overall utilization of field entitlements had remained within the same bounds pre- and post-mobility and hardship allowance.

268. ICSC further noted that the actual payments under the mobility and hardship allowance might be one-, two- or three-dimensional, depending on whether the conditions attaching to a given element were met in a particular case. In fact, only 1,760 staff were receiving all three elements (see annex XVII).

269. The data showed that the mobility and hardship allowance was not used uniformly by the organizations; utilization rates varied from more than 80 per cent of staff in the Professional and higher categories (e.g., UNICEF, UNRWA, UNHCR, WFP) to about one half (ILO, WHO), to approximately one third (United Nations, FAO) or less. In some organizations, the allowance was applicable minimally, if at all. The Commission noted that the utilization

patterns across the system were a reflection of the organizations' programme needs.

270. Before examining the specific elements of the matrix, the Commission undertook an in-depth examination of the cost structure of the mobility and hardship allowance. It recalled that at the time of the comprehensive review, the total cost of the mobility and hardship package had been estimated at some $56.4 million per year, system-wide, consisting of:

(a) Approximately $33.8 million pre-existing cost for allowances in respect of mobility, hardship and field service; these had been reconfigured and carried over into the mobility and hardship allowance;

(b) An additional cost of $22.6 million.

271. When the scheme had been reviewed in 1992, the cost of the mobility and hardship allowance had been estimated at some $62 million per year. Given that the data to hand at that point were incomplete, a number of assumptions had had to be made about actual utilization. The Commission noted that, by contrast, the data available to it for the current review provided a very comprehensive overview of the utilization of the allowance by organization, by element of the allowance and by duty station category. Those data, which had been provided by the organizations and validated by them, provided an opportunity for the Commission to establish a sound baseline for future tracking of the allowance.

272. On the basis of these data, the Commission established that the cost structure of the allowance had evolved as follows since its introduction:

	1990	1994	1995
Cost	$56.4 million	$62.1 million	$64.7 million
Increase	------------------------------------	-->	14.7 per cent

The Commission noted that, while these figures tracked the movement of the cost of the allowance over time, they might present a somewhat misleading picture of the total cost to organizations' budgets, since they included expenditures on Junior Professional Officers/Associate Experts/Associate Professional Officers, which were provided by their Governments at no cost to organizations' budgets. As at end 1995, there were approximately 800 such staff in receipt of the allowance at a cost of $5.3 million. The net cost to the organizations' budgets as of that date was thus $59.4 million per year system-wide. The Commission was confident that that figure represented an accurate baseline for Professional and higher category staff costs as at end 1995. It noted that, even allowing for some possible overstatement of the original (1990) estimates, the allowance was operating well within the parameters of the base/floor adjustment arrangements.

273. On the basis of the detailed information available to it, the Commission was able to establish that the average per capita cost of the mobility and hardship allowance was approximately $7,000 per year. It noted in this context that:

(a) The number of staff at the "high end" of the matrix (fifth assignment at E duty stations, see annex XIV) numbered just 51 for the system as a whole;

(b) More than 50 per cent of staff receiving the mobility and hardship allowance served at duty stations in categories H and A, where there was no entitlement for hardship;

(c) Of the staff receiving the allowance, less than half received the mobility element.

274. Taking all the above into consideration, the Commission concluded that the overall cost of the scheme was reasonable.

275. The Commission noted that, in resolution 46/191 A, the General Assembly had requested a cost-benefit analysis of the operation of the mobility and hardship allowance and, in resolution 47/216, a precise quantification of the administrative cost savings. Cost-benefit analyses covering a significant sector of the mobility and hardship allowance population had shown direct savings (slower turnover in offices, savings on relocation costs) and indirect savings (productivity gains, savings in management time and resources, streamlining of administrative processes). The average efficiency gain had been estimated at approximately $2,000 per staff member per year. The Commission realized that such analyses were not a typical feature of human resources management in the common system; moreover, the matter was more complex than quantifying the allowance in isolation from other parts of the human resources management picture and required a more integrated analysis of human resource outcomes system-wide. The Commission considered, however, that it would be possible for the organizations to formulate a generic costing model that could be used, inter alia, to measure both the tangible and the intangible costs and benefits of the mobility and hardship scheme and requested the organizations to do so. That said, the Commission emphasized that the mobility and hardship scheme had not been intended as a cost-saving measure, but as an improvement to a set of allowances that already carried a certain price.

276. ICSC was persuaded, on the basis of the extensive data and detailed information provided, that the costs for the scheme had stayed within reasonable bounds.

277. The Commission took note also of the information provided, in the context of the review, on 715 staff in the Field Service category and 214 internationally recruited General Service staff in receipt of mobility and hardship allowances.

278. The Commission noted the information that had been provided with respect to the assignment grant. The increase in the cost of the grant by 4.1 per cent between end 1991 and end 1994 was below inflation-related increases in remuneration. At the same time, the Commission wished to emphasize that while the assignment grant was part of the mobility and hardship scheme, its scope transcended that of mobility and hardship arrangements per se, to include all cases of appointment or reassignment at all locations. The costs of the assignment grant were therefore not fully imputable to mobility and hardship arrangements.

279. The Commission recalled that the consideration of social and non-monetary (non-cash) measures such as the issues of separated families, spouse employment and improvement of recreational and other local facilities had been limited by time constraints at the time of the comprehensive review and were to have been

taken up by CCAQ. Although a variety of measures had in the meantime been put into place by the organizations, the issue of split households (spouses or children not able to join the staff member because of inadequate facilities), related, inter alia, to the designation of non-family duty stations, had not yet been addressed in a comprehensive fashion. The Commission noted the confirmation of CCAQ that it would be undertaking a review of that issue.

280. In considering the specifics of the mobility and hardship matrix, the Commission took as a general point of departure the analysis it had conducted of the overall utilization and functioning of the mobility and hardship allowance, as reflected above.

2. Mobility and hardship allowance

(a) General matrix and related issues

281. The Commission considered that the current system with respect to the following three issues had worked well to date and met the needs of the organizations: (a) the current grade band approach for differentiating the level of the mobility and hardship allowance (P-1 to P-3, P-4/P-5 and D-1 and above); (b) the current single/dependant relativities (75/100) established for the allowance; and (c) the present approach to home leave entitlements, i.e., 24-month home leave at H, A and B duty stations, 12-month home leave at C-E duty stations.

(b) Additional reimbursement of boarding costs

282. At the time of the comprehensive review, the Commission had decided to increase the amount for boarding expenses, while restricting this entitlement to the primary and secondary levels of education. Thus, an amount of $3,000 per scholastic year, or the equivalent in local currency, was approved in respect of children at primary and secondary school levels, over and above the maximum payable under the education grant at designated duty stations where educational facilities were not available or deemed inadequate. The Commission's consideration of this matter is contained in paragraph 227 above.

(c) Hardship element

283. In reviewing the operation of the hardship element of the allowance, the Commission first considered the relativities between the hardship classifications of the common system and those of the comparator. It noted that the very substantial gap between common system hardship classifications in capital city locations and those of the non-diplomatic comparator civil service that had existed in 1990 and at the time of the 1992 review had begun to narrow. However, a "hardship gap" (i.e., the hardship ratings on the comparator side were more generous) still existed at the majority of the locations in the comparison sample. The Commission also reaffirmed that there were differences between the two systems, as a result of their different activities and mandates. It noted, inter alia, that comparator staff were posted mainly to capital cities, whereas common system staff were also assigned to numerous small duty stations outside the capitals, where conditions were usually more difficult.

284. A comparison of the United Nations and comparator field packages is given in annex XVIII. The Commission noted that those comparisons included, inter alia, housing provisions which, in the comparator package, were the main financial inducement for foreign assignments. United States expatriate civil

servants received either free housing or reimbursement of a substantial portion of the cost of privately rented housing through payment of the living quarters allowance. Those housing arrangements were provided in addition to the amount (20 per cent) included in the base salary for housing costs at Washington, D.C.

285. The Commission reviewed three possible options for change to the hardship element. The first option was a proposal to introduce an intermediate level between current hardship classifications A and B, to create a progression of 0-5-10-15-20-25 percentage points on the matrix. The purpose of the proposal was to facilitate the assignment of hardship ratings and bring the common system into line with that of the comparator (which had introduced a new level of 5 per cent of base salary in January 1995), thereby facilitating future comparisons between the two systems. Following discussion, the Commission concluded that there could be no guarantee that the introduction of a new level would be cost-neutral or solve operational difficulties with respect to classification.

286. The second option considered was the introduction of an "F" category. Some organizations considered an additional entitlement to be necessary at extremely difficult duty stations. The Commission noted the additional measures currently being undertaken by some organizations outside the mobility and hardship scheme at such locations and considered that they addressed more appropriately problems of stress, isolation etc. than would extra cash compensation.

287. Having also considered reducing hardship levels at the lower (B and C) end of the matrix, the Commission concluded that there was no evidence to suggest that current levels were too high, or that relativities between the present levels were incorrect.

288. The Commission concluded that the present hardship structure had proved effective. Cost increases for this element were stable. It decided therefore to recommend no change to the present hardship matrix.

(d) Mobility element

289. The Commission reviewed a number of options relating to this element, including a set of options proposed by CCAQ to modify the conditions at H duty stations (see para. 254 above). The Commission noted the views of the organizations in this respect, in particular the lack of a home base that distinguished the United Nations system from national civil services. With respect to the first option, ICSC considered that it would create two kinds of organizations and would introduce inequity among staff. Ensuring that staff rotated back to headquarters in between field assignments was a management issue for the organizations that a good human resources plan could help in overcoming. It was recalled that eliminating the need for two previous field assignments as a precondition for payment of the mobility element at H locations had also been the Commission's proposal at the time of the comprehensive review, subsequently changed by the General Assembly. ICSC considered that introducing a mobility allowance as of the third assignment, instead of the current fourth assignment, was not justified: the focus on field mobility should be maintained.

290. In summary, the Commission considered that the current arrangements for H duty stations continued to be balanced. The current mobility entitlement at H duty stations was a compromise based on organizations' needs which had been accepted by all parties at the time of the comprehensive review. The further restriction introduced by the General Assembly had reinforced the Commission's own conception of the package as being intended essentially for the field.

291. The Commission then considered options for changing the structure of the mobility element; these involved a reduction of the amounts payable for mobility on the matrix and/or extension of the mobility matrix. After a thorough review of the data at hand, ICSC saw no need to change the percentage points on the matrix. It reaffirmed that the current design of the mobility element represented a balance between the mobility requirements of different kinds of organizations: while it might not match all needs perfectly, it did not appear that any of the options presented would strike a better balance. Having established that the overall cost of the scheme was reasonable, ICSC saw no reason to reduce the mobility entitlement due to cost considerations. Noting perceptions expressed that the mobility entitlement encouraged unwarranted mobility, ICSC considered it important to recall that assignment was a management prerogative, based on programme needs. It further noted that the introduction of the mobility and hardship allowance had enabled organizations that had rotation policies to lengthen their staff assignments, thus reducing the costs of rotation.

292. The consensus of the Commission was to maintain the present structure of the mobility element of the matrix and the conditions attaching thereto. The design of the mobility element attempted to strike a balance between different needs: (a) for organizations without rotation policies, and/or with a large proportion of their staff at headquarters, it recognized that the first move was the most difficult to effect; (b) for staff with extensive field networks, which consequently had systematic rotation policies, it made provision for the additional toll exacted by frequent moves, more often than not without a home base. The Commission considered that the mobility element as currently constructed worked well in both kinds of situation.

(e) Non-removal element

293. The Commission reviewed the data presented on the utilization of the non-removal element. It concluded that the inclusion of this element in the matrix had worked well and facilitated administration for the organizations; moreover, in rotation situations it was cost-effective as compared to the entitlement for a full removal. The Commission therefore concluded that the non-removal element should be retained in the matrix.

294. The Commission recalled that at the time of the comprehensive review it had not been foreseen that payment of the non-removal element would continue indefinitely; the arrangements under the matrix had been put in place pending the outcome of a review by CCAQ of removal and shipment entitlements. 15/ The Commission considered that there was no justification for the open-ended payment of the non-removal element. It noted that there was no unanimity in the organizations as regards the duration of a time limit, given their different practices regarding shipping entitlements on repatriation. ICSC decided that, in principle, the non-removal element should be time-limited for a period of five years at one duty station, to be extended to up to seven years on an exceptional basis. This was the same time limit that had attached to the assignment allowance, the precursor of the mobility and hardship allowance.

295. Following further consideration of the matter on the basis of the report of CCAQ on its review of shipping entitlements (see para. 256 above), ICSC confirmed the above decision. In that connection, it noted explanations by several organizations that a degree of administrative discretion was required for determining such exceptions and that it would not be necessary to codify or specify them.

296. The time limitation on the non-removal element would be introduced on 1 January 1997. Once the revised system was fully in place, savings of approximately $1.7 million per annum would accrue, system-wide.

(f) Linkage between the base/floor salary and the mobility and hardship allowance

297. The Commission noted that the General Assembly had requested it to review the adjustment procedure which linked the mobility and hardship allowance to revisions of the base/floor salary. It recalled that that procedure had been modelled on that of the comparator, although comparator salary increases that took effect on 1 January of a given year were not reflected on the United Nations side until 1 March of the following year; hence, the United Nations system trailed the comparator by 14 months.

298. The Commission reviewed the considerations that had led it to establish the linkage in 1989. The comprehensive review had resulted in a reduction of the number of salary scales, a more orderly approach to the review and adjustment of allowances and, as already noted, an alignment with the process used by the comparator. Alternatives to current arrangements were considered. The Commission could not, however, identify a more appropriate indicator than the base/floor salary scale. It considered that the difficulties evinced with the current arrangements perhaps stemmed less from the use of the base/floor salary as an indicator per se than from the system of automatic adjustment of the mobility and hardship allowance in tandem with the base/floor. In that connection, the Commission gave careful consideration to two alternative approaches to the current adjustment mechanism: use of a trigger point, and adjustment on a biennial basis. It was noted that while such alternative approaches were feasible, they would necessarily render the system more complex and opaque, and might reintroduce a situation of irregular ratchet increases. Nonetheless, if the present system of regular, incremental adjustment had caused the cost of the allowance to escalate beyond reasonable bounds, the Commission considered that there would then be grounds for recommending a change in the current arrangements. Its consideration of the evolution of the cost structure of the allowance, however, had already convinced it that this was not the case. There was therefore no technical reason to depart from the current adjustment procedure, which was simple, logical and transparent.

299. Based on the above, the Commission found no basis for changing the present system and decided therefore to recommend that the present linkage to the base/floor salary and the current adjustment arrangements be retained.

B. Hazard pay

300. In accordance with the General Assembly's request in resolution 49/223, ICSC reconsidered its 1994 decision to increase the level of hazard pay for international staff from a flat amount representing somewhat less than 15 per cent of the mid-point of the base/floor salary to 20 per cent of the mid-point and to link its future movements to the base/floor salary; for local staff, the level had been increased from 15 per cent of net salary to 20 per cent of the mid-point of the applicable salary scale.

301. The Commission first wished to reiterate its appreciation for staff who endangered their lives by working under hazardous conditions. In reviewing its earlier decision, the Commission noted that there was a certain logic to treating hazard pay in the same way as the mobility and hardship allowance and

linking it to the base/floor salary. At the same time, a distinction should perhaps be drawn between the allowance, which was an intrinsic part of the compensation package, and hazard pay, which was a largely symbolic, while not insignificant, entitlement.

302. On the basis of the above, the Commission decided that it would be appropriate to delink hazard pay from the base/floor salary for staff in the Professional and higher categories. Thus, the amount would remain at the current level of $902 per month until it was next reviewed. To ensure that the amount continued to be meaningful, it would be reviewed every two years.

303. Although the Assembly's request referred to international staff, ICSC also reviewed hazard pay for locally recruited staff. The Commission recalled that for locally recruited staff, hazard pay had been pegged to the local salary scale since its introduction. A flat amount would be administratively cumbersome as it would need to be maintained in local currency for each affected location. The Commission therefore decided that for locally recruited staff, hazard pay would continue to be linked to the local salary scale and paid at the rate of 20 per cent of the mid-point of the relevant scale.

Decisions of the Commission

304. In the light of the above considerations, the Commission arrived at the following conclusions/decisions:

Organizations' assessment of the scheme

(a) It took note of the unanimous satisfaction expressed by the organizations on the functioning of the mobility and hardship allowance, which they found to be a useful and efficient management tool that had fulfilled its aims;

(b) It noted the action taken to date by the organizations in the area of social and non-monetary measures, further noting that CCAQ would review the issue of split households;

Utilization and costs of the scheme

(c) It took note of the statistical data on the utilization and costs of the scheme;

General matrix and related issues

(d) It decided to recommend that no change be made regarding:

(i) The current band approach for differentiating the level of the mobility and hardship allowance (P-1 to P-3, P-4/P-5 and D-1 and above);

(ii) The current single/dependant relativities (75/100) established for the allowance;

(iii) The present approach to home leave entitlements, i.e., 24-month home leave at H, A and B duty stations, 12-month home leave at C, D and E duty stations;

Hardship element

(e) To recommend that no change be made to existing hardship levels;

Mobility element

(f) To recommend that the present structure of the mobility element and the conditions attaching thereto be maintained;

Non-removal element

(g) To recommend that the non-removal element be maintained in the matrix and be time-limited for a period of five years at one duty station, to be extended for up to seven years on an exceptional basis. This time limit should be introduced as of 1 January 1997;

Linkage between the base/floor salary and the mobility and hardship allowance

(h) To recommend that the present linkage to the base/floor salary be retained.

305. With respect to the levels of hazard pay and linkage to the base/floor salary, the Commission decided:

(a) For Professional and higher category staff

To delink hazard pay from the base/floor salary and to review the amounts every two years;

(b) For locally recruited staff

To continue to link hazard pay to the local salary scale at the rate of 20 per cent of the mid-point of the relevant scale.

Chapter VIII

ACTION TAKEN BY THE COMMISSION UNDER ARTICLE 17 OF ITS STATUTE

Implementation of the decisions and recommendations of the Commission: post adjustment classification for Paris applicable to the staff of UNESCO

306. As part of the normal operation of the post adjustment system, a place-to-place cost-of-living survey was conducted by the Commission in Paris in November 1995. The survey data were reviewed by ACPAQ at its March 1996 session and the results based thereon were subsequently approved by the Commission at its April 1996 session. The Commission also agreed on an implementation date of 1 May 1996 for the survey results. The PAI based on the survey was 2.4 per cent higher than the existing PAI. The ICSC Chairman promulgated the revised post adjustment classification based on the survey results effective 1 May 1996 by way of the post adjustment circular memorandum for May 1996.

307. At the July/August 1996 session of the Commission, its Chairman informed members that he had received a letter dated 24 July 1996 from the Assistant Director-General for Administration and Management of the United Nations Educational, Scientific and Cultural Organization (UNESCO) stating that the Director-General had decided: (a) to submit the issue of automatic application of the decisions and recommendations of ICSC to the UNESCO Executive Board at its 150th session, to be held in October 1996; and (b) to suspend, in the meantime, the application of the revised post adjustment classification for Paris, which had become effective as of 1 May 1996.

Views of UNESCO

308. The representative of UNESCO reaffirmed the position of the Director-General as set forth above. She pointed out that, in the past, UNESCO had systematically applied the decisions of the Commission on matters covered by its statute. UNESCO had also implemented most of the Commission's recommendations. However, the Director-General could no longer agree to the automatic absorption of any cost increases resulting from ICSC decisions and recommendations within existing financial resources. Nor would he be able to implement an automatic across-the-board increase in remuneration at the current juncture should a decision to that effect be taken by the General Assembly at its fifty-first session. One of the Director-General's major concerns in coming to this conclusion was the fact that UNESCO should not at the current critical juncture for international development cooperation be forced to divert sorely needed programme resources towards meeting increases in staff costs.

309. In response to a series of questions from the Commission, the representative of UNESCO indicated that the Director-General was fully aware of the relevant provisions of the statute of ICSC and the possible legal consequences arising from non-implementation of the Commission's decisions with respect to the post adjustment for Paris; as an executive head facing a critical situation, he could not accept the automatic application of decisions that could be detrimental to his organization's programme implementation. The Director-General intended to submit to the UNESCO Executive Board the general issue of the automatic implementation of ICSC decisions and recommendations and subsequent action by the United Nations General Assembly. This consultation would not be limited to Commission decisions on post adjustment classification, but would include any ICSC decision or recommendation with significant financial

implications, such as an eventual across-the-board increase. As to whether consideration had been given to other means of incurring savings, UNESCO was currently reviewing all posts in an effort to find ways to cut staff costs. Lastly, the Director-General could not advance his consultations with the Executive Board by meeting with them before October 1996 and, on the broader issues referred to above, was prepared, if necessary, to address the UNESCO General Conference.

Discussion by the Commission

310. The Commission first reviewed the legal context attaching to the issue. The ICSC statute, inter alia, established the legal framework for the organizations' responsibilities vis-à-vis ICSC, the common system and the staff. It was recalled that UNESCO had entered into a relationship agreement with the United Nations in December 1946, ranking it among the earliest members of the United Nations family and the common system. When UNESCO accepted the ICSC statute in June 1975, it was also among the first organizations to do so. All organizations that had accepted the ICSC statute were legally bound by the provisions of the statute and had an obligation to implement the decisions of the Commission. There was no reason for UNESCO to consider that it could be exempt from fulfilling these obligations.

311. Particularly relevant in the current context was article 11 (c) of the statute, which entrusted ICSC with the sole responsibility of classifying duty stations for the purpose of applying post adjustments. The Commission recalled that while under article 18, paragraph 2, of its statute the responsibility for taking decisions regarding the day-to-day operation of the post adjustment system was delegated to its Chairman, in the case at hand, the decision on the implementation of the revised post adjustment classification for Paris had been taken by the Commission as a whole. Furthermore, the Commission had complied fully with article 25, which established procedures for the promulgation, notification and implementation of ICSC decisions.

312. The Commission next recalled article 26 of its statute, which called upon it, in making its decisions and recommendations, and the executive heads, in applying them, to do so without prejudice to the acquired rights of the staff under the staff regulations of the organizations concerned. In two recent cases, the ILO Administrative Tribunal had found that it was the responsibility of executive heads to ensure that the decisions of the Commission were based on approved methodologies, under the authority granted to it, and that those decisions were thus legally valid. The Director-General of UNESCO had had the opportunity to ensure the validity of the above decision of the Commission as the representatives of that organization had been present both when the Paris survey was considered by ACPAQ and when the Commission took its decisions on the matter.

313. The Commission recalled that only in rare circumstances had an executive head deferred implementation of a particular decision of the Commission owing to financial problems; however, once the financial issue was resolved, implementation had taken place on the date originally due. Under rule 33 of its rules of procedure, neither the Commission nor any member to whom a function had been delegated shall make a substantive determination, other than a routine revision of daily subsistence allowance rates or of the classification of duty stations for the purpose of applying post adjustment, before having sought the views of the executive heads of the participating organizations concerned on the financial and administrative implications of implementing that determination. The Commission wished to reiterate that it had taken its responsibilities in

that regard very seriously. While the Commission took into account the financial impact of its decisions and/or recommendations, its decision-making process could not be driven by financial impact, nor by the financial problems faced by one or more organizations affected by those decisions. It was important that a distinction be made between responsible decision-making under the authority and mandate of the Commission and budgetary constraints. The role of the Commission was to arrive at a competitive remuneration package to enable the organizations to recruit and retain staff meeting the highest standards of efficiency, competence and integrity. The Commission considered that the entire common system would be placed in jeopardy if organizations used internal financial or other crises to justify the non-implementation of ICSC decisions.

314. Bearing in mind the jurisprudence of the ILO Administrative Tribunal, particularly in some of the recent cases, the Commission was convinced that if the decision of the Director-General of UNESCO was challenged by staff, only one outcome could be anticipated: under those circumstances, the eventual cost to member States would be considerably higher. The Director-General did not simply decide to defer implementation of the Commission's decision regarding the revised post adjustment classification on the basis of financial constraints. Instead, he had gone on to raise the issue of the automatic application of ICSC decisions and recommendations, which he intended to take up with the Executive Board. This was tantamount to challenging the authority granted to the Commission under its statute and struck at the very heart of the compact between member States, executive heads and staff bodies.

Conclusions of the Commission

315. The Commission noted that UNESCO had heretofore always respected ICSC decisions and supported the common system. It was regrettable that an organization that played an important role in human development did not now see fit to consider the demoralizing effect of its action on the staff of UNESCO and respect its obligations towards the common system. The non-compliance of UNESCO with the ICSC decision was a violation of the statute, depriving staff of their right to receive the appropriate post adjustment in accordance with the provisions of article 11 (c) of the statute. The action of UNESCO at the present time concerned the decision of ICSC with respect to the implementation of the post adjustment for Paris applicable to UNESCO staff. However, a significantly larger issue, i.e., that of the authority of the Commission to take decisions within the framework of the statute and the obligation of organizations to implement such decisions, had been raised. The Commission hoped that the Director-General of UNESCO would reconsider his decision.

316. The Commission requested its Chairman to communicate its unanimous views to the Director-General of UNESCO.

Notes

1/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 30 and corrigendum (A/47/30 and Corr.1), para. 29 (b).

2/ Ibid., Fiftieth Session, Supplement No. 30 and addendum (A/50/30 and Add.1).

3/ General Assembly resolution 47/216, sect. I.C.

4/ General Assembly resolution 48/225, sect. I.

5/ _Official Records of the General Assembly, Forty-eighth Session, Supplement No. 30_ and corrigendum (A/48/30 and Corr.1)

6/ Ibid., _Forty-ninth Session, Supplement No. 30_ (A/49/30), paras. 14-29.

7/ Ibid., _Forty-fifth Session, Supplement No. 30_ (A/45/30).

8/ Ibid., _Thirty-sixth Session, Supplement No. 30_ (A/36/30), para. 104.

9/ Ibid., _Forty-seventh Session, Supplement No. 30_ and corrigendum (A/47/30 and Corr.1), para. 190.

10/ Ibid., paras. 208-233.

11/ Ibid., _Forty-eighth Session, Supplement No. 30_ (A/48/30), paras. 188-197.

12/ Ibid., _Forty-ninth Session, Supplement No. 30_ (A/49/30), para. 208 (b).

13/ Ibid., _Forty-fourth Session, Supplement No. 30_ (A/44/30), vol. II, paras. 299 and 300.

14/ Ibid., _Forty-seventh Session, Supplement No. 30_ and corrigendum (A/47/30 and Corr.1), para. 283.

15/ Ibid., _Forty-fourth Session, Supplement No. 30_ (A/44/30), vol. II, para. 327.

Annex I

METHODOLOGY USED TO ESTABLISH THE SCALE OF PENSIONABLE REMUNERATION AND THE INTERIM ADJUSTMENT PROCEDURE FOR ADJUSTING THE SCALE BETWEEN COMPREHENSIVE REVIEWS

A. Professional and higher categories

1. The methodology underlying the current scale involved the use of the following procedure:

(a) The total net remuneration amounts (net base salary, plus post adjustment at the current level of multiplier 43 at the dependency rate) were calculated for the United Nations staff in grades P-1 to D-2 in New York;

(b) The rate of pension benefit accumulation for a staff member with 25 years of contributor service, i.e., 46.25 per cent, was applied to the total net remuneration amounts at all grades and steps;

(c) The resulting amounts in (b) above were grossed up by the reverse application of the scale of staff assessment applicable to staff members with dependants (these amounts represented the gross pension amounts to be earned after 25 years of contributory service);

(d) The pensionable remuneration amounts that would produce the gross pension determined in step (c) above were calculated by dividing the gross pension amounts by 0.4625.

2. The above procedure was used to arrive at the scale of pensionable remuneration for the Professional staff which went into effect on 1 April 1987. The scale resulting at the end of step (d) (the "machine scale") was then adjusted to redress certain internal grade/step inconsistencies and to provide higher income replacement ratios for certain grades when the corresponding ratios for comparable grades in the comparator service were significantly higher, e.g., for the lower grades. Since 1 April 1987, the pensionable remuneration scale has been adjusted for inflation using the currently applicable interim adjustment (see paras. 4 and 5 below).

B. General Service and other locally recruited categories

3. The procedure in steps (a) to (d) in paragraph 1 above is used to arrive at the scale of pensionable remuneration in local currencies for the General Service staff at all locations. However, 66.25 per cent of net pensionable salary corresponding to 35 years of contributory service is used in step (b).

C. Interim adjustment procedure

Professional and higher categories

4. The scale of pensionable remuneration for the Professional and higher categories is adjusted on the same date and by the same percentage as the increase in the net remuneration of staff in those categories in New York.

General Service and other locally recruited categories

5. The scale of pensionable remuneration of the General Service and related categories for a given duty station is adjusted on the same date and by the same percentage as the increase in the net remuneration of staff in those categories.

Annex II

COMPARISON OF CURRENT PROFESSIONAL PENSIONABLE REMUNERATION RESULTING FROM THE ONE-TO-ONE INTERIM ADJUSTMENT OF 1 APRIL 1987 SCALE WITH THAT OBTAINED BY THE APPLICATION OF THE INCOME REPLACEMENT METHODOLOGY

	Current system based on:		
Net salary (United States dollars)	One-to-one interim adjustment (United States dollars)	Income replacement (46.25 per cent) (United States dollars)	[(Col. 3/ col. 2) -1] x 100 (Percentage)
(1)	(2)	(3)	(4)
40 000	43 673	43 514	-0.4
45 000	49 169	49 764	1.2
50 000	55 098	56 144	1.9
55 000	61 768	62 811	1.7
60 000	68 853	69 477	0.9
65 000	74 689	76 171	2.0
70 000	82 054	83 213	1.4
75 000	87 649	90 255	3.0
80 000	94 681	97 297	2.8
85 000	101 149	104 340	3.2
90 000	108 246	111 382	2.9
95 000	114 078	118 424	3.8
100 000	121 445	125 755	3.5
105 000	128 802	133 108	3.3
110 000	135 369	140 461	3.8
115 000	142 881	147 814	3.5
120 000	146 511	155 167	5.9
125 000	152 627	162 536	6.5
130 000	158 214	170 229	7.6
135 000	163 676	177 921	8.7

Annex III

COMPARISON OF CURRENT AND PROPOSED PENSIONABLE REMUNERATION LEVELS

(Based on current scales/recommended common scale of staff assessment)

Net salary (United States dollars)	Pensionable remuneration (United States dollars)				Pensionable remuneration (as index, current = 100)				Income inversion ratio GS/Prof. (Percentage)	
	Current system		Proposed		Current system		Proposed		Current	Proposed
	Prof.	GS	Prof.	GS	Prof.	GS	Prof.	GS		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
5 000	5 459	6 100	5 618	6 173	100	100	103	101	11.7	9.9
10 000	10 918	12 433	11 236	12 346	100	100	103	99	13.9	9.9
15 000	16 377	18 853	16 854	18 519	100	100	103	98	15.1	9.9
20 000	21 836	25 362	22 472	24 691	100	100	103	97	16.1	9.9
25 000	27 296	31 965	28 090	30 899	100	100	103	97	17.1	10.0
30 000	32 755	38 631	33 708	37 393	100	100	103	97	17.9	10.9
35 000	38 214	45 339	39 326	43 886	100	100	103	97	18.6	11.6
40 000	43 673	52 075	45 089	50 380	100	100	103	97	19.2	11.7
45 000	49 169	58 842	51 187	56 873	100	100	104	97	19.7	11.1
50 000	55 098	65 645	57 284	63 488	100	100	104	97	19.1	10.8
55 000	61 768	72 468	63 382	70 245	100	100	103	97	17.3	10.8
60 000	68 853	79 318	69 479	77 002	100	100	101	97	15.2	10.8
65 000	74 689	86 199	75 577	83 758	100	100	101	97	15.4	10.8
70 000	82 054	93 096	81 674	90 515	100	100	100	97	13.5	10.8
75 000	87 649	100 037	87 892	97 555	100	100	100	98	14.1	11.0
80 000	94 681	107 000	94 559	104 597	100	100	100	98	13.0	10.6
85 000	101 149	114 042	101 225	111 640	100	100	100	98	12.7	10.3
90 000	108 246	121 084	107 892	118 682	100	100	100	98	11.9	10.0
95 000	114 078	128 126	114 559	125 724	100	100	100	98	12.3	9.7
100 000	121 445	135 169	121 225	132 766	100	100	100	98	11.3	9.5
105 000	128 802	142 211	127 892	139 809	100	100	99	98	10.4	9.3
110 000	135 369	149 253	134 903	146 851	100	100	100	98	10.3	8.9
115 000	142 881	156 296	142 046	153 893	100	100	99	98	9.4	8.3
120 000	148 472	163 338	147 605	160 935	100	100	99	99	10.0	9.0
125 000	154 063	170 380	153 163	167 978	100	100	99	99	10.6	9.7
130 000	159 654	177 422	158 721	175 020	100	100	99	99	11.1	10.3
135 000	165 245	184 465	164 280	182 062	100	100	99	99	11.6	10.8

Annex IV

COMMON SCALE OF STAFF ASSESSMENT APPLICABLE TO PROFESSIONAL AND HIGHER CATEGORIES AND GENERAL SERVICE AND RELATED CATEGORIES

Total assessable payments (United States dollars)	Staff assessment rates used in conjunction with pensionable remuneration	
	Dependency staff assessment rates for application to Professional and higher categories	Single staff assessment rates for application to General Service and related categories
	(Percentage)	
Up to 20 000 per year	11	19
20 001 to 40 000 per year	18	23
40 001 to 60 000 per year	25	26
60 001 and above per year	30	31

Annex V

COMPARISON OF AVERAGE NET REMUNERATION OF UNITED NATIONS OFFICIALS IN NEW YORK AND UNITED STATES OFFICIALS IN WASHINGTON, D.C., BY EQUIVALENT GRADES

(Margin for calendar year 1996)

Grade	Net remuneration (United States dollars)		United Nations/ United States ratio (United States, Washington, D.C. = 100)	Weights for calculation of overall ratio b/
	United Nations a/	United States		
P-1	44 915	31 404	143.0	0.5
P-2	56 891	40 744	139.6	6.9
P-3	68 786	50 957	135.0	22.8
P-4	81 898	66 896	122.4	31.7
P-5	95 506	78 428	121.8	25.9
D-1	104 024	85 060	122.3	9.2
D-2	111 777	96 546	115.8	3.0

Weighted average ratio before adjustment for New York/Washington, D.C. cost-of-living differential:	126.2
New York/Washington, D.C. cost-of-living ratio:	115.0
Weighted average ratio, adjusted for cost-of-living difference:	109.7

a/ Average United Nations net salaries at dependency level by grade reflecting 10 months at multiplier 46.5 and two months at multiplier 52.2.

b/ These weights correspond to the United Nations common system staff in grades P-1 (D) to D-2 (D), inclusive, serving at Headquarters and established offices as at 31 December 1994.

Annex VI

STAFF ASSESSMENT RATES FOR USE IN CONJUNCTION WITH GROSS BASE SALARIES

	Staff assessment rates used in conjunction with gross base salaries (Percentage)	
Total assessable payments (United States dollars)	Staff member with a dependent spouse or a dependent child	Staff member with neither a dependent spouse nor a dependent child
First 15 000 per year	9.0	11.8
Next 5 000 per year	18.0	24.6
Next 5 000 per year	22.0	27.1
Next 5 000 per year	25.0	31.7
Next 5 000 per year	28.0	33.4
Next 10 000 per year	30.0	35.8
Next 10 000 per year	32.0	38.2
Next 10 000 per year	33.0	38.8
Next 10 000 per year	34.0	40.0
Next 15 000 per year	35.0	40.9
Next 20 000 per year	36.0	43.2
Remaining assessable payments	37.0	47.0

Annex VII

SALARY SCALE FOR THE PROFESSIONAL AND HIGHER CATEGORIES: ANNUAL GROSS SALARIES AND NET EQUIVALENTS AFTER APPLICATION OF STAFF ASSESSMENT

(United States dollars)

(Effective 1 March 1997)

	STEPS														
Level	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
USG															
Gross	152 869														
Net (D)	105 657														
(S)	95 056														
ASG															
Gross	138 980														
Net (D)	96 907														
(S)	87 694														
D-2															
Gross	113 885	116 302	118 720	121 137	123 555	125 972									
Net (D)	81 098	82 621	84 144	85 667	87 190	88 713									
(S)	74 394	75 675	76 957	78 238	79 519	80 800									
D-1															
Gross	98 556	100 653	102 750	104 847	106 944	109 040	111 155	113 286	115 416						
Net (D)	71 326	72 668	74 010	75 352	76 694	78 036	79 378	80 720	82 062						
(S)	65 835	67 026	68 217	69 408	70 599	71 790	72 947	74 077	75 205						
P-5															
Gross	83 534	85 313	87 091	88 870	90 658	92 465	94 271	96 077	97 883	99 690	101 496	103 302	105 108		
Net (D)	61 647	62 803	63 959	65 115	66 271	67 427	68 583	69 739	70 895	72 051	73 207	74 363	75 519		
(S)	57 154	58 205	59 256	60 307	61 349	62 375	63 401	64 427	65 453	66 479	67 505	68 531	69 556		
P-4															
Gross	68 360	70 020	71 681	73 342	75 002	76 688	78 375	80 061	81 747	83 433	85 119	86 805	88 492	90 181	91 893
Net (D)	51 718	52 814	53 910	55 006	56 102	57 198	58 294	59 390	60 486	61 582	62 678	63 774	64 870	65 966	67 062
(S)	48 126	49 122	50 119	51 115	52 111	53 108	54 105	55 101	56 097	57 094	58 090	59 087	60 084	61 078	62 050
P-3															
Gross	55 942	57 477	59 013	60 549	62 085	63 621	65 159	66 718	68 277	69 836	71 395	72 954	74 513	76 089	77 672
Net (D)	43 431	44 460	45 489	46 518	47 547	48 576	49 605	50 634	51 663	52 692	53 721	54 750	55 779	56 808	57 837
(S)	40 567	41 506	42 446	43 386	44 326	45 266	46 205	47 141	48 076	49 012	49 947	50 882	51 818	52 754	53 689
P-2															
Gross	45 239	46 584	47 930	49 275	50 621	51 967	53 312	54 658	56 018	57 384	58 750	60 115			
Net (D)	36 162	37 077	37 992	38 907	39 822	40 737	41 652	42 567	43 482	44 397	45 312	46 227			
(S)	33 958	34 789	35 621	36 452	37 284	38 116	38 947	39 779	40 613	41 449	42 285	43 120			
P-1															
Gross	35 572	36 703	37 835	38 966	40 097	41 229	42 360	43 492	44 623	45 777					
Net (D)	29 400	30 192	30 984	31 776	32 568	33 360	34 152	34 944	35 736	36 528					
(S)	27 757	28 483	29 210	29 936	30 662	31 389	32 115	32 842	33 568	34 290					

Annex VIII

REAL SALARY INCREASE FOR THE PROFESSIONAL AND HIGHER CATEGORIES RESULTING FROM THE IMPLEMENTATION OF THE PROPOSED BASE/FLOOR SALARY SCALE WITH THE CONSOLIDATION OF POST ADJUSTMENT OF 2.51 PER CENT

(Percentage)

	STEPS														
Level	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
USG	9.7														
ASG	9.7														
D-2	9.7	9.6	9.6	9.6	9.6	9.6									
D-1	7.5	7.6	7.7	7.7	7.8	7.9	7.9	8.0	8.1						
P-5	3.8	3.8	3.8	3.9	3.9	4.0	4.0	4.1	4.1	4.1	4.2	4.2	4.2		
P-4	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
P-3	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
P-2	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.3	3.3			
P-1	6.3	5.9	5.5	5.1	4.7	4.4	4.1	3.8	3.5	3.2					

Annex IX

REVISED OUT-OF-AREA WEIGHTS

Table 1

Percentage weights by expenditure categories used in calculating post adjustment indices of headquarters duty stations base salaries at the dependency rate a/

Expenditure category	Washington, D.C.	Geneva	London	Montreal	Paris	Rome	Vienna
Total, in-area (with housing and medical insurance)	75.12	76.02	74.95	68.62	76.74	64.28	71.48
Total, out-of-area	14.46	17.55	15.42	19.59	14.87	25.38	20.89
Pension contribution	10.42	9.63	9.63	11.79	8.39	10.34	7.63
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Post adjustment index (New York, Feb. 1987 = 100)	127.51	198.37	156.27	124.21	172.27	137.33	176.36

a/ As reported in the results of the 1995 place-to-place survey.

Table 2

Revised percentage weights by expenditure categories for post adjustment indices of headquarters duty stations a/

Expenditure category	Washington, D.C.	Geneva	London	Montreal	Paris	Rome	Vienna
Total, in-area (with housing and medical insurance)	65.52	71.22	66.85	63.62	68.54	64.28	69.58
Total, out-of-area	24.06	22.35	23.52	24.59	23.07	25.38	22.79
Pension contribution	10.42	6.43	9.63	11.79	8.39	10.34	7.63
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
1995 place-to-place post adjustment	128.36	193.76	155.07	125.10	168.90	137.33	175.30

a/ Used as out-of-area weights a minimum of 20 per cent of base salary plus post adjustment at the duty station plus 5 per cent of net base salary (NCC).

Annex X

RECOMMENDED AMOUNTS OF CHILDREN'S AND SECONDARY DEPENDANT'S ALLOWANCES (IN LOCAL CURRENCY) FOR IMPLEMENTATION AS OF JANUARY 1997

Country	Currency	Children's allowance	Secondary dependant's allowance a/
Austria	Schilling	24 656	9 108
Belgium	Belgian franc	61 247	19 588
Denmark	Danish krone	11 512	3 328
France	French franc	8 849	2 936
French Guiana	French franc	8 849	2 353
Germany	Deutsche mark	3 540	1 270
Ireland	Irish pound	999	327
Japan	Yen	347 907	158 050
Luxembourg	Luxembourg franc	61 247	19 555
Monaco	French franc	8 849	2 936
Netherlands	Netherlands guilder	3 902	1 329
Switzerland	Swiss franc	2 935	1 308
United States and the rest of the world	United States dollar	1 510	540

a/ Based on the same percentage increase as for the children's allowance.

Annex XI

RECOMMENDED NET SALARY SCALE FOR GENERAL SERVICE AND RELATED CATEGORIES IN LONDON

(1 October 1995)

	I	II	III	IV	V	VI	VII	VIII	IX	X
GS-8	19 535	20 316	21 097	21 878	22 659	23 440	24 221	25 002	25 783	26 564
GS-7	17 442	18 140	18 838	19 536	20 234	20 932	21 630	22 328	23 026	23 724
GS-6	15 571	16 194	16 817	17 440	18 063	18 686	19 309	19 932	20 555	21 178
GS-5	13 903	14 459	15 015	15 571	16 127	16 683	17 239	17 795	18 351	18 907
GS-4	12 413	12 910	13 407	13 904	14 401	14 898	15 395	15 892	16 389	16 886
GS-3	11 085	11 528	11 971	12 414	12 857	13 300	13 743	14 186	14 629	15 072
GS-2	9 897	10 293	10 689	11 085	11 481	11 877	12 273	12 669	13 065	13 461

Annex XII

RECOMMENDED NET SALARY SCALE FOR STAFF IN THE GENERAL SERVICE AND RELATED CATEGORIES AT VIENNA

(Austrian schillings)

Level	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
GS-1	234 555	242 061	249 567	257 073	264 579	272 085	279 591	287 097	294 603	302 109	309 615	317 121
GS-2	271 382	280 066	288 750	297 434	306 118	314 802	323 486	332 170	340 854	349 538	358 222	366 906
GS-3	313 987	324 035	334 083	344 131	354 179	364 227	374 275	384 323	394 371	404 419	414 467	424 515
GS-4	363 284	374 909	386 534	398 159	409 784	421 409	433 034	444 659	456 284	467 909	479 534	491 159
GS-5	420 318	433 768	447 218	460 668	474 118	487 568	501 018	514 468	527 918	541 368	554 818	568 268
GS-6	486 309	501 871	517 433	532 995	548 557	564 119	579 681	595 243	610 805	626 367	641 929	657 491
GS-7	562 660	580 665	598 670	616 675	634 680	652 685	670 690	688 695	706 700	724 705	742 710	760 715

Annex XIII

AVERAGE FEE MOVEMENTS, PROPOSED MAXIMUM ADMISSIBLE EXPENDITURE LEVELS AND PROPOSED CEILINGS FOR BOARDING COSTS

Table A

Currency triggered	Average fee movement, 2-year period 1993/94-1995/96 (Percentage) (a)	Increase required to get below 5 per cent of claims under new MAE (Percentage) (b)	Proposed increase in MAE (Percentage) (c)	Percentage of claims remaining over proposed MAE (d)
Swiss franc	11.4	10	10	5
Italian lira	10.8	5	5	5
Norwegian krone	12.1	25	12.1	11
Netherlands guilder	6.8	25	6.8	6
Swedish krona	20.1	20	10	10
Pound sterling	10	20	10	13
United States dollar in the United States of America	10.5	30	10.5	14

Table B

Currency	Proposed maximum admissible level (a)	Maximum education grant, 75 per cent of (a) (b)	Ceiling for boarding, in local currency (c)
Swiss franc	22 107	16 680	4 913
Italian lira	20 790 000	15 592 500	4 620 000
Norwegian krone	71 632	53 724	15 918
Netherlands guilder	28 836	21 627	6 408
Swedish krona	91 575	68 681	20 350
Pound sterling	12 375	9 281	2 750
United States dollar (in the United States of America)	18 675	14 006	4 166

PROFESSIONAL AND HIGHER CATEGORY STAFF IN RECEIPT OF MOBILITY AND HARDSHIP ALLOWANCE
(As at end 1994)

DUTY STATION CATEGORY	ASSIGNMENT NUMBER 1 D	1 S	2 D	2 S	3 D	3 S	4 D	4 S	5 D	5 S	Staff total
H											
P1-P3	208	246	39	38	34	14	17	16	13	5	630
P4-P5	413	191	68	28	57	33	90	41	161	41	1 123
D1+	83	28	18	6	9	4	27	14	89	22	300
TOTAL	704	465	125	72	100	51	134	71	263	68	2 053
A											
P1-P3	161	127	68	26	47	24	17	5	16	3	494
P4-P5	389	80	174	51	143	26	67	23	127	34	1 114
D1+	72	9	37	5	29	5	20	1	58	11	247
TOTAL	622	216	279	82	219	55	104	29	201	48	1 855
B											
P1-P3	102	65	25	15	14	14	9	6	10	3	263
P4-P5	277	59	87	27	67	15	47	4	65	11	659
D1+	41	6	23	2	12	2	17	4	33	4	144
TOTAL	420	130	135	44	93	31	73	14	108	18	1 066
C											
P1-P3	168	81	53	17	30	4	16	3	7	6	385
P4-P5	334	77	110	30	75	17	49	10	90	19	811
D1+	42	5	17	6	15	2	6	3	22	5	123
TOTAL	544	163	180	53	120	23	71	16	119	30	1 319
D											
P1-P3	116	77	41	25	28	8	13	7	5	12	332
P4-P5	198	55	54	15	53	13	41	7	61	15	512
D1+	14	0	14	1	13	2	6	1	21	4	76
TOTAL	328	132	109	41	94	23	60	15	87	31	920
E											
P1-P3	85	39	29	4	11	1	5	4	2	2	182
P4-P5	69	21	23	2	15	7	9	3	22	10	181
D1+	7	3	2	0	4	0	2	0	11	4	33
TOTAL	161	63	54	6	30	8	16	7	35	16	396
TOTAL	2 779	1 169	882	298	656	191	458	152	813	211	7 609

D = dependent rate S = single rate

Annex XV

MOBILITY AND HARDSHIP MATRIX

Duty station	First assignment	Second assignment	Third assignment	Fourth assignment	Fifth and subsequent assignment
	H + M + N	H + M + N	H + M + N	H + M + N	H + M + N
H	0 + 0 + 3 = 3	0 + 0 + 3 = 3	0 + 0 + 3 = 3	0 + 4 + 3 = 7	0 + 6 + 3 = 9
A	0 + 0 + 5 = 5	0 + 10 + 5 = 15	0 + 12 + 5 = 17	0 + 14 + 5 = 19	0 + 16 + 5 = 21
B	8 + 0 + 5 = 13	8 + 10 + 5 = 23	8 + 12 + 5 = 25	8 + 14 + 5 = 27	8 + 16 + 5 = 29
C	15 + 0 + 5 = 20	15 + 10 + 5 = 30	15 + 12 + 5 = 32	15 + 14 + 5 = 34	15 + 16 + 5 = 36
D	20 + 0 + 5 = 25	20 + 10 + 5 = 35	20 + 12 + 5 = 37	20 + 14 + 5 = 39	20 + 16 + 5 = 41
E	25 + 0 + 5 = 30	25 + 10 + 5 = 40	25 + 12 + 5 = 42	25 + 14 + 5 = 44	25 + 16 + 5 = 46

H = Hardship element M = Mobility element N = Non-removal element

Annex XVI

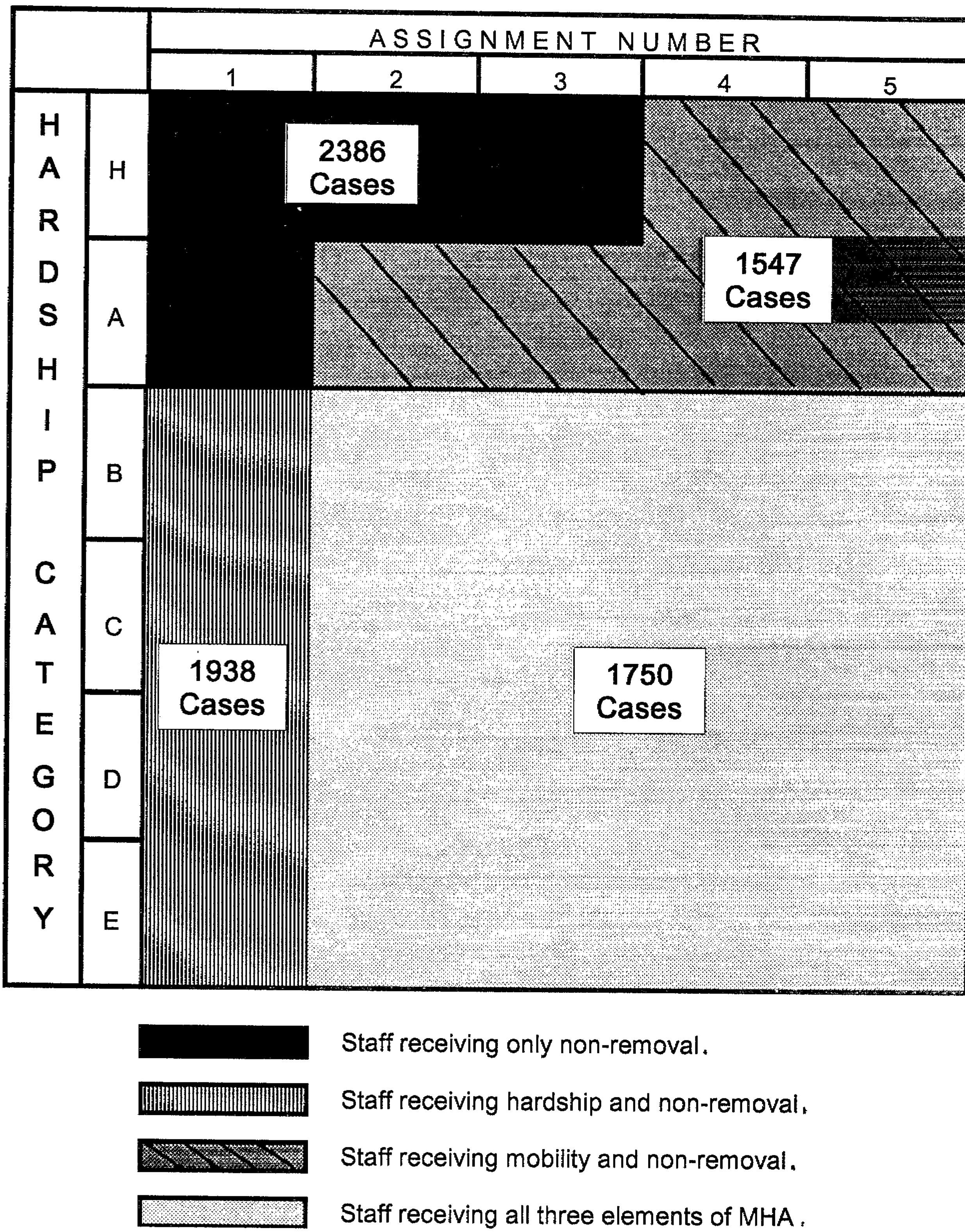
OVERVIEW OF THE MOBILITY AND HARDSHIP ALLOWANCE

(Professional and higher categories)

Organization	Percentage of total staff	Total expenditure (United States dollars)
United Nations	29	7 721 700
UNDP	67	6 775 335
UNFPA	36	655 065
UNOPS	38	449 375
UNHCR	99	7 989 325
UNICEF	81	9 758 840
UNRWA	90	960 495
ITC	37	143 150
ILO	51	3 245 065
FAO	35	5 906 205
UNESCO	23	1 361 405
WHO	48	5 903 500
PAHO	39	775 090
ICAO	13	783 890
ITU	17	294 870
WMO	3	51 345
IMO	4	34 805
WIPO	0	0
IFAD	30	60 535
UNIDO	21	450 495
WTO	4	9 580
WFP	83	4 062 630
Total	46.5	57 392 700

Annex XVII

NUMBER OF MOBILITY AND HARDSHIP ALLOWANCE CASES



Annex XVIII

COMPARISON OF UNITED NATIONS AND UNITED STATES EMOLUMENTS BY COUNTRY

(Based on emoluments of capital city)

Country	Current hardship category (1996)	Assignment number	United Nations/United States (Percentage) 1989 a/	1992	1996 b/
Bangladesh	C	1	-15.9	-8.7	-8.6
		2	-8.5	-1.7	-2.6
		5	-4.1	2.5	1.1
Brazil	A	1	-22.0	-1.5	20.0
		2	-14.6	5.8	27.1
		5	-10.3	10.3	31.4
Burkina Faso	C	1	-15.1	-14.5	-8.1
		2	-8.7	-8.9	-1.8
		5	-4.9	-5.5	1.9
Chile	A	1	-25.5	-13.2	3.2
		2	-18.6	-6.4	10.1
		5	-14.4	-2.3	14.3
Congo	C	1		-7.7	1.6
		2		-2.2	7.3
		5		1.2	10.7
Egypt	A	1	-17.9	-10.1	-1.5
		2	-11.0	-3.2	5.3
		5	-6.9	0.9	9.3
Equatorial Guinea	E	1		10.3	-2.4
		2		16.0	3.1
		5		19.4	6.3
Ethiopia	C	1	-12.9	2.9	-0.9
		2	-6.3	9.2	5.4
		5	-2.4	13.0	9.1
Georgia	D	1			-0.2
		2			6.1
		5			9.9
Honduras	B	1		-15.8	-5.6
		2		-9.0	1.4
		5		-4.8	5.6
India	B	1	-18.4	-12.0	-3.8
		2	-11.1	-5.1	3.2
		5	-6.7	-1.0	7.4
Indonesia	A	1	-11.3	-12.0	1.5
		2	-4.0	-5.1	8.4
		5	0.4	-1.0	12.5

Country	Current hardship category (1996)	Assignment number	United Nations/United States (Percentage)		
			1989 a/	1992	1996 b/
Kenya	B	1	-7.9	-10.0	-13.2
		2	0.7	-2.4	-6.9
		5	5.9	2.1	-3.1
Malaysia	A	1		-9.2	-10.3
		2		-2.0	-3.5
		5		2.3	0.6
Mexico	A	1	-30.2	-21.4	-21.0
		2	-23.6	-15.5	-15.2
		5	-19.7	-12.0	-11.8
Mongolia	E	1		10.0	13.5
		2		16.4	19.8
		5		20.3	23.5
Mozambique	C	1	-6.6		-4.6
		2	-0.1		1.6
		5	3.8		5.4
Nepal	C	1	-16.4	-17.9	-6.8
		2	-9.1	-11.3	-0.1
		5	-4.7	-7.3	3.9
Pakistan	B	1	-18.8	-15.5	-11.5
		2	-11.8	-8.9	-4.7
		5	-7.6	-4.9	-0.7
Paraguay	A	1		-14.8	-11.3
		2		-7.4	-4.6
		5		-3.0	-0.6
Philippines	A	1	-14.0	-13.7	5.4
		2	-6.4	-7.0	12.3
		5	-1.8	-3.0	16.4
Senegal	A	1	-23.2	-5.9	-8.8
		2	-17.0	0.1	-2.5
		5	-13.3	3.8	1.3
Somalia	E	1	-7.3	5.8	-4.0
		2	-0.5	12.2	2.5
		5	3.6	16.0	6.4
Tajikistan	E	1			-19.9
		2			-13.9
		5			-10.4
Thailand	A	1	-25.3	-11.6	-7.7
		2	-18.5	-5.0	-1.3
		5	-14.4	-1.0	2.6
Uganda	D	1	11.8		3.8
		2	18.3		9.8
		5	22.2		13.5

Country	Current hardship category (1996)	Assignment number	United Nations/United States (Percentage)		
			1989 a/	1992	1996 b/
Zaire	E	1	-1.6	-16.1	-17.6
		2	5.2	-10.3	-12.2
		5	9.3	-6.9	-9.1

a/ Reflecting impact of new United Nations package.

b/ Does not include 3.1 per cent United Nations base/floor salary adjustment recommended by ICSC for 1996.