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PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

UNITED NATIONS COMMON SYSTEM

Administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission (A/51/30)

Statement submitted by the Secretary-General in accordance with rule 153 of the rules of procedure of the General Assembly

I. INTRODUCTION

1. The twenty-second annual report of the International Civil Service Commission (ICSC) 1/ contains a number of decisions and recommendations that have financial implications for the regular budget for the biennium 1996-1997, related to the following issues (the reference paragraphs in the ICSC report are indicated in parentheses):

(a) Remuneration of the Professional and higher categories of staff:

(i) Increase in the base/floor salary scale, and restructuring of the scale (paras. 151 and 152);

(ii) Post adjustment system, implementation of the results of the 1995 place-to-place surveys conducted at headquarters and treatment of out-of-area weights (para. 187);

(iii) Dependency allowances (para. 207);

(b) Remuneration of the General Service and other locally recruited categories of staff: survey of best prevailing conditions of employment at Vienna (para. 217);

(c) Conditions of service applicable to all categories of staff:

(i) Education grant (para. 229);

(ii) The mobility and hardship scheme (para. 296).

II. REMUNERATION OF THE PROFESSIONAL AND HIGHER CATEGORIES OF STAFF

A. Base/floor salary scale

2. In section I.H of its resolution 44/198 of 21 December 1989, the General Assembly established 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 federal civil service of the United States of America). The base/floor scale was part of an integrated package of measures in which negative classes of post adjustment were eliminated. It is also used to calculate payments under the mobility and hardship scheme, as well as separation payments. 2/ Adjustments to the salary scale have, since 1990, been made on 1 March every year, with the sole exception of 1996.

3. The current base/floor salary scale became effective on 1 March 1995. As part of its examination of all aspects of the Noblemaire principle, the Commission recommended, in its 1995 annual report, 3/ a net increase of 3.089 per cent to the base/floor scale with effect from 1 March 1996. This net increase would have reflected a gross salary adjustment of 3.22 per cent in the comparator civil service which had taken place as of 1 January 1995. The Commission also recommended a restructuring of the scale with effect from 1 March 1996, which would have accounted for a further increase averaging 1 per cent. That recommendation responded to mandates arising from General Assembly resolutions 47/216 of 23 December 1992 and 48/224 of 23 December 1993. As part of its overall package of measures with regard to the application of the Noblemaire principle, the Commission linked its base/floor salary scale proposals, and the associated restructuring of the scale to the restoration of a net remuneration level of 115, by a proposed scaling forward of post adjustment indices at all duty stations to be effected as of 1 July 1996.

4. The General Assembly did not act on the 1995 recommendations outlined above. Therefore, the Commission, in its 1996 annual report, emphasized the need to link its discussions of the 1997 base/floor adjustment to the recommendations it had made in 1995. At that time, it had recommended an adjustment of 4.1 per cent in the base/floor salary and a scaling forward of post adjustment of 5.1 per cent. These recommendations would have restored the margin to the mid-point of the 110-120 range in 1996 and redressed imbalances in United States/United Nations remuneration ratios and reduced compression at higher levels of the scale by providing wider inter-grade differentials.

5. The Commission noted in 1996 that the situation had evolved since it had made its 1995 recommendations. The net remuneration margin forecast for 1996 currently stands at 109.7. Therefore, the Commission recommended the

implementation of specific modalities for updating its 1995 proposals - to restore the margin to around the mid-point (115) of the range, and to bring forward the proposals for the restructuring of the salary scale provided in the 1995 annual report.

6. The Commission considered that the above-mentioned objectives were consistent with the 1995 recommendations. The 1996 recommendations provide for a scale that would yield an increase of at least 3.1 per cent at each grade and step, and the restructuring of the scale in the same manner recommended in 1995 (average increase of 1 per cent). The consequences of the structural changes and the overall base/floor adjustment 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.

7. In the context of its 1995 recommendations, the Commission further decided to recommend to the Assembly that the desirable mid-point of 115 for the United Nations/United States net remuneration margin should be restored in 1997. The Commission, therefore, recommended that the net remuneration increase required to restore the mid-point be attained by application of:

(a) An across-the-board increase of 3.089 in the current base/floor salary scale, without consolidation;

(b) A further differential increase of 1 per cent (on average) at various grades/steps of the base/floor salary scale resulting from item (a) above, to implement the scale restructuring proposals made by the Commission in annex X of its 1995 annual report; 3/

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

8. The base/floor scale resulting from items (a) through (c) should be implemented with effect as from 1 March 1997. The financial implications of these recommendations for the United Nations common system as a whole were estimated by ICSC at US$ 72 million in 1997 (increased costs related to pension contributions are included in this figure). The financial implications for the United Nations regular budget have been estimated at $15.1 million for 1997.

B. Staff assessment for tax equalization purposes

9. With regard to the scale of staff assessment for tax equalization purposes, the Commission noted that a substantial surplus of funds in the Tax Equalization Fund, indicated by the United Nations Secretariat, would require a decrease in the related staff assessment rates. This proposed action would have no impact on the conditions of service of Professional and higher categories of staff as the staff assessment rates applied for tax equalization purposes do not affect pensionable remuneration levels. The result of changing these rates would help restore balance in the United Nations Tax Equalization Fund.

10. In paragraph 154 of its twenty-second annual report, the Commission decided to recommend to the General Assembly the revised staff assessment rates for the determination of gross salaries for application to the net salaries of the Professional and higher categories, effective 1 March 1997. Application of the new rates will result in a reduction of requirements under section 32 of the budget, staff assessment, and a reduction under income section 1, income from staff assessment. The specific amounts involved will be reflected by changes in standard costs for the purpose of updating salary projections in the first performance report for the biennium.

C. Post adjustment system

11. The Commission had before it the report of the working group on the operation of the post adjustment system. The group pursued the mandate to identify the elements of pay (expenditures) which should not be indexed for local price charges; to evaluate their relative importance as a percentage of pay; and to study the appropriateness of applying the out-of-area index to some of those elements. The Commission deliberated on the working group’s report at great length and considered a wide diversity of views.

12. 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 the non-consumption component (NCC) would be considered to have been incurred outside the duty station. This will constitute the out-of-area expenditure weight to be used in the calculation of post adjustment indices. The implementation of the Commission’s decision will have a further impact on the results of the 1995 cost-of-living surveys conducted at the headquarters duty stations and Washington, D.C., by the Commission, and approved at its thirty-third session. The post adjustment classifications for all these duty stations had already been revised for London, Montreal, Paris, Rome, Vienna and Washington, D.C., effective 1 May 1996, and for Geneva with effect from 1 June 1996.

13. The ICSC decision regarding the treatment of out-of-area weights will have a further impact on the post adjustment classification of the headquarters duty stations that have already been revised to reflect the results of the 1995 cost-of-living surveys. The post adjustment indices of Washington, D.C., and Montreal would experience very slight increases, the post adjustment index for Rome will not be affected and those for Geneva, London, Paris and Vienna will experience reductions. Similar changes in the post adjustment indices and post adjustments of some non-headquarters duty stations, for example, Tokyo, could also be anticipated. As a result of the above-mentioned changes in the post adjustment indices, the Commission has calculated that, with effect from 1 March 1997, there will be net savings of approximately US$ 11 million per annum on a system-wide basis. The savings that would accrue to the regular budget of the United Nations were estimated at approximately $2 million for 1997.

D. Dependency allowances

14. The General Assembly, in its resolution 47/216, took note of the Commission's conclusion in its annual report for 1992 that the existing methodology for determining the level of dependency allowances for the Professional and higher categories should be maintained and computed on the basis of tax abatements and social security payments in the countries of the seven headquarters duty stations, 4/ and that the level of dependency allowances is reviewed every two years to ensure that all relevant changes in the tax and social legislation for the seven headquarters duty stations were taken into consideration.

15. 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 $1,510 and for disabled children, $3,020.

16. With regard to the secondary dependant's allowance, the Commission recommended applying the same procedure applicable to the existing children's allowance. This would result in an increase in the current level of the secondary dependant's allowance from $500 to $540 per year.

17. The financial implications of the Commission's recommendations in respect of the level of children's and secondary dependant's allowances were estimated at $1,270,000 and $13,500 per year, respectively, system-wide. The implications for the regular budget of the United Nations would be $400,000 in 1997.

18. The Commission decided to recommend to the General Assembly that (a) the current level of children's (including disabled children) and secondary dependant's allowances should be increased, effective 1 January 1997; (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; and (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. REMUNERATION OF THE GENERAL SERVICE AND OTHER LOCALLY RECRUITED CATEGORIES OF STAFF: SURVEY OF BEST PREVAILING CONDITIONS OF EMPLOYMENT AT VIENNA

19. In April 1996, the Commission conducted a survey of best prevailing conditions of employment for staff in the General Service and related categories at Vienna. In this connection, it would be recalled that the Commission, in its 1992 review of the General Service salary survey methodology for headquarters duty stations, had addressed the issue of duty stations, that is, Rome and Vienna, where the local language was not a working language of the organization. Therefore, adjustments had been made in recognition of the difficulty of recruiting local staff with appropriate language skills. However, as the 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 language factor.

20. In its consideration of the Vienna survey, the Commission noted that the surveyed salaries were already lower than the existing salaries, even without adding a percentage to account for the language factor. The Commission decided that the language factor should be phased out for Vienna by promulgating a scale (survey reference date of April 1996) which already included a reduction of one percentage point for this factor. Thereafter, a similar percentage point reduction should be made at the time of future interim adjustments to ensure that the four-percentage-point language factor would be eliminated by the time of the next survey.

21. The revised salary scale, as a result of the survey, is 3.2 per cent lower than the current scale. The savings to be realized in view of the phasing in of the new scale over the next few years will have no immediate impact, except the withholding of the interim adjustment of 2.47 per cent which would otherwise have been due on 1 April 1996. Associated savings for the United Nations common system were envisaged to be $2.5 million for 1996, and a further savings amounting to $6.4 million will be realized incrementally from 1996 to 1999, at which time the ICSC recommendation would have been fully implemented. A savings of $1.4 million is also envisaged for the United Nations common system relating to the organizations’ contributions to the United Nations Joint Staff Pension Fund as a result of reduced pensionable remuneration levels during the 1996 to 1999 phased implementation. The savings that would accrue to the regular budget of the United Nations would be $900,000 in 1997.

IV. CONDITIONS OF SERVICE APPLICABLE TO ALL CATEGORIES OF STAFF: EDUCATION GRANT*

22. The General Assembly, in section IV of resolution 47/216, endorsed a revised methodology for the determination of the education grant. 5/ In applying the methodology approved by the General Assembly, the Commission decided, at its forty-fourth session, to recommend to the General Assembly the following:

(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 of America, 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 below:

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* Applicable as an expatriate benefit only to internationally recruited staff.

Currency	Maximum admissible level	Maximum education grant	Ceiling for boarding, in local currency
	(United States dollars)		
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

(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, Belgian 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)
Pound sterling	2 500
Italian lira	4 400 000
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 should delegate to the ICSC Chairman the authority to approve a special measure for Beijing that allows for the reimbursement of admissible expenditure

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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.

23. The Commission estimates that the system-wide financial implications of the recommended increases are approximately $590,000 per year in respect of the increase in the maximum admissible expense level, and $233,000 per year in respect of the increase in boarding costs. The financial implications for the regular budget of the United Nations are estimated at $200,000 for 1997.

V. CONDITIONS OF SERVICE IN THE FIELD: REVIEW OF THE MOBILITY AND HARDSHIP SCHEME

24. 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 scheme were to ensure the recruitment and retention of suitably qualified staff from all Member States, and to respond to the organizations’ differing mobility requirements, thereby enabling 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. The scheme should bring the compensation for service in the field in line with the remuneration levels provided by the comparator.

25. At the request of the General Assembly, the Commission reviewed the operation of the scheme in 1992. After two years of implementation, the information available 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. A report on the review was to be submitted to the General Assembly at its fifty-first (1996) session.

26. 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.

27. At its forty-third and forty-fourth sessions, the Commission took note of 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. The Commission concluded that the overall cost of the scheme was reasonable. 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. The overall costs system-wide had increased by approximately 1 to 2 per cent per year over the six-year period since the allowance’s introduction and, even allowing for the approximate nature of the original costs, this was still a very small change and less than the increases in the movement of the base/floor itself.

28. In reviewing the general matrix and related issues, 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 established for the allowance; and (c) the present approach to home leave entitlements, that is, 24-month home leave at H, A and B duty stations, 12-month home leave at C-E duty stations.

29. 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. The Commission also reaffirmed that there were differences between the two systems, as a result of their different activities and mandates. The Commission reviewed possible options for change: the introduction of an intermediate level, and the introduction of an "F" category. 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. The Commission concluded that the present hardship structure had proved effective. Cost increases for this element were stable. It decided, therefore, to recommend that no change be made to the present hardship matrix.

30. The consensus of the Commission was also 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 structured worked well in both kinds of situations.

31. 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. However, the Commission

considered that there was no justification for the open-ended payment of the non-removal element. 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.

32. With regard to the linkage between the base/floor salary and the mobility and hardship allowance, the Commission decided to recommend that the present linkage to the base/floor salary be retained.

33. 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. This decision was taken since the Commission felt that hazard pay was not an intrinsic part of the compensation package.

34. As a result of the Commission’s decision regarding time limitation on the non-removal element of the mobility and hardship scheme, effective 1 January 1997, reduced expenditures can be expected in the future. Specific amounts involved cannot reliably be projected at this stage.

VI. SUMMARY

35. The financial implications for the regular budget resulting from the decisions and recommendations of ICSC are summarized below:

Summary

(Millions of United States dollars)

	Decisions	Recommendation
Remuneration of the Professional and higher categories of staff		
(a) Base/floor salary scale	-	15.1
(b) Post adjustment system	(2.0)	(-)
(c) Dependency allowances	-	0.4
Remuneration of the General Service category of staff		
(d) Vienna	(0.9)	-
Conditions of service applicable to all categories of staff		
(e) Education grant	-	0.2
(f) Mobility and hardship scheme	-	-
Total	(2.9)	15.7

36. The impact of recommendations to the General Assembly and decisions of the International Civil Service Commission on the regular budget of the United Nations will be included in the first budget performance report for the biennium 1996-1997:

(a) Recommendations, increased requirements estimated at $15.7 million;

(b) Decisions, reduced requirements in the order of $2.9 million.

37. Accordingly, should the General Assembly decide to adopt the recommendations in the report of the International Civil Service Commission, there would be increased requirements under the regular budget in the order of $15.7 million under the sections of expenditure, net of staff assessment reductions which are yet to be computed and reflected in the first budget performance report for the biennium 1996-1997.

Notes

1/ Official Records of the General Assembly, Fifty-first Session, Supplement No. 30 (A/51/30).

2/ Ibid., Forty-fourth Session, Supplement No. 30 (A/44/30), vol. II, paras. 118, 119, 316 and 453 (g).

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

4/ Ibid., Forty-seven Session, Supplement No. 30 and corrigendum (A/47/30 and Corr.1), para. 190.

5/ Ibid.
