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BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1971

Salaries of the professional and higher categories

The essence of the intervention made by the Controller on 17 November was as follows:

The Secretary-General said a few words the other day about the dangers at looking at figures out of their proper context, and if I may say so a good many such figures have been used in the debate on this subject. None of them, or very few of them, were inaccurate, and none of the figures in the Advisory Committee report are inaccurate. It is however open to question whether they provide an adequate balance.

In every salary review since 1956 we have made comparisons between United Nations net salaries and United States net salaries in New York, using the same matching points. We have made those comparisons merely to show the changes over a period of time. We have never said that the figures in absolute terms give a true picture of the relative United Nations and United States positions, and I suggest to you that there are some very obvious reasons why they cannot do so.

The United States Civil Service is not mainly located in New York and the international organizations do not to any great extent recruit their American staff from New York. If you want to compare United Nations with American civil service the most relevant comparisons are between United Nations net pay and the pay of the American civil service in Washington, and I would like you to think about the figures I am going to give you.

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I would ask you to start by thinking about Geneva where there are some very important technical specialized agencies whose work is vital to the success of the Second Development Decade. They, like the United Nations, have provisions in their Charters by which, in setting the conditions of service, the paramount consideration must be the need to attract staff of the highest competence and integrity from all parts of the world.

Unless we are prepared to pay different salaries to staff of different nationalities - which would mean high pay for staff from developed countries and lower pay for staff from other countries - the Charter principle leads to one conclusion that had never been disputed. That conclusion is that professional staff at Geneva, or at any rate the expatriate staff, will have to be paid whatever is necessary to attract citizens of the highest paid country, which means citizens of the United States. The fact that Mr. Noblemaire reached a similar conclusion fifty years ago is not a reason which need influence us today. We can apply entirely fresh judgement. All I say is that we cannot escape that conclusion. If we have categories in which we do not need Americans - such as the General Service category in Europe - then we do not need to take account of the American pay level, but for the professional category as it is at present constituted we must do so.

So one basic question is, "What does the United Nations system have to pay to attract United States citizens to its service in Geneva?". That is why we cannot dodge comparisons with the United States Civil Service. And whether the base of the United Nations system is Geneva or New York makes no difference to the question. We are not just dealing with United Nations. What we do here affects specialized agencies which would have to answer the question even if New York did not exist.

Now, in January 1970, which was the latest date ICSAB could consider, the United Nations organizations in Geneva were offering, in the P.1 - P.3 range, only about 3-5 per cent more than the United States Civil Service in Washington. For grades P.4 and above - and many technical staff have to be recruited at P.4 or above - the United Nations organizations in Geneva were offering 10-12 per cent less than the United States Civil Service in Washington. By January 1971 the position may be a little, but only a little, different because United Nations staff

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in Geneva will probably get another post adjustment which will add about 4 per cent to their pay. But as against that you must remember that for some years now the United States Civil Service has had annual pay increases which have averaged a good deal more than 4 per cent per year. So by and large it is and will remain a fact that the United Nations and the specialized agencies in Geneva pay less than the United States Civil Service. And you must also remember that United Nations pensionable scales are about 20 per cent lower than those of the United States Civil Service.

I am talking in money terms because ICSAB said, and I am sure the Board was right, that while you must take account of cost-of-living differences you cannot totally ignore the pure cash relationship between United Nations in Geneva and the United States civil service pay. That seems to me to be a matter of common sense. I doubt if anywhere in this world there is any employer who expects a man to work abroad for less money and lower pension than he would earn by staying at home. I doubt also if there is anybody who goes abroad and thinks that the cost of living is cheaper than it is in his own country. The reason is of course that his whole pattern of life is liable to change when he is abroad. So when you are thinking about cost-of-living differences between the United States and Geneva I hope that you will remember that according to official United States State Department figures Geneva is about 10 per cent dearer than Washington D.C. The State Department figure is widely used by American business firms abroad and I do not believe that we can expect to persuade anybody to work in Geneva for less money than he gets at home by persuading them that he would be better off because of lower cost of living. When Mr. Noblemaire said that in fixing League of Nations salaries he had taken account of the cost-of-living difference between Geneva and London, which then had the highest paid civil service among League Member States, the position was that Geneva was more expensive than London. So Mr. Noblemaire added something on to British salaries. I find it impossible to believe that if Geneva had been cheaper than London the League of Nations salaries would have been set at less than British Civil Service salaries.

If Americans are better off in Geneva on United Nations salaries than they are in Washing on government salaries it is a little hard to understand why United States Government officials working in Geneva are paid about 40 per cent more than

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the corresponding United Nations officials. And in that figure of 40 per cent I am not including representation allowances and I am not thinking only of diplomats but also of home civil service officials working in Geneva as they sometimes do. Back in 1965, incidentally, United States officials in Geneva were only 25 per cent ahead of the United Nations so the pay of United States officials serving abroad seems to have gone up faster than United Nations pay in Geneva.

Now, let us suppose that we do take account of the cost-of-living difference between Geneva and Washington, and that for this purpose we use United Nations cost of living figures. What you find then is that United Nations pay in Geneva in January 1970 in real income terms was on the average only about 3 per cent higher than American civil service pay for grades P.4 or above. For grades P.1 to P.3 it was from 17-20 per cent above. It is true that by January 1971 the figures I have just given you may have to be increased a little but as soon as the United States civil service gets its next pay increase - and as I said before they have had one every year for a good many years now - the position will be back to what it was in January 1970.

But, we do not really need to talk about these figures to discover whether or not United Nations conditions in Geneva are good enough to attract United States nationals. The representative of Saudi Arabia gave you a more convincing argument last Thursday, and I think it is worth repeating. It was a quotation from a 1969 report of the Committee of Foreign Affairs of the United States House of Representatives which said, in report No. 91-611, and I quote again:

"Emoluments of international organizations overseas lag significantly behind those of Federal personnel. Comparative income is one of the significant factors underlying the fact that the United States is uniformly under-represented in overseas positions."

Because of that under-representation the United States Congress in December 1969 passed a law (No. 91-175) by which a United States Government official who is employed by a United Nations organization will, provided he returns to United States Government service within eight years, be paid the difference between what the United Nations paid him and what his own Government would have paid him had he been working for them while he was actually in the United Nations.

Now let us turn to New York. Here I must say that if it is right to consider cost-of-living differences between Geneva and New York it is equally right to take account of cost-of-living differences between New York and Washington, and

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it would also be right to take account of cost-of-living differences between an expatriate and a non-expatriate. And once again I have to say that if you want to get a fair comparison between United Nations and United States civil service you have to look at Washington. Statistics show that the cost of living in New York is about 10 per cent dearer than the cost of living in Washington. In this country I believe it is a common experience for an employer to find that he cannot easily transfer an employee to New York from another part of the country unless he gives him a promotion or some extra steps in his pay. So I think it is fair to say that in terms of its ability to attract Americans the United Nations has to consider not what the American Government does in New York but what the American civil service gets in Washington. The American civil service rates are based on a survey of outside rates in America as a whole, and not on rates paid in New York City.

On that basis the position in January 1970 was that if you took account of the cost of living factor, United Nations grades P.1 to P.3 in New York were in real income terms about 15 per cent above the level of the United States civil service in Washington and if you approved the ICSAB 8 per cent gross from 1 January the margin would be about 22 per cent. Perhaps the clearest way of comparing United Nations conditions with those of the United States civil service is to compare what United Nations and the specialized agencies of the common system actually pay in Washington D.C. with what the United States civil service pays in Washington D.C. The cost of living difference then disappears. In terms of net income the position in January 1970 was as follows, in Washington D.C.:

Grades P.1 through P.3 in Washington were 15 to 17 per cent ahead of the United States civil service;

Grade P.4 was 4 per cent ahead;

Grade P.5 was just about equal;

Grades D.1 and D.2 were 1 or 2 per cent below the United States service.

By January 1971 the position would be a little different but not much, and if you approved the ICSAB 8 per cent gross from 1 January then - provided the United States civil service does not also get a rise - the United Nations and agency staff in Washington would be about 8 per cent above the United States civil service at the top grades and 25 per cent at the bottom. These facts seem to me

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to put the matter in quite a different perspective from some of the other figures which have been used in the discussion. And when you are thinking about the true margin in real-income terms please remember also that the pensionable scales in the United Nations are 20 per cent below those of the United States civil service. Not only that, but the maximum United Nations pension is 60 per cent of average pay over the last five years while the maximum pension in the United States civil service is 80 per cent of the average pay of the three best years. If we pay more in New York than we pay in Washington it is only because the cost of living in New York is higher. The American civil servant in New York may be unlucky because nobody gives him a New York cost-of-living allowance, but I do not think you can distort the whole United Nations pay system for that reason.

In my view it has not been proved that even the American nationals on United Nations staff are better off than corresponding grades of the United States civil service as a whole. The most that can be said is that for the junior professional grades there is a margin which for American staff may look a little high in relation to United States civil service rates.

But let us leave aside the Americans. Three quarters of United Nations professional staff in New York are not American. They are expatriates, and so are about 90 per cent of the professional staff of the whole United Nations system. There is a basic unreality about trying to make comparisons in absolute terms between the pay of a home civil service and the pay of an expatriate service.

So far as our expatriate staff in New York are concerned, I do not think there is convincing evidence that they are overpaid. In the case of expatriate junior professional staff, say grades P.1 to P.3, I think the contrary is true. In their case United States civil service pay rates seem to me to be irrelevant. We have had striking cases of young people from overseas arriving here with wife and family and finding that they simply cannot live on their pay even though that pay looked so attractive from their own countries because it was three or four times as much as they were getting at home. Within the last few months I have had two such cases in my own office, where two very promising young officials felt obliged to leave.

So far as the middle and higher grades are concerned, I indicated a few minutes ago, by making comparisons for Washington, that we paid only 1 or 2 per cent more than the United States civil service in Washington in real income terms in

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January 1970. And I said nothing about the extra expenses which expatriates may have to meet. Leave that aside if you like and simply think about the position after January 1970, because I think the Advisory Committee modification of the ICSAB recommendation is mainly based on developments since January 1970, and in principle I think that is fair enough.

It is quite true that whereas by January 1970 the real-income improvement in United Nations pay lagged by 8 per cent compared with the United States, by January 1971 the lag will be only 1 per cent, as the Advisory Committee says in paragraph 33. The reason is of course that between 1970 and 1971 the United States civil service real income will go down if the civil service does not get another pay rise. But all experience suggests that that decline will be only temporary, and I doubt that you can take some sort of average between the position in January 1970 and the position in January 1971 and get the right answer. If you want to get a true picture you must look at the position over a reasonable period of time. You must think not only about January 1970 and January 1971 but also about July 1971 and 1972 and perhaps 1973. You need to remember that in real-income terms the Secretariat gets an increase about every three or four years on the average, whereas the civil service has in recent years I think had one every year.

The fact is that no matter how much extra United Nations staff in New York receive by way of extra post adjustment, the real-income value of their salaries will not be any higher than it was in January 1966. The increase of 5 per cent gross in January 1969 did not do much more than make up a 2 to 3 per cent real income loss which had occurred between 1966 and 1969. By 1971 the whole increase will have been swallowed up and in real-income terms the United Nations will be back to where it was in January 1966. But that will not be true of the United States civil service. You can see from paragraph 21 of the ICSAB report that between January 1966 and January 1970 the United States civil service pay increased by 31 per cent gross in money terms and 9 per cent gross in real-income terms, and while I cannot presume to know what is going to happen in the future I think we can make use of our experience, and it seems unlikely that the United States civil service will not at some time in 1971 have its real income restored to the January 1970 level.

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Moreover you can see from paragraph 21 of the ICSAB report that over the past four years United States civil service salaries have been rising at nearly 5 per cent a year faster than United Nations remuneration in Geneva. If that trend were to continue until say, 1973 the United Nations organizations in Geneva would be offering, for grades P.4 and above, about 25 per cent less than the United States civil service pays in Washington. I think the Committee should look at the whole picture and not just a part of it.
