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REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION

PROGRAMME BUDGET FOR THE BIENNIUM 1976-1977

Financial implications of recommendations contained in the
report of the International Civil Service Commission 1/

Seventh report of the Advisory Committee on Administrative
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General (A/C.5/31/26) on the financial implications of the recommendations summarized in paragraphs 48 to 84 of the report of the International Civil Service Commission to the General Assembly at its current session. 1/

2. The Advisory Committee noted that the recommendations derive from the review of the United Nations salary system which the Commission undertook pursuant to General Assembly resolutions 3042 (XXVII) of 19 December 1972, 3357 (XXIX) of 18 December 1974 and 3418 (XXX) of 8 December 1975. Consistent with the approach which the Advisory Committee adopted with regard to the first annual report of the Commission which was submitted to the Assembly at its thirtieth session, 2/ when the Advisory Committee confined its observations to the financial implications of the recommendations made by the Commission on that occasion, 3/ the Advisory Committee decided that it would not review the substance of the Commission's recommendations to the General Assembly and that it would confine its examination to their financial implications.

1/ Official Records of the General Assembly, Thirty-first Session, Supplement No. 30 (A/31/30) and A/31/30/Add.1.

2/ Ibid., Thirtieth Session, Supplement No. 30 (A/10030).

3/ Ibid., Supplement No. 8A (A/10008/Add.1-28), document A/10008/Add.9, paras. 3-7.

3. These implications are estimated by ACC at just under \$10.6 million net for 1977 for the United Nations common system as a whole, divided approximately equally between the regular budgets of the organizations and extrabudgetary funds (A/31/239, paras. 16 and 17).

4. Of that total, the amount related to the United Nations regular budget is \$1,903,000 net; the distribution by budget section is given by the Secretary-General in the annex to his report (A/C.5/31/16). In paragraph 3 of the same report the Secretary-General provides a breakdown by object of expenditure. The Advisory Committee notes that the latter includes an amount of \$185,000 for "end-of-service grant for fixed-term staff"; this item is an innovation which the Commission recommends for the reasons given in paragraphs 310-315 of its report.

5. In response to inquiries by the Advisory Committee, the representatives of the Secretary-General indicated that the statistical data on which the cost estimates in his report (A/C.5/31/26) were calculated were not fully up to date in each case. Consequently, the breakdown by section and by object of expenditure could not be regarded as wholly reliable; the total estimate of \$1,903,000 net, however, could be considered fairly accurate.

6. The Advisory Committee inquired also whether the relationship between the various recommendations having financial implications was such that they should be regarded as a 'package' and, in particular, what the effect would be of divorcing the recommendations on the scales of staff assessment and post adjustment from those on the consolidation of a number of classes of post adjustment in the base salary. The Advisory Committee was informed that if the staff assessment and post adjustment schemes were amended in the manner recommended by the Commission and if there were no simultaneous incorporation of classes of post adjustment, the cost to the organizations would be of the order of \$2.2 million in 1977 (para. 213, table, alternative F of the Commission's report) as against \$2.8 million with incorporation of five classes (para. 85, table, items (a) (i) and (iii)). At the same time, the Advisory Committee's attention was drawn to the statement in paragraph 230 of the Commission's report that "the over-all cost of the operation would be less if consolidation were effected jointly with the other measures than if it were effected separately one or two years after the other measures had been put into effect". 4/ The Commission's recommendations on education grant, secondary dependant's allowance, termination indemnities and end-of-service grant for fixed-term staff are not related to the recommendations on scales of salaries, staff assessment and post adjustment.

7. In situations like the present one, when consolidation would not involve a change in the level of pensionable remuneration, the costs of consolidation are attributable, under the present system, to (a) upward adjustments in the remuneration of staff without dependants, and (b) higher terminal payments.

4/ Ibid., Thirty-first Session, Supplement No. 30 (A/31/30) and A/31/30/Add.1.

8. Under the scheme proposed by the Commission, the differentiation in emoluments between staff with dependants and those without dependants would be brought about through the operation of staff assessment and not by giving staff in the latter category less by way of post adjustment (as has been the case hitherto). As the Commission's intent is to achieve a constant ratio between the remuneration of staff with dependants and those without dependants regardless of the post-adjustment classification of individual duty stations, staff without dependants would receive less than they do now at low post-adjustment duty stations, and more at high post-adjustment duty stations (see A/31/8/Add.6 (Part II)). Inasmuch as the Commission is proposing a system of post adjustment based on a single uniform percentage rate for staff with and without dependants, the dependency factor will disappear as an element of extra cost in future consolidations. Whether the scheme proposed by the Commission will prove more costly, or less, over a period of time than the existing one will depend on how many staff without dependants will be stationed in high post-adjustment duty stations (where the new scheme will be costlier than the current one) and in low post-adjustment duty stations (where the new scheme will be cheaper).

9. As regards the second factor referred to in paragraph 7 above, the Commission proposes that the amount of terminal payments should vary with movements in pensionable remuneration. Inasmuch as such movements may take place at any point in time, the extra costs attributable to increases in terminal payments would arise gradually instead of in one amount at the time of consolidation, as hitherto: as additional costs would begin to accrue earlier in time, the proposed system would be marginally costlier, over a given period, than under the present arrangement.

10. Subject to the above observations, the Advisory Committee has no reason to disagree with the Secretary-General's estimate of financial implications as contained in his report (A/C.5/31/26).
