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.

The present volume contains discussion of items considered by the International Civil Service Commission in 1989, at its second special, twenty-ninth and thirtieth sessions, and traditionally reported on to the General Assembly, with the exception of the comprehensive review of the conditions of service of the Professional and higher categories, which is covered in volume II.
CONTENTS

Volume I

Chapter

ABBREVIATIONS

LETTER OF TRANSMITTAL

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

I. ORGANIZATIONAL MATTERS
   A. Acceptance of the statute
   B. Membership
   C. Sessions held by the Commission and questions examined
   D. Subsidiary body

II. ACTION TAKEN IN RELATION TO RESOLUTIONS AND DECISIONS OF THE GENERAL ASSEMBLY AT ITS FORTY-THIRD SESSION
   A. Functioning of the International Civil Service Commission and relations between the Commission and the staff representatives
   B. Relations between the Commission and the staff representatives

III. PENSIONABLE REMUNERATION AND PENSION ENTITLEMENTS
   A. Pensionable remuneration for the Professional and higher categories
   B. Report of the United Nations Joint Staff Pension Board on the work of its thirty-eighth session: items of interest to the Commission

IV. CONDITIONS OF SERVICE OF THE PROFESSIONAL AND HIGHER CATEGORIES
   A. Comprehensive review of the conditions of service of the Professional and higher categories
   B. Remuneration of the Professional and higher categories
      Evolution of the margin between the net remuneration of the United States federal civil service and that of the United Nations system
   C. Matters relating to post adjustment: report on the fourteenth session of the Advisory Committee on Post Adjustment questions
CONTENTS (continued)

Chapter

D. Supplementary payments and deductions

V. REMUNERATION OF THE GENERAL SERVICE AND RELATED CATEGORIES
Survey of best prevailing conditions of service for the General Service category in Paris

VI. ACTION TAKEN BY THE COMMISSION UNDER ARTICLE 17 OF ITS STATUTE
Implementation of the recommendations and decisions of the Commission

Annexes to volume I

I. COMPARISON OF NET REMUNERATION OF UNITED NATIONS OFFICIALS IN NEW YORK AND UNITED STATES OFFICIALS IN WASHINGTON, D.C., AT STEP I OF EACH GRADE
DETAILS OF UNITED STATES AND UNITED NATIONS TOTAL COMPENSATION VALUES (NON-EXPATRIATE) AT EQUIVALENT GRADES
CALCULATION OF NON-EXPATRIATE TOTAL COMPENSATION MARGIN
RECOMMENDED NET SALARY SCALE FOR THE GENERAL SERVICE CATEGORY IN PARIS
**CONTENTS (continued)**

**Volume II**

**COMPREHENSIVE REVIEW OF THE CONDITIONS OF SERVICE OF THE PROFESSIONAL AND HIGHER CATEGORIES**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Paragraphs</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABBREVIATIONS</td>
<td>........................</td>
<td>vi</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>........................</td>
<td>1-36 vii</td>
</tr>
<tr>
<td>SUMMARY OF DECISIONS, RECOMMENDATIONS AND FINANCIAL IMPLICATIONS</td>
<td>........................</td>
<td>37-75 viii</td>
</tr>
<tr>
<td>COMPETITIVENESS OF THE PRESENT UNITED NATIONS SALARY SYSTEM RELATED TO RECRUITMENT AND RETENTION NEEDS</td>
<td>........................</td>
<td>76-126 1</td>
</tr>
<tr>
<td>MATTERS RELATING TO THE COMPARATOR AND THE MARGIN</td>
<td>........................</td>
<td>127-174 1</td>
</tr>
<tr>
<td>REMUNERATION STRUCTURES</td>
<td>........................</td>
<td>175-197 1</td>
</tr>
<tr>
<td>THE POST ADJUSTMENT SYSTEM</td>
<td>........................</td>
<td>198-269 2</td>
</tr>
<tr>
<td>MOBILITY AND HARDSHIP</td>
<td>........................</td>
<td>270-335 2</td>
</tr>
<tr>
<td>MOTIVATION AND PRODUCTIVITY</td>
<td>........................</td>
<td>336-358 3</td>
</tr>
<tr>
<td>ALLOWANCES</td>
<td>........................</td>
<td>359-454 3</td>
</tr>
</tbody>
</table>

**Annexes to Volume II**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPETITIVENESS OF THE PRESENT UNITED NATIONS SALARY SYSTEM RELATED TO RECRUITMENT AND RETENTION NEEDS: RESULTS OF A SURVEY BY THE UNITED NATIONS DEVELOPMENT PROGRAMME</td>
<td>........................</td>
</tr>
<tr>
<td>REVISED NET SALARY SCALE FOR PROFESSIONAL AND HIGHER CATEGORIES</td>
<td>........................</td>
</tr>
<tr>
<td>BRIEF SUMMARIES OF THE VARIOUS ALTERNATIVES TO THE CURRENT REMUNERATION STRUCTURE CONSIDERED BY THE COMMISSION</td>
<td>........................</td>
</tr>
<tr>
<td>CURRENT UNITED NATIONS SYSTEM OF ALLOWANCES RELATED TO MOBILITY AND HARDSHIP</td>
<td>........................</td>
</tr>
<tr>
<td>LIST OF BENEFITS AND ALLOWANCES PROVIDED TO UNITED STATES FOREIGN SERVICE OFFICERS OVERSEAS</td>
<td>........................</td>
</tr>
<tr>
<td>COMPARISON OF EMOLUMENTS UNDER THE COMPARATOR'S PACKAGE AND THE UNITED NATIONS CURRENT AND PROPOSED PACKAGES, AT LEVEL P-4, STEP VI, FOR FIRST, SECOND AND FIFTH ASSIGNMENTS</td>
<td>........................</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>ACC</td>
<td>Advisory Committee on Co-ordination</td>
</tr>
<tr>
<td>ACPAQ</td>
<td>Advisory Committee on Committee on Post Adjustment Questions</td>
</tr>
<tr>
<td>CCAQ</td>
<td>Consultative Committee on Administrative Questions</td>
</tr>
<tr>
<td>CCISUA</td>
<td>Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations System</td>
</tr>
<tr>
<td>FICSA</td>
<td>Federation of International Civil Servants’ Associations</td>
</tr>
<tr>
<td>IAEA</td>
<td>International Atomic Energy Agency</td>
</tr>
<tr>
<td>ICSC</td>
<td>International Civil Service Commission</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children's Fund</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
</tr>
<tr>
<td>UNJSPB</td>
<td>United Nations Joint Staff Pension Board</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
</tbody>
</table>
CHAPTER I

INTRODUCTION

1. By its resolution 42/221 of 21 December 1987, the General Assembly requested the International Civil Service Commission (ICSC) to undertake a comprehensive review of the conditions of service of the staff in the Professional and higher categories in order to provide a sound and stable methodological basis for their remuneration. The General Assembly requested ICSC to complete the review for presentation to the Assembly at its forty-fourth session.

Guidance by the General Assembly

2. In the same resolution, the General Assembly advised ICSC, in carrying out the review, to pay due regard to the following guidelines:

   (a) The need for securing the highest standards of efficiency, competence and integrity in recruiting staff with due regard being paid to equitable geographical distribution;

   (b) The need for greater transparency and simplicity in the concepts and administration of the remuneration system;

   (c) The need for sufficient flexibility to respond to varying requirements resulting from different types of appointments and changing circumstances;

   (d) The relativity of benefits among duty stations as a factor in staff mobility:

   (e) The need for long-term improvement in the operation of the post adjustment system, including the separation of the effects of inflation and currency fluctuations and a simpler and more accurate reflection of differences in cost of living between the base of the system - New York - and field duty stations.

3. The General Assembly had received at its. forty-third session a preliminary report on the comprehensive review, which identified four areas for action as follows: (a) comparator; (b) remuneration system; (c) motivation and productivity; and (d) mobility and hardship. 1/

4. Noting that division, the General Assembly recognized that the scope of the review need not be limited to those four areas and was mindful of the interrelationship between each of the four areas and of the need to establish conditions of service whose component parts were appropriately balanced.

5. The General Assembly, in resolution 43/226 of 21 December 1988, reaffirmed those guidelines, requested ICSC to give the highest priority to the comprehensive review and invited the Commission to make arrangements for the fullest participation of organizations and staff representatives in all aspects and at all stages of the review.

6. In the same resolution, the General Assembly provided further general guidance, as follows:
(a) The Commission should examine all elements of the present conditions of service and after identifying problems related to staff recruitment, retention and mobility should propose solutions to those problems;

(b) The proposed solutions should be accompanied by an indication of their financial implications, together with an estimate of the overall costs;

(c) The overall costs should, as far as possible, be comparable to the costs of the current remuneration system.

7. The Assembly adopted specific guidelines relating to the four areas identified in paragraph 3 above. They are described under the relevant substantive chapters of the present volume.

Decision by the Commission at its second special session

8. In order to try to complete such a complex and difficult task in the limited time available, the Commission decided to establish two working groups:

(a) A preparatory working group to prepare documentation for the twenty-ninth session of ICSC to be held in March 1989. The Preparatory Working Group was composed of representatives of the organizations, the staff and the ICSC secretariat and met for two and half weeks in February 1989;

(b) A working group composed of five members of the Commission, five representatives of the organizations and three representatives each of the two staff bodies. All participants attended in their personal capacities.

Consideration by the Commission at its twenty-ninth session

9. The Commission considered the report of the Preparatory Working Group referred to in paragraph 8 (a) above. The report consisted of five parts: general considerations and organization of work; matters concerning the comparator and the structure of the remuneration system, including procedures for the establishment of internal relativities; staff mobility and service at hardship duty stations; allowances not related to mobility and hardship; and motivation and productivity.

Views of the organizations and the staff representatives

10. The Director-General of the International Atomic Energy Agency (IAEA) expressed the hope that, in carrying out the review, the Commission would bear in mind the general dissatisfaction with the current salary system. Professional staff members in the common system were dismayed at the continuing erosion in the purchasing power of their take-home pay. That had resulted in growing scepticism among staff as to whether their legitimate concerns could be effectively addressed through the Commission's machinery. Referring to the guidance provided to the Commission by the General Assembly concerning the comprehensive review, he stated that it was generally consistent with some of the positions taken by the Agency. As regards the post adjustment system, the Agency, over the past few years, had consistently advocated simplification of the procedures used and the introduction of more flexibility in their application. Specifically, he recalled that the Agency had asked for the removal of housing from post adjustment and criticized the method used for the calculation of out-of-area expenditure weights. The Agency had also drawn attention to the need to give the administrations a certain amount of flexibility to deal in a more realistic fashion.
with problems of adjustment for currency fluctuations.

11. He noted that the question of the status of expatriate Professional staff was of particular relevance to the Agency inasmuch as a steady rotation of staff was necessary. The Agency had to have the ability to cater in an up-to-date and effective manner to needs and developments in the nuclear sphere. In order to achieve that, IAEA had to allow for a regular turnover of Professional staff. Therefore, employment conditions that responded to the Agency's needs would require an emphasis on adequate compensation for expatriation and for leaving well-paid technical or scientific positions rather than on career expectations in an international civil service.

12. The Director-General of the United Nations Industrial Development Organization (UNIDO) reaffirmed his organization's full commitment to the common system and underscored the wish of UNIDO to contribute to the development of a unified system. He added that present salary levels did not permit organizations to attract, retain or even reassign staff members of the high calibre needed to deliver programmes and activities a mandated by Member States. It was difficult for UNIDO to attract staff members from a number of industrialized countries even at the P-5 and D-1 levels, as a result of which those countries were underrepresented and, in some cases, were not represented at all. Although UNIDO staff were highly dedicated, experienced and well qualified, they were becoming increasingly dissatisfied with their level of remuneration when compared with the salaries received by their peers in their home countries.

13. His organization was concerned mainly with technical co-operation in the field of industry and, as such, it had had an opportunity to observe new trends. One such trend was the organization's ever-closer association with both the public and private sectors of industry, whose inputs were essential to the industrial development process in the developing countries. Those ties required a new approach to industrial co-operation in both the industrialized and the developing countries. UNIDO was no longer being requested to provide traditional technical assistance requiring the assignment of experts for long periods. The number of national experts in developing countries was increasing and countries were seeking highly specialized experts from outside to solve specific problems in a short period of time. Of the 2,200 expert assignments during 1988, the average assignment lasted for only 2.6 months, compared with 2.75 months in 1987 and 3.2 months in 1986. In view of the above, the recruitment of experts had become an increasingly difficult problem. As the level of specialization rose and the period of field service became shorter, UNIDO had to secure equally specialized staff members at headquarters to provide an adequate standard of substantive support. Yet today UNIDO was, through retirement or resignation, gradually losing senior and middle managers who had been with the organization for more than 20 years and who had the necessary expertise and experience. It would be inordinately difficult to find adequate replacements as long as present salary levels were maintained.

14. In arriving at its recommendations it was essential that the Commission be seen to be safeguarding the common system and contributing effectively to the development of a single, unified international civil service. Referring to the General Assembly guideline that the overall costs should, as far as possible, be comparable to the cost of the current remuneration system, he expressed the view that the Commission should make recommendations to the General Assembly on a purely technical basis. The questions pertaining to costs were a matter between the
executive heads and the legislative bodies of the various organizations of the common system.

15. The Chairman of the Consultative Committee on Administrative Questions (CCAQ) recalled the importance the executive heads of the common system attached to the comprehensive review since it was first announced. At a special session held in June 1987, the Administrative Committee on Co-ordination (ACC) had addressed a strong statement on the conditions of service in the Professional and higher categories in which it had deplored the erosion of the remuneration package for such staff, which was hampering the organizations' ability to attract, retain and assign staff, and thus to manage and deliver effectively the programmes and activities mandated by member States themselves. The organizations had been gratified by certain actions taken by the Commission at its July 1987 session, yet the system of emoluments and conditions of service had remained a sorry patched-up affair, heavy on opacity and complexity and short on responsiveness. So it was hardly surprising that when the General Assembly, in resolution 42/221, had requested a comprehensive review of this system, the organizations had decided to seize the opportunity to forge a new system that would be responsive to the operational realities of the late 1980s, rather than the late 1940s. They had pursued that goal with some determination, commissioning their own study, which had been an invaluable catalyst in sparking some new thinking about the way the system worked, and aiming to ensure that the comprehensive review was a thoroughgoing exercise.

16. The representative of the Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations System (CCISUA) stated that the comprehensive review provided an opportunity for making significant improvements in the system of compensation, which would have a pivotal influence on the effectiveness of the common system well into the next century. CCISUA expected to make a positive contribution towards shaping a system that was fair, transparent and responsive to the real concerns of the staff. CCISUA believed that the review should lead to a more coherent system, a system flexible enough to respond to such problems as inflation and currency fluctuations without frequent recourse to ad hoc measures. It was imperative that the Commission be seen to act as a technical body. If the Commission was convinced that certain improvements were justified, it should make recommendations accordingly. No lasting solution to the problems of recruitment and retention of qualified staff could be expected to be cost free.

Discussion by the Commission

17. During a wide-ranging discussion of the complex issues involved, a variety of views were expressed by the members of the Commission and, on a number of items, no consensus emerged. Those points on which broad agreement was reached as to the guidance to be given to the Working Group are reflected in paragraph 18. In addition to general guidance, including the terms of reference of the Working Group, the Commission provided broad guidelines concerning a number of specific aspects of the review.

Decisions by the Commission

18. The Commission invited the Working Group:

(a) To take into account such guidance as had been provided in General Assembly resolutions 42/221 and 43/226, as well as by the Commission at its current session and the second special session;
(b) To examine all aspects of the conditions of service of the Professional and higher categories on the basis of the documentation prepared by the Preparatory Working Group and taking into account the views expressed thereon in the Commission. Priority should be given to the structure of the remuneration package

(c) To examine alternatives proposed by the Preparatory Working Group that had been identified for further consideration by the Commission, as well as any additional ones determined to be relevant by the Working Group itself;

(d) To identify additional specific issues that might be referred to the Advisory Committee on Post Adjustment Questions (ACPAQ);

(e) To identify and establish the relative priority of recruitment and retention problems, with particular emphasis on selected duty stations and specific occupations;

(f) To pay special attention to the problems of mobility and hardship;

(g) To narrow down the number of options and alternatives as far as possible, with a view to presenting sets of options for a new remuneration system that would constitute an integrated package. The Working Group's report should include all the elements, including financial implications, that would enable the Commission to adopt, at its thirtieth session, a comprehensive report with appropriate recommendations for submission to the General Assembly at its forty-fourth session. In particular, the Working Group's report should contain:

(i) A description of the conceptual framework of, and rationale for, any set of options considered;

(ii) An analysis of the interrelationship between the various component parts and an assessment of their internal consistency;

(iii) A description of the changes involved in relation to the existing system, together with an analysis of the impact of the changes;

(iv) An indication of the degree of simplification and streamlining achieved vis-à-vis the present system;

(v) A projection of how the system would evolve over time, along with its long-term financial implications;

(h) To make a preliminary assessment of the impact of the recommendations on the methodology for the determination of pensionable remuneration.

19. The Working Group met for a total of five and a half weeks in March, April, May and June 1989 to prepare its report for the Commission's thirtieth session.

Consideration by the Commission at its thirtieth session

20. The Commission considered the report of the Working Group, which included separate chapters on the competitiveness of the present United Nations salary system; margin considerations; the structure of remuneration and implications for pensionable remuneration; the post adjustment system; mobility and hardship; motivation and productivity; and allowances.
Views of the organisations and the staff representatives

21. The Secretary-General of the United Nations recalled that the Charter of the United Nations required the organizations of the common system to recruit and retain staff of the highest calibre in order to carry out the broad range of programmes and activities mandated by Member States. The continued erosion of conditions of service in the common system had made it increasingly difficult to comply with that requirement. The current United Nations salary system had been designed at a time of relative economic stability, and the Commission had repeatedly been obliged to devise measures to counteract problems created by economic instability, exchange rate variations and other fluctuations. Both Member States and the staff were deeply concerned about the functioning, competitiveness and viability of the present remuneration system.

22. He underscored the importance that all the executive heads attached to the comprehensive review now being undertaken by the Commission. The review offered a rare opportunity to introduce a system that would give adequate compensation for expatriation, provide equitable remuneration at and between different duty stations, encourage mobility, recognize service under hardship conditions and enhance productivity through greater recognition of merit.

23. The Commission had recognized the need for the full participation of its statutory interlocutors in all aspects and at all stages of the review in order to produce a remuneration system that was equitable, easily understood and competitive. ACC welcomed the Commission's decision to create a working group composed of members of the Commission, representatives of the executive heads and representatives of the staff, all acting in an individual capacity. That Working Group had provided a forum for a full and frank dialogue between the various parties involved and symbolized the spirit of openness that had thus far characterized the review.

24. Given the importance of the review for the future of the United Nations system, ACC had held a special session in July 1989 to take stock of the progress accomplished at that point. The Commission had before it the statement adopted by ACC reflecting its collective views.

25. It was now the Commission's task to assess the proposals of the Working Group in order to arrive at recommendations for submission to the General Assembly. The Secretary-General wished to stress the urgent need to introduce tangible improvements in the emoluments of staff at all duty stations so as to re-establish an appropriate balance between United Nations salaries and those of the comparator service, as well as to remedy the lack of competitiveness of United Nations emoluments. That should be combined with much greater recognition of mobility and service at hardship duty stations. The proposed system should also ensure, through appropriate adjustment mechanisms, that United Nations remuneration remained competitive in the future. Expectations were high, on the part both of the staff and of the executive heads. He earnestly hoped that the Commission would be able to arrive at recommendations by consensus. That would go a long way towards re-establishing a sense of confidence in the system and ensuring widespread support for the Commission's recommendations.

26. The Chairman of CCAQ informed the Commission that CCAQ would not make a general statement but would present its views in relation to individual chapters of the Working Group's report.
27. The President of the Federation of International Civil Servants' Associations (FICSA) expressed his appreciation to the Commission for keeping the first part of its bargain, without which FICSA would have maintained its position of non-participation in the comprehensive review. FICSA trusted that it could have similar faith in the assurances given regarding procedures for the current session, which was crucial if FICSA was to reconsider its position on the future of its relationship with ICSC.

28. While FICSA was satisfied with the manner in which the Working Group had addressed its mandate and with some of its specific recommendations, it was of the view that the Working Group had failed to address, in a dynamic and innovative way, the major problems facing staff in the Professional and higher categories, and hence the exercise undertaken by the Working Group could not be defined as a comprehensive review. The Working Group had chosen not to address the major problem of inadequacy of the United Nations remuneration package. The recommendations of the Working Group constituted further piecemeal changes to the current system, which might introduce some relief and a certain degree of simplification, but which did not address the system's basic flaws. The fundamental issue of the selection of a comparator that would meet the conditions of the Noblemaire principle was dismissed as unfeasible because of the limited time available for the review. FICSA thus considered that the conclusions of the Working Group had been based on an assumption and as such, its work had been severely marred from the outset. The only solution that would go some way towards setting salaries back on the right track would be an across-the-board increase in salaries of a magnitude that would ensure that Professional salaries were commensurate with the level of duties and responsibilities required of staff in the common system.

29. On the other hand, FICSA was gratified to see that the Working Group had arrived at a reasonably satisfactory package of improvements for the field. As regards the suggestions for the separation of housing, FICSA believed that such a measure would not simplify, but compound, an already complex and often unintelligible salary system. While, in the short term, the product might be packaged as a panacea for making housing more responsive to market costs, it would offer yet another index to be subjected to yet another methodology, eventual tinkering and probable freeze. In the long term, FICSA feared that such a structure might very well have an adverse effect on pensions.

30. FICSA expressed its profound dissatisfaction with the manner in which the Working Group appeared to be driven by cost considerations. If there was a need to increase the level of Professional and higher salaries, the Working Group should not hesitate to make recommendations to that effect. The responsibility lay with the executive head of each organization to arrange his budget accordingly.

31. At this eleventh hour, FICSA asked for the goodwill of all concerned to arrive at a worthwhile package that could respond to both the mandate given by the General Assembly and the recognized needs of the organizations and their staff. FICSA hoped that the Commission would not miss that opportunity.

32. The representative of CCISUA expressed his appreciation to the Commission for the steps taken to ensure that the staff representatives were fully involved in the comprehensive review. He was pleased to state that the Working Group's experience had been positive. Like CCAQ, CCISUA would not make a general statement but would indicate its view in the course of the discussion on the individual chapters of the Working Group's report.
Discussion by the Commission

33. The Commission noted that the current review was the twelfth in a series of major studies and reviews of United Nations common system salaries, allowances, benefits and other conditions of service that had been undertaken since the Preparatory Commission of the United Nations reported on the matter in 1945. In reviewing present conditions of service, the Commission had borne in mind the objectives, considerations and conclusions of the earlier bodies.

34. The Commission further noted that a number of recommendations - notably those in the area of motivation and productivity - were equally relevant to the General Service and related categories. It was agreed that these should be borne in mind when the Commission next conducted a general review of conditions of service for such staff.

35. The Commission also observed that it had not been possible in the time available to consider in any depth to what extent its recommendations would be appropriate to the conditions of employment of Professional staff hired for limited periods of time, for example, less than one year. They included both technical co-operation project staff and staff regularly appointed on a "short-term" basis. The Commission was of the opinion that it would be necessary to review, at the earliest opportunity, the desirability of establishing a separate remuneration system for such staff members.

36. The Commission's consideration of the specific aspect of the conditions of service of common system staff in the Professional and higher categories is reflected in the following sections of the present report.
CHAPTER II
SUMMARY OF DECISIONS, RECOMMENDATIONS AND FINANCIAL IMPLICATIONS

37. Chapters III-IX of the present volume contain specific recommendations, some of which entail financial implications. In the present chapter a consolidated summary of recommendations and financial implications is provided relating to all aspects of the conditions of service of the Professional and higher categories addressed by the Commission as part of the comprehensive review. Recommendations have been referenced to the appropriate paragraph of the respective chapter. Views, including reservations, expressed by members of the Commission and other participants on recommendations are reflected in the respective chapters.

   A. Chapter III: Competitiveness of the present United Nations salary system related to recruitment and retention needs

   Across-the-board increase

38. Chapter III concentrates on problem analysis in the area of recruitment and retention and contains recommendations for the establishment of a base/floor salary at a level equivalent to the current base salary plus 17 multiplier points. A separate recommendation is made for a 5 per cent general increase in remuneration. The financial implications associated with these two recommendations are $1.2 million and $60 million per annum, respectively.

   B. Chapter IV: Matters relating to the comparator and the margin

39. The Commission decided to recommend to the General Assembly that (see para. 173):

   (a) In the application of the Noblemaire principle as the basis for the determination of the conditions of service of United Nations staff in the Professional and higher categories, the comparator should continue to be the highest paid national civil service. A periodic check of the highest paid national civil service should be made every five years;

   (b) The current concept of the margin should continue to apply to all staff;

   (c) The current margin range of 110 to 120 should continue to apply:

   (d) In order to calculate the net remuneration margin:

      (i) Comparisons should continue to be based on the net remuneration of United Nations officials in grades P-1 through D-2 in New York and that of their counterparts in the comparator civil service in Washington;

      (ii) The cost-of-living differential between New York and Washington, based on the post adjustment indices for the two cities, should continue to be taken into account. A 12-month average of the amount of the New York/Washington cost-of-living differential should be applied in margin calculations, rather than the spot measurement currently taken;
(iii) The margin reference period should be changed to the calendar year, i.e. net remuneration in the two civil services for the period 1 January to 31 December of each year should be used for margin comparisons;

(iv) Average salaries at each grade should be used on both sides of the comparison;

(v) Bonuses and performance awards that were not considered by the United States Government to be included in base salary should be excluded from these comparisons;

(vi) The tax calculation procedure reported to the General Assembly in annex I to the eleventh annual report of the Commission should continue to apply;

(e) The margin should be allowed to fluctuate freely within the range. As long as the ratio between net remuneration in the United Nations system and in the comparator civil service remained within the ranges, no action would be required. If it became evident that the margin would drop below the lower limit, the Commission would make a recommendation to the General Assembly for an across-the-board salary increase. On the other hand, if it became evident that the margin would exceed the top of the range, a freeze on emoluments would be applied until such time as the margin was brought within the approved range;

(f) The cumulative margin procedure approved by the General Assembly at its forty-third session should be discontinued;

(g) The four-month waiting period between the granting of successive classes of post adjustment for New York approved by the General Assembly at its forty-third session should cease concurrently with (f) above.

C. Chapter V: Remuneration structures

40. The Commission decided to establish a Working Group composed of the secretariats of ICSC, CCAQ, FICSA and CCISUA to guide the ICSC secretariat in undertaking further tests on remuneration structures. There are no financial implications associated with this decision (see para. 196).

D. Chapter VI: The post adjustment system

41. The Commission made specific recommendations concerning various aspects of the operation of the post adjustment system.

(a) Common expenditure weights

42. The Commission decided that a single set of common expenditure weights should be used in post adjustment calculations at all duty stations. The procedures recommended by ACPAQ to derive common expenditure weights should be used (see para. 221).
(b) Use of reduced list of items for pricing in cost-of-living surveys

43. The Commission decided that the cost-of-living survey process would be simplified by adopting a reduced list of items (see para. 225).

(c) Treatment of out-of-area expenditures

44. The Commission decided to introduce a number of changes in the way the out-of-area expenditures are treated within the post adjustment system (see para. 231).

(d) Use of external data sources

45. The Commission decided to use external data sources for prices and housing costs to supplement or replace existing sources in order to streamline the post adjustment system. Adequate controls should be exercised on the quality, accuracy and consistency of all data obtained from external sources (see para. 235).

(e) Separation of the effects of currency fluctuations and inflation

46. The Commission decided not to pursue the use of separate salary scales for hard currency duty stations (see para. 246).

(f) Frequency of time-to-time adjustments

47. The Commission decided:

(a) To review post adjustment indices at headquarters and other European and North American duty stations on a monthly basis for both cost-of-living and exchange-rate movements. Changes in post adjustment/cost-of-living allowances in respect of cost of living should be granted either after a full 5 per cent movement had been measured or after a 12-month lapse since the last change, whichever came first. Changes owing solely to currency fluctuations should continue to be implemented monthly whenever they became due (see subpara. 250 (a));

(b) To review post adjustment indices for field duty stations on a four-monthly cycle for both cost-of-living and exchange-rates movements. Between those four-monthly reviews the post adjustment classifications of the duty stations should remain unchanged. However, in the case of duty stations experiencing continuous devaluations, pricing surveys should be undertaken frequently (see subpara. 250 (b));

(c) To carry out promptly new pricing surveys for field duty stations experiencing abrupt devaluations and reflect the increase as soon as the results were received. Post adjustment changes resulting from devaluations should be deferred by two months, following which a downward adjustment of a maximum of 10 multiplier points could be made (see subpara. 250(c)).

(g) Use of a multiplicative rather than an additive method to adjust multipliers affected by exchange rate fluctuations

48. The Commission decided that in the case of fluctuations in exchange rate, post adjustment multipliers should be adjusted by the percentage change in the post adjustment index (see para. 255).
49. The Commission recommended that (see para. 261):

(a) All regressivity should be removed from the post adjustment system;

(b) Pension contribution should be treated as a separate item in the post adjustment index so as to ensure that there would be no shift from staff to organizations in the share of expenditures relating to pension contributions.

50. The Commission decided that the current remuneration correction factor and floor protection measures should be discontinued, subject to, and in conjunction with, the removal of regressivity and the modification in the treatment of out-of-area expenditures (see para. 262).

(i) Elimination of special measures

51. The Commission decided that the post adjustment system should be simplified by the elimination of special measures for high inflation; abrupt devaluation; continuous devaluation; and duty stations with a low or negative post adjustment classification (see para. 266).

(j) Financial implications

52. The Commission noted that the decision referred to in paragraph 231 (g) that a single out-of-area index for all duty stations should be used to improve the internal consistency of the post adjustment system was expected to have an impact on the post adjustment indices for New York and Washington. It was anticipated that the use of the new out-of-area price progression factor, which was currently applied for all duty stations except New York and Washington, for those two duty stations, would result in their respective post adjustment indices increasing faster than under the present system. Consequently, the date for the granting of class 11 post adjustment for New York would be advanced by approximately three months. The date for the granting of class 9 post adjustment for Washington would also be advanced by four months. The financial implications of advancing the dates for the next post adjustment classes in New York and Washington were estimated at $1,913,000 for all sources of funding. Adjustments in pension remuneration amounts for the Professional and higher categories would advance by three months. Additional associated financial implications were estimated at $700,000. Consequently, the total financial implications of the decision referred to in paragraph 231 (g) were estimated at $2,613,000.

53. The use of external data sources (see para. 235) would entail additional expenditure for consultancy fees. However, it was anticipated that those additional costs would be offset by savings resulting from the elimination of fees paid to pricing agents used under the present system for the collection of pricing data. The recommendation in subparagraph 261 (a) that all regressivity should be removed from the post adjustment system would result in additional costs in respect of cost-of-living adjustments estimated at $400,000 per year.
E. Chapter VII : Mobility and hardship

54. The Commission has made specific recommendations in the area of mobility and hardship, the thrust of which would be to replace the present arrangements by a new mobility and hardship scheme.

(a) New mobility and hardship scheme

55. The current scheme of assignment allowance, with or without the mobility element, financial incentives for service at hardship duty stations, installation grant and pre-departure allowance should be replaced by the scheme as outlined in paragraphs 56 to 65.

(b) Mobility and hardship matrix

56. The elements of field service/mobility/hardship should be recognized by payments in accordance with the matrix shown in paragraph 313 and the detailed conditions and modalities for those payments specified in paragraphs 316 to 322.

(c) Assignment grant in the field

57. At field duty stations, the assignment grant (formerly the installation grant) should consist of 30 days of daily subsistence allowance, plus half that amount for each accompanying dependant, and a lump-sum payment equivalent to two months' base salary plus post adjustment at the new duty station at the staff member's grade and step (see para. 323).

(d) Assignment grant at headquarters and similar duty stations.

58. At headquarters duty stations and other European, North American and similar designated locations, the assignment grant should consist of 30 days' daily subsistence allowance, plus half that amount for each accompanying dependant, and a lump sum equivalent to one month's base salary plus post adjustment at the new duty station at the staff member's grade and step (see para. 326).

(e) Assignment grant modalities

59. The payment of the assignment grant should be made in accordance with the detailed modalities specified in paragraphs 324 and 325.

(f) Relationship to removal entitlements

60. The following provisions should apply pending the review proposed in paragraph 327:

(a) For staff with removal entitlements (see para. 333 (f)):

(i) At headquarters (and related) locations, the mobility/hardship elements. would be recognized as per the matrix. The lump-sum payment of one month's salary would not apply under the assignment grant;

(ii) At field locations a reduction of five percentage points in the mobility/hardship matrix would be applied and only one month's salary would be paid under the assignment grant;
(b) For staff without removal entitlements (see para. 333 (g)):

   (i) At headquarters (and related) locations, the mobility/hardship percentages under the matrix would be increased by three percentage points on the line shown for headquarters, which would represent the approximate existing value of the assignment allowance. The assignment grant applicable at headquarters (see para. 326) would apply;

   (ii) In the field, the mobility/hardship element would be recognized as per the matrix and the field assignment grant (see para. 323) would apply.

(g) Home leave

61. Home leave provisions should be as follows (see subparas. 333 (h) and (i)):

   (a) Twenty-four-month home leave would apply at headquarters and locations at hardship levels A and B (see para. 328); consequently the 18-month home-leave entitlement currently applicable to duty stations in category B would be discontinued;

   (b) Annual home leave would apply at locations at hardship levels C, D and E.

(h) Boarding costs

62. In the case of staff serving at locations where educational facilities were not available or were deemed to be inadequate, the current limit of $1,500 for reimbursement of 100 per cent of boarding costs in addition to the maximum amount of the education grant should be increased to $3,000. Staff members at these duty stations would be eligible to claim reimbursement for boarding costs up to the revised amount of $3,000 only in the case of children in primary and secondary school (see para. 329).

(i) Review of removal entitlements.

63. A number of recommendations were also made with regard to a review by CCAQ of removal and shipping entitlements, as well as family-related measures, including measures to deal with the problem of "split households" (see para. 327).

(j) Time off for medical/dental check-ups

64. Concurrent with the improvement of conditions of service at hardship duty stations, this entitlement should be discontinued (see para. 301).

(k) Pre-departure allowance

65. This entitlement is to be subsumed under the proposed assignment grant (see para. 325).

(l) Financial implications

66. The annual cost of the recommendations in subparagraph 333 (b) was estimated at $23,330,000 system-wide. There would be no additional cost implications for the proposals in subparagraphs 333 (c) to (i). The annual savings resulting from the
recommendation in subparagraph 333,(h) was estimated at $1,100,000 system-wide. The annual cost of the recommendation in subparagraph 333 (j) was estimated at $800,000 system-wide.

F. Chapter VIII: Motivation and productivity

In the light of its discussion, the Commission decided to recommend to the General Assembly that the following structural improvements to the salary scale for staff in the Professional and higher categories be introduced at the earliest possible opportunity (see para. 356):

(a) The value of annual increments (step values) should be reduced;
(b) The point in the salary grade at which overlap occurred with the next higher grade should be raised;
(c) A number of steps should be added at the top of each grade at the P-2 to D-2 levels, but these should be granted every two years;
(d) The step I values of the grades should be increased, especially those at grades P-1 to P-3, to render the United Nations system more competitive on recruitment;
(e) Aberrations in the existing scale should be eliminated by:
   (i) Making the average value of a step in each grade at least higher than the value of the step in the next lower grade;
   (ii) Making inter-grade differentials descend as the grade increased;
   (iii) Establishing salary spans that widened from grades P-1 to P-4 to reflect the distribution of staff at those levels, then decreased from levels P-4 to D-2 to reflect staff patterns at those levels;
(f) If step values were changed, care should be taken to ensure that the last step of the new scale was never less than the last step of the present scale.

68. The Commission further decided to recommend that the organizations (see para. 357):
(a) Modify their promotion policies to ensure that upon promotion the staff member was placed at a step in the higher grade representing no less in monetary terms than the value of two steps in the staff member's present grade;
(b) Follow the previous recommendation of the Commission on cash awards as stated below:
"These may be considered for staff whose performance over a single appraisal period on all the important elements of the job exceeds expectations. Organizations may exceptionally grant a cash award to a staff member who exceeds expectations on one or a few tasks that are particularly critical while performing at the expected level on the other elements of the job. Cash awards allow a one-time performance to be given a single reward that has no
permanent costs. Organizations that cannot provide more permanent rewards for sustained performance exceeding expectations, such as accelerated within-grade salary increments, may wish to use repeated cash awards to achieve the same purpose"; 3/

(c) In connection with (b) above, ensure that groups, as well as individuals, were equally eligible to receive such rewards;

(d) Introduce, as appropriate, non-monetary awards such as service pins, plaques and certificates of achievement in line with the earlier recommendation of the Commission;

(e) Introduce, to the extent possible, the environmental motivators described above in the areas of security, health, education and briefing, and other work-related conditions.

Financial implications

69. Financial implications arising in respect of recommendations made in this chapter would be as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings from reduced step values</td>
<td>(1 545 000)</td>
</tr>
<tr>
<td>Cost of additional steps on scale</td>
<td>850 000</td>
</tr>
<tr>
<td>Two steps on promotion</td>
<td>714 000</td>
</tr>
<tr>
<td>Total</td>
<td>19 000</td>
</tr>
</tbody>
</table>

G. Chapter IX: Allowances

70. The Commission's recommendations in the area of allowances were divided in four separate areas as outlined below.

1. Education grant

71. The Commission decided to recommend to the General Assembly that (see para. 406):

(a) The grant should remain solely an expatriate benefit, subject to the existing, exception for staff reassigned to their home country following service abroad (referred to in para. 382) which should be maintained;

(b) The grant should continue to be payable at the primary, secondary and post-secondary levels;

(c) The pattern of reimbursement should continue to be the same at the primary, secondary and post-secondary levels;
The uniform existing pattern of reimbursement should be maintained, i.e. the grant should not be differentiated by duty station or according to whether the educational institution was located in the duty station country, the home country or a third country;

(e) The existing provisions regarding education grant travel should remain unchanged;

(f) Existing provisions in respect of the age limit for the payment of the education grant should be maintained;

(g) The current ceiling for the special education grant for disabled children should remain unchanged for the time being, but should be kept under review;

(h) The revised arrangements on the currency of payment of the education grant approved by the General Assembly at its forty-third session (referred to in para. 381) should remain in place for the time being, but should be evaluated based on experience with the first round of education grant claims

(i) The level of the grant should normally be reviewed every two years; the period between reviews should in no case exceed three years.

2. Dependency allowances

72. The Commission decided to recommend to the General Assembly that (see para. 429):

(a) A dependent spouse or the first dependent child of a staff member without a spouse should continue to be recognized through differentiated rates of staff assessment and post adjustment. There should be no change at this time in the current extent of the differentiation;

(b) The relevant tax abatements and family allowances payable in the countries of the seven headquarters duty stations should continue to serve as the basis for the determination of the United Nations children's allowance;

(c) The children's allowance should be set at 2 per cent per child of net base salary plus post adjustment at the dependency rate, payable at P-4, step VI, at the staff member's duty station, subject to a floor allowance equivalent to 2 per cent of net base salary plus post adjustment at P-4, step VI, in New York. The allowance should be adjusted on the basis of post adjustment changes for the duty station, subject to the above floor provision;

(d) The age limit for eligibility to dependency benefits in respect of a child should remain unchanged;

(e) The children's allowance in respect of a disabled child should be double the amount of the children's allowance;

(f) A secondary dependant's allowance should continue to be payable in respect of one dependent parent, brother or sister, provided there was no primary dependant. The allowance should be set at 1 per cent of net base salary plus post adjustment at P-4, step VI, at the staff member's duty station, i.e. one half of
(g) the children's allowance, subject to a floor allowance equivalent to 1 per cent of net base salary plus post adjustment at P-4, step VI, in New York. The allowance should be adjusted on the basis of post adjustment changes for the duty station, subject to the above floor provisions.

3. Separation payments

73. The Commission decided to recommend to the General Assembly that (see para. 453):

(a) The terms and conditions for the payment of a termination indemnity, including the schedule of entitlements, should remain unchanged;

(b) The repatriation grant entitlement for staff without a spouse or a dependent child at the time of separation should be set at a uniform 75 per cent of the existing entitlement at the dependency rate. The proposed revised schedule of entitlements for the repatriation grant, calculated on this basis, is shown in subparagraph 453 (b) below;

(c) The terms and conditions for payment of the repatriation grant should remain unchanged in all other respects;

(d) The lump-sum amount payable in lieu of unused annual leave should be calculated on the basis of net remuneration, defined as net base salary plus post adjustment under the current system, at the duty station from which the staff member separated. The number of days that may be commuted into a lump sum should remain unchanged;

(e) The terms and conditions for payment of the death grant should remain unchanged;

(f) Separate schedules of entitlements should continue to be used for calculation of the termination indemnity, the repatriation grant and the death grant;

(g) All separation payments other than the commutation of unused annual leave should be calculated using the base/floor amount for the remuneration system. The existing scale of separation payments should consequently be abolished. In order to avoid financial implications, however, this measure should not be implemented until the scale of separation payments has reached the level of, or exceeded the base/floor scale. The scale of separation payments should continue to be used during the intervening period for all separation payments other than commuted annual leave.
4. Financial implications

74. Financial implications would arise in connection with a number of the recommendations. The amounts involved are itemized below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Revised children's allowances on the basis of 2 per cent of net remuneration at each duty station (see subpara. 72 (c))</td>
<td>$700,000</td>
</tr>
<tr>
<td>(b) Increase in children's allowance in respect of disabled children (see subpara. 72 (e))</td>
<td>$105,000</td>
</tr>
<tr>
<td>(c) Revised secondary dependant's allowance on the basis of 1 per cent of net remuneration at each duty station (see subpara. 72 (f))</td>
<td>$40,000</td>
</tr>
<tr>
<td>(d) Repatriation grant, single rate (see subpara. 73 (b))</td>
<td>$1,216,000</td>
</tr>
<tr>
<td>(e) Commutation of annual leave (see subpara. 73 (d))</td>
<td>$975,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,036,000</strong></td>
</tr>
</tbody>
</table>

H. Summary of financial implications

75. Financial implications have been indicated above wherever particular decisions/recommendations give rise to additional expenditure. These implications are summarized in tables 1 and 2 below.
Table 1. Financial implications  
(Thousands of United States dollars per annum)

<table>
<thead>
<tr>
<th>Element</th>
<th>Items</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter III. Competitiveness related to recruitment and retention needs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floor salary and 5 per cent general increase</td>
<td>61 200</td>
<td>61 200 a/</td>
</tr>
<tr>
<td>Chapter VI. The post adjustment system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post adjustment</td>
<td>1 913</td>
<td></td>
</tr>
<tr>
<td>Pensionable remuneration</td>
<td>700</td>
<td>2 613</td>
</tr>
<tr>
<td>Chapter VII. Mobility and hardship</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobility and hardship matrix</td>
<td>23 330</td>
<td></td>
</tr>
<tr>
<td>18-month home-leave savings (1 100)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boarding costs increase</td>
<td>800</td>
<td>23 030</td>
</tr>
<tr>
<td>Chapter VIII. Motivation and productivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings from reduced step values</td>
<td>(1 545)</td>
<td></td>
</tr>
<tr>
<td>Additional steps</td>
<td>850</td>
<td></td>
</tr>
<tr>
<td>Two steps on promotion</td>
<td>714</td>
<td>(19)</td>
</tr>
<tr>
<td>Chapter IX. Allowances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children's allowance - 2 per cent method</td>
<td>700</td>
<td></td>
</tr>
<tr>
<td>Disabled children's allowance</td>
<td>105</td>
<td></td>
</tr>
<tr>
<td>Secondary dependant's allowance</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Repatriation grant single rate</td>
<td>1 216</td>
<td></td>
</tr>
<tr>
<td>Commutation of annual leave</td>
<td>975</td>
<td>3 036</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>89 898</td>
</tr>
</tbody>
</table>

\(a/\) Assumes implementation as at 1 January 1990.
### Table 2. Additional costs of specific itemized proposals

(Thousands of United States dollars)

<table>
<thead>
<tr>
<th>Element</th>
<th>Headquarters Locations</th>
<th>Field</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regular budget</td>
<td>Extra-budg.</td>
<td>Total</td>
</tr>
<tr>
<td>Floor salary and 5 per cent general increase</td>
<td>26 800</td>
<td>8 000</td>
<td>34 800</td>
</tr>
<tr>
<td>Chapter VI. The post adjustment system</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post adjustment</td>
<td>1 469</td>
<td>444</td>
<td>1 913</td>
</tr>
<tr>
<td>Pensionable remuneration</td>
<td>320</td>
<td>100</td>
<td>420</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1 789</td>
<td>544</td>
<td>2 333</td>
</tr>
<tr>
<td>Chapter VII. Mobility and hardship</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobility and hardship matrix</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>18-month home-leave savings</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Boarding costs increase</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subtotal</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Chapter VIII. Motivation and productivity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings from reduced steps</td>
<td>(916)</td>
<td>(274)</td>
<td>(1 190)</td>
</tr>
<tr>
<td>Additional steps</td>
<td>460</td>
<td>150</td>
<td>610</td>
</tr>
<tr>
<td>Two steps on promotion</td>
<td>319</td>
<td>96</td>
<td>415</td>
</tr>
<tr>
<td>Subtotal</td>
<td>(137)</td>
<td>(20)</td>
<td>(157)</td>
</tr>
<tr>
<td>Chapter IX. Allowances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children's allowance</td>
<td>539</td>
<td>161</td>
<td>700</td>
</tr>
<tr>
<td>Disabled child allowance</td>
<td>58</td>
<td>19</td>
<td>77</td>
</tr>
<tr>
<td>Secondary dependent's allowance</td>
<td>21</td>
<td>8</td>
<td>29</td>
</tr>
<tr>
<td>Repatriation grant single rate</td>
<td>543</td>
<td>162</td>
<td>705</td>
</tr>
<tr>
<td>Commutation of annual leave</td>
<td>435</td>
<td>131</td>
<td>566</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1 596</td>
<td>481</td>
<td>2 077</td>
</tr>
<tr>
<td>Grand total</td>
<td>30 048</td>
<td>8 997</td>
<td>39 045</td>
</tr>
</tbody>
</table>
CHAPTER III

COMPETITIVENESS OF THE PRESENT UNITED NATIONS SALARY SYSTEM RELATED TO RECRUITMENT AND RETENTION NEEDS

76. The General Assembly, in section I of its resolution 43/226, provided the following guidance to the Commission in addressing the issue of recruitment and retention needs:

"The Commission should examine all elements of the present conditions of service, and after identifying problems related to staff recruitment, retention and mobility should propose solutions to these problems."

77. A detailed analysis carried out by the Working Group regarding the competitiveness of the present United Nations salary system with respect to recruitment and retention needs formed the basis for the Commission's consideration of the matter.

Views of the organizations and the staff representatives

78. The Administrator of the United Nations Development Programme (UNDP) noted that United Nations organizations faced recruitment and retention difficulties at all duty stations and especially at hardship locations. Although restructuring the basic salary package and restructuring and improving field benefits together received his highest priority, he recommended a substantial improvement in the value of the pay package. A 1987 UNDP survey of recruitment and retention difficulties in the field showed over 500 cases of resignations, requests for transfers, early separations, voluntary non-renewal of contracts, refusals of job offers and posts remaining unfilled. The survey had been updated for the comprehensive review and showed a further deterioration, detailing some 700 specific cases of job refusals or early departures, as summarized in annex I.

79. Although he considered conditions in the field to be especially bad, he supported the ACC statement that problems existed everywhere - headquarters and field, hardship and non-hardship, high, medium and low levels of expertise - demonstrating that the common system was not competitive. He noted that United Nations/United States comparisons of expatriate compensation levels showed that the United Nations was behind by some 20 to 30 per cent at some locations.

80. He provided the Commission with an overview of the massive development efforts required for the year 2000 based on projections of the world situation at that time. By improving employment conditions the Commission would help to retain the best staff and recruit the talent needed to carry out necessary development programmes.

81. The Chairman of CCAQ noted that statistical data demonstrated the trend towards increasing recruitment and retention difficulties in all locations, at all grade levels, in almost all occupational groups and among candidates of many nationalities. He requested that some of the information, particularly that on the decline in purchasing power of Professional staff at the seven headquarters duty stations, be made available to the Assembly. The Chairman of the National Commission on the United States Public Service, the Volcker Commission, 4/ had stated:
"Government in general - and the Federal Government in particular - is increasingly unable to attract, retain and motivate the kinds of people it will need to do the essential work of the republic in the years and decades ahead".

As the Volcker Commission report indicated, almost 40 per cent of the senior federal executives who had left government service in 1985 had said that their frustrations with proposed and actual changes in compensation were of great importance in their decisions. Moreover, only 17 per cent of the honour society graduates surveyed by the Volcker Commission felt that the Federal Government could compete in salary with the private sector. The Chairman of CCAQ noted a striking parallel between the findings of the Volcker Commission and those reported by the Working Group on the conditions of service in the United States federal civil service and the United Nations.

82. It was particularly important in the context of the comprehensive review to have a complete and documented picture of how the comparator was reacting to its own recruitment and retention problems. While some of the recommendations, for example, that of an increase in remuneration of some 25 per cent and those relating to locality pay, might not be pursued for budgetary reasons, it seemed likely that independent action by different United States departments and agencies to increase the remuneration packages of their respective departments would take place.

83. CCAQ noted the increasing tendency for United Nations common system staff to be lured to alternative employment with the World Bank or regional development banks or with organizations whose pay was linked to the remuneration levels of the Co-ordinated Organizations. Recent studies revealed significant differences between the remuneration levels of these bodies and the United Nations at the accepted equivalencies. World Bank remuneration exceeded that of the United Nations by amounts ranging from about 1 per cent at P-4, step I, to 33.5 per cent at the top of the P-4 level. The remuneration levels of the Co-ordinated Organizations exceeded United Nations levels by 27 per cent at step 1 of the P-4 level and 35 per cent at the maximum of the P-4 grade.

84. CCAQ was opposed to the introduction of either special rates or recruitment bonuses, which it considered discriminatory and leading to division in the common system.

85. FICSA was of the view that the current remuneration system of the comparator reflected many years of neglect. The margin range had been established when there was essentially no pay gap between the United States federal civil services and its comparator, the United States private sector. Accordingly, FICSA thought that the range of 110 to 120 should be interpreted flexibly. FICSA proposed that a second margin of 10 per cent be established to reflect the expatriate factor while the regular margin should continue at: 15 per cent. FICSA expressed its disappointment that the Commission had not agreed to the establishment of two separate margins, which in their view would have reflected more accurately the current situation. FICSA considered that the effect of the combined margins, i.e. a 25 per cent increase over comparator salary levels was fully justified in the context of (a) the United States pay gap; (b) the loss of purchasing power experienced by United Nations staff at virtually all locations; (c) the lack of confirmation that the United States federal civil service was the best paid national service; (d) the practice of supplementary payments by an increasing number of member States; and (e) the recruitment and retention problems faced in varying degrees at all
locations. FICSA persisted in its request for an immediate across-the-board salary increase of at least 10 per cent to be followed by a mechanism of continuing yearly increases until the competitive level was restored.

86. The notion of special rates was an elitist approach which had no place in an international civil service. FICSA expressed the view that the practice of supplementary payments by some member States would be eliminated with the granting of a significant salary increase for common system staff. The President of FICSA opposed the establishment of a recruitment bonus considering it discriminatory vis-a-vis staff hired earlier. Consequently, he considered that it would have a negative impact on programme delivery.

87. The representative of CCISUA noted that the Working Group had had some 30 working days to complete its work. As a result, a number of significant issues had been addressed in a perfunctory manner or not at all. The first order of business should have been to determine whether the current comparator was still the highest paid national civil service. That exercise should have been conducted on a total compensation basis. Next a study of the structure of common system categories and grades should have been conducted including career progression aspects. The continued applicability of the Noblemaire principle in the context of the competitiveness of the common system remuneration system also required attention.

88. With regard to competitiveness, CCISUA was of the view that the United Nations organizations were abdicating their role in the world, noting that the average remuneration gap between the common system and the World Bank was 26.7 per cent; with the European Communities, 22.2 per cent; and with the Organisation for Economic Co-operation and Development (OECD), 20.2 per cent. Between 1984 and 1988 the average decrease in purchasing power of common system staff had been 11.2 per cent, while at some duty stations it was in the order of 22 to 24 per cent.

89. He expressed the view that the United States pay gap should be studied along with the question of the special pay scales introduced by the comparator. He emphasized that the international civil service had more limited promotion prospects and less security of employment than a national civil service.

Consideration by the Commission

A. Background

90. The Commission noted that in 1920, with the birth of the League of Nations, the scales of pay for internationally recruited staff had been established at a level based on those of the highest-paid civil service in the world. In subsequent years, several inquiries into League salaries had endorsed the conclusions of the Committee of Experts, which had recommended those salary levels. The considerations of the Committee, under the chairmanship of Mr. Georges Noblemaire, had become better known as the Noblemaire principle. The principle had not been explicitly stated by the Committee, but had been deduced from the Committee's considerations and the scales it proposed.

91. With the advent of the United Nations, the General Assembly, in resolution 13 (I) of 13 February 1946, had reiterated that basic principle when it stated that "the conditions of employment ... should be such as will attract qualified
candidates from any part of the world" and resolved that "in determining ... salaries ... account should be taken ... of the wide range of remuneration for comparable work prevailing in the government services of the Members of the United Nations". The principle had been upheld by the various review bodies that had looked into United Nations conditions of employment since then.

92. In its first annual report in 1975, 6/ the Commission had confirmed the principle on which the level of remuneration of the Professional and higher categories should be based, as follows:

"For the international civil service, only a global salary system could ensure both equity and the necessary mobility of staff. In line with the principle of 'equal pay for equal work', no distinction could be admitted in the remuneration of internationally recruited staff on the grounds of their nationality or of salary levels in their own countries. Since the organizations must be able to recruit and retain staff from all of the Member States, the level of remuneration must be sufficient to attract those from the countries where salary levels are highest - with the inescapable consequence that the level would then be higher than would be needed to attract staff from countries with lower national salary levels and might appear excessive to the Governments and taxpayers of those countries. In order to determine the appropriate level of salaries for the United Nations the preliminary conclusion of the Commission, like that of its predecessors, was that no acceptable alternative could be found to the existing practice of comparison with the salaries of the national civil service of the Member State whose levels were found to be highest and which otherwise lent itself to a significant comparison."

93. The Commission noted that, while tribute had been paid to the validity of the basic design of the United Nations remuneration system, in recent years the system had increasingly been subject to the stresses and strains of external and internal forces. Those pressures had resulted on the one hand from the volatility of the economic conditions that had followed the breakdown of the Bretton Woods Agreement and on the other from the increasing diversity and breadth of United Nations activities that now extended to some 150 countries and engaged over 18,000 Professional staff of 160 nationalities.

94. The General Assembly had expressed concern over the lack of transparency and simplicity of the remuneration system and over the growing number of ad hoc measures that had weakened its internal consistency. The executive heads had referred to the unresponsiveness of an outdated compensation package that failed to meet present-day needs. The unpredictability of the system had also been a source of complaint. Both the executive heads and the staff bodies had spoken of the vagueness and weakness of the current remuneration system and the constant deterioration of the conditions of service.

95. The Commission recognized that extreme currency fluctuations and steep rates of inflation at most locations had aggravated the situation, as budgetary and other domestic considerations had affected the salary levels of the comparator country. The lack of movement in United States General Schedule salaries in recent years and the consequent freeze of United Nations salary levels was seen by some Commission members as exacerbating the problem.
96. The Commission noted that the need to make United Nations conditions of employment competitive had been emphasized in various quarters, as had the organizations’ increasing difficulties in managing programmes because of their inability to recruit and retain high-quality staff. The statement of the Administrator of UNDP at the thirtieth session of the Commission had been the latest example. At its twenty-ninth session the Commission had been addressed by the Directors-General of IAEA and UNIDO, both of whom had identified recruitment and retention difficulties similar to those identified by the UNDP Administrator (see paras. 78-80).

97. Accordingly, in addressing recruitment and retention difficulties the Commission noted that organizations had resorted to a number of exceptional measures. They included:

(a) The increasing tendency to offer a higher step in grade upon recruitment and, in some organizations, the revision of the grade levels of field posts;

(b) The greater use of reimbursable loans and secondment;

(c) In one organization whose programme so permitted, Professional staff members worked in their own home countries rather than being required to move to the organization's headquarters;

(d) The increasing use of other employment arrangements, such as the special service agreements, which, in effect, established a class of non-staff in the system;

(e) The more frequent hiring of sub-contractors. In a number of member States, experts who had formerly been recruited by the organizations on an individual basis had begun to form consulting firms in order to benefit from private-sector hiring rates.

98. The Commission also noted that the payment by certain member States of supplements to the United Nations emoluments of their nationals was in contravention of the United Nations salary system. The Commission reiterated its previously expressed view on that issue, noting that supplementary payments to some staff created inequality of treatment and were contrary to the Staff Regulations of all organizations as well as to the spirit of the Charter of the United Nations (see vol. I, paras. 80-90).

99. The Commission reviewed various analyses showing that:

(a) Since January 1975, the date of the last salary increase, the purchasing power of Professional staff at the base of the system had declined steadily; in July 1989, it showed a 7.5 per cent loss as compared with its 1975 level. The loss of purchasing power was even greater at other headquarters locations;

(b) The gap between full pay comparability under the comparator's Pay Comparability Act, 7/ and the Level of United States federal civil service salaries had increased precipitously in the early to mid-1980s and now stood at over 28.6 per cent:
(i) In 1985, when the Commission had recommended a net remuneration margin range of 110 to 120 with a desirable mid-point of 115, the gap stood at 14 per cent and averaged 6.6 per cent over the same reference period used to determine the margin range (1 October 1976 to 30 September 1984);

(ii) Since 1984 the gap had averaged over 21 per cent;

(c) Increases had continued to be granted by other international organizations, the most recent example being a 10 per cent increase by the World Bank, effective 1 May 1989.

B. Recruitment and retention difficulties

100. Some Commission members were of the view that not enough substantive data had been made available and felt that further study and analysis of data would be necessary to determine priorities and establish with some degree of precision where problems were most pressing. Others felt that, while further study would undoubtedly permit a more precise decision, some remedy had to be found immediately to prevent further erosion and provide some form of relief, at least for staff in the field; that would not preclude an in-depth study at a later time. Some Commission members were of the view that the Volcker Commission report could serve as a model for what the Commission could present to the General Assembly.

101. The Commission did not view the issue of recruitment and retention as uniform. It viewed the problem to be more serious in the field than at headquarters. Some members noted that only certain occupational groups and nationalities experienced recruitment and retention problems. These members were not convinced that across-the-board recruitment or competitiveness problems existed for the majority of posts at most headquarters duty stations. There was a degree of agreement that recruitment difficulties were more serious than retention difficulties.

102. A good deal of discussion centered around the comparator and the problems it, had been experiencing in the area of recruitment and retention. The comparator's use of special rates and other ad hoc measures was seen by some as a reflection of the deterioration of the comparator's own competitive position. The Volcker Commission had dealt at length with the question of competitiveness in the United States Federal Government and had come to the conclusion that the federal pay gap was a significant disincentive in both the recruitment and retention of a high-performance work-force. In that regard, some Commission members expressed the view that, at a time when the United States federal civil service remuneration system was in a state of flux, it was not opportune to adopt features of that remuneration system such as special rates for possible application in the common system.

103. There were differing opinions as to how the Commission should view the United States federal civil service pay gap, which was an integral feature of the annual report of the President's Pay Agent. Some members considered that it was sufficient to take into account actual United States federal civil service salary levels, while others viewed the pay gap as a feature that could be considered in determining United Nations common system remuneration levels.
104. Some members, bearing in mind General Assembly resolution 43/226, considered that the Noblemaire principle, which had been accepted some 40 years earlier, warranted review in the context of modern problems. The General Assembly had requested the Commission to review how best the application of the Noblemaire principle could ensure the competitiveness of United Nations remuneration without resorting to comparison with the private sector. It had thereby implicitly recognized a potential conflict between the Noblemaire principle as it was currently being applied and the competitiveness of United Nations remuneration. Those members felt that the conflict could be resolved by taking into account in salary comparisons parastatal institutions, universities, foundations and, to some extent, the private sector. They were of the view, moreover, that the General Assembly might wish to give serious consideration to such comparisons. Others, however, were of the view that there was no conflict between the Noblemaire principle as it was currently being applied and the competitiveness of the United Nations remuneration.

105. Members of the Commission had differing views on possible remedies to the problem, ranging from an increase in the overall level of remuneration to the selective adjustment of various elements of the remuneration package. Some members of the Commission expressed doubt as to the effectiveness of a proposed 5 per cent increase in the overall level of remuneration to solve the problem of competitiveness, some because they felt that 5 per cent was an amount barely sufficient to correct the problem and others because they felt that the problem had limited dimensions requiring specific measures aimed at attracting certain types of staff.

106. The Commission next addressed the issue of measures to be recommended to the General Assembly to address the recruitment and retention difficulties currently being experienced by the United Nations common system. It concluded that there was no single measure that could be recommended which would address this problem. It noted that a series of measures was being proposed in the context of the comprehensive review that should improve the competitiveness of the United Nations common system. In addition to these measures, which are described in chapters IV to IX, the Commission considered the recommendation of ACC as well as the staff bodies for a minimum 5 per cent increase in salaries.

107. The Commission recalled that it had made a number of recommendations to the General Assembly that would result in changing the existing methodology for calculating the net remuneration margin. Following approval of the revised margin methodology by the Assembly, the net remuneration margin would be calculated and monitored by the Commission on a regular basis.

108. The methodology for the operation of the post adjustment system within the margin range would ensure that:

(a) The margin level would be allowed to float within the range of 110-120 without being constrained to remain constantly at or near the mid-point or any other point within the range;

(b) If it became evident that, with the granting of a higher post adjustment classification for New York when it became due, the margin level would go over the upper limit of the margin range, such higher post adjustment classification would not be granted and the Commission would take action to freeze the post adjustment classification for New York until such time as the granting of a higher post adjustment classification would continue to keep the margin level within the range;
113. Some members of the Commission were of the view that the difference between the United States public sector and market rates under the Pay Comparability Act, should not be considered as an element in the determination of the salaries of United Nations officials. To do so would be contrary to the Noblemaire principle. This seemed to others to be untenable because even the General Assembly resolution had implicitly recognized that there could be a conflict between the current application of the Noblemaire principle and competitiveness.

114. In addition the Commission also had to bear in mind the problems of recruitment and retention referred to by the executive heads. While these problems were pronounced in the field they also existed at other locations. The Commission noted that it was making a number of recommendations to the General Assembly that would result in significant improvements in the conditions of service of field staff. However, none of these recommendations, including those relating to the post adjustment system, would result in a meaningful benefit for headquarters staff.

115. The Commission further noted that losses in purchasing power had been and were being experienced by the United Nations officials at most locations around the world since 1975, and that these losses were most significant at headquarters locations. Under the circumstances if there was no improvement in conditions of service for headquarters staff, there would be further deterioration in staff morale and accentuation of recruitment and retention problems.

116. While individual members placed different emphasis on particular aspects of the considerations described in paragraphs 100 to 115, the majority of members were of the view that a general improvement in salaries for all staff was justified at this time. The Commission therefore decided to recommend to the General Assembly that a 5 per cent across-the-board increase in salaries for the Professional and higher categories of staff should be granted in 1990.

117. The Commission noted that, if the above-mentioned increase was granted effective 1 January 1990, then the margin for the next margin period would be approximately 118.3 after taking into account the post adjustment increase in New York anticipated for February 1990. On the other hand, if the increase were to be implemented as at 1 July 1990, the margin would be around 115. Should the General Assembly accept the Commission's recommendation regarding the need for an increase in salaries, it might wish to decide on the actual date of implementation of the increase on the basis of this information.

118. In conjunction with the above-mentioned general improvement in the level of remuneration, the Commission considered the question of minimum base salary levels for the system. The Commission was of the view that it would be appropriate to establish minimum base salary levels for the system at more meaningful levels than were currently applicable. In this regard it noted that the General Assembly had requested the Commission to use the non-diplomatic expatriate staff of the comparator civil service as a general point of reference. Consequently, it would be both appropriate and desirable to establish minimum base salary levels in line with the minimum amounts applicable to comparator civil service employees when they were stationed abroad.

119. Bearing this in mind and the recommendations it was making for, *inter alia*, improvements in the functioning of the post adjustment system and the introduction of a mobility and hardship scheme, the Commission decided to recommend to the General Assembly the establishment of floor salary levels that would be
approximately equal to current net base salaries plus 17 points of post adjustment. It further decided that, should a revised remuneration structure based on the principle of the treatment of housing cost as a separate element be introduced in the future, the amounts corresponding to the floor or minimum base salary levels mentioned above would not be increased as a result of a separate housing floor, if the latter were deemed to be necessary.

120. The majority in the Commission was of the view that its recommendation concerning an across-the-board increase in salaries of 5 per cent, along with those concerning the establishment of floor salary levels, could be incorporated into a revised scale by using the following procedure:

(a) The current net base salaries should be increased by incorporating approximately 12 points of post adjustment on a no loss no gain basis;

(b) The resulting net base salaries should be increased by 5 per cent on an average basis;

(c) Net base salaries in (b) above should be grossed up using the current rates of staff assessment for those with a primary dependant approved by the General Assembly in section II of its resolution 42/221;

(d) Gross salaries in (c) above should be netted down by the application of the current rates of staff assessment for those without a primary dependant to arrive at net base salaries for such staff;

(e) As all regressivity in the amounts of post adjustment per index point was proposed to be eliminated, the current schedule of post adjustment amounts per index point would no longer be necessary. The amount of post adjustment per index point at a given grade and step would equal 1 per cent of net base salaries for those with and without dependants at the same grade and step.

121. In arriving at a scale meeting the above criteria, considerations regarding the desirable characteristics of a salary scale outlined in paragraph 356 should be taken into account.

122. A salary scale for Professional and higher categories of staff meeting the above characteristics may be found in annex II. The Commission noted that, along with a revised salary scale, the General Assembly would need to approve a new scale of pensionable remuneration amounts. It was noted, however, that if the revised salary scale incorporating a 5 per cent salary increase were to be implemented before the anticipated post adjustment increase in New York in February 1990, then the adjustment by 2.8 percentage points referred to in paragraph 42 of volume I of the present report would have to be made in conjunction with the implementation of the revised salary scale. On the other hand, if the revised salary scale were to become effective after the implementation of the above-mentioned post adjustment increase in New York, then it would not be necessary to make the 2.8 percentage point adjustment concurrently with the introduction of the salary scale, as it would already have been made in conjunction with the post adjustment increase. In addition to the above-mentioned element, the relationship between New York net remuneration at various grades and steps and the relevant pensionable remuneration amounts in effect just prior to the implementation of the revised salary scale would also have to be borne in mind in arriving at a scale of pensionable remuneration. Following some preliminary decisions on the part of the General
Assembly concerning the salary increase and its effective date, as well as the interim adjustment procedure for pensionable remuneration, the scale of pensionable remuneration could be prepared using a simple arithmetical formula.

123. Some members of the Commission were of the view that there was no "justification for granting an across-the-board increase in salaries for the Professional and higher categories of staff. These members were of the view that the data on recruitment and retention difficulties submitted by the organizations did not indicate the existence of those difficulties at all locations. They stressed that the proposal lacked technical justification and was therefore arbitrary. One member of the Commission was of the view that the problems of low levels of remuneration at headquarters duty stations and other similarly situated locations could be resolved by the creation of a temporary housing allowance amounting to 5 per cent of net remuneration, pending the Commission's consideration of a revised remuneration structure based on the removal of housing as a separate element.

124. One member, among those who did not favour the 5 per cent across-the-board salary increase, was of the view that the proposed margin methodology required the introduction of a new margin range that would be substantially lower than the existing one. Accordingly, in 1990, the margin might not fall below the lower limit even if post adjustment class 11 were not introduced during the year. Moreover, if a 5 per cent across-the-board increase in salaries were to take place in 1990, the level of the margin might exceed the upper limit, which, in accordance with the proposed methodology, would require a salary freeze. He also stressed that the proposed across-the-board salary increase was not justified under the current methodology, which was the only one that should be applied before the adoption of the new methodology by the General Assembly.

Recommendations of the Commission

125. The Commission, by a majority, decided to recommend that a 5 per cent across-the-board increase in salaries of the Professional and higher categories of staff should be granted in 1990. It further decided to recommend that in arriving at the salary scale to be used on the date of implementation of the proposed salary increase, the considerations outlined under paragraphs 119 to 122 should be taken into account.

126. The Commission noted that the financial implications of a 5 per cent across-the-board increase were estimated at $61,200,000. These costs included those arising as a result of consolidation in conjunction with the introduction of floor salary levels and considerations of internal scale relativities.
CHAPTER IV

MATTERS RELATING TO THE COMPARATOR AND THE MARGIN

127. The General Assembly, in its resolution 43/226, provided the following guidelines concerning the Noblemaire principle and the comparator:

(a) The Noblemaire principle should continue to serve as the basis of comparison between United Nations emoluments and those of the highest-paying civil service - currently the United States federal civil service - which, by its size and structure, lends itself to such comparison;

(b) The Commission should review how best the application of the Noblemaire principle can ensure the competitiveness of United Nations remuneration without resorting to comparison with the private sector;

(c) In this connection the Commission should undertake a comparative study of the concept of the margin including the way in which it is intended to compensate for expatriation.

128. The General Assembly, by its resolution 42/221, section I, paragraph 1, had decided to maintain the methodology described in the report of ICSC submitted to the General Assembly at its fortieth session 2/ for the calculation of the margin between the net remuneration of staff in the Professional and higher categories of the United Nations and that of the comparator civil service, which should continue to be applied for the time being. In the same resolution the General Assembly requested the Commission to continue its examination of the methodology for calculating the net remuneration margin and to report thereon to the General Assembly at its forty-fifth session.

129. Bearing in mind the views of the General Assembly as outlined in paragraph 127 and the fact that the net remuneration margin and all aspects relating thereto represented an important element of the conditions of service for staff in the Professional and higher categories, the Commission agreed that all aspects of the margin, including the calculation methodology, should be addressed as part of the comprehensive review.

130. In response to the above decision of the Commission, the Working Group reviewed the following aspects of the application of the Noblemaire principle:

(a) Comparator: (i) current application of the Noblemaire principle; (ii) comparator service, present and future; and (iii) ensuring competitiveness of United Nations remuneration in the application of the Noblemaire principle;

(b) Margin: (i) concept of the margin; (ii) type of comparison (net remuneration versus total compensation); (iii) comparison methodology; and (iv) measurement and management of the remuneration system.

Views of the organizations and the staff representatives

131. The Chairman of CCAQ expressed the view that it would have been preferable to undertake a study of the highest-paying national civil service either in advance of, or concurrently with, the comprehensive review. He supported the view that the
concept of the margin should continue to include the treatment of expatriation, as opposed to the establishment of a separate expatriation allowance. He agreed that full or partial total compensation comparisons should be conducted in the context of competitiveness checks and that annual margin calculations should be based on net remuneration comparisons.

132. With regard to the methodology for calculating the net remuneration margin it was clear that, with the reintroduction of revised tax calculations and the acceptance of a revised methodology based on average salary, there would be a significant impact on the level of the margin. This might result in a situation where a recommendation for a salary increase would be justified according to the guidelines already established by the Commission and endorsed by the General Assembly.

133. CCAQ supported the use of average as opposed to step I salaries, a calendar-year reference period and an average cost-of-living differential. The Chairman of CCAQ reaffirmed the position taken by the organizations in 1986 that the place at which United States/United Nations comparisons should be made should be Washington, D.C., for the United States and New York for the United Nations. The differential to reflect the cost of living between the two locations should continue to be taken into account. If the differential was not to be taken into account then the margin range would have to be redefined.

134. He supported the view that, as long as bonuses and performance awards represented an integral part of the comparator's remuneration structure, they should be included fully in margin comparisons. He very strongly endorsed the need for a more flexible approach to the management of the margin and urged the Commission to press, in the strongest possible terms, for the elimination of the recently imposed cumulative margin period.

135. The president of FICSA objected to the fact that no attempt had been made to identify the best comparator for the establishment and adjustment of Professional salaries. He expressed the view that such an exercise could be carried out within the context of the comprehensive review during the coming year and presented to the General Assembly at its forty-fifth session in 1990.

136. He noted that private sector comparisons had been specifically excluded by the General Assembly. If the private sector was excluded from any further consideration, then he suggested that the public sector such as the World Bank, OECD and the European Communities be considered. He further suggested that the equalization payments received by United States nationals on return from service with one of the common system organizations should be used as a point of comparison.

137. In net remuneration margin comparisons average salaries should be used, as had already been decided by the Commission. The Commission had already taken decisions with respect to the use of tax statistics for the Washington, D.C., area. However, owing to the lack of appropriate statistics, that procedure had not been used for 1987 and 1988, which had resulted in a delay in defreezing post adjustment in 1988 with its possible impact on the current level of the margin.

138. He supported a broader margin range without a desirable margin level, and reiterated FICSA's view that the margin should be free-floating within a sizeable range, thus providing for reasonable cost-of-living movements with some form of control. In the context of the across-the-board increase, he noted that FICSA has
advanced the idea of two margins: one to regulate United Nations Professional salaries vis-a-vis the salaries of the comparator based on full pay comparability under the Pay Comparability Act and the other to compensate for the negative effects of expatriation.

139. The President of FICSA expressed grave concern over the non-recognition of the 28.6 per cent gap between United States federal civil service pay and private sector salaries. He argued that this gap rendered all conclusions invalid. Moreover, the current procedure of using step I salaries was devoid of any logic and should be replaced by the use of average salaries. The use of average salaries was particularly relevant in the context of a proposal in 1988 by the Advisory Committee on Federal Pay to grant United States government agencies the ability to recruit staff at step 4 of each grade instead of step 1, to alleviate recruitment difficulties. The proposal to exclude bonuses and performance awards from the comparison was another example of ignoring realities.

140. The representative of CCISUA stated that the difference between United States federal civil service salaries and those of the private sector should be taken into account in assessing the competitiveness of United Nations remuneration levels. The current pay gap under the United States Pay Comparability Act should be considered in addressing the proposal for an across-the-board increase. He agreed that the concept of expatriation in the margin should be replaced by that of international service and the level of the margin should be based on competitiveness checks as proposed by the Working Group.

141. The calculation of the margin should be based on sound technical considerations and should be addressed by the Commission under its mandate; the decision of the Assembly concerning the establishment of a cumulative margin had no technical basis. The representative of CCISUA supported the use of average salaries as well as the continued use of the New York/Washington cost-of-living differential. He regretted the departure, in 1987 and 1988, from the approved margin methodology as regards the use of Washington area tax statistics and was of the view that the loss resulting from that departure should be taken into account in the consideration of the proposed across-the-board increase.

Consideration by the Commission

A. The Noblemaire principle and the comparator

142. The Commission noted that it had on several previous occasions reviewed the Noblemaire principle and its application in the context of current remuneration comparisons. As before, it saw no viable alternative to the continued use of the Noblemaire principle. In the context of the Noblemaire principle it noted that, while the General Assembly had confirmed the use of the United States federal civil service as the current comparator, the terms of the resolution did not preclude the eventual use of a different comparator civil service. The Commission further noted that some members of the Working Group had expressed the view that a study should have been carried out in the context of the comprehensive review to determine whether the United States federal civil service was still the highest paid. The Commission concluded, however, that in the time available for the completion of the review it was not feasible to embark on such a study, the more so since, by its nature, it would need to be conducted on a total compensation basis. One member was of the view that references to total compensation comparisons were not
appropriate at this point as the Commission had not taken any decision in this regard. The Commission agreed, however, that a check on the competitiveness of the current comparator was extremely important and should be undertaken at the earliest opportunity after submission of the report to the General Assembly on the comprehensive review, and that further checks on the validity of the comparator should be conducted periodically thereafter, for example, every five years. It therefore agreed that a methodology for conducting such checks should be finalized.

143. With regard to the possible use of a basket of comparators, the Commission considered that establishing such comparisons would be a very complex undertaking, involving a series of grade equivalency studies and problems related to the use of different exchange rates. Furthermore, a basket containing employers paying less than the highest paid would, by definition, result in levels below the highest paid and would thus be contrary to the Noblemaire principle.

144. With regard to the use of international organizations as well as foundations in the comparator country as a point of reference, some Commission members believed this to be at variance with the provisions of the General Assembly resolution, while others considered that a degree of indirect reference might be possible.

**Competitiveness**

145. The Commission noted that the General Assembly resolution referred to the competitiveness of United Nations salaries. The Working Group in its proposals to the Commission had considered that to mean that competitiveness checks with employers other than the comparator would be made. The Group accordingly recommended two types of checks for competitiveness to be carried out on a regular basis, for example, every five years: (a) with employers of international staff; and (b) with a non-diplomatic expatriate service of the comparator.

146. While some members of the Commission agreed that checks for competitiveness on a periodic basis using the total compensation approach should be carried out with other employers of international staff, others were of the view that such checks would not be in accord with the Noblemaire principle. In general, there was agreement that periodic checks with the non-diplomatic expatriate staff of the comparator should be carried out, taking into account other elements besides net salaries, though some members were of the view that caution should be exercised in that regard. Those members felt that the non-diplomatic expatriate staff of the comparator and United Nations officials were not fully comparable.

**B. Margin**

147. The application of the Noblemaire principle had resulted in United Nations common system salaries being set at a level above those paid by the comparator civil service, i.e. the margin. The concept of the margin was that it should be set at a level so as to attract and retain staff from all countries, including those with the highest pay levels, and to account for a number of non-quantifiable factors associated with international civil service. The non-quantifiable factors had generally been grouped under the following three headings by various review groups over the years: (a) limited stability and security of employment; (b) limited promotion prospects; (c) costs arising from expatriation.
148. In view of those considerations the appropriate level of the margin had in the past been based on pragmatic considerations. In 1985, however, in response to the General Assembly's request to study the matter, the Commission recommended both a desirable margin level and a range that was approved by the General Assembly in its resolution 40/244 of 18 December 1985. Today the net remuneration margin was based on comparison of step I salaries of United Nations officials in grades P-1 to D-2 in New York with those of officials in equivalent grades in the comparator civil service in Washington, taking into account the cost-of-living difference between New York and Washington. The results of the comparison were assessed against a margin range of 110 to 120 with a desirable margin level of 115 as established in 1985. More recently the General Assembly had imposed further restrictions, both with regard to the time-frame for the measurement of the margin level of 115 and the frequency with which United Nations common system salaries could be adjusted in response, inter alia, to margin considerations. The General Assembly, by its resolution 43/226, had decided, as an interim measure, that the margin level should be measured on a cumulative basis as opposed to the traditional 12-month period. It had further decided that United Nations common system net remuneration in New York should be adjusted by incremental post adjustment classes with at least a four-month period between the granting of one class and the next higher class.

1. Expatriation

149. The Commission noted the General Assembly's specific reference to the treatment of expatriation within the margin. It therefore re-examined whether that element could better be treated in some other way, either (a) by separating out expatriation from the margin and paying it by means of an expatriation allowance; or (b) by establishing degrees of expatriation in the margin. In the context of the discussion it was noted that, among international staff, there was a small minority (some 10 per cent of staff) who worked at any one time in their country of origin. It had been argued that the inclusion of an element of expatriation in the margin overcompensated such staff. It had also been argued that it might be more appropriate to differentiate compensation for expatriation depending on length of stay in one location rather than maintaining a uniform expatriation factor in the margin.

150. Some members of the Commission were of the view that, while some staff might, depending on circumstances, adjust to the local environment over time, that was certainly not the case for all less mobile expatriate staff. Indeed, as their links with their home country became more tenuous, those staff members could be considered more, not less, expatriate. Those staff were, in many instances, discouraged by the host Government from integrating themselves with the local population. Thus, they were frequently confronted with a series of legal and other restrictions (relating, for example, to the employment of: the spouse or children or the acquisition of property), which had the effect of making them feel that they were not "at home" and, once their employment with the international organizations was completed, they were often encouraged, or obliged, to leave the country. Accordingly, those members were of the view that staff were still expatriate if they remained outside their country of origin. That continuing element of expatriation was applied in the comparator civil service, which did not reduce the expatriation entitlements of federal civil service staff outside the country of origin who remained in one posting for an extended period of time.
151. Other members of the Commission, however, considered that the element of expatriation diminished with continued long service and in particular if such service were to take place at one location over an extended period of time.

152. The Commission also addressed the question of whether the expatriate factor in the margin should continue to be paid to all staff, including those who were not expatriate at a given point in time. It noted that the suggestion had been made on several occasions that that expatriate element of the margin should be discontinued for non-expatriate staff; alternatively, the expatriate element could be dispensed with altogether and replaced by an expatriation allowance. It recalled that an expatriation allowance had been payable between 1947 and 1951, when it had been replaced by a lump-sum repatriation grant designed to compensate staff for the extraordinary expenses incurred in connection with re-establishment in the home country. The reintroduction of an expatriation allowance had been considered on several subsequent occasions (for example, by the 1956 Special Review Committee and 1972 Review Committee), but those reviews had concluded that, in addressing situations that were seen as anomalous, an expatriation allowance would, in turn, create other anomalies. It was also recalled that an expatriation element had already existed in the margin prior to the introduction of the expatriation allowance.

153. The general view in the Commission was that the main objections to the establishment of an expatriation allowance remained issues of principle, having to do with the nature of the international civil service and the principles on which its remuneration was based. All Professional and higher category staff were potentially subject to expatriation under the terms of their employment; and in fact at any given time, approximately 90 per cent of them were serving outside their home country. At issue therefore was the treatment of some 10 per cent of staff who were themselves not a constant population, that is, they might, a year earlier, have been serving outside their country, or conversely, might receive an overseas posting a year later. Of that 10 per cent of non-expatriate Professional staff the largest concentration was in New York. Reducing the salaries of that group would create a flaw in the application of the Noblemaire principle, since staff from the country with the highest-paid national civil service would receive a lower salary than their colleagues from other countries working alongside them.

154. Bearing in mind the above considerations, the Commission agreed that the possibility of establishing an expatriation allowance should not be pursued further and the current concept of the margin should remain unchanged.

2. Type of comparison

Net remuneration versus total compensation

155. The Commission recalled that comparisons with the comparator had been made annually on the basis of both net remuneration and total compensation using non-expatriate benefits. All recent General Assembly decisions with regard to the margin had been made in the context of net remuneration. At the same time, the Assembly had requested the Commission, on a number of occasions, to develop a methodology for the comparison of total compensation or total entitlements.
156. In assessing whether the margin should be determined in relation to net remuneration or total compensation, or both, the Commission noted that the value of the net remuneration and pension element in the current non-expatriate total compensation comparison, on both sides of the comparison, was well over 90 per cent of the entire non-expatriate remuneration package. Since net remuneration was currently being measured separately, the current total compensation comparison methodology represented, largely, a comparison of pension schemes, although health insurance and life insurance/death grant benefits were also included. It had therefore been argued that, for the total compensation methodology to become useful, expatriate benefits should be included. In that context, pensions and net remuneration became less significant elements of total compensation, representing approximately 70 per cent of the remuneration package.

157. The majority of the Commission considered that, in the framework of an overall system for the measurement and the management of the remuneration system, those two approaches could be seen as mutually complementary. Net remuneration comparisons could be used for ongoing measurements between the United Nations and the comparator, while total compensation comparisons could be applied in periodic checks for competitiveness.

3. Net remuneration margin methodology

158. The Commission recalled that, in 1985, the Commission had begun a review of the current net remuneration comparison methodology, including a new grade equivalency study. The General Assembly, in its resolution 42/221, had requested the Commission to maintain the then existing margin methodology for the time being, but to study the methodology further and to report thereon in 1990. That resolution had been adopted in response to the Commission's 1986 report to the Assembly, which had addressed certain aspects of the margin methodology, particularly proposals regarding the use of the Washington/New York cost-of-living differential and average instead of step I salaries. 8/ The Commission concluded that the review should be brought forward under the comprehensive review. It therefore considered the current margin methodology, improvements in the current margin methodology previously recommended by the Commission and revisions that might be required by the introduction of a revised remuneration structure for the common system.

**Place at which United States/United Nations comparison should be made: Washington or New York**

159. The Commission's debate centered around two points: (a) the location at which comparable populations, in terms of size and job content, could be found; and (b) the retention or elimination of the cost-of-living differential between Washington and New York. The Commission recalled that it had been agreed in 1986 that salary levels at the base of each system, namely New York for the United Nations and Washington for the United States federal civil service, should continue to be compared, with due account being taken of the difference in the cost of living between the two cities (known as the "cost-of-living differential"). In reviewing the possible retention of that procedure, the Commission noted that, theoretically, four possible options could be envisaged as the basis for comparing salaries for purposes of computing the net remuneration margin. They were:
   With a cost-of-living differential

   Without a cost-of-living differential

   Without a cost-of-living differential

   Without a cost-of-living differential

   a/ Existing system.

160. The Commission agreed that, if option 2 were pursued, the margin range would need to be redefined accordingly, since the existing margin range was established taking into account the cost-of-living differential. That being so, the net result of the various options would be the same. With regard to the issue of comparable populations, that is, whether valid grade equivalencies could be established under one or another of the combinations, the Commission expressed the view that it was only at the respective bases of the two systems that sizeable numbers of comparable jobs could be found. It therefore concluded that the comparison could be made for the United States in Washington and the United Nations in New York, either: (a) with a cost-of-living differential factor (option 1); or (b) without a cost-of-living differential but with a consequent redefinition of the margin range (option 2). With regard to options 3 and 4, the Commission expressed the view that basing the comparison on a limited number of comparison points (equivalent jobs/grades and related salary levels) on either the United States side (in the case of New York) or the United Nations side (in the case of Washington) would add a degree of instability to the comparison that should be avoided.

Margin reference period

161. The Commission had earlier expressed the view that it would be more appropriate to use the calendar year instead of the comparator's fiscal year for the margin reporting period, since the comparator now granted its annual pay adjustments at the start of the calendar year (1 January) instead of the start of the fiscal year (1 October) as was previously the case. The use of the calendar year would therefore facilitate the calculation of United States federal civil service salaries for the 12-month reporting period. In that context the Commission also reviewed the cumulative margin period recently imposed by the General Assembly. It noted that both the cumulative margin period and the restriction on the granting of successive classes of post adjustment in New York at less than four-month intervals were interim measures that the Assembly planned to review. In the context of the Commission's review of the margin methodology it could not find technical arguments for the continuation of those measures.
Use of average salaries versus step I salaries

162. The Commission recalled that in 1986 it had recommended to the General Assembly the use of average salaries instead of step I salaries. The Commission reviewed its previous rationale in that regard and noted that the use of step I rates continued to have a number of disadvantages. First, it represented very few staff (10 to 12 per cent) on each side of the comparison. Secondly, it excluded relevant salary levels of staff in special pay systems (for example, the special pay rate programme). Merit pay system staff, representing over 60 per cent of the comparator staff at grades equivalent to the common system levels of P-3, P-4 and P-5, were also excluded when step I rates were used.

163. The Commission further noted that the use of average salaries had the advantage of permitting the inclusion of a number of pay systems and relevant emoluments, while reflecting the relative significance of the systems and emoluments in the comparator. It therefore endorsed its earlier recommendation to use average salaries, noting that it seemed even more relevant today, given the continued increase in the number of United States federal civil service staff paid outside the General Schedule and Senior Executive Service regular pay scales. It noted that in 1977, the last year in which the United States federal civil service was granted a salary increase to achieve full pay comparability with the private sector, approximately 11,000 employees were receiving special pay rates. Today, there was a proliferation of past and pending Congressional legislation and Executive Branch initiatives, dealing with various departures from the General Schedule and Senior Executive Service rates. The special pay rates programme alone had increased to over 140,000 staff in fiscal 1988/89 (i.e. approximately 10 per cent of the federal white collar work-force). One member opposed the use of average salaries in margin calculations.

Bonuses and performance awards

164. The Commission had decided in 1986 to exclude bonuses and performance awards, which were not included by the United States Government in base salary, from future net remuneration comparisons. That decision meant that bonuses and performance awards that had previously been included with regard to the Senior Executive Service would no longer be included. With regard to the merit pay system, which had been proposed for inclusion in the comparison, a part of the merit awards would be included and a part would not, based on the United States Government's definition of base salary. The Commission had also decided to include 100 per cent of the bonuses paid to doctors under three different United States pay systems, recognizing that in many instances bonuses for that occupational group were a significant part of total net remuneration.

165. The Commission, in reviewing its previous decision, noted that the bonuses and performance awards granted by the United States Government were, in all instances, taxable and in some instances pensionable. In this regard it was pointed out that none of the bonuses and performance awards being recommended for exclusion were pensionable. In addition, even though for some groups of United States staff, such as those in the Senior Executive Service and the merit pay system, awards in any given year applied to less than 50 per cent of staff, it was likely that over a number of years more than 50 per cent of staff would receive such awards. In the view of some Commission members, a rationale continued to exist for the inclusion of bonuses and performance awards, in their entirety, in the comparison process. Others noted that the same considerations that applied now had applied in 1986 when the Commission had taken its decision on that item.
Treatment of taxes

166. Following a detailed review of the procedure used for calculating the net salaries of United States federal civil service employees in Washington, the Commission concluded that, in the interest of greater precision in the margin measurement methodology, tax statistics consistent with other aspects of the comparison process should be used. It noted that in reporting the net remuneration margin methodology to the Assembly in 1985 it had reported the use of Washington, D.C., area taxes and tax statistics in the calculation of the margin and it had used Washington, D.C., area tax statistics in the calculation of the net remuneration margin in 1985 and 1986 as reported to the General Assembly. It was only with the introduction of the 1986 Tax Reform Act by the comparator that the use of local tax statistics could not be maintained because they were not available. Accordingly, as reported to the Assembly, estimates of tax statistics produced by the United States Congressional Budget Office were used in reporting the margin in 1987 and 1988. Based on a further analysis of the issue and additional data provided by the United States Internal Revenue Service, the Commission concluded that the tax calculation procedure reported to the Assembly in 1985 should be maintained.

Average Washington/New York cost-of-living differential

167. In the interest of introducing greater stability in the net remuneration margin, the use of a 12-month average of the Washington/New York cost-of-living differential was considered by the Commission. The Commission noted that currently a spot measurement of the differential was taken into account in the calculation. The Commission recalled that it had earlier confirmed the desirability of using instead an average calculated over 12 months, but had taken no action on the matter, pending completion of the review of the margin methodology called for by the General Assembly.

168. Some members of the Commission expressed reservations on the adoption of the revised margin calculation methodology without a corresponding adjustment in the margin range. These members pointed out that the current range was based on the average margin for the period 1976-1984 calculated in accordance with the existing methodology. Consequently, changes in the margin methodology should be accompanied by a recommendation for a revised margin range calculated in accordance with the same procedure. It was, however, pointed out that the new margin calculation methodology was being recommended to reflect changes in the comparator's pay package, and not to magnify the package itself. No change in the margin range was therefore required.

4. Management of the margin

169. The Commission considered the procedures that should be used to monitor and regulate salary levels over time. It recalled that, before 1985, increases in total net salary were generated by cost-of-living movements reflected in a revised post adjustment classification. The margin was determined pragmatically, that is, there was no margin range as such. It was only when, as a result of internal policy considerations, the comparator began to lag significantly behind the United Nations system that the General Assembly had decided that a limit to the margin should be established. The range (110 to 120, with a desirable mid-point of 115) had been determined by reference to the average margin figures over the period
October 1976 to September 1984. The rigid margin control mechanism currently in place had the effect of further disrupting the normal operation of the post adjustment at the base of the system.

170. The Commission noted that, from a conceptual point of view, it was anomalous to control overall remuneration levels through manipulation of the cost-of-living mechanism. At the same time, it did not consider it realistic to allow the system to operate completely unchecked in the future. It therefore agreed that, as a general principle, the basis for management and control of the system in the future should be an approach between the two extremes of a non-defined margin range and a narrow margin range, that is, a range within which the margin level would be allowed to float, without being constrained to remain constantly at or near the mid-point. That margin range would allow for a reasonable cost-of-living movement, while ensuring some overall control through the application of margin considerations at a certain point. One member did not agree with the proposal for a flexible operation of the margin within the range. He was of the view that the margin should be maintained at or near the desirable mid-point approved by the General Assembly.

171. The Commission considered that, as long as the ratio between the net remuneration of the United Nations system and that of the comparator remained within the range, no action would be required. If, however, it became evident that the margin would drop below the lower limit, the Commission would make a recommendation to the General Assembly for an across-the-board salary increase. On the other hand, if it became evident that the margin would exceed the top of the range, a freeze on emoluments would be applied until such time as the margin was brought within the approved range. In that context the Commission emphasized that the intention was not to have the margin near or at the top of the range over time, but rather to allow it to move upwards and downwards over the entire span of the range. One member was of the view that an across-the-board salary increase was not the only solution to restore the balance in the event that the margin dropped below the lower limit of the range.

172. The Commission was aware that under the procedures considered, a freeze, which could last for some time, would be imposed immediately by the Commission, whereas a salary increase would have to await approval by the General Assembly, which, depending upon circumstances, could take up to a year. Accordingly, it discussed ways in which a greater degree of symmetry could be introduced, but noted that the mandate of the Commission vis-a-vis the Assembly made it difficult to resolve that issue.

C. Recommendations of the Commission

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

(a) In the application of the Noblemaire principle as the basis for the determination of the conditions of service of United Nations staff in the Professional and higher categories, the comparator should continue to be the highest paid national civil service. A periodic check of the highest paid national civil service should be made every five years;

(b) The current concept of the margin should continue to apply to all staff;
(c) The current margin range of 110 to 120 should continue to apply;

(d) In order to calculate the net remuneration margin:

(i) Comparisons should continue to be based on the net remuneration of United Nations officials in grades P-1 through D-2 in New York and that of their counterparts in the comparator civil service in Washington;

(ii) The cost-of-living differential between New York and Washington, based on the post adjustment indices for the two cities, should continue to be taken into account. A 12-month average of the amount of the New York/Washington cost-of-living differential should be applied in margin calculations, rather than the spot measurement currently taken;

(iii) The margin reference period should be changed to the calendar year, that is, net remuneration in the two civil services for the period 1 January to 31 December of each year should be used for margin comparisons;

(iv) Average salaries at each grade should be used on both sides of the comparison;

(v) Bonuses and performance awards that were not considered by the United States Government to be included in base salary should be excluded from these comparisons;

(vi) The tax calculation procedure reported to the General Assembly in annex I to the eleventh annual report of the Commission should continue to apply;

(e) The margin should be allowed to fluctuate freely within the range. As long as the ratio between net remuneration in the United Nations system and in the comparator civil service remained within the ranges, no action would be required. If it became evident that the margin would drop below the lower limit, the Commission would make a recommendation to the General Assembly for an across-the-board salary increase. On the other hand, if it became evident that the margin would exceed the top of the range, a freeze on emoluments would be applied until such time as the margin was brought within the approved range;

(f) The cumulative margin procedure approved by the General Assembly at its forty-third session should be discontinued;

(g) The four-month waiting period between the granting of successive classes of post adjustment for New York approved by the General Assembly at its forty-third session should cease concurrently with (f) above.

D. Effects of proposed changes

174. The effects of the introduction of the changes recommended by the Commission would be as follows:

(a) Average salaries: based on the information provided by the United States Office of Personnel Management with a reference period of March 1989 and comparable United Nations common system salary data, it is estimated that the use of average
salaries on both sides in the net remuneration margin calculations would result in lowering the margin by 2.1 percentage points;

(b) Bonuses and performance awards: the proposed exclusion of Senior Executive Service bonuses and inclusion of doctors’ bonuses would offset one another. The exclusion of bonuses above base salary for merit pay system staff would result in raising the margin by 0.5 percentage points;

(c) Margin reference period: over time, the effect of the proposed change would be negligible;

(d) Average cost-of-living differential: the change-over from a spot reading would not significantly affect the level of the margin.
CHAPTER V

REMUNERATION STRUCTURES

175. In its resolution 43/226, the General Assembly requested the Commission to consider the possibility, inter alia, of dividing the pay package into its major component parts, one of which would be housing, reflecting the spending patterns of staff.

176. In response the Commission considered a number of alternative approaches to the current remuneration structure, which consists of two elements, base salary and post adjustment. Following a detailed analysis, it determined that the possibility of treating housing costs as a separate element outside the post adjustment system should be explored as a priority issue.

177. The Preparatory Working Group had identified five options as possible alternatives to the current remuneration system, which were considered by the Commission at its March 1989 session. Brief summaries of the above options are provided in annex III. At that time the Commission had concluded that two of those options (D and E in annex III) should not be pursued further. Consequently, the Working Group had examined in detail the remaining options proposed by the Preparatory Working Group as well as two additional options.

Views of the organizations and the staff representative.

178. The Chairman of CCAQ stated that the organizations endorsed in principle the revised remuneration structure recommended by the Working Group, which went furthest towards meeting the objectives of the review as described in General Assembly resolutions 42/221 and 43/226. CCAQ could not support a mere tinkering with the present system with its operational shortcomings and opacity, nor could they accept that housing should be separated from base remuneration only at field duty stations. CCAQ did not agree with the basic premise that the measurement of housing costs between New York and other cities in Europe and North America was substantially easier than between the base and field locations.

179. The Chairman of CCAQ observed that further refinements and testing would be required before the new system could be considered operational. He reiterated most forcefully that, while an improved floor salary level was presented in conjunction with the new salary structure, it was necessary in and of itself. CCAQ considered that a possible viable alternative to the treatment of housing in margin measurement would be to remove housing on the United States as well as on the United Nations side.

180. The representative of FICSA indicated that the Federation originally had had high hopes that a structure could be identified which represented a complete change from the current system. However, he observed that despite vigorous efforts that goal had eluded the Working Group. The only structure that FICSA felt able to endorse, at the moment, would be a much improved and simplified current system. He also observed that the structure proposed by the Working Group incorporated some attractive features such as improved measurement and the adjustment of housing costs that could equally apply to another structure.
181. He objected to the proposal that the traditional definition of the margin be replaced by a reference to the housing allowance. The prime reasons for FICSA's inability to endorse the proposed structure was the lack of any firm guarantee that (a) margin calculations would be made after excluding the housing allowance for New York; and (b) the separation of housing would not negatively affect pensionable remuneration. He reminded the Commission that in 1984 and 1986 Professionals had suffered two serious reductions in pensions. Accordingly, FICSA was not prepared to rush in and accept an innovation that was untested and without safeguards. FICSA would not oppose a postponement of one year on the question of structure as it would also allow competitiveness checks to be undertaken.

182. The representative of CCISUA welcomed the structure recommended by the Working Group and indicated that CCISUA would reject any hybrid options that treated headquarters differently from the field. He noted that the introduction of the structure should not lead, in the long run, to a reduction in pensionable remuneration. Moreover, transitional measures should be used to ensure that there would be no loss in remuneration levels. He stressed the need for a new series of housing surveys to form the basis for a future housing allowance. He also emphasized the importance that CCISUA attached to raising the level of the floor and the use of appropriate tests for fine-tuning the structure proposed. Questions relating to a specific salary scale should be determined separately from questions of structure. He indicated that the modalities for the further refinement and testing of proposed structures would need to provide for the full participation of representatives of the organizations and the staff on the lines of the Preparatory Working Group.

Discussion by the Commission

183. The Commission had considered the problems associated with inter-city comparisons of housing costs on a number of occasions. It had, from time to time, brought that matter to the attention of the General Assembly indicating, particularly in the recent past, that it was seriously exploring the possibility of treating housing costs as an element of, expenditure outside the post adjustment system.

184. During the course of the comprehensive review, both the Commission as well as the Working Groups established by it had rigorously examined the structural aspects of the current remuneration system. The Commission concluded that the continued inclusion of housing as an element of expenditure within the post adjustment system would maintain the numerous complexities associated with inter-city comparisons of housing costs, as well as the resulting inequities among duty stations and among staff members at any given duty station. The Commission noted that, in view of the difficulties involved in inter-city comparisons of housing costs, a number of anomalous situations had resulted that were difficult to explain to the staff affected. In that regard, the Commission was informed by its secretariat that, while inter-city comparisons of housing costs were difficult in the case of some duty stations, those difficulties were not insurmountable in the case of others. In fact, some other international organizations, the European Communities for example, did carry out such comparisons on a regular basis.

185. As part of the comprehensive review, the Commission had arrived at a number of proposed simplifications in the current remuneration system and, in particular, in the post adjustment system as outlined elsewhere in the present report. They would lead to the removal of a large number of inequities as well as a better
understanding of the system by the member States, the organizations and above all, staff members. However, further simplification as well as the removal of inequities could be achieved only if housing was treated as a separate element of the remuneration package outside the post adjustment system.

186. On the basis of its analysis, the Commission agreed in principle that the removal of housing from the post adjustment system was highly desirable. It would also be an essential step towards a simple and equitable remuneration system. Some members of the Commission were not in a position to agree to the removal of housing until they had examined the results of further studies yet to be undertaken. To that end, the Commission and its two working groups examined a number of alternatives to the current remuneration system based on the principle of the removal of housing from post adjustment (see para. 176). Some alternatives were rejected as being administratively unworkable. The approach that was found to be the most viable was presented by the Working Group to the Commission for its consideration at its thirtieth session. Two others that were also considered were described in the Working Group's report. Some members of the Commission recommended the adoption, in principle, of the remuneration structure recommended by the Working Group, it being understood that some elements would require further study and/or testing.

187. The Commission, while agreeing to the principle of treating housing separately from the rest of the remuneration package, was of the view that it was not in possession of sufficient data on the effects of the introduction of the proposed remuneration structure to make fully informed policy decisions and arrive at appropriate recommendations to present to the General Assembly. The Commission noted that some testing regarding the treatment of housing as a separate element had been carried out by the Working Group as well as by the secretariat of ICSC. It was, however, of the view that the tests had not been sufficiently broad-based and did not therefore enable the Commission to study the impact of such action across a broad cross-section of duty stations over a sufficiently long period of time.

188. The Commission therefore concluded that such a major departure from current practice required further careful study. That in turn would call for further testing of various aspects and the impact of such a change on the remuneration system. Only after further thorough testing would the Commission be in a position to make recommendations to the General Assembly on that aspect of the comprehensive review.

189. The Commission further noted that the report of the Working Group had left a number of questions unanswered. Specifically, they related to the way in which control would be exercised over the basic elements of the remuneration package. In that regard it was recalled that under the present system such control was exercised by comparing the remuneration of United Nations officials in New York with that of their counterparts in Washington and ensuring that the resulting ratio remained within the margin range approved by the General Assembly. Further attention should be paid to how similar control over the remuneration package would be exercised if housing were to be taken out and treated as a separate element.

190. The Commission further noted that the treatment of housing as a separate element, particularly if it were allowed to evolve over a period of time without any or only limited control, had important implications for the level of pensionable remuneration of the Professional and higher categories of staff.
191. The Commission also noted that, while the removal of housing from the post adjustment system could eliminate most or all of the existing problems, it could also give rise to new problems. Unless the problems resulting from the removal of housing from post adjustment were solved the Commission would have to consider other options.

192. The Commission noted that the implementation of a remuneration structure in which housing costs were treated as a separate element would call for some transitional measures. It therefore agreed that, as part of further studies concerning this matter, attention should be paid to developing appropriate transitional measures to be introduced along with the new remuneration structure.

193. The Commission recalled that the General Assembly requested it to include in its report on the comprehensive review a preliminary assessment of the impact of the relevant recommendations on pensionable remuneration. While the Commission considered various alternatives to the current remuneration structure, no definite conclusions could be reached inasmuch as further testing was necessary. Consequently, it would be difficult to arrive at any firm conclusions concerning this matter until a viable alternative to the current remuneration system was identified.

194. The Commission, nevertheless, considered it essential that irrespective of the remuneration structure used, the criteria in General Assembly resolution 41/208 of 11 December 1986, referring to the annual report of the United Nations Joint Staff Pension Board (UNJSPB) should form the basis for the determination of pensionable remuneration in future. It was of the view that the basic tenet of the General Assembly resolution, i.e. the income replacement approach using the totality of net remuneration at the base of the system, should continue to be used. The relationship between pensionable remuneration amounts for United Nations officials in the Professional and higher categories and for their counterparts in the United States federal civil service would also have to be borne in mind. The Commission reached this conclusion as it could not see any prima facie need for a change in the basis used for determining pensionable remuneration amounts.

195. Given the status of its search for an acceptable alternative to the current remuneration structure, the Commission decided that no purpose would be served in pursuing this preliminary assessment further at this time.

Decisions of the Commission

196. The Commission decided that a working group should be established to prepare a report on all outstanding issues related to remuneration structure for the consideration of ICSC at its March 1990 session. The Working Group should be composed of members of the secretariat of ICSC, CCAQ, FICSA and CCISUA. The Working Group should guide the ICSC secretariat in undertaking further tests on the structure proposed as well as on a limited number of other options. The alternative structures considered should bear in mind the basic essentials stipulated by the General Assembly of simplicity, transparency and administrative convenience. The test results should enable the Commission to address the following questions:

(a) Could inter-city comparisons of housing costs be eliminated without introducing insurmountable difficulties in the remuneration system?
(b) Should inter-city comparisons of housing costs be eliminated for all-duty stations or for a selected group of duty stations, for example, the field?

(c) Should housing costs be treated as a separate element of remuneration not subject, or only partially subject, to margin constraints?

(d) What would be the impact on the remuneration of United Nations officials if housing costs on both sides were taken into account in margin calculations, or if they were taken into account only on one side?

(e) What would be the impact on the pensionable remuneration of United Nations staff in the Professional and higher categories if housing costs as a separate element of the remuneration package were subject to full, partial or no control through margin constraints?

(f) What would be the estimated costs of the various alternative structures?

(g) What alternatives might be considered to the option proposed by the Working Group?

197. On the basis of further testing and simulations under changing economic conditions, the Commission expected to be in a position to address in detail the questions raised in the preceding paragraph at its March and July 1990 sessions and present a report on that aspect of the comprehensive review to the General Assembly at its forty-fifth session.
CHAPTER VI
THE POST ADJUSTMENT SYSTEM

198. The General Assembly, in resolution 42/221, noted that the post adjustment system was based on the concept of purchasing power parity and drew attention to "the need for long-term improvement in the operation of the post adjustment system, including the separation of the effects of inflation and currency fluctuations and a simpler and more accurate reflection of differences in cost of living between the base of the system - New York - and field duty stations".

199. Subsequently, by resolution 43/226, the General Assembly requested the Commission to consider, in the context of equalizing purchasing power, a "major simplification of the post adjustment system, including eliminating negative post adjustment, separating out the housing component, streamlining the cost-of-living survey and computation process.

200. The above resolutions highlighted the two major themes running through all recent assessments of the operation of the post adjustment system. The first was the excessive complexity of the system; the second was the perceived failure of even a complex and elaborate system too maintain adequate purchasing power parity across duty stations in the face of inflation and currency instability. The latter situation had arisen despite continual and vigorous efforts over many years to elaborate, adapt, modify and augment the survey, measurement and computational process of the post adjustment system. In short, the diagnosis implicit in the resolutions was that the post adjustment system, by its very complexity, had become a problem in and of itself, on a par with the inflation and currency instability problems, which the complexity was created to solve.

Views of the organizations and the staff representatives

201. The Chairman of CCAQ strongly supported the package of measures before the Commission as they provided substantial simplification and streamlining of the post adjustment system, whose current complexity had been a major target of criticism. He noted that one of the original and fundamental objectives of the comprehensive review was to eliminate, or reduce to an absolute minimum, the effect of currency fluctuations on take-home pay and in that regard welcomed the recommendations dealing with (a) elimination of regressivity; (b) adjustment of the out-of-area component; and (c) replacement of the additive method of multiplier adjustment by the multiplicative method. He noted that appropriate adjustments would need to be made to integrate the proposals within a revised remuneration system and stated that CCAQ attached great importance to the use of external data in cost-of-living surveys.

202. The President of FICSA was of the view that the use of common expenditure weights would introduce greater stability in the results of cost-of-living surveys and remove artificial differences between duty stations. He welcomed the proposal to utilize a reduced list containing approximately 250 items and sub-items as against the existing list of 900 items. FICSA supported the recommendations on the treatment of out-of-area expenditures and on the establishment of floor and ceiling measures to govern out-of-area computations for Group I duty stations, i.e. duty stations in countries with convertible currencies, where out-of-area expenditures reported by staff members accounted for less than 25 per cent of total
expenditures. However, FICSA would have preferred a system that would have completely eliminated fluctuations in take-home, pay at such locations. He recommended caution in the use of data from external sources. Housing cost measurements should be carefully specified to include only neighborhoods deemed to be appropriate for international staff, that is, meeting accepted standards in terms of safety, commuting distance, availability of shopping facilities and adequacy of public services, and to take into consideration the type of rental arrangements offered to expatriate staff. Those measurements should reflect market rental costs for both newcomers and persons already established at the duty station. FICSA requested additional studies before changing from the additive to the multiplicative method for adjusting multipliers affected by exchange rate fluctuations. Additionally, FICSA was not sure whether the proposed measures would adequately avoid fluctuations in take-home pay arising from currency movements. Moreover, the non-adjustment of the pension contribution for inflation would reintroduce an element of regressivity.

203. While welcoming the package of measures on the post adjustment system, the Convener of CCISUA stated that he did not have full assurance that unacceptable fluctuations in take-home pay would not occur. CCISUA would have preferred setting the out-of-area weight lower than 10 per cent for hard currency duty stations. With regard to soft currency or Group II duty stations, CCISUA noted with satisfaction the recommendations of the Commission. In Group II countries importance was put on the dollar portion of take-home pay and in that regard he expressed concern over the recommendation that in the case of a devaluation, a reduction by a maximum of 10 multiplier points could be made after two months. It was this opinion that no action should be taken until the results of mini-surveys conducted after a substantial devaluation of local currency had become available.

Consideration by the Commission

A. Problems of the post adjustment system

1. The principle of purchasing power parity

204. The principle of adjusting income levels to compensate for differences in purchasing power over time and across duty stations was well established historically. The General Assembly, in its resolutions 42/221 and 43/226, had confirmed the theoretical soundness of the principle of purchasing power parity as the basis for measuring the relative cost of goods and services between duty stations. The post adjustment system had evolved over more than 30 years to provide an adjustment system, to add to or subtract from base salary, according to whether the purchasing power of salaries in United States dollar terms in any given area was more or less than that at the base of the system (currently New York). The objective sought was relatively limited. The post adjustment system did not seek to equalize living conditions or ensure equality of standards of living. Those objectives would have involved concepts of conditions of life, including hardship, which were less susceptible to objective measurement than prices of goods and services and housing costs.
2. Practical problems of purchasing power parity

205. The post adjustment system of the mid-1950s operated in the relatively benign environment of stable exchange rates and generally moderate inflation. However, the subsequent breakdown of the fixed exchange rate system and the emergence of associated high inflation in the early 1970s put special pressure on the post adjustment system. The need to cope with a wider absolute diversity of economic conditions and greater rates of change over time led first to elaboration and refinement of the system and later to various forms of patching to modify the operation of the system. Complexity had increased in an attempt to maintain stable purchasing power parity in a diverse range of situations, while inflation rates varied anywhere from close to zero to several thousand per cent per annum. Exchange rate situations ranged from revaluations, through complete stability to precipitous devaluations. Dislocations at the macro-economic level were reflected at the micro-economic level by problems of diminished and uneven availability of goods and services in large groups of field duty stations. Associated with that phenomenon were wide variations in the quality of consumption items. Consumption patterns were modified and distorted in response to the limited availability and quality of items. Furthermore, there were limited numbers of staff at many duty stations and their mix changed rapidly owing to staff rotation. Overall, the effect was to impair measurement of consumption patterns and to reduce the comparability of items for which prices had to be measured. Thus, the post adjustment system faced increased external problems as a result of currency instability, high and variable rates of inflation and distorted consumption patterns.

3. The present post adjustment system

206. In the present post adjustment system, cost-of-living relativities were measured through the collection of data on exchange rates, prices, expenditure weights and housing costs. That was done through a combination of expenditure surveys, the collection of prices, the application of published consumer price indices and projections by the ICSC secretariat. If a salary structure were proposed in which housing was treated separately, it would still be necessary to measure the movement of housing costs over time. Furthermore, for other expenditures, weights and prices would have to be obtained in order to construct appropriate indices to measure relativities from the base of the system over time and across duty stations.

4. Secondary system-related problems: surveys

207. The evolution of unsettled economic conditions had given rise to a number of changes or "solutions" that had had the overall effect of increasing both the complexity of the post adjustment mechanism and the administrative burden of maintaining it. The increased rate of change of prices, housing costs and exchange rates meant that the system required increasing amounts of data-intensive activity. Cost-of-living survey procedures had become more elaborate and time-consuming. As the survey procedures became more elaborate, the machinery to administer surveys became over-burdened, with the result that both timeliness and flexibility were lost.
5. Problems related to the operation of the system: rules and procedures

208. Although the measurement exercises using surveys had become more elaborate, the feasibility of applying the results directly to remuneration amounts had decreased. A number of rules and devices had had to be used to modify the strict relativities that the survey and computation process produced. Thus translation of post adjustment indices into remuneration amounts was governed by an elaborate set of rules, including the application of a scale of multiplier points. The main rules were as follows:

(a) Special measures for abrupt devaluation;
(b) Special measures for continuous devaluation;
(c) Special measures for higher inflation;
(d) Special measures for duty stations with a low or negative post adjustment classification;
(e) Ad hoc special measures;
(f) Remuneration correction factor;
(g) Floor protection;
(h) Additive rule for computing post adjustment multipliers;
(i) Four-month waiting rule.

209. While each of the rules or procedures listed above was well justified on its own terms, their cumulative effect had been to increase complexity and reduce the transparency and predictability of the system to a point where its operation was opaque and at times unpredictable.

B. Solutions proposed

210. A wide range of possible solutions to post adjustment problems were reviewed by the Commission. The Commission considered possible solutions in three parts as outlined below.

1. Solutions relating to those elements of remuneration that could be subject to adjustment for relativities, i.e. scope of the post adjustment system

(a) Housing

211. This subject is dealt with in chapter V of the present volume on the remuneration structure.
(b) spendable income

212. The Commission considered the applicability of the concept of spendable income as utilized in the comparator civil service to the United Nations system of remuneration. It noted that there were some similarities between the concepts of spendable income used by the United States Department of State and the concept of take-home pay subject to cost-of-living adjustments in the post adjustment system. However, a number of differences existed between the common system and the comparator since the common system, unlike the comparator, had several headquarters, using a range of different currencies.

213. Both concepts referred to that part of the salary spent in local currency at each duty station subject to adjustment for cost-of-living differences with the base city. Thus some expenditures, such as income tax (or its correspondent staff assessment on the common system side) and contributions to retirement plans were considered as fixed dollar amounts under both concepts. Some expenditures, which were provided directly or covered through special allowances by the comparator, for example, housing and children's education, were entirely excluded from spendable income. In contrast, only the amounts corresponding to education grant and rental subsidy were excluded from post adjustment because the remaining part was meant to be covered by the regular net salary. Life insurance premiums, which were excluded from spendable income, could not be excluded from post adjustment. In the case of the comparator, all insurance contributions were paid in United States dollars in Washington, while insurance contributions paid by the common system employees could vary from organization to organization and were paid in different currencies.

214. Other expenditures such as gifts, contributions and personal savings that were excluded from spendable income were not taken into consideration explicitly in the post adjustment system. However, to cover out-of-area commitments, a fixed amount was established in United States dollars, which was not subject to adjustment either for local cost-of-living movement or for relativities between each duty station and New York.

215. The major difference between the system used by the comparator and the United Nations common system related to out-of-area expenditures. Out-of-area expenditures were not taken explicitly into consideration by the United States Department of State in the calculation of post allowances. However, any item not available in one duty station was considered to have the same price as Washington, which implied that all out-of-area expenditures were made in the United States. The Commission noted that the out-of-area portion of the post adjustment was broadly similar to the expenditures that the comparator treated as being disbursed in the United States.

216. Although in the comparator system post allowance indices were applied only to that part of salary considered as spendable income and in the common system post adjustment indices were applied to the total amount of net income, the part of salary adjusted for relativities between the base and other duty stations was not substantially different. The major differences were life insurance and the part of housing and education included in cost-of-living comparisons in the United Nations system.

217. The Commission recognized that there were a number of significant differences in this respect between the common system and the comparator civil service and that, while the concept might be applicable in a national setting, the situation
of international organizations was different. However, taking into account the views expressed, one member of the Commission believed that the topic would benefit from further study.

2. Solutions relating to methods which relativities are measured and adjusted, i.e. the survey or data acquisition

218. In its examination of the post adjustment system the Commission recognized at the outset that many technical issues were involved, especially with regard to the cost-of-living survey methodology and application of the principle of purchasing power parity, which was the cornerstone of the post adjustment system. The Commission accordingly organized its work in such a way that it would have the benefit of the recommendations of ACPAQ on such technical matters before taking decisions. The decisions and recommendations of the Commission are presented below.

(a) Common expenditure weights

219. Currently, expenditure weights were established separately for each duty station based solely on information provided by staff at the duty station during the place-to-place survey, which included a family expenditure survey. At some duty stations, measurement of expenditure profiles were problematic owing to the small numbers of staff, high staff turnover, limited availability of goods and services and low survey response rates. The large numbers of staff, diversity of nationalities, range of cultural backgrounds and consumption patterns and the relatively low staff turnover at headquarters duty stations and Washington provided a basis for reliably determining average consumption patterns of staff for world-wide application. The use of such common expenditure weights responded to the General Assembly's request for simplification of the post adjustment system and would also address the "poverty trap" and "deferred consumption" phenomena.

220. The Commission noted that the use of common weights would be a major improvement in the system. It would simplify the data collection process and should enhance the timely release of cost-of-living survey results. The question of representativity was raised in relation to the coverage of only the seven headquarters duty stations and Washington for the establishment of common expenditure weights. The Commission noted however that, for weighting purposes, the number of staff other than those at the seven headquarters duty stations and Washington would be added to the headquarters numbers for their respective organization. Furthermore staff at headquarters and Washington locations taken together provided a good cross-section of all nationalities.

Decision of the Commission

221. The Commission decided that a single set of common expenditure weights should be used in post adjustment calculations at all duty stations. The procedures recommended by ACPAQ to derive common expenditure weights should be used. These procedures provided for the use of the weighted arithmetic average of expenditure weights based on consumption patterns at the seven headquarters duty stations, plus Washington.
Effect of the change

222. Use of common expenditure weights would introduce greater stability in the results of cost-of-living surveys and remove artificial differences between duty stations. Common expenditure weights based on data from headquarters locations and Washington would better reflect those items which, because they were not available for purchase at certain duty stations, were not consumed and for which consumption was therefore deferred.

(b) Use of reduced number of items in cost-of-living survey.

223. The current list of items and sub-items used for price collection in cost-of-living surveys consisted of 900 items and sub-items. Based on ACPAQ's recommendation, the Commission, at its twenty-eighth session, had agreed to the establishment of a reduced list of items for cost-of-living surveys. A preliminary list with approximately 250 items and sub-items had been drawn up, in consultation with the organizations and the staff bodies. It had then been tested extensively. ACPAQ had reviewed the test results at its fourteenth session and recommended to the Commission that the reduced list be implemented.

224. The Commission noted that use of a reduced list of items for price collection would simplify the survey process and facilitate more timely announcement of survey results.

Decision of the Commission

225. The Commission decided that the post adjustment survey process would be simplified by adopting the reduced list of items recommended by ACPAQ.

Effect of the change

226. Use of the reduced list of items would not significantly affect the results of cost-of-living surveys for virtually all duty stations.

(c) Treatment of out-of-area expenditures

227. Currently post adjustment indices were calculated to reflect survey-derived weights for in- and out-of-area expenditures at each duty station. The expenditure weights for items in the out-of-area component of the index varied considerably among duty stations.

228. Under the proposed change, percentage bands would be established for out-of-area expenditures and expenditure items that should be considered as out-of-area were identified. The use of separate indices for New York and Washington should therefore be discontinued. One member, however, expressed reservations in connection with the decision to discontinue the use of separate indices for New York and Washington. He stated that this decision would entail a change in margin calculations. Accordingly, he believed that such a decision, as well as the recommendations regarding the change in the methodology for calculating the margin (see subpara. 173 (d) above), should be accompanied by a corresponding review of the margin range. For soft currency duty stations, the out-of-area expenditures should be expressed as fixed-dollar amounts.
The Commission noted that, in general, out-of-area expenditures for headquarters duty stations were relatively small as a portion of total expenditure, while for field duty stations they were proportionately much larger. There were inherent difficulties in precise measurements of out-of-area expenditures and additional problems in hard currency duty stations.

The Commission discussed the grouping of countries into bands for purposes of applying differentiated out-of-area weights. The Commission recognized that lowering the out-of-area weight in hard currency duty stations reduced the effects of currency fluctuation on take-home pay. One member expressed some reservations regarding the grouping of duty stations where out-of-area expenditures accounted for less than 25 per cent into a single band; he felt that it would be more appropriate to divide this group into two bands. This would reflect the structure of expenses of headquarters staff in a more objective and technically correct manner.

**Decision of the Commission**

The Commission decided that:

(a) Countries should be grouped into the following bands for the purpose of out-of-area weights:

<table>
<thead>
<tr>
<th>Bands with actual out-of-area weights (Percentage)</th>
<th>Out-of-area weights used (Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25</td>
<td>10</td>
</tr>
<tr>
<td>Between 25 and 40</td>
<td>35</td>
</tr>
<tr>
<td>Between 40 and 60</td>
<td>50</td>
</tr>
<tr>
<td>Between 60 and 80</td>
<td>70</td>
</tr>
<tr>
<td>More than 80</td>
<td>85</td>
</tr>
</tbody>
</table>

(b) The following expenditures should be considered as fixed-dollar amounts at all Group II duty stations (i.e. soft currency duty stations) and should be treated as out-of-area expenditures: health insurance; life insurance; remittances to maintain family members abroad; other out-of-area commitments; automobile purchases; purchases of other durable goods such as furniture, household appliances, glassware, tableware and utensils in general, sports equipment, photographic, video and audio equipment; vacations and home leave;

(c) Certain items of expenditure should be considered as out-of-area in places where the major proportion (60 per cent or more) of the expenditures for the specific group or subgroup was incurred out-of-area. Such items included, *inter alia*, canned food and preserves; other processed foodstuffs; alcoholic beverages; tobacco; clothing and footwear; household textiles; medical and pharmaceutical products; car parts; books; and education expenses not covered by the education grant;

(d) Expenditures in neighbouring countries should continue to be treated as in-area expenses in accordance with the present practice, i.e. price ratios should be calculated on the basis of prices collected in the country where the items were bought. Updating should be based on the movement of the consumer price index in the neighbouring country;
(c) Out-of-area expenditures for the items identified in subparagraph (b) above should be calculated in dollar terms and the amount of expenditure for each group and subgroup of the item classification should be the same in all duty stations;

(f) The out-of-area portion should be updated by an index based on headquarters duty stations, plus Washington, weighted by the number of staff in the Professional and higher categories. The methodology referred to in paragraph 220 should be used for weighting purposes;

(g) A single out-of-area index should be used for all duty stations to improve the internal consistency of the post adjustment system;

(h) Floor and ceiling measures should be established to govern out-of-area computations for Group I duty stations (i.e. hard currency duty stations) that would limit potential fluctuations due to currency fluctuations to not more than 0.5 per cent of take-home pay.

(d) Use of external data sources

232. Under the existing system, all price data were collected either by staff members of the Cost-of-Living Division of the ICSC secretariat or pricing agents who were employed on a temporary basis by the Commission. All data used in the establishment of common expenditure weights were collected directly from eligible staff members using several questionnaires.

233. In response to the General Assembly's request, the Commission analysed the feasibility of utilizing external data sources, both public and private, which published timely and accurate data relevant in the context of conditions of service of the Professional and higher categories.

234. It was the view of members of the Commission that the conditions laid down for the use of data from external sources should be carefully observed. The secretariat of ICSC should submit a report to the Commission in three to four years describing its experience with the use of such data and bringing any difficulties encountered to the attention of the Commission.

Decision of the Commission

235. The Commission decided to use external data sources for prices and housing costs to supplement or replace existing sources whenever benefits of cost and timeliness existed in order to streamline the post adjustment system. Adequate control should be exercised over the quality, accuracy and consistency of all data obtained from external sources.

Effect of the change

236. The use of external data sources would improve the timeliness and operational effectiveness of the post adjustment system, particularly with respect to price data.
3. **Solutions related to the rules and procedures whereby measured relativities are reflected in remuneration**. i.e. the system for translating post adjustment indices into remuneration via rules, multipliers and scales

(a) **Separation of the effects of currency fluctuations and inflation**

237. Three factors explained the adverse effects of currency fluctuations at duty stations subject to exchange rate fluctuations not related to cost of living:

(a) As a result of the regressivity in the system when local currencies appreciated, the post adjustment increased in dollar terms, but by a lower percentage than the revaluation. As a result, net salary plus post adjustment in local currency decreased. When local currency depreciated the reverse was true, creating windfall gains;

(b) A substantial part of the post adjustment (the out-of-area portion) reflected average movements of exchange rates in 21 different countries. When the revaluation of the currency of a specific country vis-a-vis. the United States dollar was greater than the average revaluation of the 21 currencies concerned, there was a reduction in take-home pay in local currency. The reverse also held true;

(c) The additive (as opposed to multiplicative) method was used for computing the movement of post adjustment multipliers at duty stations where the post adjustment index differed from the current multiplier.

238. The Commission noted that one of the original objectives, of the comprehensive review, as seen by the General Assembly in resolution 42/221, was the separation of the effects of inflation and currency fluctuations in the post adjustment system. The Commission recalled several previous attempts to deal with the problem that had resulted in a number of ad hoc measures that had added to complications in the system. In 1987, the Commission had set up a working group to investigate the feasibility of a long-term and generally applicable solution to the problem. Following a review of the Group's findings by ACPAQ, the Commission had approved a number of the Group's recommendations at its twenty-eighth session (New York, July 1988).

239. The Commission, at its thirtieth session, considered two alternative solutions to the problem:

(a) Elimination of regressivity in the system, adjustment of the out-of-area component by use of a floor protection measure and replacement of the additive method of multiplier adjustment by the multiplicative method;

(b) Establishment of separate salary scales in local currency for hard currency duty stations.

240. The constituent elements of option (a) are dealt with in subparagraph 231 (h) and paragraphs 251 to 262.
241. Under option (b), the Commission considered two possibilities:

(a) The establishment of two poles for the system (New York and Geneva or one other hard currency duty station);

(b) The establishment of local currency scales for several hard currency duty stations (or multi-base system).

242. Under the first approach, the salaries of designated hard currency duty stations would be expressed in the currency of the base other than New York. The second would involve a number of separate salary scales being expressed and paid in local currency. The Commission noted that General Assembly resolution 43/226 provided that a single world-wide salary scale should be a fundamental goal of the remuneration system. Although that did not explicitly preclude the establishment of more than one salary scale, such an approach was to be considered with caution and pursued only if it could be convincingly demonstrated that it had clear advantages.

243. Theoretically, it would be possible to establish separate local currency salary scales for hard currency duty stations outside the base, with relativities between the local scales being adjusted at the time of comprehensive reviews of the salary scale(s), for example, every five years.

244. The objective of establishing separate salary scales for hard currency duty stations would be to solve the problems posed by the effects of currency fluctuations on take-home pay. Against that admittedly considerable advantage, the problem (equally applicable in principle, if not to the same degree, to a dual-base or multi-base system) of establishing a correlation between salary levels in the intervals between comprehensive reviews and reconciling the results of such comprehensive reviews had to be weighed. The establishment of a multi-base system could, moreover, be seen to be at variance with the concept of a common salary system.

245. It was also recognized that expressing salaries in a "neutral" currency, for example, the European currency unit or a United Nations currency unit, would do nothing to ease fluctuations in local currency terms; on the other hand, it would make the system more complex than it already was.

Decision by the Commission

246. Based on the above considerations the Commission decided that the possible use of separate salary scales for hard currency duty stations should not be pursued. The Commission's views on alternative solutions to problems relating to the separation of the effects of inflation and currency fluctuation on post adjustment, such as the elimination of regressivity, adjustment of the out-of-area component by use of a floor protection measure and replacement of the additive method of multiplier adjustment by the multiplicative method, may be found in subparagraph 231 (h) and paragraphs 251 to 262.

(b) Frequency of time-to-time adjustments

247. Under present arrangements, the indices for headquarters and duty stations subject to special measures were reviewed monthly for cost-of-living and exchange-rate changes. For some field duty stations, indices were reviewed monthly for exchange rates and only every four months for cost-of-living changes.
248. In situations of abrupt devaluation, an immediate reduction in take-home pay expressed in United States dollars was made in respect of the devaluation, but consequential, often offsetting, increases due to local inflation were reflected only with considerable delay. Existing special measures designed to cope with such circumstances worked unevenly, with resultant situations of over- or undercompensation.

249. The Commission agreed that the use of mini-surveys should be intensified in order to facilitate the maintenance of correct purchasing power relativities among duty stations based on up-to-date information without resorting to special measures. In that connection the Commission noted that the use of common weights and the reduced list of items should assist in this process.

Decisions of the Commission

250. The Commission, with a view to introducing more stability in the post adjustment system, decided:

(a) To review post adjustment indices at headquarters and other European and North American duty stations on a monthly basis for both cost-of-living and exchange-rate movements. Changes in post adjustment/cost-of-living allowances in respect of cost of living should be granted either after a full 5 per cent movement had been measured or after a 12-month lapse since the last change, whichever came first. Changes resulting solely from currency fluctuations should continue to be implemented monthly whenever they became due;

(b) To review post adjustment indices for field duty stations on a four-monthly cycle for both cost-of-living and exchange-rates movements. Between those four-monthly reviews the post adjustment classifications of the duty stations should remain unchanged. However, in the case of duty stations experiencing continuous devaluations, pricing surveys should be undertaken frequently;

(c) To carry out promptly new pricing surveys for field duty stations experiencing abrupt devaluations and reflect the increase as soon as the results were received. Post adjustment changes resulting from devaluations should be deferred by two months, following which a downward adjustment of a maximum of 10 multiplier points could be made.

(c) **Use of a multiplicative rather than an additive method to adjust multipliers affected by exchange rate fluctuations**

251. The existing method consisted of calculating the change in points in the post adjustment index resulting from currency fluctuation and adding those points to or subtracting them from the post adjustment multiplier.

252. When there was a large difference between the post adjustment index and the multiplier pay index, the current method understated the effect of a revaluation of the local currency on the post adjustment multiplier and overstated the effect in cases of devaluation.

253. Under the multiplicative method, multipliers (used for calculating salaries) would move by the same percentage change as the post adjustment index movement in case of changes in exchange rates.
254. The Commission considered that item in the context of its search for solutions to problems of exchange rate instability based on the recommendation made by ACPAQ at its fourteenth session.

Decision of the Commission

255. The Commission decided that in the case of fluctuations in exchange rates, post adjustment multipliers should be adjusted by the percentage change in the post adjustment index.

Effect of the change

256. The proposed measure would have no effect in New York and Washington or at duty stations where there was no, large difference between the post adjustment index and the pay index. For duty stations with a large difference between the multiplier and the pay index, the multiplier would decrease more in case of devaluation and increase more in case of revaluation of local currency than under the current system.

(d) Removal of regressivity and elimination of the remuneration correction factor and current floor protection measures

257. Post adjustment indices were translated into remuneration through the application of post adjustment amounts that incorporated a degree of regressivity, so that a cost-of-living increase of 5 per cent would result in a change in net remuneration of 4.5 per cent.

258. The need to stabilize take-home pay in local currency at hard currency duty stations was widely accepted and had resulted in the introduction of the remuneration correction factor, the net effect of which was to override the regressivity in the post adjustment scale in relation to the in-area component of the post adjustment index. The remuneration correction factor added to the complexity of administering the post adjustment system.

259. The removal of regressivity from the post adjustment system, combined with a revised treatment of the out-of-area component, would go a long way towards eliminating variations in the level of emoluments in local currency resulting from exchange rate fluctuations.

260. The removal of regressivity would constitute a further simplification of the system. While it would be cost-neutral in terms of changes in post adjustment resulting from currency movements, some duty stations might: benefit from post adjustment changes due to changes in cost of living. It was considered necessary to remove all regressivity with appropriate steps taken to ensure that the share of expenditure related to staff pension contributions and adjustments thereto was not shifted from the staff to the organizations. Pensions should therefore be handled as a separate component of the post adjustment index.

Recommendation of the Commission

261. The Commission recommended that:

(a) All regressivity should be removed from the post adjustment system;
(b) Pension contributions should be treated as a separate item in the post adjustment index so as to ensure that there would be no shift from staff to organizations in the share of expenditures relating to pension contributions.

Decision of the Commission

262. The Commission decided that the current remuneration correction factor and floor protection measures should be discontinued, subject to, and in conjunction with, the removal of regressivity and the modification in the treatment of out-of-area expenditures.

(e) Elimination of special measures

263. Currently, a complex set of rules governed the application of special measures relating to abrupt or continuous devaluation, inflation and duty stations with low and negative post adjustments. Those rules all operated by changing the normal relationship between the measured post adjustment index and the post adjustment multiplier governing the level of payment.

264. The institution of an appropriate salary floor, as discussed in paragraphs 118 and 119, would eliminate the need for special measures for low and negative post adjustment duty stations.

265. As for the measures associated with high inflation and abrupt or continuous devaluation, it was recognized that the incidence of application would be very greatly reduced by the introduction of a revised salary floor, the revision in the treatment of out-of-area expenditures, the use of mini-surveys and changes in the frequency of time-to-time adjustments. These special measures might therefore appropriately be eliminated, as long as the facility to apply ad hoc measures was retained by the Commission for use in extreme circumstances.

Decision of the Commission

266. The Commission decided that the post adjustment system should be simplified by the elimination of special measures for: (a) high inflation; (b) abrupt devaluation; (c) continuous devaluation; and (d) duty stations with a low or negative post adjustment classification. That decision was made subject to the understanding that the recommendation and decisions on establishment of a floor, treatment of out-of-area expenditures and the frequency of time-to-time adjustments were approved and implemented concurrently.

Financial implications

267. The Commission noted that the decision referred to in paragraph 231 (g) that a single out-of-area index for all duty stations should be used to improve the internal consistency of the post adjustment system was expected to have an impact on the post adjustment indices for New York and Washington. It was anticipated that the use of the new out-of-area price progression factor, which was currently applied for all duty stations except New York and Washington, for those two duty stations, would result in their respective post adjustment indices increasing faster than under the present system. Consequently, the date for the granting of class 11 post adjustment for New York would be advanced by approximately three months. The date for the granting of class 9 post adjustment for Washington would also be advanced by four months. The financial implications of advancing the dates
for the next post adjustment classes in New York and Washington were estimated at $1,913,000 for all sources of funding. Adjustments in pension remuneration amounts for the Professional and higher categories would advance by three months. Additional associated financial implications were estimated at $700,000. Consequently, the total financial implications of the decision referred to in paragraph 231 (g) above were estimated at $2,613,000.

268. The use of external data sources (see para. 235) would entail additional expenditure for consultancy fees. However, it was anticipated that those additional costs would be offset by savings resulting from the elimination of fees paid to pricing agents used under the present system for the collection of pricing data.

269. The recommendation in paragraph 261 (a) that all regressivity should be removed from the post adjustment system would result in additional costs in respect of cost-of-living adjustments estimated at $400,000 per year.
270. In its resolution 43/226, the General Assembly had provided the following guidelines on the issue of mobility and hardship:

"The Commission should analyse how best adequate incentives can be provided for mobility and for service in hardship duty stations. It should take into account the particular needs of those organizations whose programmes require that staff be reassigned to and from headquarters and field locations. In reviewing the scope and purpose of all the current allowances payable in cases of mobility and hardship, the entitlements provided by the comparator for non-diplomatic expatriates may serve as a general point of reference. In this respect, the Commission should, bearing in mind the different types of contractual arrangements existing in the system, review whether incentives should be provided by way of lump sums on transfers in lieu of or as well as ongoing payments in the form of allowances to compensate for hardships."

271. The Commission considered the issue of mobility in the light of the objectives of the different organizations. The degree of mobility was closely related to the nature and programmes of an organization and was influenced by the operational need to move staff from one location to another. The compensation system should include elements that responded to the needs of those organizations which regularly rotated a part of their staff, as well as those which would benefit from having incentives to promote mobility. In all cases, obstacles to mobility should be removed.

272. The close relationship between mobility and hardship was illustrated by resolution 43/226, in which mobility and hardship were combined. The United Nations system had for many years recognized that conditions of life and work at certain duty stations posed specific difficulties. To address them, additional benefits had been provided for internationally recruited staff serving at designated duty stations in order to (a) compensate for particularly unfavourable living and working conditions; and (b) to act as an inducement for staff to work at such locations.

273. Bearing in mind the General Assembly resolution and the report prepared by the Working Group on that subject, the Commission addressed the issue of mobility and hardship.

Views of the organizations and the staff representatives

274. The Chairman of CCAQ expressed the overwhelming support of the organizations for the recommendations on hardship and mobility, which were a marked improvement over present arrangements and a simplification in terms of: concept and design. He noted that the package would prove to be more than cost-effective and emphasized that the recommendations represented only one facet of the proposed improvements. The proposed increase in the level of floor remuneration and the improved measurement of the housing element at field duty stations were the two other elements of a balanced overall package designed to improve remuneration for field staff. In the context of the recommendation that the mobility/hardship allowance be paid at the beginning of each year of service, one organization requested that the modalities for payment of the allowance be kept flexible.
275. The President of FICSA expressed appreciation for the high priority given to the problems of staff at field duty stations and endorsed the recommendations. He noted, however, that the proposal to eliminate the 18-month accelerated home leave was not justified and proposed that the duty stations which currently received that entitlement should be granted 12-month accelerated home leave.

276. He also expressed concern that staff recruited for a succession of relatively brief assignments (less than five years) with interruption between contracts would not benefit from the mobility element. He therefore proposed that the length-of-service requirement be redefined to "five years of service accumulated over a certain number of years" instead of "five consecutive years of service". FICSA had also expected that the comprehensive review would afford an opportunity to re-examine the United Nations definition of hardship, relax the criteria for hardship and bring them closer to the criteria established by the comparator. Concluding, he noted that field staff of the comparator still had a considerable edge over United Nations staff and every effort should be made to bridge that gap in the not-too-distant future.

277. The representative of CCISUA noted the simplicity and transparency of the proposals, which CCISUA supported. He stressed, however, that the proposals for mobility and hardship must be complemented by other recommendations in the context of the comprehensive review, particularly those related to the salary floor, the operation of the post adjustment system and the across-the-board increase in salaries.

**Discussion by the Commission**

278. In order to address the issues raised by the General Assembly, the Commission first recalled the existing United Nations package for mobility and hardship.

A. **Existing situation**

1. **Description of United Nations system entitlements in the area of mobility and hardship**

279. The current package of allowances for mobility, hardship and field service in the United Nations system had followed an essentially "targeted" approach consisting of a series of allowances and benefits designed to respond to a variety of specific circumstances. These measures had been developed over the years in response to evolving needs that had been "grafted" onto a structure designed at a time when United Nations system staff were located in far fewer duty stations than at present. A schematic presentation of the current United Nations system allowances is shown in annex IV.

(a) **Hardship entitlements**

280. The present system for measuring difficult conditions of life and work at field duty stations based entitlements on information provided by the designated official for security at the duty station concerned, in respect of the following elements: health, climate, isolation, security, housing, education and other local conditions.
281. The main entitlements under this scheme consisted of: (a) accelerated home leave (12 and 18 months); (b) financial incentive, levels I and II; and (c) additional education grant travel.

**Accelerated home leave**

282. Depending on the degree and type of difficulty at a duty station, accelerated home leave might be granted every 12 or 18 months, instead of the regular 24-month home-leave cycle. The additional home leave provided staff members and their families an opportunity to leave the duty station more frequently.

**Financial incentive**

283. Financial incentives might be granted to staff members assigned to duty stations with exceptionally difficult conditions. The amount paid varied according to the degree of assessed difficulty and the family situation of the staff members. The current annual rates, which had been in effect since 1 July 1987, were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Without dependants at duty station</th>
<th>With dependants at duty station</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>2 700</td>
<td>5 400</td>
</tr>
<tr>
<td>Level II</td>
<td>3 600</td>
<td>7 200</td>
</tr>
</tbody>
</table>

**Additional education grant travel**

284. At designated duty stations, where educational facilities had been determined to be unavailable or inadequate and, consequently, international staff had to send their children outside the country of the duty station for schooling, travel of the child between the duty station and the place of schooling might be paid twice in one year, provided the parent did not travel on home leave or accelerated home leave in that year. This entitlement, which concerned one hardship factor alone, is dealt with separately in chapter IX, paragraphs 400 and 401. A related entitlement, additional reimbursement of boarding costs, is reviewed in paragraph 329.

**Assignment allowance/mobility incentive**

285. In recognition of the fact that staff being sent to locations where it was not feasible or desirable to provide for full removal of household effects needed either to purchase furniture or to rent furnished accommodation, an assignment allowance was payable for up to five years at a duty station (with the possibility of extension up to seven years). The allowance had been designed to meet at least some of the additional costs incurred in buying furniture or renting furnished accommodation and had two components, a "furniture" part of the allowance and a "field" incentive. The current levels of the assignment allowance were:
286. In addition to the basic amount of the assignment allowance, a mobility element ($4,200 dependency rate and $2,100 single rate) was currently payable only to staff at field duty stations with five or more consecutive years of service in the United Nations system when they moved to their second or subsequent duty station. It was payable for up to five years at the duty station, after which it was withdrawn until the staff member was reassigned to a new field duty station.

(c) Installation expenses

287. At the time of assignment to a field duty station a staff member received:

(a) A daily subsistence allowance portion of the installation grant, consisting of 30 days allowance for the staff member and 15 days for each accompanying family member;

(b) A one-time lump-sum portion of the installation grant of $600 for the staff member and $600 for each accompanying family member, up to a maximum of $2,400.

288. The Commission recalled that the General Assembly had decided that the federal civil service of the United States should continue to be the comparator for the establishment of United Nations system emoluments; however, it had also determined that, for purposes of reviewing hardship and mobility allowances, the entitlements provided by the comparator for non-diplomatic expatriates might be used as a general reference point. In that light a comparative review of the field compensation package for non-diplomatic expatriate United States civil servants vis-à-vis that of common system staff had been conducted.

2. Description of expatriate entitlements of the comparator's non-diplomatic staff

289. The floor or minimum salary for the United States expatriate civil service was the base salary in Washington. The cost-of-living adjustment applied by the comparator was called "post allowance" and was applied only if the cost of living was higher than in Washington. The adjustment was applied only to "spendable income" (approximately 40 per cent of salary, depending on income level).

290. The base salary contained an amount equal to some 15 to 20 per cent for housing costs in Washington. In addition, expatriate United States civil servants received either free furnished housing (including utilities) or reimbursement of rented furnished accommodation as a "living quarters allowance". That provision of
free housing or payment of an allowance would seem to be one of the main financial inducements for foreign assignments.

291. The comparator service paid its expatriate civil servants a taxable post differential of up to 25 per cent of basic pay at duty stations where "extraordinarily difficult or notably unhealthful conditions or excessive physical hardships exist". A post differential was currently payable in about 90 per cent of developing countries.

292. The United States system distinguished between five levels of hardship. The corresponding benefit was expressed as a varying percentage of gross salary at the base of the system (Washington), as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Financial incentive (post differential)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Not payable</td>
</tr>
<tr>
<td>1</td>
<td>10 per cent</td>
</tr>
<tr>
<td>2</td>
<td>15 per cent</td>
</tr>
<tr>
<td>3</td>
<td>20 per cent</td>
</tr>
<tr>
<td>4</td>
<td>25 per cent</td>
</tr>
</tbody>
</table>

293. In addition, the comparator paid a wide variety of benefits, which were virtually identical to the benefits available to United States diplomatic personnel. Those allowances and benefits (numbering some 65), could be subdivided into three types: (a) ongoing allowances and benefits; (b) one-time travel and installation benefits; and (c) special entitlements (according to circumstances).

These various benefits are detailed in annex V.

294. Rest-and-recuperation entitlements for designated duty stations existed for United States foreign service staff, but did not generally apply to non-foreign service staff overseas, although exceptions were made. However, in the United States system, technical assistance personnel and staff of the Agency for International Development were considered foreign service staff.


295. The main differences between the United States overseas package for civil servants and the current United Nations field compensation package were:

(a) A higher floor in the United States service: net equivalent of $42,400 per annum at a level comparable to P-4, step VI, as against $35,100 in the United Nations system (corresponding to post adjustment multiplier minus 5);

(b) Different approach to applying cost-of-living differentials;

(c) Provision of furnished housing and utilities by the United States over and above base salary, which already contained a housing component. The United Nations assignment allowance in its present configuration was a conceptually complex entitlement covering a "furniture" element, a "field" aspect and a "mobility" factor;
(d) Payment by the comparator of financial incentives for hardship at significantly higher levels and in more locations than in the United Nations scheme.

296. The greatest imbalance between the two systems occurred at hardship duty stations with low post adjustment levels, where the total United States package far outweighed the benefits available to United Nations system staff (by a range of 20 to 40 per cent). In terms of the amounts payable and the number of capital cities that are accorded hardship ratings, the two systems can be compared as follows (table 3):

Table 3. Distribution of capital cities, by hardship category: United Nations and United States systems

<table>
<thead>
<tr>
<th>United Nations</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial incentive (%)</td>
<td>Number of capital cities a/ (%)</td>
</tr>
<tr>
<td>Category</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>0</td>
</tr>
<tr>
<td>B</td>
<td>0</td>
</tr>
<tr>
<td>C</td>
<td>0</td>
</tr>
<tr>
<td>D</td>
<td>13</td>
</tr>
<tr>
<td>E</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>109</td>
</tr>
</tbody>
</table>

a/ Capital cities with no staff or very few staff have not been included. Financial incentives have been calculated as a percentage of United States base salary at a net level of $42,400.

A further comparison, showing the actual levels of remuneration provided by the United Nations and United States, is shown in annex VI.

297. It was noted that the comparison with the United States federal civil service required further explanation in that the comparator's hardship definition had been developed for diplomatic staff, even though it also applied to federal civil service staff. Furthermore, the situation at certain locations might not be comparable in view of security problems that would not affect United Nations staff in the same way. In that connection it was pointed out that in general the comparator rated hardship locations as more difficult by two levels than the United Nations and that the comparator service did not have staff at some 70 per cent of the United Nations duty stations with the highest hardship ratings since the majority of the comparator staff were located in capital cities.

B. Analysis of, and reasons for, proposed changes

298. The General Assembly's request that problems with the recruitment and retention of staff be identified as a basis for proposing solutions, inter alia, in the area of hardship and mobility, are dealt with in chapter III. The analysis showed that there were clearly identifiable problems, particularly with the
recruitment, but also with the retention, of staff needed to implement the organizations field activities. The expansion of the United Nations system's activities in the developing world had been accompanied by a decline in the competitiveness of its remuneration package. At the same time, technically qualified and motivated individuals of the type desired by United Nations system organizations had been equally sought after by national bilateral aid agencies, as well as by other international organizations and non-governmental bodies, many of whom offered more attractive conditions of employment.

299. The Commission considered that, in order to maintain a meaningful presence on the development assistance scene, the package of emoluments available to United Nations system staff must be adequate to ensure recruitment and retention of the requisite number of suitably qualified staff from all member States. The creation of the hardship scheme and the introduction of a mobility element had been two significant steps in dealing with the mobility and hardship question. However, the impact of those measures had not been sufficient to overcome the recruitment and retention problems faced by the organizations. The compensation package for staff at field duty stations should respond to the organizations differing mobility requirements. Thus, it should make it possible both for certain organizations to reassign staff from their headquarters to field locations, and for organizations with high rotation rates to continue to reassign their staff between duty stations during the course of their careers. At the same time, the compensation system should be structured in such a way as to ensure that a reasonable balance was maintained between the emoluments of highly mobile staff and those of less mobile staff.

300. The Commission concluded that a revised package for the United Nations system should be designed to bring the compensation for service in the field in line with the remuneration levels provided by the comparator. At the same time, it should aim to simplify the concept and design of the package by combining a number of existing allowances into two major entitlements:

- (a) A mobility/hardship allowance incorporating an incentive for mobility, compensation for hardship and the "field element" of the current assignment allowance, as well as certain other payments. This would be an ongoing payment;
- (b) An "assignment grant" at both headquarters and in the field, which would incorporate the existing installation grant, the "furniture" element of the assignment allowance and the pre-departure allowance.

301. Under these proposals for a mobility/hardship allowance, the following allowances and entitlements would be discontinued: (a) financial incentive; (b) 18-month home leave; and (c) time off for medical check-ups.

302. As regards the mobility factor of the assignment allowance, the United Nations mobility element at the dependency rate was currently equal to roughly 10 per cent of the salary of a United States federal civil service employee at a level comparable to P-4, step VI (i.e. $42,400). It was proposed that this amount be retained as the basis for the mobility/hardship allowance, and be increased by 2 per cent with each subsequent assignment to a field duty station, up to a maximum of 16 per cent of net base salary. An additional 5 per cent would incorporate that portion of the assignment allowance that had not been subsumed into the assignment grant.
It was also proposed that an entitlement should be established that would provide staff with a reasonable cash amount at the beginning of an assignment. Such an "assignment grant" would combine elements of, and replace, the following existing allowances: (a) installation grant: daily subsistence allowance portion and lump-sum portion; and (b) assignment allowance: "furniture" portion.

As stated in paragraph 285, the "furniture element" of the assignment allowance was intended to cover either the cost of purchasing furniture or the higher cost of furnished accommodation when furniture was not shipped by the organization to the duty station. However, since there was little suitable furnished accommodation available at field duty stations and recipients of the assignment allowance at field duty stations tended to rent unfurnished accommodation and purchase furniture and household items, the present pattern of payment of the assignment allowance over five (or seven) years often did not correspond to the actual needs of field staff. Field staff would, therefore, benefit more from an entitlement paid at the time of reassignment ("front-loaded").

C. Detailed description of proposed field Package

Having reaffirmed the need to improve the mobility and hardship package, which was considered no longer competitive and had resulted in problems of recruitment, retention and mobility, the Commission proceeded to address the question of how best the various elements in the current package could be taken into account in a revised package in a simple and comprehensive way:

A schematic presentation of the proposed approach is shown below, followed by a detailed description of the revised recommended package:

<table>
<thead>
<tr>
<th>Existing</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial incentive (Levels I and II)</td>
<td>Hardship/mobility allowance</td>
</tr>
<tr>
<td>Mobility element of assignment allowance</td>
<td></td>
</tr>
<tr>
<td>Field element of assignment allowance</td>
<td></td>
</tr>
<tr>
<td>18-month home leave</td>
<td></td>
</tr>
<tr>
<td>Installation - Daily subsistence allowance</td>
<td>Assignment grant (field)</td>
</tr>
<tr>
<td>Installation grant portion/lump-sum</td>
<td></td>
</tr>
<tr>
<td>Assignment Allowance - Furniture element</td>
<td></td>
</tr>
<tr>
<td>Pre-departure allowance</td>
<td></td>
</tr>
<tr>
<td>HEADQUARTERS</td>
<td>12-month home leave a/</td>
</tr>
<tr>
<td>Installation grant – (daily subsistence allowance grant portion)</td>
<td>Assignment grant (headquarters)</td>
</tr>
<tr>
<td>Assignment allowance furniture portion</td>
<td></td>
</tr>
</tbody>
</table>

a/ Designed duty stations only.
1. Mobility/hardship allowance

(a) Mobility

307. The current mobility element of the assignment allowance would be expressed, as for the comparator, in terms of a percentage of base salary. The new mobility element should form one element of the mobility/hardship allowance. It would be payable starting after five consecutive years of service (as is the case with the current mobility incentive). It would increase with each subsequent move up to the fifth assignment, except for assignments to headquarters locations for which different measures would apply (see para. 310).

308. Mobility incentives should be significant for the initial move from a headquarters to a field duty station, and from one field duty station to another. They should increase gradually thereafter for each assignment to a new duty station.

309. For field duty stations, a mobility incentive would not be payable for the first assignment (i.e. upon recruitment to a field duty station). An incentive of 10 per cent of base salary would be payable from the second assignment if it was to a field duty station. That amount would increase by 2 per cent with each subsequent assignment to a field duty station, up to a maximum of 16 per cent of net base salary.

310. For headquarters duty stations and duty stations in Europe and North America and similar designated locations a mobility incentive would not be payable for the first three assignments. Mobility incentives for assignments to such locations would thus start only from the fourth assignment and would begin at a lower level.

(b) Hardship

311. The current financial incentives of the hardship schemes would also be subsumed under the new mobility/hardship allowance. Five hardship levels would be established, based on existing procedures for classifying duty stations.

312. These mobility and hardship entitlements would be set out in a matrix, reflecting percentages of net base pay as indicated in paragraph 313. Increasing levels of hardship and increasing mobility would each attract higher percentages of net base salary as an incentive.

313. The matrix shown below would also considerably simplify the existing system in concept and design:


<table>
<thead>
<tr>
<th>Location</th>
<th>Assignment number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>(Proposed entitlement as a percentage of base salary)</td>
</tr>
<tr>
<td>H</td>
<td>0 h/</td>
</tr>
<tr>
<td>A</td>
<td>5</td>
</tr>
<tr>
<td>B</td>
<td>13</td>
</tr>
<tr>
<td>C</td>
<td>20</td>
</tr>
<tr>
<td>D</td>
<td>25</td>
</tr>
<tr>
<td>E</td>
<td>30</td>
</tr>
</tbody>
</table>

a/ Headquarters, North American and European duty stations and similar designated locations.

b/ Plus 3 per cent at headquarters duty stations for non-removal cases, as per paragraph 327.

314. It was noted that the proposed matrix replaced all existing entitlements associated with hardship and mobility. The above percentages incorporated incentives and payments for hardship (0, 8, 15, 20 and 25 per cent), mobility (0, 10, 12, 14, 16 per cent) and the existing assignment allowance (5 per cent). Since the maximum 30 per cent hardship payment during a first assignment included 5 per cent in lieu of the existing assignment allowance, the remaining 25 per cent corresponded to the highest hardship level of the comparator. One member of the Commission opposed the proposed matrix, considering it unbalanced and excessive vis-à-vis the comparator. He stressed that the matrix aimed at mobility for the sake of mobility. In his view this did not meet the need to secure personnel at a particular duty station and induced staff to change duty stations frequently.

(c) Modalities for payment of the allowance according to the hardship/mobility matrix

315. The following additional considerations applied to the proposed hardship/mobility matrix.

Differentiation by salary level

316. It was proposed to compute the various percentages by reference to the amount corresponding to the median rate (P-4, step VI) in the base (or floor) salary scale, while providing a differential (plus or minus) for "bands" of grade levels above and below the median rate. That would result in a system not unlike that currently applied for the assignment allowance. Thus, amounts would be determined by reference to P-4, step VI; the amounts derived would be payable to staff at levels P-4 and P-5. Amounts for the P-1 to P-3 levels would be 13 per cent lower than these amounts, and for staff at levels D-1 and above, 13 per cent higher.
Differentiation by dependency status

317. It was considered that the existing degree of differentiation between single and dependency rates (the single rate was equal to 50 per cent of the dependency rate) was not justified by actual differences in expenditure between the two groups of staff. In that connection, it was recalled that organizations were facing increasing difficulties in assigning single staff to hardship locations, although it was precisely single staff whom organizations often preferred to send, for example, to locations without adequate educational facilities. It was proposed that the amount of the allowance payable to staff without dependants should be 75 per cent of that at the dependency rate. One member of the Commission considered this recommendation unfounded.

Definition of "assignment"

318. "Assignment" should be understood to mean the transfer of a staff member to a new duty station for a period of one year or more, at which the staff member had been "installed" (i.e. travel of staff member and any dependants paid, assignment grant paid, personal effects shipped or furniture moved).

Length-of-service requirement

319. Hardship entitlements, where applicable, should be payable from the first assignment. Mobility incentives would be payable after five consecutive years of service in the United Nations system, subject to the staff member being in a second or subsequent duty station, if assigned to a field duty station, in line with earlier decisions of the Commission concerning the mobility element of the assignment allowance. Mobility payments for assignments to headquarters or similar locations would start from the fourth assignment.

Reduction after continued stay at the same duty station

320. After five consecutive years at the same duty station the mobility element of the hardship/mobility allowance would be reduced by 10 percentage points. The period might exceptionally be extended by the organization up to one more year if the staff member: (a) remained at the duty station because of the needs of the organization; or (b) was expected to be reassigned before the end of the sixth year.

Conditions for payment of the allowance

321. Under existing provisions, the dependency rates of financial incentive and assignment allowance were payable only if a staff member's eligible dependants accompanied him/her to the duty station. That condition was considered unduly restrictive, since maintaining a family outside the duty station could entail considerable personal hardship and additional expense. It was therefore proposed that the requirement be discontinued in the context of the mobility/hardship allowance.

Method of payment of the allowance

322. It was recommended that the amounts should be payable in United States dollars as a lump sum at the beginning of each year of service at the duty station. Adjustments would be made pro rata for parts of a year served at a duty station.
In response to a request from one organization, however, the Commission recognized that organizations, for a variety of reasons, would prefer more flexible arrangements.

2. Assignment grant

323. The installation allowance should be restructured. In the field, it should consist of: (a) 30 days daily subsistence allowance-(plus half that amount for each accompanying dependant); lump-sum payment.-equivalent to two months base salary plus post adjustment at the new duty station at the staff member's grade and step.

324. For staff employed on contracts of two years or less, or whose assignment was not expected to exceed two years, the lump sum payable on arrival should be the equivalent of one month's salary instead of two. If the contract or expected assignment duration were subsequently extended by at least one additional year (i.e. to a total of at least three years), a second lump sum of one month's salary would be paid at the beginning of the third year.

325. The proposal on the lump-sum portion of the assignment grant was designed to incorporate the part of the existing assignment allowance that had not been taken into account in the proposed mobility/hardship allowance (i.e. largely the furniture portion) and to ensure that, over the course of an average assignment of four years, there would be no loss in the amounts payable. The proposed amount also took into account the existing lump-sum portion of the installation grant and a reasonable amount for pre-departure expenses. The current pre-departure allowance and lump-sum portion of the installation grant would be eliminated.

326. For headquarters duty stations and other European, North American and similar designated locations, the assignment grant would consist of: (a) 30 days' daily subsistence, allowance (plus half-that amount for each accompanying dependant); and (b) a lump sum equivalent to one month's base salary plus post adjustment at the new duty station at the staff member's grade and step.

327. A number of recommendations were also made with regard to a review by CCAQ of removal and shipping entitlements, as well as family-related measures, including measures to deal with the problem of "split households". Pending that review, it was recommended that the following measures should be applied to ensure the correct relationship between the entitlements under the proposed new scheme:

(a) For staff with removal entitlements:

(i) At headquarters (and "related") locations, the mobility/hardship allowance would apply as per the matrix, subject to the conditions outlined above. The lump-sum payment of one month's salary would not apply under the assignment grant;

(ii) At field locations a reduction of 5 percentage points in the mobility/hardship allowance would be applied and only one month's salary would be paid under the assignment grant;
(b) For staff without removal entitlements:

(i) At headquarters (and "related") duty stations, the mobility/hardship allowance would be increased by 3 percentage points on the line shown for headquarters. That would represent the approximate existing value of the assignment allowance. The installation allowance applicable to headquarters would apply;

(ii) In the field, the mobility/hardship allowance as per the matrix and the field assignment grant would apply.

3. Accelerated home leave

328. It was considered that the 12-month additional home leave met the requirements of both organizations and staff and it was proposed that it be maintained in its current form for locations at hardship levels C, D and E (see para. 313). It was noted, however, that problems had arisen with the limited use of the 18-month entitlement; in particular, it appeared not to work well in cases of short assignments, where difficulties arose in terms of meeting length-of-service requirements before and after home leave. It was thus proposed that the 18-month home-leave entitlement in its present form should be discontinued, and subsumed into the overall mobility/hardship allowance. FICSA expressed opposition to that proposal. However, it was pointed out that the 18-month home-leave entitlement would be replaced by a monetary value through the matrix, which would enable staff to take leave at their discretion and would largely compensate for the reduced home-leave entitlement.

4. Additional reimbursement of boarding costs

329. It was noted that existing provisions went some way towards meeting the needs of staff in duty stations where educational facilities were not available or were deemed inadequate. Their coverage was, however, limited. It was recalled in that connection that, while the limit on reimbursement of boarding costs had been increased from $1,500 to $2,000 during the 1988 review of the level of the education grant, provisions for the additional reimbursement of boarding costs had remained unchanged. It was considered that greater support for boarding expenses in such cases would not be unjustified in the context of an improved field package. At the same time, it was recognized that, when a lack of adequate educational facilities obliged the family to separate, the resultant problems affected younger children more seriously. It was consequently felt that additional reimbursement should apply to the primary and secondary schooling levels only. The Commission accordingly recommended that:

(a) The existing limits on additional reimbursement of boarding costs should be increased to $3,000 per year;

(b) The additional reimbursement would in future be applicable in respect of children at primary and secondary school levels only;

(c) The existing provision for additional reimbursement would no longer apply at the post-secondary level.

One member of the Commission considered this recommendation unfounded.
330. The Commission took note of the fact that time constraints had not allowed consideration of different types of contractual arrangements, as had been requested, by the General Assembly. The Commission was also informed that consideration of social and non-monetary measures had been limited for similar reasons. It was assured, however, that organizations and staff recognized the importance of those issues and that deliberations thereon would continue.

331. The Commission expressed the wish that the proposed package be of a more permanent nature than the existing measures. Where the current arrangements were obviously not fully effective, the proposed package should bring the United Nations remuneration to a level more competitive with the comparator and other national and international organizations. The effectiveness of the proposed measures should be reviewed in three to five years.

5. Effect of the proposed measures

332. Annex VI provides a comparison of remuneration levels under current United Nations provisions, the comparator's field package, as well as the United Nations remuneration levels resulting from the proposed package in countries where the United Nations common system has 50 or more international staff and where the comparator is also represented.

D. Summary of recommendations

333. The Commission invited the General Assembly to note that, under its statutory authority, the Commission was empowered to take decisions regarding various elements of the conditions of service relating to mobility and hardship discussed above. However, bearing in mind that its revised proposals in this area formed an integral part of the overall conditions of service for staff in the Professional and higher categories arising from the comprehensive review and that significant financial implications were associated with those proposals, the Commission considered that it would be appropriate to make recommendations to the General Assembly on the revised mobility and hardship package rather than to take decisions. In view of the above, the Commission decided to recommend to the General Assembly that:

(a) The current scheme of assignment allowance with or without the mobility element, hardship incentives, installation grant and pre-departure allowance be replaced by the scheme as outlined in subparagraphs (b) to (i) below;

(b) The elements of field service/mobility/hardship be recognized by payments in accordance with the matrix shown in paragraph 313 and the conditions detailed in paragraphs 316 to 322;

(c) At field duty stations, the assignment grant (formerly the "installation grant") would be paid as detailed in paragraph 323;

(d) At headquarters duty stations and European, North American and similar designated locations, the assignment grant would be paid as detailed in paragraph 326;
(e) The payment of the assignment grant would be made in accordance with the modalities detailed in paragraphs 324 and 325;

(f) For staff with removal entitlements:

(i) At headquarters (and related) locations, the mobility/hardship elements would be recognized as per the matrix. The lump-sum payment of one month's salary would not apply under the assignment grant;

(ii) At field locations a reduction of 5 percentage points in the mobility/hardship matrix would be applied and only one month's salary would be paid under the assignment grant;

(g) For staff without removal entitlements:

(i) At headquarters (and related) locations, the mobility/hardship percentages under the matrix would be increased by three percentage points on the line shown for headquarters, which would represent the approximate existing value of the assignment allowance. The assignment grant applicable at headquarters (see para. 326) would apply;

(ii) In the field, the mobility/hardship element would be recognized as per the matrix and the field assignment grant (see para. 323) would apply;

(h) Twenty-four-month home leave would apply at headquarters and locations at hardship levels A and B (see para. 328); consequently the 18-month home-leave entitlement currently applicable to duty stations in category B, would be discontinued;

(i) Annual home leave would apply at locations at hardship levels C, D and E;

(j) In the case of staff serving at locations where educational facilities were not available or were deemed to be inadequate, the current limit of $1,500 for reimbursement of 100 per cent of boarding costs in addition to the maximum amount of the education grant should be increased to $3,000. Staff members at these duty stations would be eligible to claim reimbursement for boarding costs up to the revised amount of $3,000 only in the case of children in primary and secondary school (see para. 329).

E. Financial implications

334. The annual cost of the recommendations in subparagraph 333 (b) was estimated at $23,330,000 system-wide. There would be no additional cost implications for the proposals in subparagraphs 333 (c) to (i). The annual savings resulting from the recommendation in subparagraph 333 (h) was estimated at $1,100,000 system-wide. The annual cost of the recommendation in subparagraph 333 (j) was estimated at $800,000 system-wide. Table 4 provides a breakdown of costs resulting from the proposed matrix.

335. It was noted that the proposed package subsumed any existing payments and incentives related to mobility and hardship. Thus, earlier financial projections by the Commission regarding related costs were superseded by the above.
Table 4. System-wide cost

<table>
<thead>
<tr>
<th>Hardship category</th>
<th>Number of duty stations</th>
<th>Financial implications of proposed improvements (United States dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H (24 months)</td>
<td>37</td>
<td>1 098 000</td>
</tr>
<tr>
<td>A (24 months)</td>
<td>184</td>
<td>824 000</td>
</tr>
<tr>
<td>B (18 months)</td>
<td>161</td>
<td>8 258 000</td>
</tr>
<tr>
<td>C (12 months)</td>
<td>157</td>
<td>8 682 000</td>
</tr>
<tr>
<td>D (12 months + FI I) a/</td>
<td>151</td>
<td>3 011 000</td>
</tr>
<tr>
<td>E (12 months + FI II) a/</td>
<td>125</td>
<td>1 457 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>815</strong></td>
<td><strong>23 330 000</strong></td>
</tr>
</tbody>
</table>

a/ FI = Financial incentive.
CHAPTER VIII

MOTIVATION AND PRODUCTIVITY

336. The General Assembly's guidance on motivation and productivity in resolution 43/226 read as follows:

"Consideration should be given to enhancing productivity through the introduction of incentives for merit and rewards on promotion payable on a one-time basis, coupled with less financial reward for longevity, which should be linked to a more rigorous performance appraisal system. Consideration should also be given to the introduction of administrative arrangements and of other non-monetary awards for meritorious service. The Commission should review and report on the current practice of automatic advancement to the next step without rigorous performance appraisal as well as on existing and new possible non-monetary awards for meritorious performance."

337. In its report to the Commission, the Working Group focused on structural problems within the existing salary scale as they related to the areas identified for study by the General Assembly, on a number of other factors that affected the motivation of staff as well as on the specific work environment of individual staff members. The report dealt with (a) the structure of the salary scale and the related difficulties of recognizing staff at the top of their grade and rewarding promotions more appropriately; and (b) the difficulties associated with recognizing performance and enhancing motivation.

Views of the organizations and the staff representatives

338. The Chairman of CCAQ said that, in the view of the organizations, the most effective motivating force was an adequate process of career progression and promotion. CCAQ agreed with the Working Group that the current salary structure no longer met that need. The Working Group had analysed two solutions to the problem: restructuring of the salary scale through the introduction of more grades into the scale, and adjusting relativities within the existing scale. CCAQ concurred with the Working Group that restructuring the scale would be difficult at present; it should, however, be reviewed vigorously as soon as practicable. Redesigning the present scale was a viable alternative to that approach. CCAQ broadly agreed with the premises that had led the Working Group to propose a new salary scale. It emphasized that a revised scale could very well be introduced independently of a new remuneration structure. CCAQ welcomed the inclusion of additional steps in the proposed scale. At the same time, it noted that the Working Group's attempts to arrive at uniform within-grade increments as a percentage of step I, and to reduce their value in percentage terms, had not been entirely successful. Following careful analysis of the various needs, CCAQ was proposing a revised scale with improved inter-grade cross-over points and inter-grade differentials, and additional steps at several grades, which would be granted on a biennial basis. The actual values of each step were reduced at all grades. The scale at the same time reflected the fact that adjustments would need to be made to base salary levels, as a result of recommendations regarding the floor salary level, and the elimination of regressivity. The Working Group's proposal that a promotion should represent the equivalent of at least two steps in the new grade, which CCAQ supported, should be implemented in conjunction with the new scale.
339. With regard to the recognition of merit, CCAQ agreed with the Working Group that neither a wholly merit-based system nor a wholly seniority-based system was appropriate in the United Nations system context. It understood the proposals of the Working Group to introduce lump-sum non-pensionable merit awards as an attempt to steer a middle course between the two extremes, while at the same time moving in the direction of emphasizing considerations of merit, in line with General Assembly resolution 43/226. CCAQ supported the principle that different levels of merit should be recognized and rewarded, as had been highlighted in the ACC statement to the Commission's thirtieth session. CCAQ also supported the Working Group's proposals relating to non-monetary awards and environmental motivations.

340. The representative of FICSA expressed FICSA's disappointment that the crucial issue of career development had not been addressed by the Working Group, since its potential as a motivator should not be overlooked. On the issue of lump-sum, non-pensionable merit awards, she stressed the inadvisability of introducing a scheme for rewarding merit before a foolproof method of identifying and evaluating merit had been devised. FICSA was naturally not opposed to the recognition of merit, per se, but was convinced that the introduction of the lump-sum payment of merit awards would not only fail to motivate staff, but would do a great deal of harm. The extension of lump-sum awards for meritorious performance lent itself to abuse on all levels, ranging from desire not to offend to outright favouritism. The larger the number of recipients of such awards, the greater the magnitude of the problem. There would 'eventually be a rotational effect, between regional groups, departments, grades, men and women, and so on. An appeals mechanism would have to be set up. The resentment of the large majority who did not receive an award would far outweigh the additional motivating effect on the minority of staff who did. She reiterated that the present remuneration system provided for reward for both longevity and performance through the within-grade increment. The fact that it had acquired a certain degree of automaticity in some organizations did not imply that the rationale for the within-grade increment had changed, but merely its application.

341. As far as the section on non-monetary awards were concerned, FICSA attached particular importance to training opportunities as a reward for merit and therefore strongly supported the suggestions of the Working Group in that regard. Finally, she pointed out that the most powerful, effective and immediate way to motivate staff would be through a significant, yet realistic salary increase. It would restore staff confidence in their organization and provide a unique boost to morale, which could not fail to have a positive effect in terms of productivity throughout the United Nations system.

342. CCISUA was in favour of the recommendations regarding the restructuring of the salary scale, and of the scale proposed by the Working Group. On the other hand, while not opposed to the principle of merit awards, it recognized that such a system could not be applied fair. In the kind of multicultural setting represented by, the United Nations, where personnel management was often highly politicized. While fully supporting the suggestions of the Working Group on training opportunities, CCISUA strongly emphasized the need for adequate training/educational opportunities for staff members to enable them to update their professional skills, thus enhancing their productivity.
Discussion by the Commission

343. The Commission held an in-depth discussion on what effect the existing situation in the organizations had on the issues of staff motivation and productivity. At the outset the Commission addressed the issue of the grade structure and current salary scale, then reviewed performance awards and their suitability in the context of an international civil service.

A. Grade structure and current salary scale

344. The Commission noted that for United Nations Professional and higher category staff, there were seven classification levels, from P-1 to D-2. (There were also two ungraded levels.) The specific grade level of a post was established through the application of ICSC-promulgated common classification standards.

345. The Commission further noted the pattern of staff distribution at those levels as at 31 December 1987 and 31 December 1974, as shown in the tables below.

Table 5. Distribution of staff, 1987 a/
(As a percentage of total staff in the Professional and higher categories)

<table>
<thead>
<tr>
<th>P-1</th>
<th>P-2</th>
<th>P-3</th>
<th>P-4</th>
<th>P-5</th>
<th>D-1</th>
<th>D-2</th>
<th>USG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>10.7</td>
<td>21.1</td>
<td>28.6</td>
<td>25.8</td>
<td>8.3</td>
<td>2.4</td>
<td>0.9</td>
</tr>
</tbody>
</table>

a/ Excludes Junior Professional Officers, Associate Experts and National Officers.

Table 6. Distribution of staff, 1974 a/
(As a percentage of total staff in the Professional and higher categories)

<table>
<thead>
<tr>
<th>P-1</th>
<th>P-2</th>
<th>P-3</th>
<th>P-4</th>
<th>P-5</th>
<th>D-1</th>
<th>D-2</th>
<th>USG</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0</td>
<td>13.0</td>
<td>18.8</td>
<td>31.8</td>
<td>22.8</td>
<td>6.9</td>
<td>1.9</td>
<td>0.8</td>
</tr>
</tbody>
</table>

a/ Includes Junior Professional Officers, Associate Experts and National Officers. Their influence over the percentage figures is insignificant, however, since the overall numbers of staff in these categories were very limited at that time.
346. A significant concentration of staff and posts around the middle of the scale (P-3 to P-5) and the fact that those three grades in effect accounted in 1987 for over 75 per cent of the Professional and higher graded posts in the common system was also noted. While consideration was given to restructuring the present scale to provide more levels above the current P-3 level, the Commission concurred with the conclusions of the Working Group on this point that the introduction of more grade levels would have implications for the Master Standard, requiring a massive reclassification of all posts in the Professional and higher categories. The Commission recognized, however, that this issue might have to be addressed in the future.

347. It was felt that the concentration of posts at the P-3, P-4 and P-5 levels could be attributed to a number of factors, which varied according to organization. They included the programme requirements of the technical organizations for high-level, specialized skills and difficulties on the part of organizations in attracting staff at the P-1 and P-2 levels owing to the non-competitiveness of salaries at those grades. The Commission noted that that situation persisted despite vigorous recruitment efforts on the part of some organizations to fill a greater number of lower-level positions.

348. The Commission then examined data on the inter-grade/inter-step relationship under the present United Nations structure. These data are shown in the table below. The Commission noted that the value of the within-grade increment in relation to step I of the relevant level ranged from 3.5 per cent at P-1 to 2.0 per cent at the P-5 level. Moreover, at the P-1 level there were currently 10 steps, while at the D-2 level there were only 4. The overall salary span from minimum to maximum was 30.8 per cent at the P-1 level, while at the D-2 level it was only 6.4 per cent. Percentage differences in salary between grade levels similarly reflected wide variations, i.e. the difference between the P-1 and P-2 levels at the minimum was 26.4 per cent; between D-1 and D-2 it was 13.7 per cent; while between P-5 and D-1 it was only 10.6 per cent.

349. The Commission recognized that the current structure, by providing more steps at the lower grades, tended to recognize seniority at the lowest end of the salary scale where there were opportunities for promotion. Conversely, by providing lower increases upon promotion at the higher grades, it did not recognize length of service in the grade characteristic of staff at those grade levels. That was compounded by the reduced number of steps and the compressed inter-grade salary differentials at the higher levels, which meant that staff also attained the ceiling salary in a shorter period.

350. The Commission also recognized that one of the demotivating factors most frequently referred to in United Nations service was the problem of staff who had reached the top of their grade. Table 8 shows the percentage of staff who were at the top of their grade on 31 December 1986 (for all organizations).
Table 7. Current United Nations salary scale at the dependency rate

<table>
<thead>
<tr>
<th>Grade</th>
<th>Inter-grade differential (%)</th>
<th>Minimum ($)</th>
<th>Step Average amount (%)</th>
<th>Maximum ($)</th>
<th>Number of steps</th>
<th>Cross-over point</th>
<th>Span (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>P-1</td>
<td>20.4</td>
<td>17,936</td>
<td>613</td>
<td>3.5</td>
<td>23,458</td>
<td>-</td>
<td>30.8</td>
</tr>
<tr>
<td>P-2</td>
<td></td>
<td>22,675</td>
<td>644</td>
<td>2.8</td>
<td>29,124</td>
<td>Between step 2 and 3</td>
<td>28.4</td>
</tr>
<tr>
<td>P-3</td>
<td></td>
<td>27,294</td>
<td>725</td>
<td>2.7</td>
<td>35,997</td>
<td>Between step 3 and 4</td>
<td>31.9</td>
</tr>
<tr>
<td>P-4</td>
<td></td>
<td>32,605</td>
<td>791</td>
<td>2.4</td>
<td>41,308</td>
<td>Between step 6 and 7</td>
<td>20.5</td>
</tr>
<tr>
<td>P-5</td>
<td></td>
<td>39,290</td>
<td>783</td>
<td>2.0</td>
<td>46,340</td>
<td>Between step 3 and 4</td>
<td>17.9</td>
</tr>
<tr>
<td>D-1</td>
<td></td>
<td>43,461</td>
<td>971</td>
<td>2.2</td>
<td>49,287</td>
<td>Between step 3 and 4</td>
<td>13.4</td>
</tr>
<tr>
<td>D-2</td>
<td></td>
<td>49,406</td>
<td>1,049</td>
<td>2.1</td>
<td>52,552</td>
<td>No overlap</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Table 8. Staff at the top of their grade

(As a percentage of total staff at the relevant grade)

<table>
<thead>
<tr>
<th></th>
<th>P-1</th>
<th>P-2</th>
<th>P-3</th>
<th>P-4</th>
<th>P-5</th>
<th>D-1</th>
<th>D-2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.6</td>
<td>6.8</td>
<td>5.4</td>
<td>12.5</td>
<td>20.5</td>
<td>25.7</td>
<td>39.9</td>
</tr>
</tbody>
</table>
351. The Commission was of the view that, bearing in mind the above considerations, every attempt should be made to incorporate the following structural improvements into the salary scale for Professional and higher-level staff at the time of the next revision of the base salary scale:

(a) Lowering the value of annual increments (step values);

(b) Increasing the point in the salary grade at which overlap occurred with the next higher grade;

(c) Adding some steps at the end of each grade in the P-2 to D-2 levels, but granting them every two years;

(d) Increasing the step I values of the grades, especially those of grades P-1 to P-3, to render the United Nations system more competitive on recruitment;

(e) Eliminating present aberrations in the existing scale as follows:

(i) Making the average value of a step in each grade at least higher than the value of the step in the next lower grade (i.e. at present the average value of a step at the P-5 level is less than the average value of a step at the P-4 level);

(ii) Making inter-grade differentials descend as the grade increased (at present that was generally so except for two grade levels);

(iii) Establishing salary spans (i.e. the difference between the salaries at the lowest and the highest steps within a grade) that widened from grades P-1 to P-4 to reflect the distribution of staff at those levels, then decreased from levels P-4 to D-2 to reflect staff patterns at those levels (that was so in the present scale, but not at all grades);

(f) If step values were changed, ensuring that the last step of the new scale was never less than the last step of the present scale in order to protect acquired rights.

B. Enhancing motivation

352. In the context of enhancing motivation, the Commission first addressed the question of recognition of performance through promotion. In this regard, it noted that under the current promotion policy of the organizations, in general staff members received the monetary equivalent of one step in the new grade. The Commission was of the view that promotion policy should be modified to ensure that, upon promotion, the staff member was placed at a step in the higher grade representing not less in monetary terms than the value of two steps in the staff member's present grade. With respect to within-grade increases, the Commission recalled that all organizations had a provision in their rules and procedures to the effect that, if a staff member's appraisal report was not fully satisfactory, the within-grade increase might be withheld for up to 12 months. An exchange of views followed on the feasibility of tying step increases to merit rather than longevity. However, while it was recognized that no such automaticity existed in any organization, the step increase was perceived as an acquired right and hence current practice was to award within-grade increases quasi-automatically. The
Commission was of the view that organizations could make better use of the present provisions for granting within-grade increments, as a way of providing the incentive necessary to improve performance. In that connection, the Commission recalled its earlier decision, taken at its forty-second session 1Q/ when it approved a series of principles and guidelines for performance appraisal and the recognition of merit:

"Organizations may withhold or delay the next within-grade salary increment of a staff member whose performance at the end of an appraisal period is lower than expected. For motivational purposes, delaying the within-grade increment for the first instance of poor performance, pending satisfactory performance during a specified period of time, is normally a better course of action than withholding it altogether. Withholding should normally be reserved for instances of repeated non-performance or for severe cases of poor performance."

353. The Commission then turned its attention to the matter of lump-sum non-pensionable merit-based awards, as recommended by the Working Group. While some organizations, such as the International Labour Organisation (ILO) and the World Health Organization (WHO), had had some experience with the operation of a merit bonus system, most organizations had not. A number of Commission members agreed with FICSA and CCISUA in opposing such awards on the grounds that better performance appraisal and career development systems should precede their introduction. On the other hand, they also noted the organizations' need to find ways to deliver their programmes more effectively. They also recognized the fact that the comparator service had been using merit pay for over 10 years, as had international organizations like the World Bank. It was agreed that the problem was not whether or not to motivate, but how to motivate. An overriding concern on the part of the Commission was whether a merit system would have a beneficial effect in creating greater motivation and productivity on the part of the majority of staff. While the Commission carefully reviewed the guidelines provided by the Working Group, it decided to reaffirm instead its earlier recommendation on cash awards, which it had made in the context of its review of performance appraisal and the recognition of merit and which had been approved by the General Assembly at its forty-second session. 3/ That recommendation is, reproduced in paragraph 357. The Commission wished, moreover, to monitor the situation and review the question again in two to three years.

354. The Commission next reviewed the recommendations of the Working Group with respect to non-monetary awards and environmental motivators. The principle of non-monetary awards recommended by the Working Group had, in fact, already been approved by the Commission at its forty-second session. II/ With respect to environmental motivators, such as the provision of health, exercise and recreation facilities, day-care centres for children, briefings and language training for new and reassigned staff members and their families, pleasant cafeteria facilities and so on, the Commission agreed on their utility in so far as such measures were feasible.

355. One member of the Commission expressed serious doubts with respect to recommendations (c) and (d) in paragraph 356.
Recommendations of the Commission

356. In the light of its discussion, the Commission decided to recommend to the General Assembly that the following structural improvements to the salary scale for staff in the Professional and higher categories be introduced at the earliest possible opportunity:

(a) The value of annual increments (step values) should be reduced;
(b) The point in the salary grade at which overlap occurred with the next higher grade should be raised;
(c) A number of steps should be added at the top of each grade at the P-2 to D-2 levels, but these should be granted every two years;
(d) The step I values of the grades should be increased, especially those at grades P-1 to P-3, to render the United Nations system more competitive on recruitment;
(e) Aberrations in the existing scale should be eliminated by:
   (i) Making the average value of a step in each grade at least higher than the value of the step in the next lower grade;
   (ii) Making inter-grade differentials descend as the grade increased;
   (iii) Establishing salary spans that widened from grades P-1 to P-4 to reflect the distribution of staff at those levels, then decreased from levels P-4 to D-2 to reflect staff patterns at those levels;
(f) If step values were changed, care should be taken to ensure that the last step of the new scale was never less than the last step of the present scale.

357. The Commission further decided to recommend that the organizations:

(a) Modify their promotion policies to ensure that upon promotion the staff member was placed at a step in the higher grade representing no less in monetary terms than the value of two steps in the staff member's present grade;
(b) Follow the previous recommendation of the Commission on cash awards as stated below:

"These may be considered for staff whose performance over a single appraisal period on all the important elements of the job exceeds expectations. Organizations may exceptionally grant a cash award to a staff member who exceeds expectations on one or a few tasks that are particularly critical while performing at the expected level on the other elements of the job. Cash awards allow a one-time performance to be given a single reward that has no permanent costs. Organizations that cannot provide more permanent rewards for sustained performance exceeding expectations, such as accelerated within-grade salary increments, may wish to use repeated cash awards to achieve the same purpose." 3/
(c) In connection with (b) above, ensure that groups, as well as individuals, were equally eligible to receive such rewards;

(d) Introduce, as appropriate, non-monetary awards such as service pins, plaques and certificates of achievement in line with the earlier recommendation of the Commission;

(e) Introduce, to the extent possible, the environmental motivators described above in the areas of security, health, education and briefing, and other work-related conditions.

358. The Commission further decided to monitor the granting of cash awards and requested the organizations to report on action taken in this area at its thirty-fourth session.
CHAPTER IX
ALLOWANCES

359. In resolution 43/226, the General Assembly requested the Commission to "review the rationale and magnitude of all elements of remuneration". At the same time, it specifically requested that, as an integral part of the review, studies should be undertaken of the "purpose and conditions of an education grant" and "the purpose and methodology for dependency allowances for staff in the Professional and higher categories".

360. At its twenty-ninth session, the Commission concluded that, in reviewing allowances, priority should be given to (a) education grant and dependency allowances, which the General Assembly had specifically requested the Commission to study; and (b) allowances and benefits that were most closely linked to those elements being examined as part of the comprehensive review. The Commission also stressed the importance of the integration of allowances in a coherent system.

361. At its thirtieth session, the Commission decided to deal with a number of allowances in the context of mobility and hardship. It noted that the allowances other than education grant, dependency allowances and those relating to mobility and hardship, fell into three broad categories:

(a) Travel entitlements not linked to mobility and hardship (for example, official travel and regular home-leave travel);
(b) Entitlements payable on separation from service;
(c) Other, or miscellaneous, conditions of service (annual leave and maternity leave).

Of these three categories, the Commission noted that (b) was most closely linked to the remuneration structure. In addition to the aforementioned studies on education grant and dependency allowances and the review of allowances related to mobility and hardship, which are dealt with in another chapter, it decided to focus on the area of separation payments. One member was of the opinion that the subject of separation payments was not so closely related to the review of the overall remuneration structure as to require examination at this time.

Views of the organization and the staff representatives

362. The Chairman of CCAQ noted that, owing to time constraints, this aspect had occupied a rather peripheral position at the various stages of the review. Given the other matters dealt with under the review, CCAQ felt that a prudent approach was required in this area.

363. With regard to the education grant, CCAQ hoped that the analysis provided by the Working Group would lay to rest a number of long-standing issues. CCAQ concurred with the broad conclusions of the review, and in particular the reaffirmation of the education grant as fundamentally and conceptually an expatriate benefit. For this reason, it could not support the extension of the existing exception to the expatriate nature of the grant. While there was some merit to the proposal as a mobility-related measure, most organizations opposed it
on the grounds that it was incompatible with the fundamental nature of the grant and that it would introduce a distinction between reimbursement provisions for different levels of education. The proposal was also insufficiently clear as regards the maximum duration of eligibility upon reassignment to the home country.

364. CCAQ fully supported the proposals concerning future adjustment mechanisms and the periodicity of reviews, and was willing to prepare proposals on an adjustment methodology for review by the Commission.

365. As regards separation payments, CCAQ endorsed the recommendation of the Working Group that the conditions under which termination indemnity was payable, as well as the schedule for its payment, should remain unchanged. The organizations did not consider that the schedule of repatriation grant payments should be revised at this stage, as had been proposed by the Working Group. CCAQ supported the recommendation that accrued annual leave be computed on the basis of total net emoluments at the staff member's last duty station. For this purpose, total net emoluments should be defined as net salary plus post adjustment under the present system, and net salary plus cost-of-living allowance plus housing allowance under the proposed revised structure. CCAQ concurred with the Working Group that the existing death grant provisions should be left unchanged.

366. While CCAQ appreciated that a proposal for the introduction of an end-of-service grant had been endorsed by the Commission on two past occasions, without being approved by the General Assembly, the majority of members took the view that at the present stage, no purpose would be served by resubmitting it to the Assembly. The majority of CCAQ members agreed with the recommendation that the basis for computing termination indemnity, repatriation grant and death grant should be the base floor amounts for the system, i.e. base net salary plus floor housing under the proposed revised structure. One organization considered that use of a world-wide scale for computing the repatriation grant resulted in inequality of treatment among beneficiaries, and believed that the grant should be based on total emoluments either at the duty station where the staff member had served immediately prior to separation or at the place of repatriation/relocation. CCAQ noted that the Working Group's recommendations would reduce the current number of scales, which was one of the objectives identified by the General Assembly in resolution 43/226.

367. With regard to dependency allowances, for lack of proper justification, CCAQ could not endorse a revision in the ratio between the net salaries of staff with and without a primary dependant. The proposed methodology also required further study.

368. CCAQ strongly supported the Working Group's proposal that the children's allowance should be computed on the basis of 2 per cent of the mid-point of net salary plus post adjustment at each location, subject to a floor amount equivalent to 2 per cent of the corresponding amount at the base of the system. While there was considerable support in CCAQ for the proposal that the age limit for the children's allowance should be the same as that for the education grant, the general feeling was that it was not at the same level of importance as some other recommendations on dependency allowances. The organizations strongly supported the proposal that the disabled children's allowance should be double the amount of the children's allowance. CCAQ considered that the recommendation on the secondary dependant's allowance required further research.
369. Finally, CCAQ wished to emphasize the importance that it attached to the establishment of a regular cycle of review of allowances. In principle, all allowances should be subject to review at least every two years.

370. The representative of FICSA stated that it would be most disappointing if the recommendations of the Working Group concerning allowances failed to receive the time they deserved. While not every staff member would benefit from every allowance, the impact of the removal or modification of an allowance on each individual concerned was, none the less, considerable. The Commission had opted for a somewhat selective interpretation of the General Assembly's guidelines. FICSA regretted that a comprehensive review could not have included a fuller examination of the entire gamut of allowances.

371. FICSA was pleased to note that the Working Group had arrived at a number of sound and meaningful proposals. Each of these was important. Some of them were of relatively limited application, with minimal financial implications, yet they were designed to rectify an imbalance, to catch staff members who fell through the net under the current system. Examples of these were the extension of the upper age limit for dependency status of children, the continued payment of the education grant to nationals reassigned to their home country and the end-of-service grant for staff with nine or more years of continuous service on fixed-term appointments.

372. Other proposals aimed at a simplification of the calculation and/or adjustment mechanism. Into this category fell, inter alia, the proposals on the children's allowance, the commutation of annual leave and the revised single rate accumulation of service credit for the repatriation grant. Still other proposals enhanced the social benefit of allowances paid to a very restricted number of eligible staff, who, by virtue of their employment in the United Nations system, were deprived of the additional support normally available in their home country: an example of this type was the proposal to increase the children's allowance in respect of disabled children, or the revised secondary dependant's allowance.

373. Although FICSA wished the proposals had gone further, it endorsed fully all the proposals on allowances.

374. The representative of CCISUA supported the recommendations on allowances. While regretting that the education grant was unlikely to become a social benefit, available to both expatriate and non-expatriate staff, CCISUA welcomed the proposal regarding staff reassigned to their home country. This recommendation should be seen as a mobility-related measure. CCISUA agreed with the Working Group's recommendation on the adjustment procedure for the education grant.

375. CCISUA strongly supported the proposal to base the dependent child allowance on net remuneration at the duty station. This measure would ensure the regular updating of the level of the allowance. CCISUA also firmly endorsed the Working Group's recommendation on the dependency allowance for a disabled child.

376. CCISUA supported the use of the proposed floor salary scale for the calculation of all separation payments other than commuted annual leave. As regards the commutation of annual leave, CCISUA agreed that payment should be based on net remuneration at the staff member's last duty station.
377. CCISUA supported the recommended introduction of an end-of-service grant for fixed-term staff. The non-renewal of a fixed-term contract was often due to reasons totally unrelated to a staff member's performance, as an increasing number of organizations strictly limited the number of staff with permanent contracts. The proposed measure would provide at least some assistance to staff separating under such conditions.

A. Education grant

Consideration by the Commission

1. General considerations

378. The Commission recalled that the General Assembly had, in the past eight years, called for a number of reviews of the education grant, as follows:

(a) In 1981, in resolution 36/233 of 18 December 1981, it requested ICSC to review "the scope and purpose of the education grant". The Commission noted the progressive development in the definition of the education grant and concluded that the grant should remain solely an expatriate benefit;

(b) In 1983, in resolution 38/232 of 20 December 1983, it requested the Commission "to conduct a survey of the education grant, the purpose of which was to facilitate a child's re-assimilation in the staff member's home country". The Commission reaffirmed its earlier position that no changes were required in the criteria for application of the education grant, including its application to university-level study;

(c) In 1985, it requested ICSC, in resolution 40/244, to re-examine the "scope of the education grant in relation to the purpose for which it was originally approved";

(d) In 1986, it referred to ICSC, in resolution 41/213 of 19 December 1986, recommendation 61 of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations. The Group of High-level Experts had recommended the elimination of education grant for post-secondary studies. The Commission recommended that the existing entitlement to the education grant for post-secondary studies be maintained. The Assembly noted this recommendation in the preamble to its resolution 42/221.

2. Existing situation

379. The Commission recalled that the provision of assistance towards education costs was one of the longest-standing features of the United Nations system of salaries and allowances, dating back to 1946. Since the early 1960s, the grant had been administered on the basis of the policy of partial compensation for clearly identifiable extra expenses that expatriate staff members incurred in the education of their children, irrespective of whether the school was located in the home country, the country of the duty station or a third country. Staff members required to serve outside their home country were entitled to an education grant in
respect of dependent children in full-time attendance at a school, university or similar educational institution of their choice (excluding pre-primary education; attendance at a free school or one charging only nominal fees in the country or area of the duty station; vocational training and apprenticeships; and, normally, correspondence courses and private tuition).

380. The principles underlying these arrangements were that the education grant system should:

(a) Not favour certain forms of education over others, but enable staff members to make an unrestricted choice of the education they considered best suited for their children in the light of the family's dislocation from the home country;

(b) Assist in meeting the educational expenses normally incurred by an expatriate staff member;

(c) Be as simple as possible to apply.

381. The Commission noted that, under current provisions, the grant was payable up to the end of the fourth year of post-secondary studies or the award of a first recognized degree, whichever was earlier, subject to a maximum age limit of 25. Where the institution provided board for the child, the amount of the grant was equivalent to 75 per cent of the cost of attendance, subject to a maximum reimbursement of $6,750 per child per year. As from the school year in progress on 1 January 1989, the maximum amount of the grant was set in local currency at specified duty stations with fully convertible currencies. Where the institution did not provide board, a flat allowance of $2,000 was payable to cover boarding expenses for a child at a school away from the duty station, and 75 per cent of the cost of attendance was reimbursed, subject to the same total maximum reimbursement of $6,750, or its local currency equivalent where appropriate. However, at duty stations where educational facilities were unavailable or deemed to be inadequate, 100 per cent of boarding costs could be reimbursed up to $1,500 per year as an amount additional to the maximum grant of $6,750 per year; in such cases the maximum grant was therefore raised to $8,250 per year. In the case of a disabled child, 100 per cent of the cost of attendance up to a maximum of $9,000 per year was reimbursed. A staff member was entitled to travel expenses for the child for one return journey each school year between the educational institution and the duty station. Staff members at duty stations where educational facilities were unavailable or inadequate were entitled to travel expenses for the child for one additional return journey each school year, except in the staff member's home-leave year.

382. The Commission further noted that the General Assembly, in its resolution 37/126 of 17 December 1982, had approved one limited exception to the expatriate nature of the benefit: if staff were reassigned to their home country after having worked in a duty station where an education grant was payable, to ease the transition they could continue to receive a grant for the balance of the school year.
3. Review of the nature and provisions of the grant

383. The Commission noted that criticisms of the education grant had tended to focus on three aspects, namely:

(a) Whether the grant in its current form was at variance with the purpose for which it was established;
(b) Whether the grant should remain solely an expatriate benefit, or should be available to all staff (i.e. locally as well as internationally recruited staff);
(c) Whether payment was justified in respect of post-secondary studies in general and those in the country of the duty station in particular.

(a) Consistency with the original Purpose of the grant

384. The Commission recalled that when the grant was introduced in 1946, United Nations staff were located in a handful of duty stations. There were now over 18,000 internationally recruited staff members working in vastly disparate conditions. The need to cope with changing conditions, and with the increased need for reassignment of staff resulting from the expansion and diversification of operations had been the major factor in the evolution of the education grant. It remained a compelling argument for retaining flexibility. The Commission recognized in this connection that the education grant was a major element of expatriate service and a most important factor in the acceptance of employment and assignment. The Commission further noted that the various "extensions" in the education grant had been introduced as the result of serious problems with the administration of the grant. The reintroduction of a more "restrictive" grant would therefore carry with it the reintroduction of those same problems.

(b) Expatriate nature of the education grant

385. The Commission reviewed the various arguments that had been put forward in the past in support of the extension of the grant to all staff as a social benefit. Members noted in particular that the effects of expatriation did not necessarily cease on return to the home country.

386. The Commission recalled, however, that all previous reviews had concluded that the grant should remain an expatriate benefit. It was noted in this connection that, as a rule, neither public sector nor private sector employers contributed to the educational expenses of their non-expatriate staff.

387. Many members of the Commission were of the view that there was no justification for changing the nature of the grant by extending it to non-expatriate staff. Some members, however, considered that the grant should be considered as a social benefit in recognition of the demands of international service. As such, it should be payable to all staff, or all international staff, irrespective of whether they were expatriate, in the interest of equality of treatment and of ensuring continuity of education. It was agreed that the Commission should revert to this issue in the future.

388. Under the current provisions, staff who had been expatriated and were subsequently reassigned to their home country continued to receive the grant for the balance of the academic year. The Commission reviewed the recommendation of
the Working Group seeking to extend this provision further. The objective of the Working Group's recommendation was to provide for continuity of schooling at key stages of the school curriculum.

389. Opinions were divided regarding this proposal. Many members opposed it on the grounds that it was inconsistent with the Commission's conclusion that the grant should remain an expatriate benefit. It was pointed out, furthermore, that such a measure would create differences between non-expatriates and would encourage requests for further extensions. Others supported the recommendation, noting that the family disruptions caused by expatriation often did not cease upon the staff member's reassignment to the home country. One member stated that he would have been prepared to go further in this direction, by making the grant available for all of a staff member's children if it had been paid in respect of one child. One member expressed willingness to support an extension of the grant limited to children studying outside the home country. On balance, the Commission concluded that it should not make a recommendation for the extension of the grant. It emphasized, however, that the existing exception to the expatriate nature of the grant, referred to in paragraph 382, should be maintained.

(c) Levels of education at which the grant should be payable

390. The Commission recalled that payment of the grant at the primary and secondary levels had never been challenged, though questions had been raised on several occasions concerning the coverage of post-secondary education. The conclusion reached in successive previous reviews had been that this entitlement should be retained. It was noted in past reviews that while many national Governments, including the comparator, provided only limited assistance (often in the form of travel grants) for the post-secondary studies of the children of their expatriate staff, post-secondary studies were free (or almost free) to nationals and residents in many countries. The situation of international civil servants posted outside their home country differed from that of foreign civil service officers in terms of the length of service away from their home country, the facilities available for the education of their children, access to loans, bursaries, more favourable tuition fee schedules for residents and so on.

391. In the opinion of most members of the Commission, the arguments presented in the context of earlier reviews remained valid. One member expressed reservations regarding payment of the grant for post-secondary education. The Commission considered it useful to examine the differences between the assistance provided by the United Nations system, on the one hand, and by the comparator expatriate civil service on the other.

392. The underlying rationale for the comparator's educational assistance was to meet the cost of replicating for its nationals abroad the type of education that was available in the United States. Considerations of this type would be difficult to adapt to the international civil service, and for this reason the education grant in the United Nations system was designed for a different purpose, i.e. to meet, in part, the additional costs of educating children that resulted from the staff member's expatriation. In the United Nations system, educational expenses were reimbursed, at the same rate, at the primary, secondary and post-secondary levels, but both a percentage limit and an overall ceiling on expenditures were imposed. By contrast, the comparator civil service and a number of other expatriate civil services differentiated the level of reimbursement by level of education, reimbursing a higher percentage of costs, or sometimes full costs, at
the primary and secondary levels, but not, on the other hand, covering the costs of post-secondary education. Furthermore, limitations could be imposed on the type and/or location of schools eligible under national schemes. In sum, while the, educational assistance provided by the comparator and certain other expatriate civil services could be considered to be more generous than that made available by the United Nations system in some respects, the reverse could be said regarding other aspects.

393. The Commission further recalled that, in 1978, it had concluded that to continue to exclude university studies in the country or area of the duty station was inconsistent with the long-standing policy of providing the grant for post-secondary studies at other locations. Such an exclusion was also counter-productive, since it involved the organizations in additional expenditure on education grant travel. It was on the basis of these considerations that the General Assembly, in its resolution 33/119 of 19 December 1978, had removed this exclusion. The Commission did not find any justification for changing current provisions.

394. The Commission also considered whether the grant should be payable at the pre-primary level (as was the case in the expatriate comparator civil service and some other employers, e.g. the World Bank). It concurred with the Working Group that there was no justification for changing the grant in this respect.

395. The Commission concluded, based on this review, that the education grant should continue to be payable at the primary, secondary and post-secondary levels.

(d) Differentiation of the level of the grant according to place of schooling or level of education

396. The Commission considered whether it would be appropriate to establish separate amounts of the grant for each duty station, as was done in the comparator civil service. It concluded that such a system would be difficult to apply in a multicultural environment such as the United Nations common system and would unduly complicate the administration of the grant.

397. Consideration was also given to the possibility of establishing different maximum levels of reimbursement by educational level, i.e. primary, secondary and post-secondary education. Overall, however, it appeared to the Commission that the setting of different levels of reimbursement according to the stage of education would do little to improve the responsiveness of the grant; on the other hand, it would undoubtedlly complicate its administration.

398. The Commission considered that differentiation according to duty station country, home country or third country would, again, make the system more complex. Such a system would reintroduce the concept of influencing the staff member's choice of education, which was seen as an undesirable feature of the early provisions of the education grant. In addition, such provisions could exacerbate existing difficulties that arose in the case of change of entitlement on reassignment, especially during the school year.

399. The Commission recognized that the existing undifferentiated grant might over or under-compensate in particular cases. However, the limitations placed on reimbursable amounts minimized the risk of over-compensation and discouraged staff from placing their children in unduly expensive schools. The Commission noted that
differentiating the level of reimbursement according to place of schooling or level of education would not represent an improvement in current provisions. It therefore concluded that the existing uniform pattern of reimbursement should be retained.

(e) Special provisions for hardship duty stations

400. The Commission reviewed the existing provision for additional education grant for staff at hardship duty stations. It noted that, since the additional travel entitlement could not be used in a home-leave year, staff serving at duty stations with a 12-month home-leave cycle could not avail themselves of the entitlement at all. The Commission recognized that in these cases, children were studying abroad out of necessity rather than by choice. Consideration might therefore be given to lifting this restriction.

401. In view of the various other proposals it was putting forward regarding mobility and hardship, however, the Commission decided not to pursue a recommendation in this area. The question of additional reimbursement of boarding costs is discussed in chapter VII.

(f) Other issues considered

402. The Commission also considered the provisions for regular education grant travel; the age limit for payment of the education grant; the provisions for reimbursement of boarding costs at non-hardship duty stations; the currency of payments of the grant; and the possible simplification of the provisions of the grant. It concluded that no change in existing provisions in these respects were required at this time. However, the level of the special education grant for disabled children and the establishment of the grant in local currency at specified duty stations with fully convertible currencies should be kept under review. One member regretted that the Working Group had not recommended a simplification of the grant.

(g) Adjustment mechanism and periodicity of review

403. The Commission recalled that, while in its sixth annual report, it had agreed in principle to a three-year cycle, 12/ a fixed periodicity for review had never been established, and recent reviews had been subject to considerable "slippage". Delays in reviewing allowances tended to create problems of perception, since the increases granted after a delay were almost invariably larger; a more gradual process of adjustment, based on regular reviews, would be both more equitable and more acceptable.

404. The Commission considered the Working Group's proposal that a specific trigger point for adjustment should be s., whereby, once an established percentage of cases exceeded maximum allowable costs, the level would be reviewed. It was agreed that this recommendation should not be pursued. In the Commission's opinion, the implied automaticity would constitute an unfortunate precedent. Moreover, the financial implications of such an adjustment system were significant and should be borne in mind.
405. However, broad support was expressed for ensuring that the level of the grant would be reviewed on a regular basis and for increasing the frequency of such reviews. The Commission agreed that the level of the grant should normally be reviewed every two years, and that the period between reviews should in no case exceed three years.

Recommendations and decisions by the Commission

406. With regard to the education grant, the Commission decided to recommend to the General Assembly that:

(a) The grant should remain solely an expatriate benefit, subject to the existing exception for staff reassigned to their home country following service abroad (referred to in para. 382), which should be maintained;

(b) The grant should continue to be payable at the primary, secondary and post-secondary levels;

(c) The pattern of reimbursement should continue to be the same at the primary, secondary and post-secondary levels;

(d) The uniform existing pattern of reimbursement should be maintained, i.e. the grant should not be differentiated by duty station or according to whether the educational institution was located in the duty station country, the home country or a third country;

(e) The existing provisions regarding education grant travel should remain unchanged;

(f) Existing provisions in respect of the age limit for the payment of the education grant should be maintained;

(g) The current ceiling for the special education grant for disabled children should remain unchanged for the time being, but should be kept under review;

(h) The revised arrangements on the currency of payment of the education grant approved by the General Assembly at its forty-third session (referred to in para. 381) should remain in place for the time being, but should be evaluated on the basis of experience with the first round of education grant claims;

(i) The level of the grant should normally be reviewed every two years; the period between reviews should in no case exceed three years.

407. The above recommendations have no accompanying financial implications.

B. Dependency allowances

Consideration by the Commission

408. The Commission noted that most national Governments provided social benefits that usually included financial assistance through tax abatements, or direct payments under social legislation, or both. All the industrialized countries, except the United States, had family allowance programmes. The level of benefits varied considerably depending on the country concerned.
1. Recognition of a primary dependant

Existing situation

409. The Commission recalled that, since 1977, a dependent spouse or the first dependent child, when there was no dependent spouse, was recognized through differentiated rates of staff assessment and post adjustment that produced lower net remuneration for staff without a primary dependant.

410. The current extent of the differentiation between net salaries for staff with and without a primary dependant, when introduced in 1977, was largely based on judgment, although it made reference to the differences in tax rates for persons with and without dependants in the seven headquarters countries. The differentiation in net salaries for staff with and without a primary dependant widened progressively with each grade, ranging from 94.3 per cent at P-1, step I, to 90.3 per cent at the level of Under-Secretary-General. The intention was that there should be less differentiation between net salaries at the lower end of the scale. The percentage differences remained constant irrespective of post adjustment classification.

Review by the Commission

411. The Commission considered the appropriateness of retaining such a distinction in remuneration between staff with and without a primary dependant and whether the current degree of differentiation remained valid. There was general agreement that differentiation in remuneration between staff with and without a primary dependant should continue. Spouses of common system staff were often unable to take up employment because of the constraints of international service or because they could not obtain a work permit. Some members of the Commission believed that the present differentiation in net remuneration was too great in relation to tax rates at the seven headquarters duty stations. Current data seemed to justify a level for staff paid at the single rate ranging from 95 to 97 per cent of net remuneration for staff with a primary dependant. One member was of the opinion that tax abatements relevant to the comparator civil service should be used as the point of reference.

412. One member of the Commission expressed the view that the system of dependency allowances should be changed. He saw the present procedures as heavily biased against single staff and representing an unnecessary departure from the principle of "equal pay for equal work". In his opinion, net base salary and the adjustments for cost-of-living relativities should be the same irrespective of dependency status, and the differences in family situations could be dealt with through housing allowances, a spouse allowance and children's allowances. He believed that all married staff members should be entitled to a spouse allowance irrespective of the income of the spouse. The present system, which took into account "occupational earnings", discriminated against working spouses as it did not consider investment or financial income. He proposed that the spouse and children's allowances should be set: as a flat rate at the base, and adjusted for cost-of-living relativities. These allowances should also be adjusted for hardship and mobility, provided that the dependants accompanied the staff member to the duty station. Therefore, the only dual rates for staff with and without dependants would be for the installation grant and housing allowance. Only one, set of rates would be needed for separation payments. On a related matter, he suggested that the children's allowance should be payable for a maximum of five children.
The Commission concluded that a primary dependant (dependent spouse or first dependent child when there was no dependent spouse) should continue to be recognized through the current differentiated rates of staff assessment and post adjustment (or cost-of-living adjustment). Some members believed that, based on considerations of equity, a recommendation for an upward adjustment in single rate remuneration should be made. One member pointed out that the Commission's conclusion on this matter was not consistent with its recommendation for an adjustment of the repatriation grant entitlement at the single rate (contained in para. 453 (b)).

2. Children's allowance

Existing situation

The Commission recalled that an allowance for a dependent child had been paid since 1946. The General Assembly had consistently recognized that this allowance should be in the nature of a social benefit. Since 1957, the amount of the allowance had been established by reference to the practices in the seven headquarters countries in respect of the recognition of a dependent child under income tax legislation and benefits under national social legislation. The General Assembly had approved "currency floor" provisions with effect from 1 January 1979, in order to protect the value of the allowance in local currency from erosion through the decline in the United States dollar.

In 1988, the Commission had reviewed the allowance in the light of fiscal legislation and social benefits in the seven headquarters countries. At the same time, the Commission had examined other possible reference points for determining the children's allowance, including the practice of the comparator country and the establishment of the allowance as a fixed percentage of net remuneration at the P-4, step VI, level at every duty station.

The Commission had concluded its 1988 review by opting for the continued use at that time of the weighted average of tax abatements and social benefits in the seven headquarters countries. Based on the Commission's recommendation, the General Assembly, in its resolution 43/226, had approved an increase in the level of the allowance from $700 to $1,050, on the understanding that dependency allowances would be examined in the context of the comprehensive review. In order to avoid windfall gains and losses as a result of exchange rate variations, the Assembly further decided that the amount of the allowance should be set in local currency in those countries in which the remuneration correction factor applied and in United States dollars in all other countries.

Review by the Commission

The Commission agreed that the children's allowance should continue to be recognized as a social benefit. It noted that, traditionally, the reference point for setting the children's allowance had been a comparison with the practices of the seven headquarters countries. Most members believed that this approach continued to be appropriate. Some, while not opposing it, pointed out that this approach was inconsistent with the use of the country of the comparator civil service as the reference point for other aspects of the remuneration system. One member was of the view that practice in the comparator country should serve as the basis for the children's allowance. The Commission concluded that the practices of
the seven headquarters duty stations should continue to serve as the basis for the payment of the children's allowance.

(a) Basis for establishing the allowance

418. The Commission reviewed the various ways in which the allowance could be established, taking into account the options it had examined in 1988. It also considered the need to protect the allowance from the effects of currency fluctuations.

419. The Commission noted that maintaining the present system would create problems once the remuneration correction factor provisions were removed, since the local currency amounts were linked to duty stations where the remuneration correction factor, a temporary measure, was applicable. The establishment of the allowance in local currency would solve the problems of establishing the right "currency floor" when the amount of the allowance was reviewed again.

420. The Commission again considered basing the allowance on a fixed percentage of net remuneration (net salary plus post adjustment at the dependency rate) at P-4, step VI, at every duty station, that percentage being the weighted average of the local practice amount expressed as a percentage of net remuneration at P-4, step VI, at the seven headquarters locations. It was recalled that, in its 1988 review, the Commission had noted that this approach would continue to reflect tax abatements and payments in respect of dependent children at all headquarters duty stations. Furthermore, the amount of the allowance would bear a direct relationship to net remuneration at each duty station, thus taking into account differences in cost-of-living between New York and all other duty stations. It would be immediately responsive to both cost-of-living and exchange rate changes, hence eliminating the need for currency floor measures. This approach was also relatively simple to administer. However, it would increase the difference in total remuneration between duty stations having a very high post adjustment and those having a very low post adjustment and exacerbate the difficulties experienced by the organizations in transferring staff from high to low post adjustment locations. On the other hand, the Commission had noted that most actual expenditures with respect to children occurred at the duty station and the variation could be justified in terms of equalizing purchasing power. It had also noted that, since this method indexed the allowance to net remuneration, the allowance and hence the costs would rise without a separate review by the Commission. lam/

421. While most members of the Commission favoured this approach, one member opposed it, considering that it would further widen the spread of take-home pay between low- and high-cost duty stations. He stated that such an approach would treat staff at higher post adjustment duty stations more favourably than those at low post adjustment duty stations. Another member believed that practice in the comparator country should be used as the point of reference.

422. The Commission noted that calculations made in 1988 justified fixing the weighted average referred to in this option at 2 per cent. A minimum amount corresponding to 2 per cent of net remuneration at the base (New York) would be applicable world wide. Local practices at the seven headquarters locations would be monitored and reported to the Commission for appropriate recommendation to the General Assembly if and when any significant changes justified recommending an adjustment in the percentage.
423. The Commission concluded that the allowance should be computed on the basis of 2 per cent of net remuneration at the mid-point of the salary scale (P-4, step VI), with a floor amount corresponding to 2 per cent of net remuneration at the base. (New York) being applicable worldwide. These amounts would subsequently be adjusted on the basis of movements of post adjustment. The corresponding amounts of the allowance at the seven headquarters duty stations are shown below in table 9.

Table 9. Children’s allowances

<table>
<thead>
<tr>
<th>Duty station</th>
<th>Present amount in local currency</th>
<th>Amount based on proposal in paragraph 423, in local currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geneva</td>
<td>2 037</td>
<td>2 226 a/</td>
</tr>
<tr>
<td>London</td>
<td>567</td>
<td>683 a/</td>
</tr>
<tr>
<td>Montreal</td>
<td>1 239</td>
<td>1 337 b/</td>
</tr>
<tr>
<td>New York</td>
<td>1 050</td>
<td>1 133</td>
</tr>
<tr>
<td>Paris</td>
<td>6 142</td>
<td>7 138 b/</td>
</tr>
<tr>
<td>Rome</td>
<td>1 302 000</td>
<td>1 546 545 b/</td>
</tr>
<tr>
<td>Vienna</td>
<td>17 115</td>
<td>15 672 a/</td>
</tr>
</tbody>
</table>

a/ Based on net remuneration at the duty station.

b/ Based on net remuneration in New York (floor amount).

(b) Age limit for eligibility to the allowance

424. The Commission considered the recommendation of the Working Group that the limit for eligibility to the children's allowance, or the dependent rate of remuneration if the primary dependant was a child, should be aligned with that for payment of the education grant, i.e. the end of fourth year of university studies or the award of the first recognized degree, whichever was the earlier. The Commission decided that this proposal should not be pursued.

425. The Commission noted, however, that once a child was no longer officially recognized as the staff member's dependant, administrative difficulties often ensued, mostly relating to the child's continued stay at the staff member's duty station. It viewed this type of situation as cause for concern and noted the suggestion made by the representative of CCISUA that an approach be developed that would enable the child to be considered as the staff member's dependant for administrative purposes, without generating an entitlement to dependency benefits in respect of the child. The Commission further noted that CCAQ planned to review this issue in 1990.
(c) Disabled children

26. There was general agreement with the Working Group's recommendation that the children's allowance in respect of a disabled child should be double the amount of the children's allowance. It was noted that the special measures that were related to specific expenses would continue to apply.

3. Secondary dependant's allowance

Existing situation

427. The Commission recalled that a secondary dependant's allowance was payable in respect of one secondary dependant (father, mother, brother or sister) when there was no primary dependant. Payment was subject to well-defined criteria concerning proof of support for such family members. In some duty stations, recognition as a secondary dependant carried with its other entitlements, such as residence permits and enrolment in the organization's health insurance plan. The present amount of $300 had remained unchanged since January 1977. In 1988 the Commission had recommended that the allowance be increased by 50 per cent. The General Assembly had taken no action on this recommendation.

Review by the Commission

428. The Commission noted that, in many countries, tax reductions were provided for the support of one or more secondary dependants. The Commission further noted that national practices varied in this respect, in particular with regard to the number of eligible dependants. The Commission agreed that the secondary dependant's allowance should be half the amount of the children's allowance and the conditions under which the allowance was payable should remain unchanged.

Decisions and recommendations by the Commission

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

(a) A dependent spouse or the first dependent child of a staff member without a spouse should continue to be recognized through differentiated rates of staff assessment and post adjustment. There should be no change at this time in the current extent of the differentiation;

(b) The relevant tax abatements and family allowances payable in the countries of the seven headquarters duty stations should continue to serve as the basis for the determination of the United Nations children's allowance;

(c) The children's allowance should be set at 2 per cent per child of net base salary plus post adjustment at the dependency rate, payable at P-4, step VI, at the staff member's duty station, subject to a floor allowance equivalent to 2 per cent of net base salary plus post adjustment at P-4, step VI, in New York. The allowance should be adjusted on the basis of post adjustment changes for the duty station, subject to the above floor provision;

(d) The age limit for eligibility to dependency benefits in respect of a child should remain unchanged;
(e) The children's allowance in respect of a disabled child should be double the amount of the children's allowance;

(f) A secondary dependant's allowance should continue to be payable in respect of one dependent parent, brother or sister, provided there was no primary dependant. The allowance should be set at 1 per cent of net base salary plus post adjustment at P-4, step VI, at the staff member's duty station, i.e. one half of the children's allowance, subject to a floor allowance equivalent to 1 per cent of net base salary plus post adjustment at P-4, step VI, in New York. The allowance should be adjusted on the basis of post adjustment changes for the duty station, subject to the above floor provisions.

430. The financial implications associated with the recommendations in the preceding paragraph are estimated to be as follows:

(a) Recommendation in subparagraph (c) 700 000
(b) Recommendation in subparagraph (e) 105 000
(c) Recommendation in subparagraph (f) 40 000

C. Separation payments

Consideration by the Commission

1. Termination indemnity

Existing entitlements

431. The Commission recalled that a termination indemnity was payable to a staff member who was separated prematurely from service at the initiative of the organization, for example, when the post occupied by the staff member was abolished. Whether the staff member was serving on a permanent appointment or on a fixed-term appointment that still had some time to run, there was a loss of expectation of employment. The purpose of termination indemnity was to compensate for that loss of employment. If the staff member was entitled to a retirement pension under the regulations of the United Nations Joint Staff Pension Fund, there was no loss of expectation of continued employment and thus no indemnity was payable. Neither was an indemnity payable if the organization's decision to terminate the staff member was the result of serious fault on the latter's part, i.e. in cases of summary dismissal or abandonment of post. No termination indemnity was payable upon voluntary resignation. If the organization terminated a staff member for health reasons, the same indemnity was payable as in cases of abolition of post or reduction of staff, except that the amount of any disability benefit awarded to the staff member was deducted from the amount of the termination indemnity. If the staff member was terminated for unsatisfactory service or for misconduct not serious enough to warrant summary dismissal, a reduced termination indemnity of not more than one half the standard amount could be paid at the discretion of the executive head. A termination indemnity could also be paid when the employer considered that the interests of good administration
would be served by the staff member's departure and the staff member had agreed that, if terminated, he/she would not contest the action. In such cases (known as "agreed termination") the standard amount of the indemnity could be increased by up to 50 per cent at the discretion of the executive head.

432. The amount of the indemnity varied with length of service, or the balance of uncompleted service remaining under a fixed-term contract, and the type of contract. The related schedule was approved by the General Assembly in 1976 on the basis of a recommendation by ICSC; it had remained unchanged since then, subject to a small amendment introduced in 1978.

Review by the Commission

433. The Commission considered whether any changes in this schedule were warranted in the context of the comprehensive review. On balance, it was felt that the schedule of entitlements should be left unchanged, it being noted that the resulting amounts might be affected by the use of a different scale as the basis for computation. The Commission also reviewed the terms and conditions for payment of a termination indemnity. It concluded that, since they did not appear to have given rise to particular problems, they should be left unchanged.

2. Repatriation grant

Existing entitlements

434. The Commission recalled that the repatriation grant was introduced in 1951 on the grounds that, upon leaving the organization and being repatriated to his/her home country, a staff member was faced with certain extraordinary expenses, which would justify payment of a special lump-sum grant on that occasion. Such expenses were seen as arising, for example, as a result of: (a) the loss, during United Nations service, of professional and business contacts with the home country; (b) the need to give up residence and liquidate obligations in a foreign country; or (c) the expenses that staff would normally have to meet in re-establishing themselves on return.

435. The Commission noted that the repatriation grant was payable to internationally recruited staff on separation, in respect of periods of service outside the home country. To be eligible for the grant in respect of entitlements accrued as from 1 July 1979, a staff member had to provide evidence of relocation outside the country of the last duty station. Repatriation to the home country was not a requirement for receiving the grant. In most organizations, if a staff member was assigned to his/her home country after a period of service abroad, the accrued credit for the grant was reduced for that period at double the rate at which it was earned. On subsequent reassignment outside the home country, the "lost" entitlement was recredited at double the normal rate until fully restored to the level prior to assignment to the home country. It continued thereafter to accrue at the normal rate so long as the staff member remained expatriate.

Review by the Commission

436. As related in its fourth annual report, 1A/ the Commission had noted in the course of its 1978 review of the grant that while a staff member who relocated to a country other than the home country did incur expenses, paying the repatriation
grant: in such cases was not, strictly speaking, in compliance with the terms of a "repatriation" grant. The Commission had acknowledged, however, that making payment of the grant contingent upon evidence of relocation to the home country would penalize those staff who had acquired family or other ties with a country other than that from which they were originally recruited, those who were obliged to go to a third country in order to find work and those who, for political or other reasons, were unable to return to the home country. It was these considerations that had led to the existing system whereby evidence was required only of relocation outside the country of the last duty station. The Commission agreed that no change should be made in this respect.

437. The Commission next considered whether the repatriation grant should continue to be based on a single, world-wide scale or whether the amount of the grant should be differentiated by location. The Commission concluded that a single, world-wide scale should continue to be used for computing the level of the grant and that no adjustment should be made for currency fluctuations.

438. With regard to the differentiation between single and dependency rates, the Commission noted that the current relativities were established in 1977, i.e. when recognition of a "primary dependant" was incorporated into the salary scale. The Commission noted that the ratio between the level of the benefit at the single and dependency rates varied according to the number of years of service away from the home country, ranging from a low of 55 per cent for eight years to a high of 75 per cent for one year. While believing that there should continue to be some difference between single and dependency rates, the Commission concluded that the extent of the differentiation at most points in the current schedule was excessive in the light of the difference in expenditures incurred upon repatriation by a staff member with and without a spouse or dependent child. The Commission concluded that the single rate should be set at a uniform 75 per cent of the current entitlements at the dependency rate. One member was of the view that a revision in the ratio between entitlements at the single and dependency rates could be achieved by reducing the benefit at the dependency rate, rather than by increasing the entitlement at the single rate.

3. Commutation of accrued annual leave Existing entitlement

439. The Commission recalled that, upon separation from service, a staff member was entitled to payment of a lump sum in lieu of accrued annual leave, up to a maximum of 60 working days. The purpose of this entitlement was to compensate staff who for reasons of service had been unable to use up the annual leave that they had earned during service.

Review by the Commission

440. The Commission concluded that existing provisions should be maintained as far as the amount of accrued annual leave that could be "converted" was concerned. One member was of the view that the number of days that could be commuted should be reduced to 30. He believed that, in the interest of productivity, staff should be encouraged to use their annual leave for the purpose for which it was intended. As regards the basis on which commuted annual leave was to be paid, the Commission agreed that, inasmuch as commuted annual leave represented time at the staff
member's duty station, it could be considered a deferred entitlement. The Commission therefore considered that it would be more logical and equitable to compute this entitlement by reference to net remuneration at the staff member's last duty station.

4. Death grant

Existing entitlement

441. The Commission noted that the death grant was designed to help the survivors of a staff member who died in service: (a) to cope with the difficult period of transition, which often entailed removal from the duty station (and, if the staff member was expatriate, from the country of the duty station back to the home country); and (b) to adjust to the considerably lower level of income provided by the survivors' benefits under Pension Fund regulations. A death grant was payable when a staff member died in service if he/she held an appointment for one year or more or had completed one year of service. The grant was payable to a surviving spouse, to any dependent children, or in some organizations, to a recognized secondary dependant. In 1978, ICSC had recommended that the grant be payable to a surviving spouse, dependent children or a recognized secondary dependant. However, the Assembly had not agreed that secondary dependants should be eligible to receive the grant. As a result, some differences remained among organizations' practice in this regard. The level of the grant increased according to the deceased staff member's length of service, on the basis that the problems of relocation and adaptation faced by survivors were likely to be greater the longer the staff member had been in international service.

Review by the Commission

442. The Commission recalled that in 1983 and again in 1985, at the request of the General Assembly, it had examined the possibility of establishing a contributory death grant benefit scheme. Its conclusion on both occasions was that a contributory scheme would not be cost-effective and should not be introduced. The General Assembly concurred with this recommendation in its resolution 38/232.

443. The Commission noted that existing arrangements appeared to be operating satisfactorily and concluded that they should be left unchanged.

5. Possible harmonization of schedules of separation payments

444. The Commission noted that there were currently three different schedules for the computation of separation payments: the schedule of termination indemnity, the repatriation grant schedule and the schedule for the death grant. It further noted that the various schedules were suited to the purpose for which they were designed, and concluded that there should continue to be separate schedules for the three above-mentioned entitlements (see para. 452).
6. Review of the possibility of introducing an end-of-service grant

The Commission examined the Working Group's recommendation for the introduction of an end-of-service grant in cases where a staff member's fixed-term contract was not renewed. It began by reviewing past considerations of this issue. In its 1976 review, the Commission had noted that the employment of staff on a succession of fixed-term contracts over an extended period was generally due to restrictions placed by governing bodies on the granting of permanent contracts and to considerations of personnel policy or geographical distribution. Organizations often had no alternative but to retain many such staff on a fixed-term basis, despite very good performance records. The Commission went on to recommend the introduction of a new grant (as distinct from termination indemnity), to be known as "end-of-service grant", which would be payable after six years of service according to the schedule of indemnity for fixed-term appointments. The General Assembly did not adopt this recommendation, but requested the Commission to re-examine the matter. This it did in 1978, when it renewed its recommendation to the General Assembly, except that it changed the number of years of service required before a staff member became eligible for the grant from six to nine years and set certain further restrictions on the payment of the grant. The General Assembly again turned down ICSC's recommendation and requested the Commission to give further study to the question of an end-of-service grant in the context of its examination of the relationship between career staff and fixed-term staff in the common system. It was felt that the results of such a study might remove the circumstances that had caused staff to be retained on fixed-term contracts for lengthy periods. Recommendations were to be submitted to the Assembly no later than at its thirty-fifth session, in 1980. The matter was not revived until 1988, when the Commission decided that it should be taken up again in the context of the comprehensive review.

The Commission considered whether its work in this area had in fact reduced the phenomenon of long-term staff with fixed-term contracts. It recalled its recommendation to the General Assembly that, upon completion of five years of satisfactory service, an employee should be given every reasonable consideration for a career appointment. The Commission had noted in this connection that a period of employment of up to five or six years represented a normal duration for fixed-term employment. The Commission recalled, however, that it had also consistently recognized that the proportion of permanent and fixed-term staff should be made on an organization-by-organization basis so as to reflect not only the differing functions and needs of the organizations but also the policy decisions of their own governing bodies. In fact there had been a tendency for governing bodies to wish to increase the number of staff on fixed-term contracts. The Commission's recommendation to rationalize the relationship between fixed-term and career contractual status had to be viewed in this context. The Commission also recalled that in recent years a number of organizations had experienced financial difficulties and the resulting climate of uncertainty had made these organizations less willing to increase the proportion of staff on permanent contracts.

The Commission reviewed the evolution of the percentage of fixed-term staff (excluding project staff) in 18 common system organizations over the past 10 years. It noted that the proportion of staff with fixed-term appointments had increased significantly in all large common system organizations except for the United Nations, where it had decreased slightly. It further noted that WHO, which
had a large number of staff with fixed-term appointments, had already introduced an end-of-service grant. Other organizations, including UNIDO and the United Nations Children's Fund (UNICEF), had expressed a need for the grant in the light of their internal requirements. A number of organizations, however, were opposed to the grant and there was general agreement within CCAQ that such a measure should not be imposed on the entire system. The Commission noted the indication by the United Nations Educational, Scientific and Cultural Organization (UNESCO), in explanation of its position regarding the introduction of the grant, that it was against payment of the grant in the case of non-renewal of fixed-term appointments on the grounds of unsatisfactory performance or unsatisfactory conduct.

448. Some members of the Commission were of the view that a recommendation for the introduction of an end-of-service grant should be submitted to the Assembly at this time. Others expressed sympathy for the proposal, but did not believe that this was the appropriate moment for the Commission to make a recommendation in this respect. Several members were clearly opposed to the proposed measure. Bearing in mind the difficulties expressed by a number of organizations and the history of the proposal in the General Assembly, the Commission decided not to make a recommendation to the Assembly at this time for the introduction of an end-of-service grant, on the understanding that it might revert to the issue at a later date.

7. Scale to be applied to the computation of separation payments Existing situation

449. The Commission noted that at present a specific salary schedule was used as the basis for calculating separation payments. This scale was denominated in United States dollars and expressed in gross and net terms; there were also different net amounts for staff with and without primary dependants at the time of separation.

Review by the Commission

450. The Commission recalled that, when 20 points of post adjustment were consolidated into base salary in 1984, the pre-consolidation gross salary scale was retained for the purpose of computing separation payments. The gross rates of separation payments had since been adjusted by the movements of the weighted average of post adjustments and net equivalent amounts derived through the application of staff assessment. The Commission noted that, as a result of these developments, the separation payments scale now bore no logical relationship to the staff member's net emoluments. Moreover, although the adjustment procedure had kept the scale to some extent abreast of post adjustment movements, these movements were somewhat erratic, being heavily influenced by exchange rate considerations. Thus, despite several upward adjustments in the scale during the period April 1986 to May 1989, the resulting scale was lower at the end of this period (by amounts varying from 2.9 per cent to 8.5 per cent) at all headquarters duty stations except the base city (where an 11.3 per cent increase was registered). The Commission considered that as a matter of principle it would be preferable to establish a system where gains and losses caused by exchange rate fluctuations could be avoided, or at least minimized.
451. The Commission recalled in this connection the General Assembly's request, in resolution 43/226, that efforts be made, in the context of the comprehensive review, to reduce the number of salary scales and correlate the ones recommended for retention.

452. The Commission concluded that the basis for computing all separation payments except commuted annual leave should be the proposed base/floor amount for the system and that the existing scale of separation payments should be eliminated. It was agreed, furthermore, that this measure should be implemented in such a way as to avoid an increase in costs. The Commission noted that the current scale of separation payments was somewhat lower than the base/floor scale that it was recommending to the General Assembly. It therefore concluded that the scale of separation payments should continue to be used until it had reached the level of, or exceeded, the base/floor scale.

Recommendations and decisions by the Commission

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

(a) The terms and conditions for the payment of a termination indemnity, including the schedule of entitlements, should remain unchanged;

(b) The repatriation grant entitlement for staff without a spouse or a dependent child at the time of separation should be set at a uniform 75 per cent of the existing entitlement at the dependency rate. The proposed revised schedule of entitlements for the repatriation grant, calculated on this basis, is shown below:

<table>
<thead>
<tr>
<th>Years of continuous service away from home country</th>
<th>Staff member with a spouse or dependent child at time of separation (in weeks)</th>
<th>Staff member with neither a spouse nor a dependent child at time of separation (in weeks)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>10</td>
<td>7.5</td>
</tr>
<tr>
<td>4</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>14</td>
<td>10.5</td>
</tr>
<tr>
<td>6</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>7</td>
<td>18</td>
<td>13.5</td>
</tr>
<tr>
<td>8</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>9</td>
<td>22</td>
<td>16.5</td>
</tr>
<tr>
<td>10</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td>11</td>
<td>26</td>
<td>19.5</td>
</tr>
<tr>
<td>12 or more</td>
<td>28</td>
<td>21</td>
</tr>
</tbody>
</table>
(c) The terms and conditions for payment of the repatriation grant should remain unchanged in all other respects;

(d) The lump-sum amount payable in lieu of unused annual leave should be (calculated on the basis of net remuneration, defined as net base salary plus post adjustment under the current system, at the duty station from which the staff member separated. The number of days which may be commuted into a lump sum should remain unchanged;

(e) The terms and conditions for payment of the death grant should remain unchanged;

(f) Separate schedules of entitlements should continue to be used for calculation of the termination indemnity, the repatriation grant and the death grant;

(g) All separation payments other than the commutation of unused annual leave should be calculated using the base/floor amount for the remuneration system. The existing scale of separation payments should consequently be abolished. In order to avoid financial implications, however, this measure should not be implemented until the scale of separation payments has reached the level of, or exceeded the base/floor scale. The scale of separation payments should continue to be used during the intervening period for all separation payments other than commuted annual leave.

454. The financial implications associated with the recommendations in the preceding paragraph are estimated to be as follows:

$  

(a) Recommendation in subparagraph (b)  1 216 000  
(b) Recommendation in subparagraph (d)  975 000

Notes


4/ This commission was established to address concerns expressed in various quarters about the problems currently being faced by the United States Federal Civil Service. It studied five major issues that it believed currently confronted the federal service, namely, (a) public perception of the public service; (b) recruitment and retention; (c) education and training; (d) relations between political appointees and career executives; and (e) pay and compensation. It issued, inter alia, the report "Leadership for America: Rebuilding the Public Service", outlining 15 goals with 45 specific recommendations for achieving them. The Commission consisted of 36 leaders from the United States business, academic
and public sectors and was chaired by Mr. Paul Volcker, former Chairman of the Federal Reserve Board, hence the name the Volcker Commission.

5/ In recent years, there was extensive discussion as to exactly what was meant by the Noblemaire principle and the manner in which it had been interpreted. Argument ranged over whether or not the Noblemaire Committee's considerations were limited to comparing the salaries of the League of Nations with those of highest-paying civil services or whether the Committee intended that the League's salaries be set at a level that would attract a qualified candidate employed in any sector of the economy in the country with the highest pay levels. In effect, the report of the Committee of Experts (the Noblemaire Committee) and the records of the Second Assembly of the League of Nations, at which the Committee report was discussed on 13 September 1921, made reference only to civil service salaries. This is understandable, since, in 1920 and 1921, there was only a very limited international business sector or other private employers with which such comparisons could be made.


7/ The Pay Comparability Act, a law passed by the United States Congress in 1970, was established to maintain full-pay comparability between the United States federal civil service and its comparator, the United States private sector. The law established two entities, the Pay Agent (currently the Secretary of Labor and the Directors of the Offices of Management and Budget and Personnel Management) and the Advisory Committee on Federal Pay (a three-member group of private sector representatives). Under the law, the Pay Agent was required to submit an annual report to the President of the United States specifying the "gap" between Federal Civil Service pay and that in the private sector and, to recommend a salary adjustment that would eliminate the "gap". The Advisory Committee was required to provide its views to the President on the Pay Agent's report. The law also gave the President the ability to recommend an alternative salary adjustment based on reasons of national emergency or economic conditions affecting the general welfare. Unless the President's alternative recommendation was overturned by the United States Congress, it would become law. Since 1978, the President had not followed the recommendations of the Pay Agent and the United States Congress had not overturned his decision except for a minor adjustment in fiscal year 1984.


10/ Ibid., annex XV, para. 28 (c) (iv).

11/ Ibid., annex XV, para. 28 (b) (viii).

Notes (continued)


14/ Ibid., Thirty-third Session Supplement No. 30 (A/33/30), paras. 178-186.
ANNEX I

Competitiveness of the present United Nations salary system related recruitment and retention needs: results of a survey by the United Nations Development Programme

1. In addressing recruitment and retention difficulties the Commission attempted, as requested by the General Assembly, to identify problems related to staff recruitment and retention. The data contained in the present annex were summarized from more voluminous data provided to the Commission based on a survey conducted by UNDP in 1989. The details of the survey are described below.

2. In June 1989 a questionnaire was sent to all 112 UNDP field offices, requesting information concerning staff of all common system organizations serving within the countries and duty stations covered by each field office during the previous year. Data were received from 85 field offices, giving a response rate of 76 per cent. The returns account for 5,209 international staff, or some 75 per cent of common system staff in the field.

3. The survey requested data on average numbers of staff, project experts and short-term consultants present in the country during the year; numbers of unanticipated separations and unanticipated transfers; vacancies (and their duration); and offers declined. With respect to the latter, field offices were requested to indicate if adjustments had to be made to fill the post (i.e. through higher remuneration, special hiring practices, etc.). Data were also requested on social indicators, including marital status; whether staff were accompanied at the duty station by spouse or children, if any; number of spouses employed at the duty station, and whether the employer, if any, was local, foreign or part of the United Nations system; and whether the staff member owned a house at the duty station or elsewhere.

4. In their replies, resident representatives indicated that more complete data regarding consultants would be available from sources outside the duty station, hence no information is provided on this group. Although 215 cases were reported of upward adjustments to remuneration and other special practices in order to fill posts, data were unavailable or incomplete from a large number of countries, for which information can be considered only anecdotal and is not reproduced here. Data on social indicators, while interesting, were also incomplete and are not reproduced here.

5. Given the decentralized nature of the United Nations system, resident representatives also pointed out that data on recruitment and retention of staff and experts could be considered as only partial, since information in some cases was not available locally. The involvement of local United Nations system managers in recruitment and retention decisions regarding staff and experts should ensure that many, if not most, relevant problems were reported and, in view of the large number of cases reported, the data were considered significant, at least as an indication of the pervasive nature of the difficulties experienced.

6. The data collected are shown in the following tables. In many cases, written comments and analyses were also submitted by resident representatives, forcefully highlighting the significance of the statistics, especially the impact of recruitment and retention problems on programme delivery.
7. In addition to the data presented in annex table 1, a breakdown by level of hardship of the capital of the country is provided in annex table 2. In this regard it should be noted that, in some countries, different hardship levels apply to various duty stations outside the capital. Categorization of data by hardship status must consequently be seen as approximate.

Annex table 1. Unanticipated staff transfers/separations, vacant posts and job offers declined (Based on 1988 data for 85 duty stations)

<table>
<thead>
<tr>
<th></th>
<th>Core staff</th>
<th>Experts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers/separations</td>
<td>136</td>
<td>231</td>
<td>367</td>
</tr>
<tr>
<td>Posts vacant</td>
<td>268</td>
<td>646</td>
<td>914</td>
</tr>
<tr>
<td>Offers declined</td>
<td>56</td>
<td>256</td>
<td>312</td>
</tr>
</tbody>
</table>
Annex table 2. Breakdown of total numbers of staff, by type of duty station

<table>
<thead>
<tr>
<th></th>
<th>Unanticipated transfers or separations</th>
<th>Vacant posts</th>
<th>Job offers declined</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Core staff</td>
<td>Experts</td>
<td>Core staff</td>
</tr>
<tr>
<td>24-month home-leave cycle duty stations (29 countries)</td>
<td>41</td>
<td>53</td>
<td>95</td>
</tr>
<tr>
<td>18-month home-leave cycle duty stations (25 countries)</td>
<td>25</td>
<td>92</td>
<td>35</td>
</tr>
<tr>
<td>12-month home-leave cycle duty stations (excluding financial incentive levels I and II) (15 countries)</td>
<td>26</td>
<td>47</td>
<td>54</td>
</tr>
<tr>
<td>12-month home-leave cycle duty stations (financial incentive level I) (10 countries)</td>
<td>40</td>
<td>37</td>
<td>66</td>
</tr>
<tr>
<td>12-month home-leave cycle duty stations (financial incentive level II) (6 countries)</td>
<td>4</td>
<td>2</td>
<td>18</td>
</tr>
</tbody>
</table>
## Annex II

Revised net salary scale for Professional and higher categories (at dependency rate)

<table>
<thead>
<tr>
<th>Level</th>
<th>Step I</th>
<th>Step II</th>
<th>Step III</th>
<th>Step IV</th>
<th>Step V</th>
<th>Step VI</th>
<th>Step VII</th>
<th>Step VIII</th>
<th>Step IX</th>
<th>Step X</th>
<th>Step XI</th>
<th>Step XII</th>
<th>Step XIII</th>
<th>Step XIV</th>
<th>Step XV</th>
</tr>
</thead>
<tbody>
<tr>
<td>OBG</td>
<td>73050</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASG</td>
<td>67000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D-2</td>
<td>56070</td>
<td>57163</td>
<td>58256</td>
<td>59349</td>
<td>60442</td>
<td>61535</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D-1</td>
<td>50200</td>
<td>51236</td>
<td>52172</td>
<td>53108</td>
<td>54044</td>
<td>54980</td>
<td>55916</td>
<td>56852</td>
<td>57788</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-5</td>
<td>45050</td>
<td>46097</td>
<td>47144</td>
<td>48191</td>
<td>49238</td>
<td>49285</td>
<td>50132</td>
<td>50979</td>
<td>51826</td>
<td>52673</td>
<td>53520</td>
<td>54367</td>
<td>55214</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-4</td>
<td>38050</td>
<td>39076</td>
<td>40122</td>
<td>41168</td>
<td>42214</td>
<td>43260</td>
<td>44306</td>
<td>45352</td>
<td>46400</td>
<td>47448</td>
<td>48506</td>
<td>49567</td>
<td>50614</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-3</td>
<td>31950</td>
<td>33026</td>
<td>34092</td>
<td>35158</td>
<td>36214</td>
<td>37270</td>
<td>38326</td>
<td>39384</td>
<td>40442</td>
<td>41502</td>
<td>42562</td>
<td>43624</td>
<td>44686</td>
<td>45748</td>
<td>46810</td>
</tr>
<tr>
<td>P-2</td>
<td>26490</td>
<td>27584</td>
<td>28678</td>
<td>29772</td>
<td>30864</td>
<td>31958</td>
<td>33054</td>
<td>34150</td>
<td>35248</td>
<td>36346</td>
<td>37444</td>
<td>38542</td>
<td>39640</td>
<td>40738</td>
<td>41836</td>
</tr>
<tr>
<td>P-1</td>
<td>20970</td>
<td>22137</td>
<td>23304</td>
<td>24471</td>
<td>25638</td>
<td>26805</td>
<td>27972</td>
<td>29139</td>
<td>30306</td>
<td>31473</td>
<td>32641</td>
<td>33810</td>
<td>34978</td>
<td>36146</td>
<td>37314</td>
</tr>
</tbody>
</table>

-118-
ANNEX III

Brief summaries of the various alternatives to the current remuneration structure considered by the Commission

1. The Commission, and/or the two working groups established by it, considered the options described briefly below as alternatives to the current remuneration structure.

Option A

2. Under this option the housing element would be removed from both the base salary and post adjustment. Consequently, the remuneration package would consist of three separate elements as opposed to the two (base salary and post adjustment) under the current system as follows: base salary excluding housing; post adjustment excluding housing; and housing allowance.

3. It was noted that the removal of housing from base salary would produce base salary amounts that would be significantly lower than those currently applicable. As a result, a significantly smaller portion of the total remuneration package would be subject to staff assessment than under the current system, thus generating inadequate resources for the United Nations Tax Equalization Fund. Bearing this in mind, in particular, this alternative was not pursued further.

Option B

4. Under this option the pay package would be divided into three elements as follows: base salary, cost-of-living allowance and housing component. The first two elements would be expressed in United States dollars and the third in the currency in which the housing-related expenditures were incurred. The base salary scale would be the floor salary level for the United Nations remuneration system worldwide. No deductions from base salary would be made because of cost-of-living adjustments. In addition to the base salary scale a scale of floor housing amounts, established in United States dollars, would be introduced as an integral part of this structure. Floor housing amounts would be the minimum payable in all cases, irrespective of actual housing costs.

5. A housing allowance would be paid at headquarters and major field duty stations, including all capital cities, while housing costs would be reimbursed up to a set maximum at all other duty stations. Payment for housing would be determined in relation to the staff member's grade, step and family size. There would be a scale of floor housing amounts and a housing allowance factor, similar to the present post adjustment multiplier, which would vary from duty station to duty station. The amount of the housing allowance for a staff member would be obtained by multiplying the floor amount for the staff member's grade and step by the housing allowance factor for the duty station. The resulting amount would be paid to single staff members or those with a spouse but with no dependent children. In the case of a staff member having one or two dependent children, the above amount would be increased by 10 per cent, while in the case of those having three or more children, it would be increased by 20 per cent. A similar approach would be used in the case of duty stations where actual housing costs would be reimbursed up to established limits.
6. Cost-of-living allowances would be adjusted upward or downward on the basis of a cost-of-living index that would measure, in United States dollars, the movement of the relevant consumer prices (excluding housing). In the case of the housing component, an index would be calculated reflecting the movement of housing costs at each duty station; this would be used to update housing allowances or the limits for the reimbursement of actual housing costs, both expressed in local currency.

7. Base salary levels would be adjusted each time the comparator's equivalent net salary level moved by a full 5 per cent. This would be achieved by consolidation of a part of post adjustment into base salary on a no loss or no gain basis, using the procedures the Commission had used in the past.

8. Under this approach the housing allowance was proposed to be excluded from margin comparisons. The separation of housing from direct margin comparison was seen as presenting the following advantages:

   (a) It would recognize the specific dynamics of housing costs, which tended to increase at a different rate than the general cost of living;
   (b) It would be similar to the arrangements that the comparator and other member States provided for their expatriate staff;
   (c) When combined with the separation of housing from the post adjustment system and the establishment of a housing allowance, it would provide for the more responsive and equitable treatment of a highly visible element of remuneration;
   (d) It would also provide recognition for the fact that in the event a freeze on remuneration became necessary staff members might be in a position to make adjustments with regard to some but not all elements of expenditure. In particular, such adjustments with regard to the housing element were generally not possible, inasmuch as leases stipulating increases in rents could not be altered.

9. The Working Group, by a majority, had recommended to the Commission that the above alternative should be considered as a replacement to the current remuneration structure.

Option C

10. The main feature of this proposal was the partial removal of housing from the basic remuneration package. This division of housing costs into two distinct components was considered to parallel the salary structures of most member States and international organizations with staff in different countries. Those organizations included at least a portion of the costs attributable to housing in basic remuneration.

11. Under this option, base salary, including a portion of housing costs, was set equal to United States (Washington) emoluments and was considered to be the floor level for the whole system, thus obviating the need for a separate housing floor. This was clearly advantageous, as were some other features of the proposal.

12. Problems arose, however, when the methods for adjusting the three components were analysed. First, it became evident that because of the mix of elements in the base, the housing adjustment mechanism would lack clarity. A staff member's monthly pay cheque would lack consistency and even if the overall levels remained
constant, individual elements such as the cost-of-living allowance could increase or decrease without it being clear to staff members why this was happening. This perception problem was seem to be a big drawback. Establishing the United Nations floor on the basis of United States (Washington) emoluments was appealing in terms of the automaticity of upward adjustments but was also of concern inasmuch as United Nations salaries at a given grade were matched with the weighted average of one, two or even three equivalent United States grades. Any change resulting from anew grade equivalency study could radically affect the comparison.

Option D

13. Under this option, the pay package would be divided into three distinct elements: goods and services, housing allowance and "remainder", which would comprise net savings, investments, vacation expenses, pension contribution, life insurance and miscellaneous. The base salary would consist of 75 per cent of the goods and services component for New York plus the "remainder". This would be a floor amount for the system. For hard currency duty stations a remainder supplement would be payable. This option was developed for CCAQ by the management consulting firm of Organization Resources Counsellors, Inc. The Commission, at its March 1989 session, decided that the option should not be pursued further in view of its complexity.

Option E

14. Under this option, the remuneration package would be divided into four separate elements, namely, base salary, cost-of-living adjustment, expatriation allowance and housing. The margin would consist of an attraction element under this system. The floor amount for the system would be the base salary at the headquarters duty station with the lowest net salary level (currently Montreal). As noted in paragraph 154, the Commission decided not to pursue the approach of creating a separate expatriation allowance. It consequently decided, at its session in March 1989, that this approach should not be pursued further.

Option F

15. This proposal also divided the package into three major elements: base salary (equal to the comparator's base salary at Washington plus the margin, which together would constitute the floor), cost-of-living differential (including an adjustment for housing representing the difference between average rents at the duty station and average rents in Washington), and housing (in the form of a regressive subsidy at headquarters duty stations and an allowance at field duty stations). The margin would be a fixed percentage incorporated into base salary and compensating for expatriation, shorter length of service and relative insecurity of tenure. The proposal also provided for periodic competitive checks of United Nations remuneration to be carried out with the United States private sector and with other international intergovernmental organizations, on the basis of which United Nations remuneration would be adjusted by the General Assembly. The approach taken in this proposal was considered merit worthy, although concern was expressed, inter alia, for the infrequent control by the General Assembly over the total package.
Option G

16. This option was based on the premise that the comparison of housing costs between New York and other cities in Europe and North America was not as difficult as the comparison of housing between New York and field locations. It was, therefore, deemed unnecessary to take housing out of the base remuneration of staff members in Europe and North America and at the base of the system, New York. The remuneration package at these locations would therefore be composed, as at present, of two elements - base salary and cost-of-living allowance. It was assumed that under that structure no revision of the margin range would be required and the computation of other elements of the remuneration package and of pensionable remuneration levels would not be affected.

17. For field locations, the proposals under that alternative were similar to those under option B above, except for a preference for the reimbursement of actual housing costs, as opposed to payment of a housing allowance, at a larger number of duty stations.
ANNEX IV

Current United Nations system of allowances related to mobility and hardship

<table>
<thead>
<tr>
<th>Europe/North America</th>
<th>Field</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One-time</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TRAVEL</strong></td>
<td></td>
</tr>
<tr>
<td>Staff + dependant(s)</td>
<td></td>
</tr>
<tr>
<td><strong>REMOVAL</strong></td>
<td></td>
</tr>
<tr>
<td>or</td>
<td></td>
</tr>
<tr>
<td><strong>LIMITED SHIPMENT</strong></td>
<td></td>
</tr>
<tr>
<td>+ ASSIGNMENT ALLOWANCE + Dependency rate Single rate</td>
<td></td>
</tr>
<tr>
<td>INSTALLATION GRANT</td>
<td></td>
</tr>
<tr>
<td>DAILY SUBSISTENCE ALLOWANCE PORTION</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Designated duty stations</td>
</tr>
<tr>
<td><strong>ONGOING</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TRAVEL</strong></td>
<td></td>
</tr>
<tr>
<td>Staff + dependant(s)</td>
<td></td>
</tr>
<tr>
<td><strong>REMOVAL</strong></td>
<td></td>
</tr>
<tr>
<td>or</td>
<td></td>
</tr>
<tr>
<td><strong>LIMITED SHIPMENT</strong></td>
<td></td>
</tr>
<tr>
<td>+ ASSIGNMENT ALLOWANCE + Dependency rate Single rate</td>
<td></td>
</tr>
<tr>
<td>INSTALLATION GRANT</td>
<td></td>
</tr>
<tr>
<td>DAILY SUBSISTENCE ALLOWANCE PORTION</td>
<td></td>
</tr>
<tr>
<td>LUMP-SUM PORTION</td>
<td></td>
</tr>
<tr>
<td>PRE-DEPARTURE ALLOWANCE</td>
<td></td>
</tr>
<tr>
<td>MOBILITY ELEMENT OF ASSIGNMENT ALLOWANCE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FINANCIAL INCENTIVE</td>
</tr>
<tr>
<td>Level I Dependency rate Single rate</td>
<td></td>
</tr>
<tr>
<td>Level II Dependency rate Single rate</td>
<td></td>
</tr>
<tr>
<td>ACCELERATED HOME LEAVE 12-month 18-month</td>
<td></td>
</tr>
<tr>
<td>EDUCATION GRANT RELATED Additional travel Additional boarding costs</td>
<td></td>
</tr>
<tr>
<td>ADDITIONAL SHIPMENT</td>
<td></td>
</tr>
</tbody>
</table>
ANNEX V

List of benefits and allowances provided to United States foreign service officers overseas

The following list of benefits and allowances available to foreign service officers serving overseas was compiled by reviewing legislation, regulations and various publications.

1. Advance of pay
2. Claims for lost or damaged property
3. Commissary/post exchange privileges
4. Consumables shipments
   - First tour
   - Second tour
5. Customs privileges abroad
6. Danger pay
7. Death benefits
   - Casket and preparation
   - Transportation
   - United States income tax exclusion
8. Dental care travel
9. Dependant care grants
10. Duty-free goods
11. Education allowance
    - At post
    - Away from post
    - Home study instruction
    - Non-refundable deposits
    - Supplementary instruction
12. Educational travel
13. Emergency visitation travel from abroad
14. Evacuation payments
    - Advance compensation
    - Special education
    - Subsistence expense
    - Travel advance
15. Family travel on extended temporary duty
16. Family visitation travel from imminent danger areas
17. Government housing
    - Furniture and equipment
    - Garage space rental
    - Guards and gardeners
    - Housing
    - Phone installation
    - Repair and maintenance
    - Utilities
18. Health care at post
19. Holiday pay
20. Holidays, local and foreign
21. Home leave Freight
Time
Travel
22. Hospitalization and out-patient care
23. Household effects, loan of
24. Household effects, moving and storage of
25. Immunizations
26. Language incentive
27. Language proficiency
   Employees
   Entrants
28. Language training
29. Layette shipment
30. Living quarters allowance
   Electricity, gas, water
   Furniture rental
   Garage space rental
   Initial repairs
   Mandatory agent's fees
   Mandatory property insurance
   Personally owned quarters (home purchase)
   Rent
31. Medical examinations
32. Medical services
   Post employment
   For dependants
33. Medical travel
34. Military club, mess and recreational facilities, use of
35. Official resident expenses
36. Physicians' comparability allowance
37. Post (cost-of-living) allowance
38. Post (hardship) differential
39. Relocation income tax allowance
40. Representation allowance
   For employee
   For family
41. Representational travel for family
42. Rest and recuperation travel
43. Retirement at age 50
44. Sabbaticals for senior foreign service officers
45. Sale of personal property
46. Separate maintenance allowance
47. Special compensatory time off
   At certain designated posts
   At isolated posts
   For religious observances
   When officially ordered
48. Special differential, also known as
Special allowance for substantial amounts of extra work
Special allowance in lieu of overtime
49. Special incentive differential
50. Stand-by duty pay
51. Sunday pay
52. Supplementary post allowance
53. Tax exemption for federal manufacturers' excise tax
54. Tax exemption for foreign income taxes
55. Temporary lodging allowance
56. Training of family members
57. Transfer allowance, foreign
   Miscellaneous expenses
   Pre-departure subsistence
   Wardrobe expenses
58. Transfer allowance, home service
   Miscellaneous expenses
   Subsistence expenses
59. Transfer travel
60. Transportation of auto
   First auto
   Replacement auto
61. Travel for children of separated parents
62. Travel per diem
   Actual subsistence Flat rate
   For dependants
63. Travel to accompany medically evacuated parent or family member
64. Unhealthful post retirement credit
65. Use of United States government vehicles
   Personal
   School children
   Travel to and from work
ANNEX VI

Comparison of employment under the comparator’s package and the United Nations and proposed packages, at level P-4, step VI, for first- second and fifth assignments

1. The table below compares the emoluments provided by the comparator service and the United Nations under the existing and proposed packages, at level P-4, step VI, and its equivalent in the comparator service, in capital cities in countries where the United Nations common system has 50 or more international staff and where the comparator is also represented. For certain countries the comparison was not relevant, either because the comparator was not represented in those countries, or because the United Nations population was less than 50 international staff. Of the 44 countries shown, the comparator is represented in 18 countries by non-diplomatic federal civil service staff. These countries have been identified as a/. In the remaining countries staff of the comparator perform functions similar to those of United Nations staff, but are paid according to the foreign service scale. In the case of certain countries, in addition to the 12-month home leave, a financial incentive at level I (FII) also applies.

2. The amount shown for the comparator includes: basic salary; where applicable, post allowance and post differential; and housing. The amounts for the current United Nations package are based on: net base salary; post adjustment; assignment allowance; where applicable, mobility allowance and financial incentive; and children's allowance. The amounts for the proposed package includes: net base salary; post adjustment; mobility/hardship allowance as per the matrix; and children's allowance. Additional data for the United Nations is shown for the second and fifth assignments, which provide for different payments for mobility. It will be noted from the following table that some of the values listed under the proposed United Nations package appear to be less than those under the current United Nations package. This can be explained by the fact that the assignment allowance under the current package is being replaced in part under the mobility allowance in the proposed package and in part as an element of the one-time payment to staff members upon arrival at the duty station under the assignment grant. This one-time payment is not reflected in the table.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia a/</td>
<td>24 months</td>
<td>58 103</td>
<td>1st: 52 419</td>
<td>90.2</td>
<td>1st: 51 539</td>
<td>88.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 56 619</td>
<td>97.4</td>
<td>2nd: 55 779</td>
<td>96.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 56 619</td>
<td>97.4</td>
<td>5th: 59 323</td>
<td>100.4</td>
</tr>
<tr>
<td>Iraq</td>
<td>12 months</td>
<td>64 521</td>
<td>1st: 74 998</td>
<td>116.2</td>
<td>1st: 80 478</td>
<td>124.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 79 198</td>
<td>122.7</td>
<td>2nd: 84 718</td>
<td>131.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 79 198</td>
<td>122.7</td>
<td>5th: 87 262</td>
<td>135.2</td>
</tr>
<tr>
<td>Jordan</td>
<td>24 months</td>
<td>58 161</td>
<td>1st: 50 511</td>
<td>86.8</td>
<td>1st: 49 631</td>
<td>85.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 54 711</td>
<td>94.1</td>
<td>2nd: 53 871</td>
<td>92.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 54 711</td>
<td>94.1</td>
<td>5th: 56 415</td>
<td>97.0</td>
</tr>
<tr>
<td>Kenya a/</td>
<td>24 months</td>
<td>49 075</td>
<td>1st: 46 068</td>
<td>93.9</td>
<td>1st: 45 178</td>
<td>92.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 50 258</td>
<td>102.4</td>
<td>2nd: 49 418</td>
<td>100.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 50 258</td>
<td>102.4</td>
<td>5th: 51 962</td>
<td>105.9</td>
</tr>
<tr>
<td>Malawi</td>
<td>18 months</td>
<td>55 983</td>
<td>1st: 48 284</td>
<td>86.2</td>
<td>1st: 50 796</td>
<td>90.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 52 484</td>
<td>93.8</td>
<td>2nd: 55 036</td>
<td>98.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 52 484</td>
<td>93.8</td>
<td>5th: 57 530</td>
<td>102.9</td>
</tr>
<tr>
<td>Mali</td>
<td>18 months</td>
<td>67 789</td>
<td>1st: 56 807</td>
<td>83.8</td>
<td>1st: 59 319</td>
<td>87.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 61 007</td>
<td>90.0</td>
<td>2nd: 63 559</td>
<td>93.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 61 007</td>
<td>90.0</td>
<td>5th: 66 103</td>
<td>97.5</td>
</tr>
<tr>
<td>Mexico a/</td>
<td>24 months</td>
<td>64 715</td>
<td>1st: 45 104</td>
<td>69.7</td>
<td>1st: 45 170</td>
<td>69.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 49 304</td>
<td>76.2</td>
<td>2nd: 49 410</td>
<td>76.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 49 304</td>
<td>76.2</td>
<td>5th: 51 954</td>
<td>80.3</td>
</tr>
<tr>
<td>Mozambique</td>
<td>12 months</td>
<td>65 610</td>
<td>1st: 59 091</td>
<td>90.1</td>
<td>1st: 61 291</td>
<td>93.4</td>
</tr>
<tr>
<td></td>
<td>FF 1</td>
<td></td>
<td>2nd: 63 291</td>
<td>96.5</td>
<td>2nd: 65 531</td>
<td>99.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 63 291</td>
<td>96.5</td>
<td>5th: 68 075</td>
<td>103.8</td>
</tr>
<tr>
<td>Nepal</td>
<td>18 months</td>
<td>58 103</td>
<td>1st: 40 652</td>
<td>70.0</td>
<td>1st: 40 562</td>
<td>83.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 44 852</td>
<td>77.2</td>
<td>2nd: 52 862</td>
<td>90.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 44 852</td>
<td>77.2</td>
<td>5th: 55 346</td>
<td>95.3</td>
</tr>
<tr>
<td>Niger</td>
<td>18 months</td>
<td>71 492</td>
<td>1st: 61 323</td>
<td>85.8</td>
<td>1st: 61 835</td>
<td>89.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 65 523</td>
<td>91.7</td>
<td>2nd: 68 075</td>
<td>95.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 65 523</td>
<td>91.7</td>
<td>5th: 70 619</td>
<td>98.8</td>
</tr>
<tr>
<td>Pakistan a/</td>
<td>18 months</td>
<td>60 223</td>
<td>1st: 46 376</td>
<td>77.0</td>
<td>1st: 48 888</td>
<td>81.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 50 576</td>
<td>84.0</td>
<td>2nd: 53 128</td>
<td>88.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 50 576</td>
<td>84.0</td>
<td>5th: 55 672</td>
<td>92.4</td>
</tr>
<tr>
<td>Peru a/</td>
<td>12 months</td>
<td>59 860</td>
<td>1st: 63 231</td>
<td>105.6</td>
<td>1st: 68 711</td>
<td>114.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 67 431</td>
<td>112.6</td>
<td>2nd: 72 951</td>
<td>121.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 67 431</td>
<td>112.6</td>
<td>5th: 75 495</td>
<td>126.1</td>
</tr>
<tr>
<td>Philippines a/</td>
<td>24 months</td>
<td>55 510</td>
<td>1st: 48 603</td>
<td>87.6</td>
<td>1st: 47 723</td>
<td>86.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 52 803</td>
<td>95.1</td>
<td>2nd: 51 963</td>
<td>93.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 52 803</td>
<td>95.1</td>
<td>5th: 54 507</td>
<td>98.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>12 months</td>
<td>68 878</td>
<td>1st: 60 051</td>
<td>87.2</td>
<td>1st: 65 331</td>
<td>95.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 64 251</td>
<td>93.3</td>
<td>2nd: 69 771</td>
<td>101.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 64 251</td>
<td>93.3</td>
<td>5th: 72 315</td>
<td>105.0</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>18 months</td>
<td>59 880</td>
<td>1st: 58 143</td>
<td>97.1</td>
<td>1st: 60 655</td>
<td>101.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 62 343</td>
<td>104.1</td>
<td>2nd: 64 895</td>
<td>108.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 62 343</td>
<td>104.1</td>
<td>5th: 67 439</td>
<td>112.6</td>
</tr>
<tr>
<td>Senegal</td>
<td>24 months</td>
<td>68 484</td>
<td>1st: 53 500</td>
<td>78.1</td>
<td>1st: 52 620</td>
<td>76.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 57 700</td>
<td>84.3</td>
<td>2nd: 56 880</td>
<td>83.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 57 700</td>
<td>84.3</td>
<td>5th: 59 404</td>
<td>86.7</td>
</tr>
<tr>
<td>-----------------</td>
<td>----------------</td>
<td>---------------------------</td>
<td>-----------------------------------</td>
<td>-----------------------------------</td>
<td>------------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>18 months</td>
<td>57 725</td>
<td>1st: 45 422</td>
<td>78.7</td>
<td>1st: 48 562</td>
<td>84.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 49 622</td>
<td>86.0</td>
<td>2nd: 52 802</td>
<td>91.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 49 622</td>
<td>86.0</td>
<td>5th: 55 346</td>
<td>95.9</td>
</tr>
<tr>
<td>Benin</td>
<td>18 months</td>
<td>65 669</td>
<td>1st: 49 875</td>
<td>75.9</td>
<td>1st: 52 387</td>
<td>79.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 54 075</td>
<td>82.3</td>
<td>2nd: 56 627</td>
<td>86.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 54 075</td>
<td>82.3</td>
<td>5th: 59 171</td>
<td>90.1</td>
</tr>
<tr>
<td>Brazil</td>
<td>24 months</td>
<td>57 890</td>
<td>1st: 40 652</td>
<td>70.2</td>
<td>1st: 45 170</td>
<td>78.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 44 852</td>
<td>77.5</td>
<td>2nd: 49 410</td>
<td>85.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 44 852</td>
<td>77.5</td>
<td>5th: 51 954</td>
<td>89.7</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>18 months</td>
<td>66 699</td>
<td>1st: 54 136</td>
<td>81.2</td>
<td>1st: 56 640</td>
<td>84.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 58 336</td>
<td>87.3</td>
<td>2nd: 60 888</td>
<td>91.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 58 336</td>
<td>87.3</td>
<td>5th: 63 432</td>
<td>95.1</td>
</tr>
<tr>
<td>Burundi</td>
<td>12 months</td>
<td>64 579</td>
<td>1st: 52 419</td>
<td>81.2</td>
<td>1st: 57 899</td>
<td>89.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 56 619</td>
<td>87.7</td>
<td>2nd: 62 139</td>
<td>96.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 56 619</td>
<td>87.7</td>
<td>5th: 64 683</td>
<td>100.2</td>
</tr>
<tr>
<td>Cameroon</td>
<td>18 months</td>
<td>68 994</td>
<td>1st: 61 069</td>
<td>88.5</td>
<td>1st: 63 581</td>
<td>92.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 65 269</td>
<td>94.6</td>
<td>2nd: 67 921</td>
<td>98.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 65 269</td>
<td>94.6</td>
<td>5th: 70 365</td>
<td>102.0</td>
</tr>
<tr>
<td>Chad</td>
<td>12 months</td>
<td>71 492</td>
<td>1st: 71 494</td>
<td>100.0</td>
<td>1st: 73 694</td>
<td>103.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 75 694</td>
<td>101.9</td>
<td>2nd: 75 934</td>
<td>106.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 75 694</td>
<td>105.9</td>
<td>5th: 80 478</td>
<td>112.6</td>
</tr>
<tr>
<td>Chile</td>
<td>24 months</td>
<td>60 665</td>
<td>1st: 44 150</td>
<td>72.8</td>
<td>1st: 45 170</td>
<td>74.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 48 350</td>
<td>79.7</td>
<td>2nd: 49 410</td>
<td>81.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 48 350</td>
<td>79.7</td>
<td>5th: 51 954</td>
<td>85.6</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>24 months</td>
<td>52 750</td>
<td>1st: 45 740</td>
<td>86.7</td>
<td>1st: 45 170</td>
<td>86.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 49 940</td>
<td>94.7</td>
<td>2nd: 49 410</td>
<td>94.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 49 940</td>
<td>94.7</td>
<td>5th: 51 954</td>
<td>98.5</td>
</tr>
<tr>
<td>Côte d'Ivoire</td>
<td>18 months</td>
<td>62 459</td>
<td>1st: 68 320</td>
<td>109.4</td>
<td>1st: 70 832</td>
<td>113.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 72 520</td>
<td>116.1</td>
<td>2nd: 75 072</td>
<td>120.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 72 520</td>
<td>116.1</td>
<td>5th: 77 616</td>
<td>124.3</td>
</tr>
<tr>
<td>Egypt</td>
<td>24 months</td>
<td>61 980</td>
<td>1st: 51 783</td>
<td>83.5</td>
<td>1st: 50 903</td>
<td>82.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 55 983</td>
<td>90.3</td>
<td>2nd: 55 143</td>
<td>89.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 55 983</td>
<td>90.3</td>
<td>5th: 57 687</td>
<td>93.1</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>18 months</td>
<td>64 521</td>
<td>1st: 53 691</td>
<td>83.2</td>
<td>1st: 56 203</td>
<td>87.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 57 891</td>
<td>89.7</td>
<td>2nd: 60 443</td>
<td>93.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 57 891</td>
<td>89.7</td>
<td>5th: 62 987</td>
<td>97.6</td>
</tr>
<tr>
<td>Ghana</td>
<td>12 months</td>
<td>63 432</td>
<td>1st: 52 101</td>
<td>82.1</td>
<td>1st: 57 581</td>
<td>90.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 56 301</td>
<td>88.8</td>
<td>2nd: 61 822</td>
<td>97.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 56 301</td>
<td>88.8</td>
<td>5th: 64 365</td>
<td>101.5</td>
</tr>
<tr>
<td>Guatemala</td>
<td>18 months</td>
<td>59 335</td>
<td>1st: 50 829</td>
<td>85.7</td>
<td>1st: 53 341</td>
<td>89.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 55 029</td>
<td>92.7</td>
<td>2nd: 57 581</td>
<td>97.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 55 029</td>
<td>92.7</td>
<td>5th: 60 125</td>
<td>103.3</td>
</tr>
<tr>
<td>Haiti</td>
<td>12 months</td>
<td>62 264</td>
<td>1st: 53 691</td>
<td>86.2</td>
<td>1st: 59 171</td>
<td>95.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 57 891</td>
<td>93.0</td>
<td>2nd: 63 411</td>
<td>101.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 57 891</td>
<td>93.0</td>
<td>5th: 65 955</td>
<td>105.9</td>
</tr>
<tr>
<td>India</td>
<td>24 months</td>
<td>58 103</td>
<td>1st: 48 284</td>
<td>83.1</td>
<td>1st: 47 404</td>
<td>81.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 52 484</td>
<td>90.3</td>
<td>2nd: 51 644</td>
<td>88.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 52 484</td>
<td>90.3</td>
<td>5th: 54 188</td>
<td>93.3</td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------</td>
<td>---------------------------</td>
<td>-----------------------------------</td>
<td>-----------------------------------</td>
<td>-----------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>12 months FI I</td>
<td>65 669</td>
<td>1st: 57 819, 88.0</td>
<td>1st: 60 019, 91.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 62 019, 94.4</td>
<td>2nd: 64 259, 97.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 62 019, 94.4</td>
<td>5th: 60 005, 104.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Somalia a/</td>
<td>12 months FI I</td>
<td>62 343</td>
<td>1st: 55 593, 89.2</td>
<td>1st: 57 793, 92.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 59 793, 95.9</td>
<td>2nd: 62 033, 99.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 59 793, 95.9</td>
<td>5th: 64 577, 103.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sudan a/</td>
<td>12 months</td>
<td>69 967</td>
<td>1st: 63 231, 90.4</td>
<td>1st: 68 711, 98.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 67 431, 96.4</td>
<td>2nd: 72 951, 104.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 67 431, 96.4</td>
<td>5th: 75 495, 107.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand a/</td>
<td>24 months</td>
<td>62 165</td>
<td>1st: 47 730, 76.1</td>
<td>1st: 46 450, 74.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 51 530, 82.9</td>
<td>2nd: 50 690, 81.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 51 530, 82.9</td>
<td>5th: 53 234, 85.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>24 months</td>
<td>55 490</td>
<td>1st: 53 055, 95.6</td>
<td>1st: 52 175, 94.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 57 255, 103.2</td>
<td>2nd: 56 415, 101.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 57 255, 103.2</td>
<td>5th: 58 959, 106.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>12 months FI I</td>
<td>65 610</td>
<td>1st: 71 176, 110.5</td>
<td>1st: 73 376, 111.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 75 376, 114.9</td>
<td>2nd: 77 616, 116.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 75 376, 114.9</td>
<td>5th: 80 160, 122.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Republic of Tanzania</td>
<td>18 months</td>
<td>62 343</td>
<td>1st: 49 875, 80.0</td>
<td>1st: 52 387, 84.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 54 075, 86.7</td>
<td>2nd: 56 627, 90.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 54 075, 86.7</td>
<td>5th: 59 171, 94.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zaire a/</td>
<td>12 months</td>
<td>62 401</td>
<td>1st: 55 917, 89.6</td>
<td>1st: 61 397, 98.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 60 117, 96.3</td>
<td>2nd: 65 637, 105.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 60 117, 96.3</td>
<td>5th: 68 161, 109.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td>12 months</td>
<td>58 103</td>
<td>1st: 51 147, 88.0</td>
<td>1st: 56 627, 97.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 55 347, 95.3</td>
<td>2nd: 60 867, 104.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 55 347, 95.3</td>
<td>5th: 63 411, 109.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>24 months</td>
<td>55 983</td>
<td>1st: 46 058, 82.3</td>
<td>1st: 45 178, 80.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2nd: 50 258, 89.8</td>
<td>2nd: 49 418, 88.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5th: 50 258, 89.8</td>
<td>5th: 51 962, 92.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. Please refer to paragraphs 1 and 2 of the present annex for an explanation of the above table.