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PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

UNITED NATIONS COMMON SYSTEM

Administrative and financial implications of the decisions and
recommendations contained in the report of the International
Civil Service Commission (A/50/30)

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

I. INTRODUCTION

1. The twenty-first annual report of the International Civil Service Commission (ICSC) ^{1/} contains a number of decisions and recommendations that have financial implications for the bienniums 1994-1995 and 1996-1997, related to the following issues (the reference paragraphs in the ICSC report are indicated in parentheses):

(a) Remuneration of the Professional and higher categories of staff: increase in the base/floor salary scale, restructuring of the scale and scaling forward of post adjustment indices (paras. 223 and 268);

(b) Remuneration of the Professional and higher categories of staff: treatment of pension contributions in place-to-place and time-to-time adjustments of the post adjustment indices (para. 280);

(c) Remuneration of the Professional and higher categories of staff: out-of-area component for Group I duty stations (para. 293);

(d) Remuneration of the General Service and other locally recruited categories of staff: surveys of best prevailing conditions of employment in New York, Geneva and Rome (paras. 339, 341, 342 and 345).

2. The administrative and financial implications for either the regular budget or extrabudgetary sources of funding of the organizations members of the United Nations Joint Staff Pension Fund (UNJSPF), in respect of issues addressed in the report of the Standing Committee of the United Nations Joint Staff Pension Board (UNJSPB), have been submitted separately (A/50/312).

II. REMUNERATION OF THE PROFESSIONAL AND HIGHER CATEGORIES
OF STAFF: INCREASE IN THE BASE/FLOOR SALARY SCALE,
RESTRUCTURING OF THE SCALE AND SCALING FORWARD OF
POST ADJUSTMENT INDICES

3. In section I.H of its resolution 44/198 of 21 December 1989, the General Assembly established a floor net salary level for staff in the Professional and higher categories by reference to the corresponding base net salary levels of officials in comparable positions serving at the base city of the comparator civil service (the federal civil service of the United States of America). The base/floor scale was part of an integrated package of measures in which negative classes of post adjustment were eliminated. It is used also to calculate payments under the mobility and hardship scheme, as well as separation payments. 2/ The package of measures went into effect as of 1 July 1990.

4. On the occasion of the approval of the establishment of the floor net salary scale, in section I.E of the same resolution, the General Assembly approved the introduction of a mobility and hardship scheme and an assignment grant. ICSC reviewed the mobility and hardship scheme at its thirty-sixth session. 3/ The Commission reported to the Assembly, *inter alia*, that pending further review, the existing parameters of the scheme should be maintained, including the linkage between the mobility and hardship allowance and the base/floor salary scale. The Commission is scheduled to review the mobility and hardship scheme in 1996.

5. In section II.B of its resolution 47/216 of 23 December 1992, the General Assembly approved the revised scale of gross and net salaries. In section V of the same resolution, the Assembly concurred that the existing parameters of the mobility and hardship scheme be maintained.

6. As has been the case every year since 1990, as a result of salary increases in the comparator civil service, ICSC has recommended to the General Assembly that the current base/floor salary scale should be increased. As part of its examination of all aspects of the application of the Noblemaire principle, the Commission, in paragraph 223 of its twenty-first annual report, 1/ has recommended a new base/floor salary scale reflecting a 3.089 per cent increase, with effect from 1 March 1996 in order to reflect a gross salary adjustment of 3.22 per cent in the comparator civil service which took place as of 1 January 1995. It should be noted that the new base/floor salary scale, on this occasion, would not reflect the consolidation of classes of post adjustment. The financial implications of its recommendation for the United

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Nations common system as a whole were estimated by ICSC at \$76.3 million a year (\$57 million in 1996). The costs to the United Nations regular budget are estimated to be \$10.6 million in 1996 and \$14.2 million in 1997.

7. On the related matter of the restructuring of the salary scale, the General Assembly, by section II.G of its resolution 47/216, invited the Commission to review the structure of the salary scale at all levels of the Professional and higher categories, taking into account, *inter alia*, the overall level of the margin as established by the Assembly and the imbalance between the margin levels for different Professional grade levels. By paragraph 3 of section II.B of its resolution 48/224 of 23 December 1993, the Assembly again considered that the Commission should address the imbalance in the United Nations/United States remuneration ratios in the context of overall margin considerations, and reiterated its request to the Commission to make proposals in this regard to it at its forty-ninth session. An initial report was made to the Assembly at the forty-ninth session.

8. In paragraph 223 of its twenty-first annual report, the Commission links the restructuring of the salary scale to the overall package of measures being recommended to the General Assembly for implementation in respect of the application of the Noblemaire principle. The Commission concluded that the present structure was inadequate for the needs of the common system because it provided insufficient rewards for undertaking higher levels of duties and responsibilities. It focused its actions on attracting recruits at all grades, providing adequate rewards on promotion and establishing inter-grade elements in the scale to reflect the various levels of duties and responsibilities. The Commission, in 1994, had significantly reduced the imbalance in the scale structure as reflected in margin measurement with the current comparator civil service through a number of changes in measurement procedures: the remaining imbalance in the scale structure reflects the effects of compression of the salary range between the D-2, top step, and the P-1, step 1, salary. A restructured salary scale is provided in annex X to the Commission's report for introduction as the new base/floor scale with effect from 1 March 1996. The financial implications of the restructuring of the scale are included within the figures presented in paragraph 6 above.

9. As part of its overall package of measures with regard to the application of all aspects of the Noblemaire principle, the Commission linked its proposals with regard to the base/floor salary scale and the restructuring of that scale to the restoration of net remuneration levels at a margin level of 115 by scaling forward post adjustment indices at all duty stations as of 1 July 1996 by 5.1 per cent. Under the scaling forward proposal, not all duty stations would receive an identical proportionate increase in net remuneration. In duty stations with a post adjustment index below the pay index (the multiplier plus 100), increases would be less than the standard percentage. Conversely, in any duty stations with post adjustment indices above the pay index, increases would be more than the standard percentage. Annex XII to the report of the Commission provides examples of the scaling forward process. The Commission made these proposals in order to maintain intact the link between the P-4, step VI, matching point of the common system scale with the GS-13 and GS-14 levels of the comparator civil service. It would also avoid further increases in the level of mobility and hardship allowances, separation payments and the level of hazard

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pay. Scaling forward also had the advantage of facilitating implementation of the results in the 1995 round of place-to-place post adjustment surveys at headquarters. The financial implications of the post adjustment scale forwarding by 5.1 per cent for the United Nations common system as a whole were estimated by ICSC at \$81.1 million a year. The costs to the United Nations regular budget are estimated to be \$7.6 million in 1996 on a partial year basis and \$15.1 million in 1997.

10. The revised base/floor salary scale and the scaling forward of the post adjustment indices by 5.1 per cent have been recommended for implementation with effect from 1 March and 1 July 1996 respectively. Thus, the estimated common system financial implications would be reduced from \$157.4 million per annum to \$103.6 million for 1996. As a consequence, there would also be an estimated increase in 1996-1997 of \$8.4 million under section 32, Staff assessment, 4/ to be offset by an increase of \$8.5 million under income section 1.

III. REMUNERATION OF THE PROFESSIONAL AND HIGHER CATEGORIES OF STAFF: TREATMENT OF PENSION CONTRIBUTIONS IN PLACE-TO-PLACE AND TIME-TO-TIME ADJUSTMENTS OF THE POST ADJUSTMENT INDICES

11. The General Assembly, in paragraph 3 of section I.D of its resolution 44/198, approved the recommendation of the Commission that pension contributions should be treated as a separate item in the post adjustment index so as to ensure there would be no shift from staff to organizations in the share of expenditures relating to pension contributions. 5/ During the 1989 comprehensive review, regressivity due to taxation was removed from the post adjustment system, given that it had been eliminated by the United States federal civil service by indexing income brackets for tax purposes. Concern had been expressed regarding pension contributions and particularly that any increase should not be presented to Member States through increases in post adjustment. However, later revisions of the procedure for time-to-time updating of the post adjustment index had inadvertently reintroduced part of that regressivity through the index itself. The Commission concluded that its efforts to avoid shifting a financial burden from staff to Member States had inadvertently resulted in understatement of post adjustment indices for all duty stations. It decided that, with effect from the next adjustment of the global scale of pension remuneration, actual pension contributions should be used in time-to-time adjustments of the post adjustment index. The Commission decided to notify the General Assembly that it had determined that there would be no shift in the burden of pension contributions from staff to Member States as a result of implementing this decision.

12. As a result of the under-remuneration of the post adjustment indices, some savings had accrued to Member States since 1990 (approximately \$4 million a year). As a result of the decision of the Commission, that under-expenditure would cease as of 1 November 1995. The financial implication of corrective action for the United Nations common system as a whole was estimated by ICSC at some \$17 million for 1995-1996, and \$3.6 million a year thereafter. The costs to the United Nations regular budget are estimated to be \$452,400 in 1995, \$2.7 million in 1996 and \$670,700 a year thereafter.

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IV. REMUNERATION OF THE PROFESSIONAL AND HIGHER CATEGORIES OF
STAFF: OUT-OF-AREA COMPONENT FOR GROUP I DUTY STATIONS

13. At the time of the 1989 comprehensive review of conditions of service, a 10 per cent out-of-area band was established for Group I duty stations as part of a package of measures designed to stabilize take-home pay in local currency. The establishment of the 10 per cent band resulted in a situation where, at some duty stations, full recognition of out-of-area expenditures was not reflected in the post adjustment index. This had the effect of slightly increasing post adjustment levels at high-cost duty stations and slightly understating them at low-cost duty stations. Because the Commission had subsequently taken other stabilizing measures, the elimination of this 10 per cent band did not make any discernable difference to the stabilization of local currency take-home pay. The Commission decided, therefore, to use actual out-of-area weights with effect from 1 November 1995. In the case of duty stations that had undergone large devaluations of local currency in recent years, notably Montreal and Rome, the actual out-of-area weights were applied with effect from June 1995.

14. The financial implications of the Commission's decision to use actual out-of-area weights in post adjustment index calculations for all Group I duty stations comprise net savings of approximately \$10 million a year beginning in 1996. The savings which would accrue to the regular budget of the United Nations would be \$931,500 in 1996 and \$1.9 million a year thereafter.

V. REMUNERATION OF THE GENERAL SERVICE AND OTHER LOCALLY
RECRUITED CATEGORIES OF STAFF: SURVEYS OF BEST
PREVAILING CONDITIONS OF EMPLOYMENT IN NEW YORK,
GENEVA AND ROME

15. In 1995, the Commission conducted surveys of best prevailing conditions of employment for staff in the General Service, Trades and Crafts, Security and Safety Service, Language Teacher and Public Information Assistant categories in New York. The reference date for the surveys was 1 January 1995.

16. For the staff in the General Service and Public Information Assistant categories, the survey resulted in a 1.13 per cent increase with effect from 1 January 1995. For the Language Teacher category, the survey resulted in a 0.15 per cent increase with effect from the same date. The implications for the regular budget in the United Nations of these three surveys are additional expenditures of \$909,500 for 1995.

17. In the case of the Trades and Crafts category, the cost-of-living interim adjustment of 2.45 per cent, which fell due on 1 September 1994, was withheld in accordance with the revised salary survey methodology. The survey for this category resulted in salaries 1.4 per cent higher than the pre-September 1994 salaries, i.e., the salary scale was 1.05 per cent lower than that which would have been in place had the survey not taken place. Reductions in expenditure for the regular budget of approximately \$95,000 resulted. The implementation of a lower level of cost-of-living adjustment throughout 1995 reduced expenditures by a further \$290,000 for that year.

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18. The September 1994 interim adjustment was also withheld for staff in the Security and Safety Service category. The survey results were 4.3 per cent lower than the September 1993 salary scale. As a result, reduced expenditures in the amount of \$274,000 accrued for 1994. The non-implementation of the cost-of-living adjustment in 1995 will lead to further savings of \$285,000.

19. In 1996 and 1997, normal cost-of-living interim adjustments will be applied for the General Service, Public Information Assistant, Language Teacher and Trades and Crafts categories. Further reductions in expenditure may accrue with regard to the Security and Safety Service category, depending on the outcome of a mini-survey which the Commission decided to undertake at the beginning of 1996.

20. The Commission increased the dependant spouse allowance in New York by \$804 as a result of its review of changes in tax abatements since the date of the previous survey. For the 3,418 staff members in receipt of such an allowance in New York, the financial implications for the New York-based organizations are \$2.7 million, of which the implication for the regular budget of the United Nations is \$1.21 million in 1995.

21. The Commission also recommended increases in the child allowance by \$5 per child per year. The additional expenditures for the United Nations regular budget are \$7,170 in 1995.

22. In summary, therefore, for the New York surveys, the balance of financial implications (increases in salaries and dependency allowances offset by reduction of expenditures) was \$1,182,600 for 1995.

23. Also in 1995, the Commission conducted surveys of best prevailing conditions of employment for staff in the General Service and Language Teacher categories at Geneva. The survey for the General Service category indicated that United Nations salaries were 7.4 per cent higher than those of the retained comparators. The recommended scale was implemented with effect from 1 September 1995 for newly recruited staff. For staff on board, net remuneration was frozen until such time as it will be overtaken by movement of the cost-of-labour index at the duty station. Reductions of expenditure of \$1.3 million for the regular budget of the United Nations were realized in 1995. In the case of the Language Teachers, the survey indicated that United Nations salaries were 1.3 per cent higher than the scale in effect since January 1994. Reductions of expenditure of \$5,200 accrued in 1995.

24. The survey of best prevailing conditions of employment in Rome resulted in a 1.4 per cent increase with effect from 1 November 1994. The financial implication for the regular budget of the United Nations for 1995 is \$23,400.

VI. SUMMARY

25. The additional costs for the regular budget resulting from the decisions and recommendations of ICSC are summarized below:

Summary

(In millions of United States dollars)

| | <u>1995</u> | <u>1996</u> | <u>1997</u> |
|--|--------------|-------------|-------------|
| Remuneration of the Professional and higher categories of staff: | | | |
| (a) Increase in the base/floor salary scale and scale forward of the post adjustment indices | - | 19.3 | 29.3 |
| (b) Treatment of pension contributions in place-to-place and time-to-time adjustments of the post adjustment indices | 0.452 | 2.7 | 0.671 |
| (c) Out-of-area compensation for Group 1 duty stations | - | (0.9) | (1.9) |
| (d) Surveys of best prevailing conditions of employment: | | | |
| (i) New York | 1.18 | - | - |
| (ii) Geneva | (1.3) | (5.2) | (5.2) |
| (iii) Rome | <u>0.234</u> | <u>-</u> | <u>-</u> |
| Total | <u>0.566</u> | <u>15.9</u> | <u>22.9</u> |

26. Subject to General Assembly approval of the recommendations of ICSC in its twenty-first annual report, the related change in requirements under the regular budget will be included in the recosting of the proposed programme budget for the biennium 1996-1997. On the basis of the foregoing summary in paragraph 25 above, should the Assembly adopt the recommendations of ICSC, there would be increased requirements in the order of \$47.2 million under the sections of expenditure, of which an estimated \$8.4 million relates to section 32, Staff assessment.

27. Owing to the treatment of staff assessment in the income sections, the net increase in total income would also be some \$8.4 million. The related increase under income from income section 1, Staff assessment, estimated at \$8.5 million is partially reduced by a decrease in the estimate under income section 3, Revenue-producing activities, in the order of \$114,200.

28. Accordingly, the net increase to the regular budget would be in the order of \$38.8 million.

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Notes

1/ Official Records of the General Assembly, Fiftieth Session, Supplement No. 30 (A/50/30).

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

3/ Ibid., Forty-seventh Session, Supplement No. 30 (A/47/30),
paras. 253-283.

4/ Ibid., Fiftieth Session, Supplement No. 6 (A/50/6/Rev.1), vol. I.

5/ Ibid., Forty-fourth Session, Supplement No. 30 (A/44/30), vol. II,
para. 261 (b).
