

FICSA CIRCULAR



FICSA /CIRC/1168
Ref: offorg/icsc

Geneva, 28 May 2014

To: Chairs, Member Associations/Unions
Members of the Executive Committee
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Presidents, Federations with Observer Status
Chairs and Vice-Chairs of Standing Committees

From: Brett Fitzgerald, General Secretary

**LATEST DEVELOPMENTS IN THE COMPREHENSIVE REVIEW OF THE
UN COMMON SYSTEM COMPENSATION PACKAGE
28 May 2014**

The comprehensive review of the compensation package for staff in the Professional and higher categories is now well underway. FICSA has deployed expert staff representatives to each of the review's working group (WG) meetings, addressing the content of the remuneration structure, issues of competitiveness and sustainability, and performance incentives and other human resources issues. FICSA has also actively engaged and represented your interests at the 78th session of the International Civil Service Commission (ICSC) held in March 2014 and the 36th session of the Advisory Committee on Post Adjustment Questions (ACPAQ) held in April 2014.

Now is a good time to take stock of where we are in the process and where we might be going.

Working Group I met in December 2013 and began its review of the remuneration structure including base pay and post adjustment as well as social benefits and allowances. Its mandate has been broadened to look at the entire comprehensive review and to provide guidance to the other two working groups. The conclusions of WG I have confirmed the broad scope of the review (see Annex 1 to this Circular) and just how much is at stake for staff and the UN's ability to recruit and retain the best people in the future. FICSA has underscored that the overall compensation package has to be competitive, respect the Noblemaire Principle and provide social protection for staff and their families, in line with international standards and the realities of an expatriate workforce. We see opportunities for modernizing the current system, particularly with a view to ensuring there is an enabling environment for gender equality in the UN workforce.

Working Group III met in February 2014 and focused on pay for performance. The working group noted that "one of the most important factors for organizations to make the transition to pay for performance was the credibility of the performance evaluation system". It was pointed out, however, that good performance can be recognized in ways other than monetary rewards and that under performance can already be addressed through the current system. One of the main conclusions of WG III was that within grade step increments should be more strongly linked to

good performance, in line with its initial purpose. FICSA views performance management as a shared responsibility between staff, managers and the organization. Staff need to be active in the management of their career and in strengthening their skills and contributions to the UN. Organizations need to provide the necessary support for professional growth, including training, on-the-job learning and career counselling which includes advice on possible career pathways.

Working Group II on competitiveness and sustainability met in March 2014. A major exercise of this WG was the comparison of the UN compensation package to the World Bank, the European Union and to the expatriate staff of several national civil services. The evidence presented confirmed that the UN compensation is not “extravagant” – as some Member States have tried to claim – and that it is not higher than that in other expatriate workforces. Nevertheless, the WG called for further study on a number of allowances. The ICSC Secretariat also demonstrated comparison tools and a baseline cost model that could be used to assess proposed changes to the compensation package.

The 78th ordinary session of the ICSC held in March 2014 reviewed the reports of the working groups and made the following decisions:

- It endorsed WG I’s proposals to focus its work in accordance with the proposals for further review (see Annex 2 to this Circular);
- It requested WG III to examine a possible modification of the step structure, update the ICSC framework on appraisal and recognition of performance and continue with the review of the role of National Professional Officers;
- For WG II it requested that the issue of flexible bonuses be studied further, accepted proposed limitations to the frequency and scope of the grade equivalency studies (grade equivalency comparisons between the UN and the comparator US Federal Civil Service), proposed further study to consider remuneration issues related to splitting grades, a parallel technical career track for substantive experts, education grant alternatives and the review of mobility, hardship, assignment and relocation related allowances.

ACPAQ, at its 36th session in April 2014, also contributed to the comprehensive review through a review of the post adjustment index structure. The meeting considered whether it could simplify the methodology for determining the post adjustment by removing any of the components contributing to its calculation. The session concluded that changes would not be practical nor provide simplification to the post adjustment and recommended to the ICSC that there was no justification for a change, although there could still be opportunities for improving the predictability of salaries through modifications to the operational rules.

While there appears to be general support for maintaining a “globalist approach” to compensation, FICSA is remaining vigilant in our engagement with the review process. Any so-called “stratified approach to compensation” risks creating inequities in the employment conditions among common system staff.

Some of the emerging discussions we are closely following include:

- Within-grade step increases which are being described as “too automatic”; it is expected that these will be explicitly linked to performance;
- Grade levels and staff professional advancement – splitting existing grades has been put forward as a possible way of creating greater opportunities for advancement, keeping staff motivated;

- Possible revision of the education grant – there has been some discussion concerning the possibility of a flexible education grant limited to a fixed number of years and that the staff member would be allowed to choose the education levels for which they would be reimbursed;
- Single versus dual salary scales (single and primary dependency rates): the dual structure is being questioned, with some advocating for a shift to a single scale, accompanied by a spouse allowance; and
- The notion of “special occupational rates” for certain specialized jobs or at duty stations with difficult conditions – it appears these would be difficult to administer, adding to transaction costs and, furthermore, risk introducing inequities in the common system and locking staff into professional “silos”. Some are arguing that recruitment and retention bonuses could be a viable alternative.

WG I met again last week. In addition to a major focus on single versus dual salary scales, its agenda also addressed the level of the base/floor salary scale, dependency allowances, leave benefits, education grant, home leave, allowances under the mobility and hardship scheme and the rest and recuperation framework. FICSA is strongly advocating that the present comprehensive review reverse the negative trend in conditions of service in hardship duty stations. Changes in recent years have made it increasingly difficult to recruit and retain staff in difficult locations and, for staff serving in these locations, they face consequences on their health and well-being.

FICSA will continue its active engagement in all aspects of the comprehensive review discussions, working in coordination with the other staff federations, for a strong international civil service through:

- Fighting for globally competitive salaries which respect the Noblemaire Principle;
- Protecting social security, health and social benefits in keeping with international standards;
- Promoting employment conditions and conditions of service which reflect best practices including fair, objective and transparent performance appraisals and recruitment processes;
- Reinforcing measures to uphold safety and security of UN staff;
- Ensuring necessary support for expatriate life; and
- Promoting the highest standards of integrity, the independence of the international civil service and the UN values in keeping with the UN Charter.

Attachments: Annexes 1 and 2

Annex 1

Document ICSC/78/R.4, paragraph 72

VI. The way forward

72. The working group discussed the distribution of the issues identified above among the three working groups as well as the sequence of meetings. Bearing in mind the interrelated nature of items, the group agreed that the sequence of considering various items needed to be planned carefully. For example, such concepts as pay for performance and targeted remuneration/allowance should be dealt with prior to the consideration of a potential revision to the salary scale, if any. Furthermore, the possibility of rebasing post adjustments must be discussed before the issue of margin calculation methodology was reviewed in the competitiveness and sustainability context. The sequence of work listed below was suggested with a view to finalizing the Commission's recommendations on a revised compensation package by 2015, as requested by the General Assembly:

1. Working group on competitiveness and sustainability
 - (a) Implementation of the Noblemaire principle (benchmarking against highest-paid national civil service, including international non-governmental organizations);
 - (b) Targeted remuneration/allowances (to address difficult-to-fill occupations and to achieve gender/geographical balance);
2. Working group on performance incentives and other human resources issues
 - (a) Closer link of pay to performance at all levels;
 - (b) Use of within-grade steps (increments as performance management tools; removal of steps; reduction in the number of steps; changing frequency of increments, etc.);
 - (c) Headquarters versus field packages;
3. Working group on remuneration structure
 - (a) Base pay (salary scale design; possibility of reduced or zero post adjustment in New York; dependency versus single rate of pay and dependency allowances; scale compression at higher grades);
 - (b) Review of post adjustment methodology (in coordination with the Advisory Committee on Post Adjustment Questions);
4. Working group on performance incentives and other human resources issues
 - (a) Effective use of total rewards elements;
 - (b) Review the definition, role and scope of National Professional Officers;
5. Working group on remuneration structure
 - (a) Social benefits and incentives (general lump-sum and cluster of allowances; rationalization, streamlining and simplification of allowances; review of the compensation for expatriate status);
 - (b) Review adjustment mechanism;

- (c) Education grant (simplification and streamlining);
6. Working group on competitiveness and sustainability
- (a) Margin (possibility of 115 margin at the system base; methodology for calculation of margin);
 - (b) Operation of post adjustment system (predictability and sustainability).
73. The scheduling of meetings was tentatively discussed. The groups envisioned that two working group meetings would take place before the seventy-eighth session of the Commission, that is, the working group on performance incentives and other human resources issues (closer link of pay to performance at all levels, use of within-grade steps, and headquarters versus field packages) and the working group on competitiveness and sustainability (implementation of the Noblemaire principle and targeted remuneration/allowances). The outcome of these meetings would be reported for the Commission's consideration, to be followed by the second meeting of the working group, at which the base salary structure would be reviewed for possible redesigning (base pay and review of post adjustment methodology).
74. Based on a revised salary scale, the working group would study the following areas:
- (a) Effective use of total rewards elements;
 - (b) Review of the definition, role and scope of National Professional Officers.

Then, both working groups would meet to address the remaining issues, respectively. Nevertheless, it was agreed that the sequence of meetings and their schedules were subject to change and were likely to be amended based on progress towards the completion of the exercise. Any required changes would be duly reported to the Commission as the review advanced. Pursuant to resolution 68/253 in which the General Assembly requested that the executive heads of common system organizations and staff federations, as well as Member States are apprised of the progress of the review and have an opportunity to provide their feedback, it is foreseen that additional activities might be required to respond to inquiries made by Member States regarding the existing compensation. It was also reiterated that all remuneration elements would be reviewed holistically while the core value of the common system organizations must be safeguarded, under the auspices of the Chair and the Vice-Chair of ICSC, who would participate in the meetings of all working groups and maintain constant contact with all stakeholders.

Annex 2

Decisions of the Commission (document ICSC/78/R.10, paragraph 60)

60. The Commission decided:

- (a) To take note of the progress made by the working group;
 - (b) To endorse the working group's proposals to focus on the following areas:
 - (i) Base pay, including:
 - a. Scale structure, number of grades and steps
 - b. Single vs dependency rates of pay
 - c. Base pay adjustment
 - d. Gross salary
 - (ii) Streamlining of post adjustment;
 - (iii) Social benefit including education grant;
 - (iv) Field-based allowances.
 - (c) To request the working group to take fully into account the additional proposals put forward by the organizations and the staff, including to:
 - (i) Explore the possibility of raising the level of the base/floor salary scale on a cost neutral basis;
 - (ii) Consider alternative ways, rather than through the dual salary scales, to recognize a dependent spouse;
 - (iii) Revise the scale structure in terms of the number of grades/steps and the use of step increments in such a way as to enhance staff morale and performance;
 - (iv) Consider alternative approaches to staff assessment and the Tax Equalization Fund with a view to eliminating the gross salary scale;
 - (v) Streamline field-based allowances, bearing in mind potential overlaps in the current package and the modality of their provisions;
 - (vi) Review the scope and rationale of education grant, including eligibility and coverage, and ways to simplify its administration; and
 - (vii) Explore a framework for granting flexible compensation tools to deal with specialized skills, exceptional performance and specific staff circumstances.
 - (d) Request ACPAQ to include in its work agenda the exploration of ways to modify/simplify the PAI structure, while assessing the impact of any change on other elements in the compensation package.
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