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From: Brett Fitzgerald, General Secretary

REPORT ON THE MEETING OF ICSC WORKING GROUP I (4)
REVIEW OF THE UNITED NATIONS COMMON SYSTEM COMPENSATION PACKAGE
FOR STAFF IN THE PROFESSIONAL AND HIGHER CATEGORIES

The 4th meeting of Working Group I of the International Civil Service Commission (ICSC) was held from 17 to 24 November 2014 at the UN Headquarters in New York. FICSA was represented by Diab El Tabari, President, and Brett Fitzgerald, General Secretary.

The programme of work included: salary scale structure; periodicity of steps and use of steps and performance bonuses as a mechanism for performance incentive; relocation-related elements and allowances (hardship and additional hardship allowances, mobility incentive, rest and recuperation framework and accelerated home leave travel); education grant; and the World Bank approach to expatriation-related allowances.

If the meeting were to be summed up in one word it would be "tense".

The three Staff Federations were obliged to publicly deplore the manner in which the Working Group was being conducted. During the first four days of the meeting the views of the Staff Federations and the HR Network were both being discarded even when the positions of these two groups were in the majority, which clearly indicated that the exercise was in no way being carried out in line with acceptable democratic and consultative principles. On the fourth day of the meeting all three Staff Federations were obliged to walk out of the meeting in protest, but not without insisting that their positions and views on the items included in the programme of work be properly reflected in the reports of the Working Group.

In response to the proposals put forward by the ICSC Secretariat on the different agenda items, the Staff Federations expressed their views and concerns as follows:

Salary scale structure proposal from the ICSC Secretariat

The proposed new scale structure would:

- benefit D-1 and D-2 staff at the expense of P-2 to P-4 staff
- slow down within grade progression by reducing the frequency of steps
- increase the value of each step at the P-4 to D-2 grades while decreasing the value of each step at the P-1 to P-3 grades
- reduce net remuneration for all married staff except for P-1 step 1
- reduce net remuneration for 80 % of staff in order to fund bonuses for 20 % of staff.

Furthermore, the proposal would have the following impact on staff:

- reduce competitiveness of the package for staff with non-working spouses
- punish staff who perform satisfactorily by reducing the frequency of their steps
- divide staff into two groups based on a performance management system that staff and management believe inadequate for objectively identifying the two groups
- demotivate a large amount of staff, at P-3 and P-4, where the largest population is located.

Lack of clarity on rationale:

The rationale behind the review of the salary scale structure is unclear. Is it a cost-cutting exercise, in which case the burden should be shared by all? If the Commission is of the opinion that staff with dependents are too well paid, then this should be clearly stated. Should the purpose be to make sufficient savings in order to provide for a bonus system it is clear to the staff representatives that a proper performance evaluation system would firstly need to be put in place in all participating organizations.

The Commission has been unable to explain in non-technical terms the rationale for its proposed elimination of dependency rates in the salary scale and its partial replacement by an allowance. The ICSC's argument of equal pay for equal work rings hollow when one considers that the proposed allowance for married staff members with a dependent spouse would still result in a differentiation between staff who are single and staff with dependents when calculating the total remuneration and allowances. It is also not clear why the proposal is for a spouse allowance at 6% when the current average between single and dependency rates is 7.7%. Moreover, the mechanism which would trigger the periodic adjustment has not been made clear.

Personnel statistics demonstrate that for the last three years most new recruits are hired above step 1 in their respective grades. This clearly indicates that starting salaries are not competitive and that the value of step 1 in each grade is too low.

The United States General Schedule has uniform spans of 30% across each grade. Pay compression between grades D-1 and D-2 is linked to the pay policies of the comparator which itself has pay compression between the highest grades in the General Schedule and the Senior Executive Service (SEC). The ICSC Secretariat's proposal would deviate from the comparator's practice and, therefore, is not recommended. Moreover, the schedule for the comparator's Senior Executive Service contains five different levels of pay when compared to the US General Schedule which contains 10 steps/levels of pay. In order for the UN to be aligned with the comparator the number of steps at the D-1 and D-2 levels should not exceed one-half of the number of steps in the P category. Therefore, the maximum number of steps at the D-1 and D-2 levels should not exceed seven.

The margin:
The Staff Federations noted that the General Assembly had requested that net remuneration be within a margin of 110 to 120 and that the average margin be at 115. We noted that only minor corrections would be required to ensure compliance with the General Assembly's decision, and that the proposal of the ICSC Secretariat to place each and every grade at the margin of 115 would not only be unnecessary but would, in fact, be an invented justification for reducing salaries.

Transitional measures:
Staff requested on numerous occasions more details on the ICSC's intentions with regard to transitional measures so that current staff would not be stunted in their progression at their grade by a new scale, when compared to how they would have fared at the current scale. Consideration of these concerns must form an integral part of any new scale.

Periodicity of steps and use of steps and performance bonuses as a mechanism for performance incentive
The paper prepared by the ICSC Secretariat on this agenda item was clearly based on the mistaken assumption that there is a large number of staff who are undeserving of their step increase and that it is received only due to longevity. This perspective diminishes the contribution given by the vast majority of staff who are committed to their organizations and dedicated to their work. Most staff see the steps as a reward for their contribution and increase in experience. There are already mechanisms in place to withhold step increases when appropriate but if these are not applied it is due to management failure or weak performance assessment systems. The Staff Federations expressed concern about stretching out the steps. To have to work for two years to see an increase fails to recognize the day-to-day contribution of deserving staff and means the link between performance and step increases is diminished. Changing the periodicity of steps from annual to biennial would slow down the progression to the final step in the grade. In any case the Staff Federations would not be able to accept that the ICSC decrease the salaries and steps of some of the Professional category staff in order to provide an increase to those at the D-1 and D-2 level. Furthermore, the ICSC's argument that the grade span and salary maximums need to be increased for those at the D-1 and D-2 level in order to recruit staff of a certain occupational group would imply that current staff at these grades are not qualified.

The Federations also expressed concern about what would constitute superior or outstanding performance and whether this would be applied in a fair way. The current performance management systems are generally not trusted by staff and management to serve as a tool to identify high performing staff. The ICSC consultant explicitly advised against the introduction of a bonus system in the absence of a functioning performance assessment system. Moreover, in a multicultural and organizationally diverse, and sometimes politically motivated environment of the United Nations, there is a fear that special awards would be provided based on personal relationships rather than on the contribution a staff member makes to his/her organization. This may be an issue for the Working Group on performance incentives, but should there be special cash bonuses, a fair and transparent process, including peer input, must be in place. Other awards, including recognition and leave for example, may be just as effective.

Caution must be taken to ensure a proper balance in incentives. Staff will clearly see that they are giving up something from their own salary to reward others. For that vast majority of staff who are performing well, but are not getting recognized, a cash bonus system that works for a few may be demotivating. Monetary bonus awards, if chosen, should be small, focusing on team recognition and should be separately funded.

Relocation-related allowances

The Staff Federations endorsed the paper which had been proposed by the CEB/HR Network. With regards to the lump-sum of the assignment grant, the Federations expressed the view that the amount could be DSA related. However, the DSA amount should be adequate and may need to relate to the duty station of departure, given that many of the out-of-pocket expenses relate to forfeited rent and other costs, as moves within the common system are usually not planned ahead, and staff must move within two months of being selected for a position in another duty station. The proposed changes by the ICSC would be detrimental to staff with a dependent spouse.

Hardship classification

The current UN classification of duty stations includes six categories, compared to the eight categories of the comparator. The proposed simplification to four categories would merge very different hardship levels and very likely discourage mobility. Such a simplification without any substantive underlying rationale would not be an adequate base for a system of incentives for mobility to hardship duty stations.

Education grant

The Staff Federations are concerned by proposals that include reductions in the education grant. While fully supporting the maintenance of the tertiary level grant the Federations are concerned about other proposals. Particularly burdensome would be the proposed restrictive definition of eligible expenses which would only include tuition related items. The data demonstrates that tuition currently represents about 74% of the education expenses claimed. There are other significant costs to educating a child at a duty station that cannot be dismissed. These include transportation, supplemental classes for families wishing to have some instruction in their native language, classes in subjects not offered by the school but which may be considered standard in other educational institutions such as music or sports. Many schools also add on extra-curricular activities fees, that are not part of the tuition, but are an obligatory expense none the less.

The reduction in boarding is also a concern. It is sometimes easy in the abstract to dismiss the need for boarding where there are adequate schools. But there has to be an appreciation for the urgent family needs of staff, often in challenging assignments and stressful situations, even at H duty stations. Staff may be facing frequent relocation but could be facing other challenging situations. A child could be facing racial, religious, cultural or sexual discrimination in their environment. The family life situation may be difficult due to the work obligations of the parent, such as frequent duty travels. Given that the costs of boarding are not high, based on the numbers presented, and a ceiling is in any case proposed, restricting boarding expenses, especially at the primary and secondary level, would not seem like a supportive policy for the staff member or their families.

Should eligible expenses be limited to tuition, the Commission would need to recommend a modification that could return some of the education grant benefit to the staff. Should the grant be limited to tuition without the capital assessment fees and without the inclusion of additional educational costs, it would then seem appropriate to increase the percentage of reimbursement to perhaps 85%, given associated education expenses that cannot be claimed directly. If there are other savings that come out of a modified scheme, they should go to providing some lump-sum grant to pre-school education.

While the Staff Federations endorse administrative simplification of the grant, which would be appreciated by staff, management, and the stakeholders, the Federations also believe there is a need to ensure that the proposals address the needs of staff and are equitable across duty stations.

Expatriation-related allowances - the World Bank approach

The Staff Federations vehemently rejected this approach. It was built for a very different organization, for different objectives, and in a different geographical context. It would not be suitable for the United Nations and would not help in making the United Nations more competitive.

The World Bank is very different from the UN. Their salaries are much higher and therefore they are much more competitive than the UN. With higher salaries they can provide some flexibility in their benefit package without their employees feeling the financial stress. However, it must be noted that, even within this approach for the limited duration of benefits, the World Bank is far more generous than the UN. With the UN already perceived as being at the bottom edge of competitiveness, there is no room for further deterioration.

An objective of the World Bank programme is to move towards a shorter-term employment strategy. Costs are uploaded in the early years with a view towards higher turnover, with staff taking the early benefit and then moving on to other employment and being replaced by new employees. This may not lead to cost reduction as World Bank staff take early payout and move on. The UN, on the other hand, should have a perspective of developing a long-term committed and experienced civil service. Reducing benefit scales would therefore be counterproductive to maintaining a robust civil service.

It should also be noted that some benefits in the UN, including rental subsidy and mobility allowances, already take such an approach as used in the World Bank and reduce and expire over time. These approaches recognize specific circumstances for declining needs without penalizing staff for their long-term commitment.

While this model might work in the United States, particularly Washington, D.C. where there is a nice standard of living and public schools are of high quality and free, the approach is not attractive in other duty stations. The path to US citizenship, either through birth or naturalization, may also be easier than in other countries, and the educational and work opportunities for children can be very attractive in encouraging staff and their children to remain in the United States. This situation does not exist in other countries where assimilation into the national environment has more barriers.

The models for benefits under such a proposal seem extremely complex, and applying such models across a number of HQ duty stations compounds the complexity. This proposal does not seem to address any of the objectives of the comprehensive review. It does not add to competitiveness, equity, transparency or simplicity. There is no clarity on what benefits would be derived from the World Bank approach. The costs of administering such a system could be substantial and any savings negligible. Trying to explain it and justify it to staff would be another amazing hurdle. There are too many variables and diverse needs and circumstances in the UN for such a system to work effectively.

The issues of complexity, cost, and inequity make this proposal untenable. There are better, simpler and more direct approaches for encouraging mobility.